

Why should business bother with sustainability?

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Introduction

At first sight, the increasingly popular term ‘sustainability’ looks like another one of a series of fashionable business trends, especially amongst large multi-nationals. There are more and more environmental reports and social reports to sit beside the annual reporting of financial performance. Now it seems, sustainability reporting is on the rise. Companies as diverse as Unilever, Shell, BT and General Motors are all part of this move, but is it really clear what they are trying to do or whether any of this activity is making a difference?

My talk today will deal firstly with some of the key trends driving business change that are relevant to sustainability, and then with the central question of why sustainability matters and lastly at what companies can be expected to do about it.

Firstly, I will define the word ‘sustainability’ - at least as I am using it today.

Sustainability is above all a property of systems; it is in the end only definable at a global level. There are three critical sub-systems, from a human perspective: the environmental, the social and the economic.

The stakes are high here: un-sustainability is another word for system failure – a failure of the environmental system, of the social system or of the economic system. The stakes are high here: un-sustainability simply means that the human race will largely die out.

Business Trends

Why is sustainability an issue at this time? A focus on sustainability issues has, I think, been driven by two key trends: globalisation and the rise of science and technology. I will first look at these trends and then also address the widespread confidence in ‘progress’, especially as manifested in economic growth, to deal with the adverse impacts of business activity.

Globalisation

While it is very often cited as a key issue, it is not always clear what is meant by globalisation, and if it is, whether or not it is a good thing. Globalisation has several aspects, of which the most important is probably the economic. Economically, globalisation is a way of describing the trend towards the ever increasing size of product markets. Where once a company’s market might have been seen as the local region – a space perhaps 100 miles across – now it may be global. In the late 1990s, the total amount of foreign assets held by the 100 largest multi-nationals was about \$1.8 trillion and the total foreign sales of the same companies was about \$2.1 trillion¹. Together with this, other aspects of the size of companies has grown. Where anti-competition authorities once thought about the size of a company in relation to its country of origin and home market, now the consideration is at least continent-wide: is the company too big for Europe? As a result, companies now outrank countries when comparing turnover to GDP: the world’s 50 largest companies are larger than some nation states on this measure.

Globalisation, as the apparent abolition of national borders for economic purposes, also applies in the environmental and social domains. Pollution does not respect national borders. Acid rain produced in

¹ These figures are taken from the World Investment Report, 1999; UNCTAD

the UK is affecting Scandinavia. Similarly, over-use of water in one country directly affects the ability to use water in others. Socially, the geographical reach of economic and environmental activities is affecting all of us. Global markets tend to mean global supply chains. And global supply chains mean that the peoples of the world are far more dependent on each other for their survival. As a result national economies and social structures are more vulnerable than before. As product markets expand ever further, the variety of cultural forms and biological species (and, of course, products) diminishes. Environmentally, socially and economically, diversity is reduced.

Why is this happening? The simplest answer is that we want it to! Globalisation, in so far as it is driven by economic growth, is a 'choice' that the Western world has made in order to sustain that growth. Sometimes globalisation is presented as if it is inevitable. Yet there is clearly no natural law requiring it to happen. Through institutions such as the World Trade Organisation, most of the countries of the West are trying to ensure that it happens as fast as possible.

Yet the 'we' that want globalisation is largely synonymous with certain interests in the West. Not everyone wants globalisation. The demonstrations and campaigning against the apparatus of globalisation such as the Multilateral Agreement on Investment, the World Trade Organisation, the World Bank and large corporate projects such as genetically modified organisms are testimony to that. From the United States to Poland and the UK; from Turkey to India, there is widespread unease and active resistance to globalisation. For companies interested in sustainability, even at the simplest level of survival, it is no longer possible to assume that a good product idea will make good money. The concerns of the societies of the world, for themselves and for the environment, are factors which have to be taken into account.

Science, Technology & Communications

A second key trend is technology or technological development. The development of new technologies on the back of fundamental science is a central factor in economic development. It enables production techniques to be refined or replaced and entirely new products to appear. Fifty years ago, there were no mobile phones, genetically modified organisms or heart transplants. Today, not only is the rate of technological change far more rapid, but the time to widespread acceptance of it has also dropped dramatically.

For companies, this means huge opportunities in terms of new products and new production processes. For people in capacities other than company representatives, it is not clear what the net impact is, apart from the need to cope with an ever-increasing rate of change.

One area in which the pace of change seems most rapid is that of communications. Driven by technology changes, new communications – from mobile phones to the internet – are reaching into most people's lives in the West. For companies, it can mean an easier reach into their employees' lives, so that people feel available 24 hours a day. But it also means the converse. The internet and the omnipresence of TV mean that the activities of companies can be broadcast instantly to a global audience. Instead of living in the shadow of 'big brother', we are all living under the watchful eye of everybody else.

How should companies relate to science and technological advance? Scientific and technological change have been one of the main driving forces of the world economy since the Industrial Revolution. New technologies make new products possible and that opens up the possibility for new and larger markets. Government policy in the West has recognised this and has funded basic science and tried to support the adoption of new technologies. This approach took off after the second world war, after which radically new science and technologies became much more widely used – nuclear power, information technology and bio-science are examples.

Now against this, one of the core positions of some advocates of sustainability has been the ‘precautionary principle’. Simply stated this suggests that until you know what you are doing and what risks are being run, it is better to avoid making use of a new technology. Such a position was adopted by the European Union over GM foods. From that point on, the issues are about evidence and risk; and both governments and business have made life difficult for themselves. The UK government, for example, has appealed to ‘scientific evidence’ as the basis and justification of policy. Where the science is sound, and there is no evidence of any risk, then, ‘why not?’ runs the argument. There are two problems with this. The first is that scientific evidence is evidence for or against some scientific hypothesis, not government policy in the real world. Secondly, people may simply not want whatever is on offer, regardless of any evidence – it may be a matter of values, not science.

For businesses, this is a key issue. If the public does not want a product, for whatever reason, then it is risky to pursue it. Quite apart from the issue of environmental impacts, there is a business question as to the wisdom of pursuing markets which are rejected by society.

Won’t economic growth make everything better?

When confronted with the adverse consequences of industrial society, one of the arguments often advanced, is that economic growth will make everything better. This is the received wisdom almost everywhere - of governments, international institutions and businesses and many consumers the world over. Part of the reasoning is the ‘trickle down’ theory, which suggests that the increased wealth of one economic participant, say a company, will improve the lot of at least some other participants. Taken as a whole, economic actors are like boats floating on the sea, the tide of economic growth will raise them all together.

Another part of the argument, especially in relation to adverse environmental impacts, is that there is evidence that increasing wealth, by some mechanism, eventually reduces adverse environmental impacts. So while environmental problems, for example, may be regrettable in the short term, in the long term, things will get better. The evidence for such a view comes from a number of technical economic studies which suggest that income inequalities and key environmental pollutants increase in the early stages of economic growth and decline later on. They follow a ‘Kuznets curve’.

The reasons cited by the various studies as to why there might be a Kuznets curve for various pollutants are that, although economic growth tends to produce pollution, there are several factors, arising from economic growth, which tend to reduce it. The difference in timing between the pollution-causing and pollution-abating factors is what gives rise to the Kuznets curves.

The factors which tend to reduce pollution are that advanced economies:

- tend to rely increasingly on services, rather than more pollution-intensive primary industries
- tend to make use of increasingly advanced technologies, which are less pollution intensive
- are more prosperous and so there is more money to be spent on a cleaner environment.

These assumptions about economies are offered as plausible reasons for the empirical findings. In the context of the Kuznets curve debate, however, perhaps the most important point is when the turning point levels of income are likely to be achieved in most of the world. In India for example, GDP per capita stood at about US\$ 1,260 in 1990. The level of GDP at which Cadmium pollution is expected to start declining is \$11,600. More pessimistically, if such affluence does not come, then neither can an abatement of pollution.

But are the three abating factors actually occurring? The shift towards services, for example, is clearly under way in some countries. However, although the share of services is rising in advanced economies, the absolute quantity of industrial production worldwide continues to increase. One of the reasons that the relative domestic share of industrial pollution has declined is that the corresponding

manufacturing, for domestically consumed industrial goods, has taken place in less developed economies. In other words, pollution is being 'exported'. The lesser developed economies, which have imported the pollution, will not necessarily themselves be able to export their industrial production in due course - there may be nowhere even less developed to export it to.

Secondly, while high technology industries can be less polluting, it could be that their particular environmental impacts are not yet clear. Genetic engineering, for instance, produces virtually no sulphur dioxide, particulates or any of the traditional measures of pollution. However could it produce rogue DNA at some point? Currently there is no obvious measure of such pollution. Similarly, the levels of 'safe' radioactivity from the nuclear industry are being constantly revised downwards.

Thirdly, the idea that richer nations can afford to deal with pollution assumes that the people in such nations will want to do so. There is no causal relationship between a higher income and a wish to protect the environment. In practice, such moves as there have been towards a cleaner environment have come largely from voluntary protest at unclean industrial practices.

The main lesson from this debate is that economic growth can be used to reduce adverse social and environmental impacts, but that it does not happen automatically. In other words it is necessary to manage social, environmental and economic results to the desired end. The key actors in that process are companies.

Why Bother with Sustainability?

I will now set out a few of the main environmental, social and economic issues and challenges we face. The picture painted is not meant to be a systematic or definitive one. In each case, a few issues only have been described. Nevertheless, the issues picked out are certainly very significant ones for sustainability.

Environmental Issues

The scope and scale of environmental problems is vast. Important environmental issues include:

- degradation of land making it less amenable to agriculture and habitation
- forest and habitat loss leading to lower biodiversity
- pressures from human population growth on the environment
- pollution to water, land and air – including waste disposal, land contamination, degradation of marine and freshwater resources and air pollution.

Pollution², as a result of man's activities, is a key issue affecting the land, sea and air. Air pollution is now experienced on most continents of the world. However it is currently considered the priority environmental issue in Eastern Europe. The effects of air pollution include:

- poor air quality human health impacts – air pollution has been linked with rises in asthma cases in children and the accelerated decay of ancient monuments, for example in Greece
- acid rain, affecting wildlife over a wide area
- damage to the ozone layer. The ozone layer is a part of the atmosphere, existing at high altitude, which screens out some of the sun's ultraviolet radiation. When it is damaged, ultraviolet light is not filtered out and this results in damage to wildlife and increased cancers in people.

A great variety of chemicals in the air are responsible for air pollution. They include oxides of nitrogen and sulphur and particulates from the burning of fossil fuels, including from car use. These

² Useful reference material for this issue may be obtained from the United Nations Environment Programme, at www.unep.org.

chemicals are produced from the burning of fossil fuels for heating, lighting, power generation and transport.

Global warming³, which is another result of air pollution, is perhaps the single most significant single environmental issue. The IPCC (Intergovernmental Panel on Climate Change, a large, international group of scientists) has overwhelmingly accepted that global warming is a reality. What is at issue is how fast it will occur and what the impacts will be. One common estimate is that average global temperatures have been rising by an average of 0.02°C each year – although recently the estimates of the future rate of temperature change have been revised sharply upwards.

Global warming is caused by changes to the properties of the atmosphere. In turn these are caused by the release into the atmosphere of ‘greenhouse gases’ – ie those which cause global warming. These include a range of compounds such as those which can be used to manufacture fridges. However the most important, by virtue of the volume in which it is produced, is carbon dioxide (CO₂). Carbon dioxide is produced by almost all living things and also by burning carbon-based matter, including coal and oil. Perhaps 80% of carbon dioxide from industrial sources is produced by the Western industrialised countries. At current rates of production, carbon dioxide is being produced far faster than the earth’s biological systems can absorb it. Global warming is probably the central problem for industrial society, particularly since its removal requires dramatically changing the fundamental way in which energy is generated in our society.

The impact of global warming is likely to include:

- greater volatility of weather patterns. There is evidence that the Gulf Stream, which has stabilised the temperature of North Western Europe, including the UK, is under threat
- changes in wildlife and viable crop plants, for a given location
- rising sea levels.

The likelihood of rising sea levels appears to be confirmed by phenomena including the disintegration of the sea ice shelves off Antarctica, the melting of the Arctic ice cap and the shrinkage of Himalayan and Alpine glaciers. Rising sea levels are likely to submerge large parts of East Anglia, the wharves of Manhattan and whole island states in the Pacific.

Social Issues

Social issues are as varied and widespread as environmental issues. And just as environmental issues are particularly affected by location, social issues are very sensitive to cultural and social circumstances. Social issues include:

- poverty and inequality
- systematic abuses of power, including corruption and prejudice against people on account of race, age, sex, religion or other factors
- denial of human rights, including exploitation of children, slavery and forced labour
- the breakdown of basic social structures such as the family in Asia, South America, the USA and Europe.

Inequality⁴ is huge on almost any measure. Here are a few:

- a few years ago, the richest 20% of the world accounted for 86% of global GDP
- at the same time, the richest 20% of the world enjoyed 68% of foreign direct investment

³ Useful reference material for this issue may be obtained from the US Environmental Protection Agency, at www.epa.org

⁴ Useful reference material for this issue may be obtained from the United Nations Development Programme at www.undp.org.

- the top three richest people in the world have the same amount of wealth as the poorest 600 million.

And the problem is growing, the 200 richest people in the world double their wealth about every three years. While many people have to manage on a dollar a day all year round, some receive a Christmas bonus of £24 million.

The problem of inequality is not only a moral one. It is also that it engenders social instability and unrest. When the overall picture includes not only increasing inequality between nations but also within them, as is the case across the world from the USA to China, then the prospects for social stability seem bleak.

Perhaps the most extreme form of inequality is slavery. Slavery occurs where traditional social structures have been destroyed and people can be forced into work, often to supply western companies with food or clothing. It has been claimed that there are now more slaves in the world than at any time in history⁵.

Economic Issues

Over the last 50 years, the global economy has grown by a factor of 6, as measured by GDP alone. Each day over US\$1.5 trillion are traded on the world's currency markets and about 20% of all goods produced are sold abroad. Yet while the world economy is now characterised by globalisation, new technologies and far greater inter-connectedness of national economies, it has not produced a climate with which it is any easier for companies to work. The combination of all these factors has led above all to unpredictability in business life and volatility in individual markets.

As the scale of markets grows and the ease with which capital can flow increases, the consequences of marginal change in the market become more critical for individuals and nations. For a market of global scale, a change that is minor at a global level, perhaps a fall in the price of wheat, can be catastrophic at a local level. Remember, the local level is the level at which people live.

The collapse of the Thai currency in 1996-7 caused the collapse of the economies in much of South East Asia. Within a year the net inflow of capital to the region of US\$93 billion had changed to a net outflow of US\$12 billion. Over 13 million people lost their jobs.

More recently new technology stocks have rocked the world's stock markets. First these rose precipitously and then dropped, just as dramatically. Investment and company management in these conditions is fraught with danger. Pressures on more traditional (or just out-of-fashion) companies and sectors can become arbitrarily harder as capital follows the fashionable stocks.

Accompanying globalisation, there has been an increase in the concentration of wealth. This is an economic issue, as well as one of the manifestations of social inequality, discussed earlier. The growing concentration of wealth has meant that small producers and farmers are being driven out of business as larger companies increase their market share. This is an important aspect of a continuing change in the structure of the world's economies, which can make national economies more vulnerable to fluctuations in the global economy.

What is the Responsibility of Companies?

So what is the responsibility of companies?

⁵ Kevin Bales; Disposable People: New Slavery in the Global Economy

The analysis above suggests that there is a clear moral case for action - yet it is not necessarily clear who should take it. Action might be taken by at least three parties:

- individuals
- companies
- governments – both national and international.

How is responsibility to be distributed between individuals, companies and governments? For individuals, on a personal level, there is a role for all to make personal choices – such as what they buy or how much to use a car – which reduce adverse impacts. There is growing public awareness and interest in these issues.

It is also obvious that action cannot be confined to individuals (and companies) alone. Governments and NGOs are also actors on the sustainability stage. Sustainability must, in the end be considered as a property of the sum total of all human activity. Company A may be a net producer of carbon dioxide, for example. But Company B may possibly be a net absorber of carbon dioxide. Their overall impact is the sum of the two.

So it is obvious that there is a role for government – both nationally and internationally – to ensure that the sum of activities of all actors is sustainable. The negotiations over protocols for CO₂ production show perhaps that there is a growing awareness at international levels of these issues. It also shows the immense difficulties involved.

How such issues may best be managed is critical, but outside the scope of this talk. Nevertheless, clarity over boundaries needs to be borne in mind when choosing which tools a company should make use of in managing its impacts. Some of the tools and measures of sustainability are particularly appropriate at national or international levels. For example measures of environmental limits, such as carrying capacity or environmental space are particularly relevant at the national level, rather than at the level of an individual company. However data from individual companies will be crucial in determining how nearly such limits are being approached. It is therefore part of the task of business to ensure that a clear account of company impacts is available to government.

There are many practical problems in doing this, not only in collecting the data, but also knowing how to present it. Let us take the Company A/Company B scenario a little further, what if Company A owns 10% of Company B? While this figure may, under some accounting regimes, mean that the financial assets of Company B are outside the balance sheet of Company A, does this mean that the (in this case, beneficial) environmental impacts should also be excluded?

To some extent this is ‘simply’ a matter of boundaries. Providing Company B reports on its impacts, Company A need not report on Company B’s impacts. What matters above all is that the boundary of responsibility which a company acknowledges is clear to see.

While accepting that sustainability is an issue, it is still quite possible for companies to argue that although there are huge problems with the state of the world, companies are simply here to make money. Surely this in itself makes a positive social and economic contribution, particularly by creating jobs. On this view, the relevant part of sustainability for companies is their financial sustainability, or their long-term viability. Yet in a world in which sustainability is a challenging issue, what counts towards financial viability, may change radically. An oil company, for example, may have to transform its core business in order to survive. If, through global warming, oil reserves come to be seen as a liability rather than an asset, the financial viability of the company will be ravaged. The beginning of serious investment in non-oil energy sources by oil companies is perhaps some recognition of this.

However there are significant and increasing pressures on companies to take a deeper than financial interest in sustainability. For some, the ‘bargain’ is between shareholders who receive limited liability in return for a ‘licence to operate’⁶. For others, the bargain is simply that companies have a moral duty of care to manage their impacts responsibly. However in many cases, there is also a business case for acting responsibly.

In any case, those who move too slowly may be pushed. Pressures on companies to expand their responsibilities and to improve performance come from a number of sources:

- public opinion
- civil society groups
- the law.

Public opinion is volatile, but surveys have consistently shown that there is a high expectation that companies should be ‘responsible’. For example, MORI polls in the UK since 1998 have asked about social responsibility of companies – the responses are clear. The public think businesses should pay more attention to its impacts.

Much has been written about the increasing power of civil society groups. The history of Shell in relation to the Brent Spar incident is often quoted. The incident centred on the issue of how to dispose of an oil platform. Shell wished to dispose of it at sea, Greenpeace, a major environmental campaigning group opposed this with dramatic direct action and much media coverage. The result was not only that the company changed its plans for disposal, but that it embarked on a much more energetic change programme to encompass sustainability within its approach to business. In the light of recent events, how far this has really penetrated is open to question. NGOs have challenged the World Bank and WTO quite directly. Other NGOs are engaging with companies in less confrontational ways to achieve change⁷. The lesson from all this is that the pressure from NGOs and civil society on companies to take more responsibility is increasing.

Laws and regulations are also changing. In the UK there have been changes to the Combined Stock Exchange Code, by which all major UK listed companies have to abide. The areas in which change is occurring include directors’ remuneration, and the management of risk – including social and environmental impacts. In addition there have been changes to pensions law, requiring pensions schemes to state what their policy is on social and environmental issues in relation to their investments – or whether they have one at all. Clearly this will feed through to companies, so that all major companies will have to pay greater attention to these issues.

In other countries also, there is pressure for legal change. Bills have been introduced in legislatures from California to Canberra. The courts are also interpreting existing legislation more stringently. For example in the USA, the State of Montana's Supreme Court in a ruling in 1999 found that the State cannot allow activities to continue that have the potential to poison the environment. A Brazilian federal court ordered the government in 1999 to compensate a remote Indian community after it ruled that a road built through tribal territory had caused the death of most of its members.

Accountability

What can companies actually do? The central need, I believe, is for accountability. In one sense of the term, ‘accountability’ is about the ability to give an account of something to somebody with an interest

⁶ See ‘Tomorrows Company’; RSA; 1995

⁷ See for example, NGOs Engaging with Business; Simon Heap; INTRAC; 2000

in it. Historically, accountability has been concerned with the duty on a company to report to its shareholders. In this sense, traditional corporate reporting is an important part of corporate accountability. Accountability compensates for the ‘agency problem’ – the fact that the owners of a large company, who have a clear interest in it but are not usually directly involved in its management, need to understand how their company is being managed and how it is performing financially. This part of accountability has been much developed and regulated for many years, even though, in the light of the continuing financial scandals, such as Enron and Parmalat, many will claim that it needs to be taken further.

The idea of ‘transparency’ is often mentioned in connection with accountability. Transparency’ tends to have two, related meanings. It can either be used synonymously with accountability, or it can refer to the ethical dimension of business dealings. In the latter sense, transparency implies an absence of bribery and corruption in business affairs.

In relation to sustainability, accountability takes on a broader, though related, meaning. The greater breadth comes from including all stakeholders, in addition to shareholders, as part of those to whom an account is due. The other aspect is that all such stakeholders should be regarded as entitled to some kind of account of company activities. Currently there is very limited support in law for such a wider accountability in most national jurisdictions. Nevertheless, in an attempt to respond to some of the pressures set out earlier, an increasing number of companies are reporting to their stakeholders, in various ways, in order to be more accountable. And the government is introducing regulation to require larger companies to report on their major impacts in the annual Operating and Financial Review.

At first glance, accountability seems like a social phenomenon. It is clearly true that accountability is about the relationship of a company to its stakeholders – which is how part of the social element of corporate sustainability can be defined. But while some stakeholders (such as the local community) may be primarily concerned with social issues, others (such as pressure groups) may be concerned with environmental issues. Yet others (like shareholders and government) will be interested in economic issues. It is therefore not appropriate to confine accountability to the social dimension of sustainability.

So, in relation to the nature of corporate activity, accountability is an integral part of the process of implementing all aspects of sustainability. It is also true that the way in which accountability may be discharged is similar, whatever the sphere of accountability. Despite this, accountability does seem to have a particularly social ‘feel’ to it! This is because not only does it concern the way in which an organisation relates to its various stakeholders, but also because how and whether it does this is intrinsically of social concern. In other words ‘accountability’ is itself a social value. A rather complex picture therefore emerges, in which accountability relates to all aspects of sustainability, but also has a privileged place in relation to the social dimension.

Boundaries of Responsibility in Practice

In practice, then, for which issues can a company take responsibility? Companies have tremendous power to do things, if not always to take decisions differently. So how much responsibility can companies take for globalisation, new technologies and the other major trends of the economic world? While there is obvious truth in the view that companies are not evil villains masterminding the destruction of the world, it is also true that major trends are not imposed in the abstract as a fait accompli, but result from innumerable practical decisions, many made by companies. For companies, there is almost always a margin of freedom at their disposal, within which they can make a difference.

This is a vital point because there is a huge temptation for companies in constructing a business case to:

- sell all the possible benefits of a new product or approach
- ignore the disadvantages
- deny responsibility should the benefits not materialise.

For example:

- large multi-national companies tend to like globalisation. This is often supported by suggesting that globalisation will lead to economic development. But if the jobs implied by this picture fail to appear, who takes responsibility?
- new technologies, like human gene mapping are sold on the premise that they will enable new cures for disease to be found. But what if the new cures are only available to a very few? Or lead to discrimination in insurance? The responsibility for these outcomes is rarely claimed.

Companies can identify their stakeholders. The range of potential issues, however, can only be determined by listening to the issues and concerns of their stakeholders. Yet this approach needs refinement to recognise that while there are some impacts which are within the practical control of a company, there are others which a company can influence but not determine. There are therefore two zones of responsibility which a company can acknowledge.

In practice different companies position themselves differently in relation to the responsibility they take. It may be thought that the minimum responsibility a company can take is simply to accept legal responsibility for its direct actions. However even this boundary is shifting as the interpretation of laws is influenced by prevailing social values. Cape plc, for example, did not accept responsibility for its subsidiaries over the asbestosis caused by the South African subsidiary's operations until legal action was completed.

On environmental matters, many companies have begun to take responsibility not only for their impacts, but also for those of their suppliers. It is now accepted good practice to propagate good environmental performance and management along the supply chain. BT, for example, has a policy of encouraging its suppliers to improve their environmental performance:

“We need to be reassured that our suppliers have looked at their own supply chains and operations. If they have credible environmental, health and safety policies, they will find themselves in a strong competitive position within our supply chain.”⁸

On social matters, companies in the apparel and footwear sector, such as Nike and Adidas have been forced by events to take quite extensive responsibility for their supply chains, implementing significant management programmes to monitor and improve their suppliers' workers' conditions.

De Beers, the world's largest diamond company, has been developing a certification scheme by means of which dealers, who purchase from them, right through to consumers will be able to know that a diamond has not originated in a conflict zone and so has not been used to fund a local conflict. This is effectively a scheme to manage ethically the 'demand chain' for its products.

Of course, however important a starting point, to take responsibility is not the same thing as to achieve good performance. The actual performance of a company will have to be judged by what actually happens as a result of the stance taken in terms of responsibility.

Companies may therefore be challenged on:

- where they have drawn the boundaries of responsibility – whether in terms of influence or action

⁸ BT Environmental Report 2000 at www.bt.com .

- the actual level of performance they have achieved within the boundaries of responsibility.

What of the Future?

In looking at sustainability, I have presented some snapshots of the trends. It is the forecaster's favourite occupation to suppose that if current trends continue...then all sorts of absurd consequences will follow, such as that every adult in the world will have 10 mobile phones by a particular date (usually 2009). For all sorts of practical reasons, we cannot simply extrapolate the sorts of trends set out so far. Each trend depends on its own specific and complex set of circumstances. And each one is dependent on at least some of the others. It is therefore usually wrong to predict that the future will just be more of the same, or an exacerbation of current conditions.

So what can we realistically expect? What can be useful to deal with such complexities is to imagine scenarios coherent within themselves and which are at least consistent with an analysis of current trends. Here are three⁹:

The Optimist's Scenario – "Look, I know things have not been going too well, but surely the rate at which things are getting worse is going down. It has been proved that the industrialised countries produce less pollution than those which are climbing the development curve. Surely what we have to do is help them develop economically as fast as possible?"

The Pessimist's Scenario – "We are all about to fall off a cliff. Our eco-systems, which support our life, are on the point of failing. The most urgent possible action is necessary if we are to survive at all, and for human beings, never mind furry animals!"

The Depressive's Scenario – "The lures of business as usual will always be too compelling, and the slope of the pessimist's cliff will never seem too steep to venture down. We are in for gradual decay and degradation of all aspects of the quality of our life. A picture of life in 50 years' time might seem frightful. But tomorrow will always be just about bearable."

Which scenario is right? It is not possible to know. If the optimist's scenario is right, then what I have been saying may seem redundant. However, those who run their businesses according to the Optimist's scenario are likely to lose out on the opportunities which moving to a more sustainable future can afford in any case. But whatever your psychological stance, the action demanded of companies in all the scenarios is similar.

What is clear is that, as a whole, the corporate sector has tremendous, and growing, power and responsibility. It remains the responsibility of individual companies to use that power wisely. This means not only pursuing the management of sustainability performance, but also using their influence at national and international levels to ensure that sustainability is addressed as vigorously as possible. Any overall judgement as to the sustainability of a company's activities must rely in part on the extent to which it is using its influence to ensure that government policy and international conventions move in the right direction.

My own belief is that:

- There is overwhelming evidence that the world is becoming less stable – environmentally, in social terms and economically. Companies must play their part in changing course, even if only to survive.

⁹ Other scenarios have been produced by the World Business Council for Sustainable Development (www.wbcsd.org) and, in the UK, by the DTI (www.foresight.gov.uk/).

- Just as the management of the financial consequences of company activity – including profit – is becoming ever more intense, so must the management of corporate impacts on the environment, on society and on the economy.
- Sustainability is hard to define, but moving towards sustainability is quite possible to manage.