SUSTAINABLE VALUE CREATION

As a Challenge to Managers and Controllers

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TABLE OF CONTENTS

CHAPTER 1

Sustainable value creation and management responsibilities

1.1 Sustainable Value Creation: necessary and full of opportunity

Corporations which have operating income create economic value that adds to society's prosperity. At least that should be the case, but value creation at the corporate level can on balance turn out to be negative for society at large. For instance, it may be harmful to the environment. In general, although modern modes of operation have boosted production, it has become evident that they have left a deficit in terms of depletion of natural resources, deterioration of ecological systems and have often caused a great deal of pollution.

Because of a growing world population and continuous economic expansion, the limits to economic growth are in sight. Therefore, the business community is being challenged to change course and make sure that corporate value creation is sustainable.

Governments have the power to advance sustainability as they can set certain rules that businesses are required to follow - especially in the areas of environment, health and justice. In the final analysis, however, corporate sustainability can only be imposed to a certain degree as its acceptance also depends on inner motivation and freely-adopted social responsibility.

This book makes an appeal to (future) entrepreneurs, managers and controllers to follow the path of sustainable value creation. Corporate sustainability demands a new way of thinking and acting: how can we create value while honouring environmental and social values?

In recent years there has been international pressure to take sustainability seriously because of climate change, depletion of natural resources, pollution and persistent poverty in many parts of the world. At the same time, opportunities for launching sustainable goods and services are widening. This does not mean sustainability is easy to achieve as it requires innovation. Sustainable innovation (whether it is about taking small or big steps) depends on genuine entrepreneurship and good management to become successful in the end.

The credit crisis (2009-2010) was not necessarily at the expense of sustainable business and Corporate Social Responsibility (CSR). For instance, since then there has been a plea to let (extra) government expenditure to pull the economy out of its dip consist of sustainable investments. In the end, it appeared that only 15.6 per cent of the 2800 billion US dollars worldwide expenditure stimulus budget could be marked as ‘sustainable’ (UNEP, 2009). Taken together, that was a considerable amount but relatively of a modest size. More is needed, in terms of both government-led expenditure and corporate strategies.

Corporate sustainability has many aspects, especially when it is linked to corporate governance and social responsibility. This book pays attention to the primary production process because there one finds the centre of value creation and the key to a sustainable business. This book also pays attention to other corporate functions and the various ethical and communicative aspects of CSR.

1.2 Sustainability in business

In the area of sustainability in business there are various frequently-used terms that focus on a part of the issues at hand. Through cross-fertilisation the various terms have started to converge. In particular, that is true for the terms ‘corporate sustainability’ (sustainable business), ‘corporate governance’ and CSR. To understand these terms well, it is important to clarify and delineate them.

These three terms can be characterised as follows:

1 | ***Corporate sustainability*** (sustainable enterprise, sustainable business): has a strong focus on the economic, social and ecological sustainability of the primary production process, and how that can be improved by means of management and innovation. The main stakeholders are the future generations whose prosperity should not be endangered by the present generation’s patterns of production and consumption.

2 | ***Corporate governance:*** this means the rules, processes or laws by which businesses are operated, regulated, and controlled. Originally, the terms primarily referred to the management structure designed to ensure that the hired management operated in the shareholders’ interests. Nowadays it also emphasises the importance of enterprises keeping to accepted ethical standards and best practices in line with other forces such as consumer groups, clients, and government regulations.

3 | ***Corporate Social Responsibility*** (CSR): is practised by involving various stakeholders at the strategic and operational level of a business (employees and their organisations, shareholders, neighbours, suppliers, customers and social interest organisations) and by giving due recognition to these groups. By taking into account stakeholder interests, a company attempts to ensure its continuity (acquiring a ‘license to produce’). As stakeholders nowadays tend to stress the importance of sustainability (from their different angles), a direct relationship between corporate sustainability and CSR has emerged.

CHAPTER 2

Sustainable development

2.1 Companies have a central role to play

Moving towards a sustainable economy requires the involvement and dedication of all segments of society - government, companies, citizens and NGOs. They all have to join in a worldwide transformation process that will lead to drastic economic change. The worldwide nature of this process has already become apparent through the commitment of various international United Nations (UN) organisations such as the United Nations Environmental Programme (UNEP) and the Food and Agricultural Organisation (FAO). Economic change for the sake of sustainability, however, cannot occur without the direct commitment of companies. They have a central role to play.

Mankind is capable of moulding nature so that it delivers what consumers wish to buy. In this respect, both companies and consumers appear to be seriously short-sighted: they do not appear to take into account alarming implications for the Future of the Planet. As long as human influence on nature was relatively small - because of modest population sizes and limited technical means - there was not much harm done. However, as the world's population has been steadily growing (and still continues to do so), nature is under a continuous pressure that poses a threat to all life on earth.

Sustainable development cannot be taken for granted. While duly recognising our modern globalised economy's impressive achievements, it has become evident that at the same time it is wasteful, socially unacceptable and untenable. As the problems are predominantly in the economic domain, sustainable enterprise and sustainable production are indispensible components of the rescue package.

In spite of all kinds of movements that have emerged to make things better, until now the entire intervention package has been insufficient. Much more is needed. When talking about sustainable business (or similar terms), it should be realised that it is about genuine entrepreneurial activity, meaning entrepreneurs working on real solutions based on their own creativity and willingness to take economic risks. Moreover, social entrepreneurship can contribute to meeting the basic needs of large groups of people whose livelihoods are below any acceptable minimum standard.

Our Common Future

Sustainable development was the central concept in the report “Our Common Future” of the UN’s World Commission on Environment and Development (the Brundlandt Commission), issued in 1987. This report made a clear link between economic growth, environmental issues, poverty and development problems. Human poverty prevented a sustainable use of nature while combined efforts of nature conservation and economic development were necessary to reach sustainable development.

According to the Brundtland Commission, sustainable development is a development path for the world economy that meets the needs of the present generation without compromising the ability of future generations to meet their own needs. Therefore, economic growth that causes serious harm to the regenerative power of nature is unsustainable. The concept of sustainable development connects economy with both ecology and ethics. Insight into the relationship between economy and ecology (the natural basis for human existence) makes human kind responsible for the future. The moral dilemmas that emerge from this insight should not lead to ‘head in the sand’ policies. Sustainable development has to deal with intergenerational justice. This highlights the ethical significance of sustainable development. Later, in international politics, sustainable development was directly linked with energy and biodiversity issues (see Text box 5).

TEXT BOX 5

Energy and biodiversity

Another milestone was the Biodiversity Treaty of Rio de Janeiro in 1992. During this UN Conference, the member states agreed to develop new policies for environment and development. The new development framework involving all countries was called ‘Sustainable Development’. In 2002 the greatest UN Conference ever was held: the World Summit on Sustainable Development, Johannesburg, South Africa.

During those conferences it was concluded that it was not self-evident that Western countries’ prosperity could maintain the same high level for ever. This is caused by scarcity in natural resources. We have to use our natural resources more efficiently and save on energy and biodiversity. Besides, we have to invest in knowledge and education, so that low input technologies are developed that make it possible for future generations to ensure for themselves an acceptable prosperity level.

Sustainability is surrounded by great uncertainties about the future as it is about the long term. The longer the time span, the greater the uncertainties involved, especially in the areas of demography, technical development and the carrying capacity of our life-supporting systems (Wikipedia, 2011).

CHAPTER 3

Sustainable business at sector and supply chain level

3.1 To a common offensive at sector level

Companies considering their own sustainability Strategyhave to realise that they need to reach consumers and investors. Why this is not always easy is explained by focusing on two types of major stakeholders: consumers ans investors[5].

The consumer

Companies contribute to economic development by their efforts to improve efficiency and product quality. However, why do companies so frequently close their eyes to extreme poverty and environmental damage? A search for what prevents them from doing this, leads to one answer: cost.drivan competition. It should also be noted that in many cases consumers have shown only a limited interest in sustainability. The number of consumers who are highly motivated by pursuing sustainability comprise just a small percentage. It appears, however, that sustainability is capable of touching a sensitive chord among a wider audience if this does not bring with it (substantially) higher prices. Most of the time the average consumer has no awareness of how a product is made and so he or she is unlikely to appreciate in full the sustainability aspects of every purchase. It can be observed, however, that the public's interest in sustainable products is growing as the subject receives increased media attention. There is a difference between (i) how consumers behave when concrete choices have to be made and (ii) the stance that consumers take when operating as responsible citizens who are asked how the world should develop and what that should mean for today's consumption. When interviewed about sustainability issues, most people appear to respond primarily as (responsible) citizens. What they say when interviewed can be in contrast with their actual buying behaviour.

The investor

There is a great deal of competition associated with capital and property. This is most visible on the capital markets. Investors anonymously buy via the stock exchange pieces of a company and sell them on whenever they wish to do so. The private investor may have a certain preference for particular sectors (such as IT or Real Estate), but often knows little of the detail. Professional and institutional investors will have planned an investment strategy which includes ways to spread risks and to analyse markets and currencies. However, their efforts do not always include a detailed study of what individual companies are doing or planning

[5] *This section largely derives from Sijtma et al. (2002)*

in the area of sustainability. Nonetheless, there already exists a considerable market for sustainable investments, with an increasing number of investment organisations having added sustainability criteria to their check lists. This does not alter the fact that there still is a long way to go before investors accept that they should apply recognised sustainability standards as a natural condition before putting their money into any security fund or investment project.

Ensuring commitment in two steps

Enterprises cannot develop sustainability policies in isolation from what their competitors are doing. A variety of issues require cooperation and common procedures because the vastness and potential impact of the ecological and related problems are strongly determined by the sum total of what all companies undertake in a particular region. Frequently, governments intervene to create a regulatory framework aimed at the desired improvements, while preventing excessive costs. Depending on the culture, this may lead to public-private partnerships in implementing sustainable production methods.

Companies need to develop their own sustainability policies. However, they can often benefit from sector-based approaches. This chapter suggests ways in which company-based sustainability policies may be successfully developed.

Cooperation at the sector level creates possibilities for taking the offensive in the area of sustainability, as at that level it is possible to work on new competition rules that promote sustainability. These rules can be created by establishing a sector-based framework for the stakeholder. Here, two steps can be distinguished.

As a first step, a sustainability audit for the sector can bring to light those sustainability issues that can best be addressed collectively. Determining what needs to be arranged in detail is a matter of negotiation, whereby several interacting forces are at play, such as an urgency to find solutions for the problems in hand, the capacity of the companies involved (also in terms of expertise) to take action within a relatively short period of time and the sector's commitment to the issues concerned.

A sector-based sustainability audit may have major advantages. Firstly, in this way high ambitions can be honoured because the costs to be incurred can be shared. Secondly, where NGOs are involved as well (such as consumer interest and human rights organisations), collective action makes it possible to come to terms with their limited staff. Thirdly, it is also a matter of efficiency as most companies that belong to the same sector are subject to similar threats and opportunities. Last but not least, many sustainability problems will become visible only when scaled up beyond a single organisation.

It would not be a surprise to learn that companies in the same sector already meet on a regular basis. It can be meetings organised by an existing sector-based organisation or an employers'

CHAPTER 4

Environmental management

4.1 Environmental management and central objectives

The previous chapters discussed some key concerns related to the sustainability strategies of companies, the role of financial managers and the scope of these strategies. From there, however, more operational aspects of corporate sustainability have to be highlighted. One major issue is environmental management. Without proper environmental management corporate sustainability has no chance of making a clear positive appearance.

Environmental management is part of a company's efforts to safeguard its long-run competitive capabilities. For that matter, environmental management is also part of reaching a company's goals, including market goals (turnover, market share and profits), financing goals (dividends, financing capabilities) and societal goals (social responsibilities, achieving a good reputation and social acceptance).

4.2 The essence of environmental management

Environmental management can be described as the totality of a company's efforts focused on:

1. Gaining insight into the company's environmental impact, both internally and externally
2. Limiting and controlling damage caused by environmental effects and wherever possible preventing it
3. Maintaining communication on environmental issues both within and outside the company.

Environmental management is not just relevant to manufacturing companies but equally to service providers such as shops, accountancy firms, educational institutions and hospitals.

In principle, prevention of harmful environmental effects by means of a superior technology is the best solution, because then the environment is free of the strain caused by productive activities. In practice, this is achieved to a limited extent only, partly due to the fact that for a long time the environment was denied any priority. Consequently, much irrevocable damage to our environment has already been caused.

In environmental management it is useful to apply the so-called prevention ladder, which consists of nine rungs (see Mantz-Thijssen en Van der Woerd, 1991). The highest rung is about choosing or designing alternative products which are totally free from environmental effects (total prevention). But for existing firms this is likely to be a long-term objective that can only be reached by taking intermediate steps. These steps may involve efficient use of imputs, careful storage and use of imputs, reuse and recycling of imputs and products, minimal use of water and energy, filtering of emissions to air and water, using the best available clean technologies, responsible waste management.

Searching for synergy

Over the last twenty years the search for synergy between market goals and environmental goals has resulted in the development of various supportive initiatives. Some of these are:

1. Management systems in the areas of quality, work and environment, which companies can implement. These result in the control of critical factors and continuous improvement programmes.
2. Environmental costs that are hidden in the administrative systems are increasingly made explicit.
3. Methods to develop prevention options so that wastage in productive activities can be stopped.
4. Life-Cycle Analysis (LCA) as a method to detect a product's environmental effects throughout the chain.
5. Methods to develop eco-friendly products (eco-design).
6. Thanks to the concept of Integrated Chain Management (closing of material cycles), there have emerged practical ways to extend chains by means of using residual waste (rather than dumping or burning it), and the reuse and recycling of products.

The traditional product column (which is comparable to the supply chain and related to the economic concept of industrial column; see also Text box 10) is a model of the technological production process of a specific product (or group of products), passing from its origin (a factory) to its final destination (the consumer). From an environmental point of view, this presentation is too limited as it sheds insufficient light on the possibilities of saving energy, applying reuse and recycling in the different phases of making and then delivering a product. The product column is to be adapted so as to reflect all forms of environmental effects; it is then called the product life cycle (Mantz-Thijssen en Van der Woerd, 1991):

1. Depletion of raw materials and energy
2. Pollution of air, water and soil
3. Nuisance caused by noise or stench
4. Wastage
5. Deterioration of landscapes
6. Disaster risks

CHAPTER 5

The human factor in the sustainable company

5.1 Introduction

This chapter discusses the social aspect of sustainable business insofar as it relates to a company's internal organisation. Sustainable value creation asks for co-workers who are competent in terms of motivation, preparation and know-how. How does the work organisation that accommodates the sustainable enterprise does look like? This question cannot be easily answered. Therefore, to put on steam, this chapter takes a look into recent discussions on modern management and Human Resource Management.

5.2 Trust and reputation

Sustainable business has been associated with new forms of enterprise which have been developing in recent times. This relates to new requirements that modern companies have to comply with (Lindgreen et al., 2009[7]):

- Knowledge is becoming more and more universal and generally accessible. Because of that, the asymmetry in information between employer and employee, as well as between supplier and client, seems to disappear: everyone has access to the same knowledge. For the enterprise the key is in recognising how existing knowledge can be used to solve problems. It is not knowledge alone but its application that will make the difference. Hierarchical power structures based on capital and/or position become less influential, while the ability to solve problems and add value by creating and enriching applicable knowledge becomes more influential.

- There will be other forms of value creation which are more democratic in nature. Examples are open source, wikinomics and open innovation. These phenomena change the character of companies. More often than before they have to build their existence on those new 'open' realities. A central place in this is taken by the creation of value, the (ethical aspects of the) distribution of the created value and social responsibility.

- Many markets have become more efficient and more intelligible because of Internet developments. At the same time citizens have become more assertive and influential. Companies have had to become more transparent to keep their credibility and continue to be trusted by their social environment.

[7] *Most of this section has been derived from this publication.*

- The credit crisis has seriously damaged public trust. In the long run, however, there will be new opportunities to build trust. After all, without mutual trust no transactions will take place. Various parties involved have the feeling that the lack of trust cannot be solely solved by additional laws and regulations. It requires new way of thinking and organising.

- Many entrepreneurs and CEOs are experiencing the present social climate - that puts extra emphasis on abiding by the rules - as a serious impediment to entrepreneurship and creativity. Many a daring but exciting plan will be put aside as long as a fear of failing to comply with laws and rules is always the uppermost concern.

- Enterprise and entrepreneurship go together with emotions; this is at odds with distant relationships.

Trust within this context does not necessarily imply unconditional trust. There is a middle-of-the road modality which may be called informed trust: trust that is justified by information. Therefore, trust is not a remedy for all crisis-related problems. There is a need for new forms of organisation which are geared at making use of informed trust while doing justice to new ways of working together and participation. If that is realised, the legislative and supervisory roles of the government can be limited because then there are other forms of direction and correction. This could also apply to relationships with other stakeholders such as shareholders, employees and NGOs, resulting in fewer issues being brought sub judice.

Decentralised decision making

The successful enterprise will give its employees ample opportunity to bear responsibility. There is, in fact, no alternative as the complexity of contemporary society rules out a central leadership that takes its decisions from the top. More than ever before, it is necessary to decentralise decision making, especially as nowadays lead times are short. This organisational form can only succeed when individual contributions to the company's goals are based on a clear mission and shared values while being made transparent to all parties concerned. Under these conditions, the real task of top management consists of developing and maintaining the company's long-term strategy in concertation with the entire organisation. Strategies will be informed and shaped by consumer and civic power as information symmetry is spreading.

A number of companies will be subject to the steering force of a collective, which on the basis of that are able to command a degree of credibility and reliability that ensures their continuity. Wikinomics is an interesting case showing how an unorganised collective is steering and correcting. Then there are many amateur supervisors rather than one central supervisor.

Reputation

The value of a company's reputation will increasingly become a crucial factor. In the past financial information took a dominant place in corporate reporting. A company that made a

CHAPTER 6

Corporate Governance and CSR as vehicles of corporate sustainability

6.1 Corporate governance

Looking after a company's economic, social and ecological interests requires proper corporate management. The latter is implied when we refer to the concept and practice of corporate governance. In essence, corporate governance is a matter of administering a company within the confines of the law and generally acceptable ethical principles. It is a company's leadership that is accountable for this while it should also be keen to render account of it. A company's stakeholders can be confident that their interests are in good hands only if the company is transparent and trustful.

Corporate governance can be regarded as a part of a company's business and society relations. It belongs to the range of issues concerning corporate power, legitimacy and responsibility (see e.g. Pettigrew, 2009).

Corporate governance can be evaluated from different angles (Pruijm, 2010, chapter 2). From al business-administrative point of view, there is a need for good management based on well-thought-of strategies, motivating leadership and effective management systems. Economically speaking, the company is to create economic value which can justify its existence. Corporate sustainability implies that value creation has to be sustainable in accordance with the three P's (People, Planet and Profit). Failure to achieve this may cast a slur on a company's corporate governance. From a juridical point of view, a company's board is responsible for what happens in a company; it represents the company as a legal identity. Historically, the interests of shareholders took priority, but nowadays there is a broad consensus on a company's responsibility for the interests of other stakeholders as well.

Good governance is to some degree a matter of having effective management control (with controllers and CFO's playing a major role).

Pruijm (2010) is in line with the broader conception of governance as formulated by Strikwerda (2002):

1. There is a systematic planning by means of a strategic plan and subsequent budgets.
2. There is a logical organisational structure, that is to say, the total task of a company is divided fully and unmistakably over departments which have to make achievements which are measurable and open to evaluation.
3. Department heads have been assigned clear tasks which are systematic, normative and measurable.
4. There are conditions set for self-steering (e.g. by way of management information), so that departments and individuals are able to establish whether they have performed satisfactorily or not and, when needed, to improve their processes.
5. There are values and norms defined and communicated (the company's mission, and norms regarding goals and boundaries).
6. There is communication (which is partly systematic and partly free) to discuss goals, their attainment and possible (causes of) deviations.
7. There is a systematic evaluation, that is, an evaluation of achievements in light of objectives, principles and external developments (including alignment with how co-workers are assessed and paid).
8. In line with this, there are corrective action plans.

Business continuity

Within this framework it is appropriate to also pay attention to business continuity as a factor in defining rules for corporate governance. For a long time business continuity was most of all part of a company's safety procedures as well as ICT policies. It was highlighted by means of company-level rescue aid programmes and safety plans. Emphasis was given to what needed to be done, for instance, in the case of a fire outbreak. Because of increasing regulations, more weight was given to liability issues and a growing number of (safeguard) inspections, business continuity is now strongly focused on uninsurable risks; therefore, business continuity tends to be converted into a financial problem and a control problem. A company's Business Continuity Plan is to focus on minimalizing a calamity's consequential damage. This in particular refers to critical business processes which as a result of a calamity come to a standstill; for instance, when essential services to clients cannot be continued (ZBC.nu, 2010).

In various countries special Corporate Governance codes have been developed as instruments to prevent crises in the area of Corporate Governance . At the same time, however, the new rules create new forms of non-compliance; in fact, these represent new risks which are at least as real as the possibility of a fire outbreak. To prevent a lack of adequate policies, senior management needs to avail itself of action plans to address the 'new' calamities.

CHAPTER 7

Environmental accounting

7.1 Three domains of running a business

From an accounting point of view, three different corporate domains can be distinguished: the internal organisation, the supply chains and the immediate social context (government, consumers, and civil society). These domains should be considered on the basis of the three elements (the three P's) of sustainable business: People, Planet and Profit. This chapter goes into the Planet aspects, that is to say, the ecological environment (also indicated as 'environment' and 'environmental'). The three domains are reflected in the following matrix (see Table 7.1).

Table 7.1 Three domains of an environmentally conscious management (Bennett & James, 1998)

	Own organisation	Supply chains	Society
Financial focus	Green financial management	Chain-oriented cost analyses	Costs of external effects
Non-financial focus	Recording of materials used and energy consumption	Analyses of material cycles and energy consumption in the supply chains	Calculation of environmental impact, both priced and non-priced.

The three domains can be helpful in indicating a company's achievements (or lack of progress) as to the extent it has made use of possibilities of greening its business. A company's own organisation (the first domain) will understandably be given priority if its short-term survival is at stake. However, in the long run a company's continuity cannot be secured without considering its supply chains and its societal context.

To a great extent, a company's supply chains determine the use of nature in terms of raw materials, equipment, logistics and the kind of technology applied. Supply chains offer all kinds of opportunities to economize and deploy alternative materials and energy.

Society (the third column in Table 2) is important when it comes to setting priorities in the light of current governmental policies and societal pressures. It should be kept in mind that a company's supply chain manager and senior management have to consider a variety of societal contexts, given the fact that chains often to cross borders.

The society column can be based on two different types of environmental goals (Van Bergen and Strikwerda, 2003):

1. Environmental goals pertaining to external effects (externalities) which can be taken into account by assessing their (possible) impact on investment plans and company value (for instance, licences, fines, legal liabilities and reputational harm).
2. Environmental goals deriving from moral conceptions about responsible stewardship which go beyond narrow boundaries and time horizons.

As to the first type of environmental goals, senior management has to indicate how externalities should be dealt with, in particular when they could lead to financial claims by third parties. Some companies may take a defensive stance by involving legal advisers and lobbyists. Other companies are more sympathetic towards such claims, even if their legal basis is still unclear. Policies in this area can be seen as belonging to the regular decisions which senior managers take to maximize the company's long-term value.

The second type of environmental goals - which are inspired by moral considerations - may lead to a conflict with the shareholders. After all, environmental goals which are not treated as economic matters per se can be interpreted by shareholders as a kind of 'on-the-job consumption', which by its nature reduces the company's value.

However, according to the international conception of corporate governance (as formulated by the American Law Institute), in certain situations a corporate board is entitled to spend money on societal and humanitarian goals (Bradley et al., 2000) even if that spending seems incompatible with profit maximization. A corporate board is not only allowed to take measures aimed at preventing or neutralising negative effects of certain company operations (as the board deems appropriate, even if it is not possible to attach an economic value to these measures), it can also take further steps (as long as there is a company interest involved). The latter measures cannot be part of normal investment decisions; they have to be expressed in terms of special criteria, projects and capital budgets. How much can be spent on this is a matter of subjective judgement. Obtaining the green light for such projects (which cannot be based on economic or legal necessity) from the Supervisory Board or the Shareholders' Meeting may be hard to realise. It will depend on the management's persuasiveness combined with the views and verdict criteria of the various company bodies. Existing statements derived from a company's mission and vision may be indicative of how easy special projects of a humanitarian nature will be accepted and implemented.

A number of companies will adopt a rather passive approach when it comes to preventing or mitigating moral dilemmas implying a possible violation of generally accepted social norms which condemn ruthless exploitation of natural resources, child labour and other forms of exploitation. However, these social norms are constantly under pressure or may be disregarded when competition is fierce or when financial gain has become the one and only objective.

CHAPTER 8

The Green Economy[9]

8.1 Introduction

Corporate sustainability is part of a wider movement in which people take up their responsibility for a sustainable future. At the international level, one way of expressing this wider responsibility is a call for joint efforts to move towards a green economy. In particular, the UNEP (United Nation Environmental Programme; the UN's overall coordinating environmental organisation) has been playing a prominent role in promoting the realisation of the green economy. The concept was also on the agenda of the UN's Earth Summit Conference (Rio +20) held in 2012.

According to the UNEP, the green economy is an economy that results in improved human well-being and reduced inequalities over the long run (social equity), while significantly reducing environmental risks and ecological scarcities. It implies that growth in income and employment is driven by public and private investments that reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and eco-system services.

The concept of the green economy refers to already existing knowledge but could have the power of a mobilising concept, that is, a concept capable of motivating and mobilising people, governments and companies to make extra steps, in this case, towards a sustainable world.

For a concept to be 'mobilising', it needs to be strong enough to transcend existing social divides (such as between rich and poor, employers and employees), broad enough to allow different emphases and applications so that large parts of society can be actively involved in its realisation. Therefore, it should not contain strong contradictory elements or broadly felt shortcomings.

These features do not imply that from the outset a mobilising concept is to fully meet the requirements of scientific clarity and interpretation. In fact, in the past mobilising concepts such as clean(er) production and eco-efficiency were launched and were put into practice even before scientific research was called in to find out what they 'exactly mean'.

[9] This chapter is based on one of the author's contributions to the following project: "The Green Economy in the European Union's External Actions", which was commissioned as an internal scoping study by the European External Action Service (EEAS) in 2011.

8.2 Sustainable development

The various documents on the green economy bring to light that this concept is closely related to the concept of Sustainable Development as launched by the UN's World Commission on Environment and Change (the Brundtland Commission) in 1987 in its report "Our Common Future". A Global Agenda for Change (see also Chapter 2). However, the comparison is between Our Common Future as a change programme and the UN's Green Economy Initiative rather than between the concepts of Sustainable Development and the green economy.

Development and environment

Despite the similarities, there seems to have emerged a need for a new concept that can boost new initiatives. This evokes the question: What has been the outcome of 'Our Common Future' and where lies its limitation? The answer may begin with an evaluation of 'Our Common Future' on the occasion of its twentieth anniversary (Hauff, 2007). 'Our Common Future' was a seminal report that marked a time in history at which development and environment enjoyed increasing awareness and attention. However, development and environment did not go along with each other easily. Up to date the tension between the two still exists. The concept of sustainable development - meeting the needs of the present generation without compromising the ability of future generations to meet their needs - could in principle be the key to a durable match between development and environment. In 1987 this was a new perspective. It established the notion of equity and justice within and between generations and the idea of developing a shared understanding of the long-term goals for human life on earth. From there, 'Our Common Future' pleaded for new international governance instruments and action programmes. To realise this, there was a need for leadership and mutual trust. The Rio Conferences are a direct result of the suggestion made by 'Our Common Future' to have an international conference to address these issues.

What has been achieved sofar?

The question arises whether, after 23 years, 'Our Common Future' has had its desired effect. In spite of what has been done to promote sustainability, it cannot be denied that the world economy is still moving ahead in a way which implies that ecological boundaries will be overstepped. There is no common future unless that process is stopped. Moreover, the distribution of economic wealth and use of natural resources is still greatly unequal, potentially implying social conflict at the global level. Command and control policies have to be intensified but cannot do it alone. It is necessary to involve civil society and the business community with awareness, social responsibility and dedicated entrepreneurship as leading values.

The notion of 'overstepping' has a stronger appeal if one uses a definition of sustainable development that was launched by UNEP in 1991, namely 'improving the quality of human life while living within the carrying capacity of supporting ecosystems'(Brander, 2007). From this perspective, the green economy agenda is a means to find new ways of working on sustainable development rather than replacing it by new ways of thinking.