

Analysis of the situation, key components and implications of Sustainable Development

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Biztanleria, migrazioa, merkataritza, kanpoko inbertsioetatik datozen energiak, petrolio eta beste hainbat ondasunen kontsumoa lehertzen ari dira. 1,2 planetaren produkzioa kontsumitzen ari gara. Desberdintasuna hazten ari da. Akziodunen multzoa nazioartekoagoa eta inbertsonalagoa da. Globalizazioa ulertu beharra dugu enpresen, gobernuaren eta gizarte zibilaren boterea garapen iraunkorraren mesedetan bideratuko badugu. Etorkizuneko enpresa globala da Tomorrow's Company-ren hasierako gogoeta askoren gaia. Mark Goyder-ek gogoeta horiek azalduko ditu bere aurkezpenean. Hartarako, gai horietan duen esperientziaz baliatuko da, hau da, azken 20 urteetan garapen iraunkorrerako agenda bat egiterakoan metatu duen esperientziaz.

Giltza-Hitzak: Globalizazioa. Kontsumoa. Desberdintasuna. Gobernua. Akziodunak. Enpresa Globala. Negozioa. Garapen Iraunkorrerako Agenda.

La población, la migración, el comercio, las energías procedentes de inversiones extranjeras, el consumo de petróleo y de otros bienes están estallando. Estamos consumiendo la producción de 1,2 planetas. Está creciendo la desigualdad. El accionariado ahora es más internacional e impersonal. Debemos entender la globalización con el fin de dominar bien que arreglar el poder de las empresas, del gobierno y de la sociedad civil en favor de la causa del desarrollo sostenible. Tomorrow's Company está dedicando buena parte de sus reflexiones iniciales a la empresa global del futuro. La presentación de Mark Goyder reflejará estas reflexiones a la vez que se basará en su propia experiencia en estas cuestiones acumulada a lo largo de los últimos 20 años en la elaboración de una agenda del desarrollo sostenible.

Palabras Clave: Globalización. Consumo. Desigualdad. Gobierno. Accionistas. Empresa Global. Negocio. Agenda de Desarrollo Sostenible.

La population, la migration, le commerce, les énergies provenant d'investissements étrangers, la consommation de pétrole et d'autres biens sont en train d'exploser. Nous consomons la production de 1,2 planètes. Cette croissance la déséquilibre. L'actionnariat maintenant est plus international et impersonnel. Nous devons comprendre la globalisation afin de dominer, plutôt que d'arranger, le pouvoir des entreprises, du gouvernement et de la société civile en faveur de la cause du développement durable. Tomorrow's Company consacre une bonne partie de ses réflexions initiales à l'entreprise globale du future. La présentation de Mark Goyder reflètera ces réflexions en même temps qu'elle se basera sur sa propre expérience dans ces questions accumulées tout au long des 20 dernières années dans l'élaboration d'un agenda du développement durable.

Mots Clés: Globalisation. Consommation. Inégalité. Gouvernement. Actionnaires. Entreprise Global. Commerce. Agenda de Développement Durable.

It is a great pleasure to be here.

I have been enchanted with the Basque country for many decades. I have never forgotten the walking holiday which I spent with my parents in the French Pyrenees. Climbing Mt Canigou was a formative experience for an eleven year old.

Then in my twenties, I came to the Spanish Pyrenees to walk with a friend. The day long walk and then climb to the top of Monte Perdido was the highlight of our visit and I will never forget it.

Nor will I forget the wonderful people we met, and the many rich political and philosophical discussions we had on campsites and in tapas bars.

And, most memorable of all was my visit to the Mondragon co-operatives. I was, at the time, a young personnel manager in an English engineering company. With very little notice, the then Personnel Director kindly agreed to see me. This gave me a fascination for the Mondragon experiment which has lasted over 25 years and I am thrilled to have had the chance to visit Mondragon again and see how the many enterprises have developed. To me Mondragon will always be an inspiration and a reminder that human beings are capable of very diverse and imaginative forms of organisation; and that a cohesive society based on enduring human values is a powerful and ultimately essential foundation for an enduring business.

That visit was an important ingredient in shaping what I wanted to do with my life. After years of working in UK manufacturing –mainly the paper and engineering industries– I seized the opportunity to create a new kind of think tank –a think tank that was also a catalyst for change, that is business-led, and that is challenging and stimulating leaders in business to take a more holistic view of their approach to success.

It is called Tomorrow's Company and through it we have won the support of some of the major companies in the UK and beyond. I will be sharing with you some of the fruits of our experience and thinking. After more than a decade of thinking about the future we are now embarking on an inquiry called Tomorrow's Global Company.

I intend today to

1. review the changing world around us
2. reflect on the phenomenon of globalisation
3. describe the challenge we face in terms of sustainable development
4. ask who may be the agents for the change we need, considering especially the role of business
5. suggest that we need to redefine success, factoring the concept of sustainable development deep into our thinking

Throughout my theme will be that we need to regard capitalism not as an immovable object, but rather as an open book: the question then is what, and how, do we write in that book.

1. THE CHANGING WORLD AROUND US

In 1990 there were 3,000 transnational companies. Today there are over 40,000. In 1990 there were 63,000 subsidiaries. Today there are over 820,000.

International companies produce a quarter of the worlds GDP.

Where will these numbers rise to in the next 25 years? Half of the world's GDP? And what will be the consequences?

Where will the talent come from that will enable those companies to thrive? What will attract and what will keep the best people? Will they still think in terms of long careers in one company? How can anyone lead a complex global company without such a concentration of experience inside the company? Yet equally, how can they understand the complexity of the world they are dealing with without several other careers? What values are they bringing to the company, and are they different?

Our population is growing dramatically –it will have quadrupled in my lifetime. We are depleting natural resources far faster than they can be sustained. We stopped taking as much oil out of the ground as we are discovering it some time in the 1980s. If the world as a whole continues to consume what we are now consuming, it has been calculated that today the earth would be unable to satisfy our demand or handle our waste –we would need the natural resources of 1.2 planets to accommodate all our needs. By 2050 that we would need two planets. This is all driven by a major increase in population. And while the numbers living in rural areas worldwide and in the towns and cities of the developed world is reaching a plateau, the urban population of the developing world is expanding fast. Indian cities are expected to grow by 300 million in 20 years. 24,000 Chinese villages have been abandoned in the last decade.

For forty years there has been an acceleration of global warming. 2005 is going to be the hottest year ever on record and 10 out of the last 15 years are the 10 hottest on record. There were so many hurricanes in the USA this year that they ran out of names. In the Arctic we are witnessing the retreat of the polar ice cap. Millions of people have felt the effect of flooding and 100s of millions more stand to do so as sea levels rise.

There is a growing gap between richest and poorest that seems to accompany the progress of globalisation of companies and markets? In the last three decades the ratio of the share of global

income controlled by the richest 20% vs the poorest has doubled from 30 to 1 to 60 to 1.

India is producing a quarter of world's software engineers and a third of its poor. China is planning to quadruple GDP by 2025. 5 million more people are getting AIDS every year.

As we speak the trade ministers of our respective countries are preparing to continue the WTO negotiations in Hong Kong. The global trading environment remains a mysterious lottery to poorer countries. The Guyanese are wondering how the EU explains on the one hand the decision to end tariff barriers that protect their sugar industry (currently producing sugar at 18 cents per lb produced, against 7 cents for Thailand Brazil or Australia). Is this the same EU that first liberalised textile tariffs with the Chinese, then reimposed them to protect Italian manufacturers, then removed them as our shops ran out of clothes?

And what about the ever growing potential for volatility in capital markets – Harold James has compared the trends leading to the 1930s Great Depression with those of today. He has warned that it doesn't take that massive a capital flow to precipitate world crisis – in Germany in 1931 the flow was 45% of GDP. In the US in 1971 it was 3%. In Asia in 1997 it was 10%. Is there cause to worry about the freedom of hedge funds like those of George Soros to leverage their transactions?

What about security – we all know about the Tamil Tigers and Iraq and Afghanistan. Did you know, for example that the government of Thailand is fighting an intensifying battle against Moslem Malay separatists in the south of the country who are trying to intimidate the local population from working on a Friday or even a Thursday?

What about cultural values, multiculturalism and the opportunities it represents – take Nokia's new model which is a mobile phone that points users in the direction of Mecca and tells them when to pray.

What of the power of technology? We have been reading newspaper headlines about the immaculate conception: the male is no longer needed for reproduction. But what of biotechnology, nano technology and the ever changing benefits of information and communications technology?

THE PHENOMENON OF GLOBALISATION – ARE WE LIVING IN A DIFFERENT TIME?

In one sense globalisation is nothing new. The Vatican has known about it for many centuries. Writing at the end of the First World War about the comfortable age that came to an end in 1914, the English economist John Maynard Keynes described the wonders of modern technology. A British gentleman could invest anywhere, buy goods from anywhere and travel freely.

“The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth...and reasonably expect their early delivery upon his doorstep; he could at the same moment and by the same means adventure his wealth in the natural resources and new wealth of any quarter of the world, and share, without exertion or even trouble in their prospective fruits and advantages... he could secure forthwith, if he wished it, cheap and comfortable means of transit to any country or climate without passport or other formality... and could then proceed abroad to foreign quarters... and would consider himself greatly aggrieved and much surprised at the least interference. But most important of all, he regarded this state of affairs as normal, certain and permanent...The projects and politics of militarism and imperialism, of racial and cultural rivalries, of monopolies, restrictions and exclusion, which were to play the serpent to this paradise, were little more than the amusements of his daily newspaper.” John Maynard Keynes *The Economic Consequences of the Peace*, 1919.

The pessimists might say we are in for some of the same shocks that were awaiting that London inhabitant in 1914. The sceptics say nothing much has changed.

I disagree with the sceptics. I do not think it trivial that the world's population will have grown four fold in my lifetime. I do not think it irrelevant that terrorism has become international. The intense pressure on finite resources the historic and accelerating rise in temperature puts us into new territory. The power of the internet and the ability to capture and manage so much knowledge about every individual citizen seems to me to be a step change. In IT as in so much, the change is double edged – it empowers individuals and yet it also empowers big government. It empowers civil society organisations and yet it can also help Al Qaeda.

I think we are living in a different time. You can think of it in terms of a pincer movement. On one side the growing wealth and technology; on the other, the scarcity, the poverty, the pressure on the planet. The question is can we mobilise the wealth and the technology to tackle the scarcity and the poverty?

SUSTAINABLE DEVELOPMENT

As a phrase sustainable development is over-used. Yet, as an agenda for business, it is underused and central to our wellbeing. In essence it means that collectively we are making a mess of our life on this planet. Between all of us we are living in a style that few of us would contemplate as individual households and families. We are consuming more than the planet can afford of its natural resources. We are destabilising the systems that give us our climate. We are exposing many in our population to flooding and eviction. We are leaving a bill that the next several generations will have to pick up.

All this is well known, and only occasionally controversial.

It then raises questions around how we, the global household, might start behaving with the unity of purpose and the effectiveness of action that characterises a well-run household.

In a household, if the oil is running out and there is not going to be enough to heat the house next winter, the occupants would come together and start reducing its use and think about alternative sources of heat. If the household consisted of a number of tenants they might even agree to start paying a levy on the fuel they were using so they all thought harder about wasting it, and use that levy to spend on insulation or other forms of energy.

However, this would be a lot harder if some of the better off and longest established occupants had for years walked around in shirt sleeves while keeping the central heating high, and were now suddenly were giving lectures on fuel efficiency to some less well off new arrivals who had only started to be able to afford to have central heating installed.

It would be harder too if the current occupants were students who, after three years, would be moving out, leaving the problem to the next generation of students. And it would be harder if the household in question was a disparate, difficult-to-organise bunch from different nationalities, who did not particularly see why they should take any instructions from others who did not understand their culture, and some of whom felt they had been discriminated against for years.

The problem of sustainable development is a problem of collective action. We nearly all of us know that something needs to be done. But the part we can do on our own feels miniscule. And the problem of getting all the others to do what they need to do is overwhelming.

So what we need is not simply a shared vision of the action that's needed; but a shared vision of the contribution to that action of the different players in the global household, and then decisive and synchronised action. The rest of this lecture is about how we develop that vision.

WHERE IS CHANGE GOING TO COME FROM?

So where are that vision and that action going to come from?

- The consumer
- The local community
- Different forms of governments from local councils, provincial, autonomous regions states and countries
- Civil society organisations
- International trading blocs such as the EU

- Supranational government such as the UN
- Entrepreneurs and individual businesses
- Business acting collectively, for example through trade associations
- Investors

There are several candidates, with more or less power, and more or less potential to help each other. People with ideas and drive from any one of these groups can certainly help. But, as the examples will show, it is the chemistry that is unlocked when they work together that really counts.

The Consumer

In 2004 just under £25bn was spent in the UK on "ethical consumption". The market share has increased by 40% in five years. And yet the totals are tiny: I am part of a minority of 1% of consumers buying "green" electricity for example.

The consumer is a mystery in sustainable development. It is easier to persuade consumers to stop buying something harmful, than to start buying products that promote Sustainable Development.

This eventually happened, for example, with products containing CFCs. And indeed, the CFC story is a success story, which is why nobody mentions it any more! The breakthrough was made by a combination of campaigners, consumers, leading businesses, industry associations and governments working together to uphold the Montreal protocol.

On the other hand there is little evidence of it happening with, for example, cheap flights and only the first signs that it is happening to the American and European love affair with SUVs.

I often find when talking to groups of students or even younger business managers, that they have a strong ethical sense about the products companies make. They are cynical about a tobacco company which claims to be socially responsible or an oil company which identifies itself with human rights or sustainability.

But when I ask them whether they would vote for tobacco or oil to be made illegal products, they laugh. So why, I ask them is it unethical for a company to be making something that so many of us want to go on buying? As consumers we suffer from a responsibility deficit: we seem unable to make the connection between our buying decisions and the state of the marketplace. In the UK there is now an awareness of what the New Economics Foundation (NEF) has called clone towns. People are concerned about the influence of the big supermarkets. Some of them may shop in farmers' markets. But on the whole we choose to condemn companies while refusing to alter our buying behaviour.

One of the best hopes in this area is the emergence of simple techniques for telling us our true

carbon impact. Imagine if, every time you received your credit card statement, there was a line on it that told you the implications of your spending for your personal carbon footprint

Writing last week in the UK's Guardian newspaper, the award winning reporter Jon Snow lamented the drift away from individual eyewitness reporting to composite reports narrated by an absentee journalist. He went on:

"A report shot by one cameraman, experienced by one reporter, is viewed by one person in a living room in Penge and human connection is made". Ever since Adam, the richest human communication has been between one and one. The homogenised gathering of the work of 200 camera crews woven off the global village gives an impression but little insight, no ultimate brain contact".

Media Guardian 21 November 2005 p. 3.

The same comment could be made about the creation of wealth. Ever since Adam wove and Eve spun, the whole purpose of business activity, and of the investment that supports it, has been a human purpose. Most of the time in our complex lives we are glad of the convenient impersonality of it all.

It is very convenient to have our Florida orange juice appear on our breakfast table and we may feel life is too short to count the cost in terms of carbon impact. But the time has arrived where we need to use the very same technology and information that makes our lives convenient to make them sustainable as well.

Here is a letter that appeared last week in the Independent, a UK newspaper:

You can cut your carbon footprint

Sir:

Fifteen years ago, while responsible for the government energy efficiency campaign in public-sector buildings, my household carbon footprint (for home energy and travel) was around 18 tonnes. Today, better off, happier, and living in a bigger house with four children, my footprint is nine tonnes. My target for 2010 is six tonnes. Roughly speaking, these reductions are 5 per cent, year on year.

Against that background, everyone can afford to feel confident in backing "the Big Ask" launched by Friends of the Earth. They propose a 3-per-cent, year-on-year target, for UK-wide CO₂ reduction; it is vital that we all do this.

DAVE HAMPTON
MARLOW, BUCKINGHAMSHIRE

The Local Community and Civil Society Organisations

Each of these groups can, of course, play their part, and powerful change follows when they collaborate.

When entrepreneurs and pioneers in the local community start to develop new models of finance, as happened with Grameen Bank, and later with Grameen Telecom, then large companies may start to adapt their models to take advantage.

The USA has refused to sign the Kyoto treaty, but literally hundreds of cities across the United States have committed themselves to the Kyoto targets.

I am sure many of you are aware of the success of Grameen Bank, and the micro credit story. I was unaware until recently, of the success of Grameen Phone. How do you persuade anyone to invest in conventional telephone lines in Bangladesh when average annual income is \$286 per annum? Equally to be without the benefit of telephone communications is a huge handicap; people may have to walk miles to convey a simple message.

The entrepreneurs who started Grameen Finance responded to this need by starting two enterprises. One was a for-profit enterprise –Grameenphone. One was a not for profit–Grameen telecomm. The first was given the telephone licence. It built a nationwide cellular network. Grameen Telecomm bought airtime from Grameen Phone and retailed it through Grameen Bank Finance customers in the villages. The bank lent money so that each village could have its own "phone lady" a local entrepreneur who sold mobile phone services. Someone who owned, had a solar charger for and rented out a mobile phone.

The project started with a pilot test. Village phone operators increased their income and ploughed the benefits back into education and health for their children. Users of the phone service began to obtain the information benefits of the market economy, buying crops in the cheapest market for example.

The revenue per rural phone turned out to be three times that being enjoyed by the phone company in the towns of Bangladesh!

By August 2004 the company had a subscriber base of 2.000 and had provided telephone access to more than 50 million people. By 2003, six years from start up, the company had grown net profits to \$74m on revenues approaching \$300m. Now similar businesses are being developed to offer internet access.

Partnerships

The best collaborations are not ambitious international affairs like the Global Compact: they are targeted national or regional partnerships where all parties work together to achieve alleviation of pollution or regeneration of communities.

In the impoverished rural communities of northern Nigeria there had been a longstanding problem of food spoilage. Perishable foods were spoiling

within days. There was no electricity and no refrigeration. A local teacher, Mohammad Bah Abba, was motivated by his interest in indigenous African technology to seek a local solution. His idea? An extremely simple earthenware pot-in-pot cooling device. It draws on the skill of local potmakers. Once you have you earthenware pots of different diameters, you place one inside the other. The space between is filled with wet sand. The water in the sand evaporates towards the outer surface of the larger pot, where there is drier air circulating. This causes a drop in temperature of several degrees which cools the inner container and so preserves perishable foods¹.

Stuart Hart, the American whose book “Capitalism at the Crossroads” is rich with examples, uses the phrase “flying under the radar of corruption”. He contrasts two companies using the same technology. On the one hand he chronicles the disappointing progress of an American company World Water, which invented a solar thermal power system which can pump ten times the volume of any other solar water pump in the world. The company went public in 1997, with all the investor confidence you would expect for a company that could offer solutions to the growing problems of water shortages and energy supply interruptions. Unfortunately the company has not made a major breakthrough. The reason? Corruption, mostly by government officials. The company has gone for a centralised business model, seeking high level cooperation and partnerships in host countries, and asking for 10-15% downpayments financed by banks. For example it signed an agreement to be master consultant and contractor in Somalia.

While World Water has not made the expected impact, in Kenya there is a venture called ApproTEC. ApproTEC focused on technology and micro-enterprise development for the rural poor. Its technology was different and crucial, its approach to partnerships was different and very local. Approtec started as a not-for-profit and has helped to create thousands of jobs in Kenya and other parts of East Africa where more than half the population lives on less than a dollar a day. The story has some echoes of the early days of Father Arizmendi-arrieta and Mondragon. ApproTEC worked with local entrepreneurs. It launched businesses using these technologies. Profits enabled thousands of poor families to escape poverty, educate their children, and afford health care.

ApproTEC’s best selling technology is also a water pump. It retails at less than \$100 and the farmers who use them recover their investment in three months. Stuart Hart tells us

“Since its inception in the early nineties ApproTEC has helped to create 35,000 new microenter-

prises in East Africa with a total of \$36million per year in new profits. Revenues generated by these enterprises equal more than 0.5% of Kenya’s GDP. Today more than 800 businesses are being started every month using ApproTEC technology”².

What is really telling is that the first example started as a for-profit and sought to offer early returns to traditional investors. Our second, successful example started as a not-for-profit identifying and building on the efforts of local entrepreneurs but is now finding that the only way to continue to expand and help more farmers it needs to generate a surplus and become a for-profit!

And both larger companies and government begin to play a positive part in the next stage of the story. ApproTEC has now teamed up with SC Johnson, the big American domestic products group, to create more sustainable livelihoods for thousands of poor farmers dependent on growing pyrethrum, which the company had chosen back in 1956 as the active ingredient in its first commercial aerosol insecticide.

Faced with drought and supply interruptions, and a lower cost competitor product from Sumitomo, SC Johnson could have abandoned pyrethrum and Kenya to develop its own synthetic product. It took the other route, committing to work with Kenyan partners to improve the quality, lower the price and ensure the availability of the pyrethrum. Here is where governmental partnership comes in. The Pyrethrum Board of Kenya (PBK) is a parastatal agency, reporting to the government and controlling production, processing, marketing and export. PBK partnered SC Johnson and ApproTEC to monitor quality, introduce a new higher quality seed, and so increase farmer incomes and security of supply.

Three partners – one a multinational, one a parastatal, and one an entrepreneurial not-for-profit technology innovator worked together to create benefits that none could have created on their own.

Business

The more I think about the priorities the clearer it becomes to me that business is in a uniquely strong position to be the major agent of change. It is better prepared for global collaboration and delivery, for supranational collaboration and fast response.

This applies particularly to entrepreneurial business. Entrepreneurs are just good at delivering things. Show a civil servant a task, and he/she will proceed with due caution, ever conscious that each step taken may have to be justified in front of a probing press and an indignant parliamentary investigation. Show an entrepreneur a task and things happen.

1. Capitalism at the Crossroads. Stuart Hart 2005 Whar-ton School Publishing p. 192.

2. Ibid p. 146.

Government

What of the contribution of government to all of this? From the previous examples it will be obvious that some of the best innovations come when partners “fly under the radar” of corrupt local officialdom.

One important contribution for government is to set the right framework conditions. The EU is, slowly, making progress towards creating the framework conditions for the efficient operation of integrated capital markets across national boundaries. It has slowly changed its way of working from top-down to a combination of bottom up and top down.

But government has to know the limits of sensible intervention: otherwise we end up with the position in financial services or complex areas of safety where no manager in the field can possibly know all the regulations that he or she is supposed to be enforcing. Government has to know when to get out of the way, and when to rely on the other players to manage their own affairs. Another important task for government is to ensure that it applies the right success criteria. Government is powerful through public procurement. Too often, however, the supplier who cares about quality and long term performance is squeezed out because the political rewards go to those who can build something fast and cheap.

And government has a considerable way to go to reach minimum standards of transparency. The EU's auditor has just refused for the eleventh year running to sign its accounts. The Volcker Inquiry into the UN oil for food programme also suggests that there is much to be desired.

Investors

And yet: it is only the long term investor in business who will really buy the argument that business should spend its time in this way.

And yet. Any where there is still a strong disconnect in this analysis where investors are concerned. The cry from many business leaders is that, with the rise of hedge funds, investment has become more short term than ever before. Of course the sophisticated response to this is to say that hedge funds is an umbrella term which describes an alternative style and reward system for investors; that alternative investment strategies are simply a tool, a technology that can serve many masters over many time horizons in seeking out market inefficiencies.

But the truth is that the traditional accountability of capitalists has been eroded. The late Peter Drucker's pension fund socialism, where, through the pension funds, the workers actually owned the means of production, is being replaced by something so opaque and complex that the experience is not of accountability to any ultimate group, but to markets. Once upon a time you could argue that there were two capital market disciplines – price and ownership.

The investor could hold the management to account – and the ultimate deterrent was that they might sell the shares. Now there remains only price.

The phrase “Shareholder value” used to mean

Creating value today that can be distributed to shareholders some time in the future

For extractive industries, and pharmaceutical companies who also have their long pipelines of product development, this may continue to be the case. But for technology companies and financial services, shareholder value has in practice, changed its meaning. It has come to mean

Making sure that everything you do today enhances the share price tonight

There is a worrying irony here. Within major businesses there is real evidence of change – new developments of products and service delivery which reach the base of the pyramid being a good example.

Within investment there is also a ferment of innovation; new derivative instruments are being invented every day. Some of these developments, such as the return to private equity, may prove to be positive, giving companies a more direct line of accountability to their owners.

But other developments look less positive. Cendant is an American technology company. It had a wide diversity of operations. Traditionally this was seen as a strength. When one division was doing badly, another would compensate. Cendant has announced that it is splitting itself up. Explaining the change, the CEO seemed to suggest that this move was against his better judgement. But hedge funds now owned nearly 50% of his shares. They did not want to leave it to him as CEO to have a balanced portfolio of businesses. They felt that balancing portfolios to spread risk was their job not his.

With examples like this it is hard to avoid the conclusion that many leaders of businesses no longer control their destiny, and that the capital market forces on which they depend are not designed to reflect the long term needs of the planet.

It is far from clear how the changes which we are witnessing in western capital markets will serve the development of the agenda for sustainable development. Concerted action is needed to address the problems we face. How we develop the capital markets of tomorrow to reflect the longer term risks of inaction, and so provoke rather than hinder the necessary reaction is going to be one of the key questions ahead.

Just over a week ago I was in Barcelona, speaking at an event to celebrate Europe's top growth enterprises. Alongside me in Barcelona was a man called James Cameron who has start-

ed a new kind of business. It is called Climate Change Capital. It is raising money in order to invest in carbon reduction. There is, thanks to the Kyoto treaty, a market in carbon emission reductions. Companies can become more efficient and sell the emission permits that they no longer need. And the great advantage of this form of currency is that it is going to be entirely global. An increasing number of hedge funds are interested in investing in these new style businesses: our job is to make sure that we encourage many more James Camerons.

Partnerships in the future

One man who has written well and thought hard about these issues is Jean Francois Rischard, a former World Bank Vice President.

He says

“There are about 20 ... global problems, and they fall into three categories – how we share our living space, how we share our rule-book and how we share our humanity. They all require a global commitment and need solving in the next 20 years - not the next 30,40, or 50 years”.

Global warming would be an example of the first. The fight against poverty is an example of the third. Global arrangements to deal with investment and trade would be an example of the second.

To deal with these problems, says Rischard, we cannot set up a world government. What we need are “tri-sector partnerships” between business, NGOs and governmental institutions. These Global Issues Networks would work out detailed norms and standards, and then use their influence to shame those who transgressed against these standards. Rischard points to the example of the Financial Action Task Force in naming and shaming those involved in money laundering as a good example.

Changing our view of success – entrepreneurship with humility makes good partnerships

Humility is a precondition to successful partnerships.

We need to shy away from rigid, top-down solutions do not work. We need to welcome partnerships but in a spirit of some humility. When a team from Cemex, Mexico’s largest cement company, was researching how they could increase sales to the poor, they began by issuing a “declaration of ignorance”. They decided to learn all they could by living with the poor in the urban slums. As a result of this time spent learning, they discovered that the real obstacles to the poor becoming customers were financial and technical. The poor could not get good credit, were prey to being sold second rate materials, and could only build very slowly. So Cemex came up with holistic solutions that addressed the difficulty getting credit, and guaran-

teed the quality of building materials. Then and only then were the conditions right to sell more goods.

How do we see capitalism? Do we see it as a machine, grinding inevitably towards a calculated result? Or do we see it as an organism, responding constantly to its changing environment, and learning from that environment?

I am one of those who see capitalism, for all its faults, and market failures, as an open system. It is an open book in which we as customers, employees, investors, and citizens can write the script we want.

To tackle the daunting problems of sustainable development, I believe that business people, capitalists, are perhaps the most significant actors. But they cannot act alone.

And we will need a new spirit of collaboration.

Each of us –individuals, social organisations, local, central and supranational government– we all have a contribution to make to sustainable development.

For the changes that are needed to happen, however, I believe that we need to change the way we think about business, and about business success.

We need to encourage entrepreneurship, celebrate the diverse motives of entrepreneurs and to re-assert the values of business as an activity that serves and fulfils human beings.

When entrepreneurs start businesses, the one certainty is that they do not do so out of a desire to enrich an investor they have never met. Their motives vary – as the great economist Josef Schumpeter put it...

“There is the will to conquer, the impulse to fight, to prove oneself superior to others, to succeed for the sake not of the fruits of success, but of success itself. Finally there is the joy of creating, of getting things done, or simply exercising one’s energy or ingenuity”.

Of course many people get involved in business because they want to prosper. But the most effective entrepreneurs always recognise that the way to prosper is to meet human need. I mentioned that I had the privilege last week to be in Barcelona and to hear the presentations of four of the highest growth companies in Europe. After each of the entrepreneurs had made their elevator pitch about their company, each was asked a question by the chairman. What was the most difficult and significant decision each of them had to make in the course of their entrepreneurial careers. For three of the four the most difficult decision was a human decision –for the German software company Consol it was the decision of the entrepreneur to share the profits with the workforce. For the Irish employment services

company CPL it was facing up to the fact that many jobs would have to go because the group had expanded and now faced a recession. For the French engineering company A System it was facing up to the fact that the business model was failing: the entrepreneurs first thought was that he would have to go, but as he put it movingly and without a hint of exaggeration, if my company dies I die.

Business is about relationships. The most competitive businesses are those who the strongest relationships with their customers, their suppliers, their employees, their communities and their shareholders and with society.

Each stakeholder label is actually a mask. Behind the mask there are human beings.

We need to view the world through the eyes not just of today's stakeholder but tomorrow's. I hope I have shown that if we do this we will find enormous business opportunity.

Yesterday's community issue becomes today's customer issue and it then becomes tomorrow's shareholder issue.

The challenge for those of us who work in and around business is to transform the way we see business so that there is no chance of people thinking there is a conflict between the entrepreneurs desire to create growth and the planet's need for sustainability. Every business needs the platform of reduced carbon emissions from which to be able to grow confidently. Every business needs to reconceive its approach to innovation in how it operates and what products it develops.

An inclusive approach to success, one in which people and relationships and the planet are the ultimate point of business is a very important element in our tackling the problems of sustainable development. That is what Tomorrow's Company stands for: it is vital for sustainable development.