

One planet business: The challenge of corporate responsibility

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Since its emergence onto the corporate landscape CSR has gained significant recognition under the watchful eye of a wide range of stakeholders. Responding to the priorities and concerns of these stakeholders makes the practice of CSR fraught with complexity and makes comparisons and analysis difficult across sectors, let alone within the business community as a whole. WWF offers a beacon of light as to how companies may find the end of the CSR tunnel without getting lost in the mist.

To say that we have only one planet to support us may be stating the obvious. However, given the serious social and environmental challenges facing us, and the apparent lack of a coordinated global response, it would seem that what should be obvious is not. There is still a commonly held belief that the planet is an infinite source of clean air, clean water, and free “natural capital” on which our global economy is built. Politicians across the political spectrum, from both the developed and the developing world, still peddle the dangerous myths that we can have infinite economic growth on this clearly finite planet, and that there will always be a technological fix for every problem we face.

The more cautious could argue that humans seem to be caught in the same bind as the legendary frogs in the gradually heating pan of water; we seem unable to react to our predicament until it's too late and we are metaphorically and perhaps actually (with climate change) boiled alive! (Apparently, frogs placed in a pan of cold water that is then brought slowly to the boil, will

make no attempt to escape and will eventually be boiled to death. However, a frog dropped into a pan of already boiling water will make every effort to jump out as quickly as possible).

Every two years WWF produces The Living Planet Report – a ‘health-check’ for the planet. There are two main graphs in the report, the Living Planet Index and the World Ecological Footprint. The first measures the populations of animal species around the world and is an indicator of the health of the world's ecosystems. The Index has fallen by about 40 per cent over the last 30 years indicating a critical decline in nature's productivity. The second compares people's consumption of natural resources with the ability of the planet to replace them.

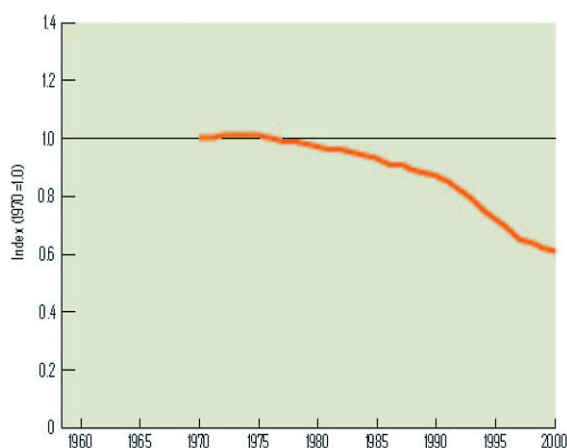
The results from the 2004 edition are worrying. Currently, we are consuming about 20 per cent more than the planet can sustain. In other words, globally we need 1.2 planets to meet our present demands, so we are clearly living beyond our means. It's like eating into the capital in a bank account instead of living off the interest.

One planet living

As a response to this challenging situation WWF, and its partner Bio-Regional, have developed a new initiative called One Planet Living (OPL). The aim is to demonstrate that living sustainably can be easy, attractive and affordable. We are working with local people, companies and governments around the world to help create communities, products, and services, which can help people everywhere live within a fair share of the earth's resources. We have identified a set of 10 principles that can be used to create a “sustainability action plan” for individuals, companies, local authorities, a region or indeed a whole country.

The 10 One Planet Living Principles

- Zero Carbon
- Zero Waste
- Sustainable Transport
- Sustainable Materials
- Local and Sustainable Food
- Sustainable Water
- Natural Habitats and Wildlife
- Culture and Heritage
- Equity and Fair Trade
- Health and Happiness



Living Planet Index: 1970-2000.



Humanity's Ecological Footprint: 1961-2001.

But what is the relevance of this for the private sector? Well, of the hundred largest economies worldwide, more than half are companies and a rapidly decreasing number are countries. In today's world, corporations are a force to be reckoned with; they have massive economic and political power which can be directed either towards profit maximisation alone or towards developing solutions to the world's socio-economic and environmental challenges.

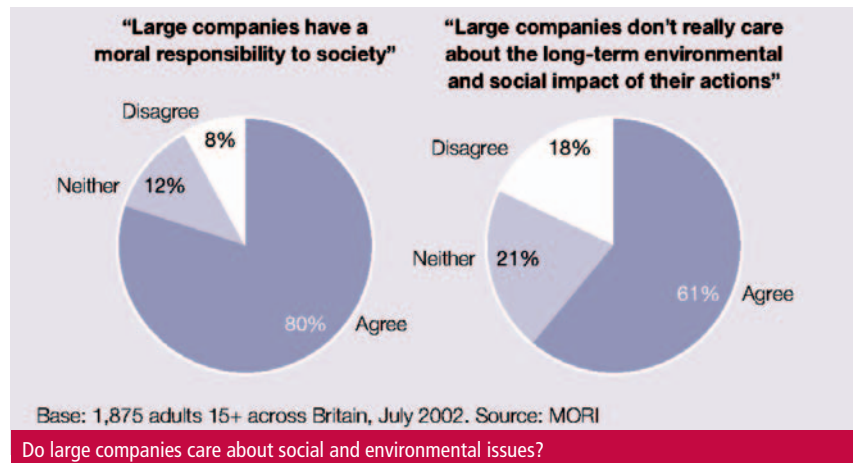
The corporate footprint

The corporate footprint has changed in size and nature in response to ever evolving market conditions. It can be argued that in the early years of industrialisation most companies were operating in local markets and meeting the needs and expectations of local stakeholders. They often filled the void left by governments who lacked the capacity to provide public services and social welfare – a direct reflection of their direct accountability to the communities in which they operated. In the main companies made a positive contribution to society and, because of their limited number and scale, they had a relatively small impact on biodiversity and the environment.

In the first half of the 20th century, governments increasingly expanded their capacity to meet the demand for public and social goods with growth in healthcare, education and infrastructure provision. At the same time markets directed companies towards meeting the demand for more consumptive lifestyles.

Since the Second World War, the role of governments in developed regions, as social service providers, has been weakened as the provision of public goods and social welfare – such as pensions, transport, energy, water and sanitation services – have increasingly been transferred back into the private sector. At the same time the capacity of governments in developing countries to meet demand for these public services has stagnated. In these developing regions, companies benefiting from the increased reach afforded by globalisation, are using local resources to provide goods and services to lucrative developed markets, without filling the public service void left by governments. This 'stakeholder relationship gap' is the root cause of many of the corporate responsibility concerns that exist today.

The contribution of corporations to the social contract is increasingly measured in terms of a narrow focus



on short-term shareholder value instead of value creation for society as a whole. Business models that externalise costs, placing additional burdens on society and the environment, have further eroded the historical role of the corporation as a social-good provider. As Joel Bakan puts it, "Every cost the corporation can unload onto someone else is a benefit to itself, a direct route to profit".

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It is often argued that, "the business of business is business", that its sole purpose is to generate money and that all other activities flow from there. Indeed it is often noted that, in order for companies to afford to be environmentally and socially responsible they need first to generate sufficient surplus capital.

However, business activities undertaken to generate profit can have significant negative impacts on environment and society. In fact, the unpaid costs borne by society as a whole may outweigh the economic value generated by company activity. As we noted above, if we look at the origins of business, it was established to meet some prior need or want of society; banks were set up to provide safe places to store money and valuables, pharmaceutical companies to develop cures and improve healthcare, construction companies to build roads, houses, schools and other essential infrastructure. It is therefore strange that many companies continue to define their purpose as "making profits" without any reference to the social and environmental 'utility' that its products or services should provide.

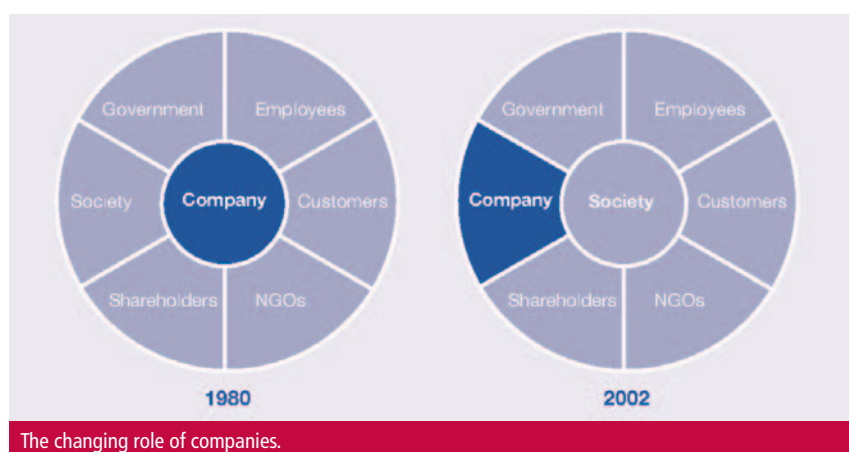
We would argue that this reductionist model of capitalism is fundamentally flawed. For although its supporters claim that there could be positive benefits for all if every individual, corporation or government were to pursue a narrow definition of self-interest, this claim does not bear close scrutiny. In 1960, the richest 20 per cent of the world's population accounted for 70 per cent of global GDP, while the poorest 20 per cent controlled 2.3 per cent – a ratio of 30:1. By 2000, the richest 20 per cent controlled 85 per cent of GDP, while the poorest accounted for only 1.1 per cent – a ratio of 80:1. What we see in reality is the gap between rich and poor widening and, globally, a rise in violence in response to growing inequity. The have-nots also want what the haves have.

In our view, all sectors of society, including corporations, have a collective responsibility to reverse these trends of environmental degradation and social breakdown. This view is supported by recent MORI (2002) research, which found that 80 per cent of respondents felt that business has a responsibility to society beyond the simple generation of profit.

As Henry Mitzberg wrote in the Financial Times, "Corporations are social institutions: if they don't serve society, they have no business existing".

In parallel with this widespread feeling that business has a responsibility towards society that it has yet to fulfil, it is worth noting that companies' perceptions of their own relationships to society as a whole are slowly evolving.

The diagram below is taken from a recent workshop with a multinational company. The circle on the left shows that in 1980, managers saw the company's role in society as pivotal and as the "centre of the universe". The diagram on the right shows perceptions from 2002, and indicates that managers' views of the company



have evolved; the company becomes a component of society as a whole.

This is an encouraging change in perception that may indicate a shift towards greater Corporate Social Responsibility (CSR). Certainly, in our bilateral relations with companies like ABB, Lafarge, Nokia, Pelicano and others, we are fortunate to be working with pioneering companies that have made a strong commitment to reducing footprint and operating sustainably.

Reversing the Trends

To further encourage these new developments, and to avoid 'paradigm paralysis' whereby we unconsciously use the same mindset that caused the problems to try and identify solutions, we must opt for evolution rather than revolution. This will require a growing awareness of the interconnectedness of all life and an increasing ability to learn from and build on the ways that Nature generates, breaks down and renews itself. In reality, human beings are inseparable from the cycles of the natural world and must learn to adapt industrial production processes and develop new materials in accordance with the principles that inform the living planet.

Once we acknowledge our dependence on nature, we will learn to create technologies that maximise

benefits to society and the environment by mimicking nature's ways. We will move away from the current linear cradle-to-grave model that generates vast amounts of toxic and other waste, to a more sustainable, cyclical cradle-to-

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cradle system that transforms waste into 'food' for other processes and lives.

As a part of the OPL initiative, WWF with its civil-society and private-sector partners is pioneering and promoting the concept of One Planet Business (OPB). The programme philosophy is that we must share the responsibility for both the issues and the required change towards operating our businesses within the ecological limits of our one planet. Therefore, OPB is a 'Global Partnership for Change' – inclusive, supportive and learning. It brings together the leaders from policy, consumer bodies, investors, companies, academia and environmental science in order that they can create mutually empowering innovation around key industry sectors.

One Planet Business will have sustainability as its 'default option'. In practical terms, this would mean that the 10 OPL principles outlined above become part of a company's DNA so that sustainability is seen as the only way to do business. To illustrate with two examples: implementing a 'Zero Carbon' strategy would mean that a company's operations have been set up to ensure its direct and indirect impacts do not contribute to greenhouse gas emissions and that its energy needs are met through renewable sources. A 'Zero Waste' approach would see the company operating a closed loop system for all processes and products with the emphasis on reducing waste at source, then reusing, recycling and recovering all remaining waste.

By adopting the OPB approach, a company will fulfil its social contract by internalising all the costs related to its overall operations and implementing a business model that is based on value creation for society as a whole. Thus, the company of the future will have integrated Corporate Responsibility into its business model. As a result, all increases in shareholder value will provide a clear signal that the company is producing goods and services in ways that make a net positive contribution to people and the planet.

If, as we foresee, these principles are widely adopted by the private sector, then the businesses of the future will be focussed on developing and selling solutions to the challenges that are the legacy of decades of unsustainable resource use and consumption. Then as Mahatma Gandhi said, we will become "...the changes we want to see in the world" and there will be a fair distribution of natural resources, or as he put it, "... enough for everyone's need but not for everyone's greed".

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ABOUT THE ORGANISATION

WWF is one of the world's largest and most experienced independent conservation organisations, with almost 5 million supporters and a global network active in 90 countries.

WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature by:

- conserving the world's biological diversity
- ensuring that the use of renewable natural resources is sustainable
- promoting the reduction of pollution and wasteful consumption.

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