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Business needs to embrace sustainability targets

Companies that do not align their management strategies with sustainable development goals will lose out, warns **Klaus Leisinger**.

In September, countries adopted the United Nations' 2030 Agenda for Sustainable Development: goals and targets to end poverty, protect the planet from degradation, ensure prosperity and foster peaceful, just and inclusive societies. This was historic — never before have world leaders agreed on such a broad agenda to transform societies.

Of course, real success of Agenda 2030 demands implementation by all of us, from governments and other societal actors to individuals. Companies — especially large, international corporations who set the standards for industry sectors and markets — have a pivotal role and must go further than 'business as usual'. Society's rules have changed and managerial attitudes must keep up. Here is how.

First, companies must buy into the Agenda 2030 values: freedom, equality, solidarity, tolerance, respect for nature and shared responsibility. Politically convenient lip service crafted by their communications specialists is insufficient. The values must be built into strategies, business models and product development. Corporations that ignore ecological, social and economic knowledge and the global values expressed by the international community show a lack of integrity.

New, integral thinking is crucial. If a corporate culture focuses only on short-term economic key performance indicators, then so will employees, and they will choose the cheapest suppliers irrespective of whether they have degrading working conditions or destructive environmental practices. The Volkswagen emissions scandal illustrates what can happen if management remains distant from its employees.

Corporate transformation for sustainability is a leadership task. Just as stairs are cleaned from the top down, so institutional reforms must be lived by executives, not just proclaimed. I have spent the past three decades at the helm of a major corporate foundation and engaging with civil society, governments and UN institutions. I know of no companies that are doing enough today to meet the sustainable goals. Their intergenerational and integrated nature requires difficult, radical shifts. 'Doing no harm' as suggested by current corporate responsibility efforts — fair labour norms, the precautionary principle and UN Guiding Principles on Business and Human Rights — is no longer enough.

Most of the business leaders I know are good people and managers. Few are moral heroes. The new UN goals, they tell me, are idealistic, and they agree with them in principle. But there are many reasons for them not to act, at least not immediately — too much existing regulation; foreign competitors with cost advantages; shareholders; and financial analysts who will not accept lower profits even for a short time. What is in it for these managers? They know that customers, even those

who say that they agree with the sustainable vision will not pay the prices that tell the ecological and social truth.

Truly sustainable companies must embrace emission reductions and green energy, and control their use of non-renewable resources. They must invest in business models that bring essential products and services within the reach of low-income families, stop selling goods that are not biologically degradable, and develop alternatives that are. And they must have the same environmental and social standards at all production sites.

All these reforms have immediate costs and their returns will not flow quickly. Some sustainable pioneers will identify opportunities and enjoy first-adaptor advantages — car companies who invested in hybrid solutions are favoured by ecologically conscious customers, for example — but, yes, corporate sustainability investments will increase costs,

and can reduce sales and lower profits at least in the short term.

This is why we must look at such reforms as the necessary price of integrity, an investment in credibility and an insurance premium for future success. In time, costs will be offset by success in new markets, greater motivation of employees and customers, and reputational gains. Values such as ecological sustainability, social inclusion and human rights must be assessed alongside measures of economic success when decisions are made. Codes of conduct and corporate sustainability guidelines must be amended. Performance appraisals and bonus decisions must refer to these criteria.

Sustainability thinking must penetrate the entire corporate value chain. That starts with the sourcing of raw materials and services, through to transport, employment practices and environmental stewardship in production. It extends to packaging and delivering, the use of products and services by customers, and product disposal, reuse or recycling. All new investments and research and development should undergo a sustainability assessment similar to the one proposed by the UN Guiding Principles on Business and Human Rights.

Communications also need an overhaul. An enlightened public does not find corporate responsibility 'poetry' — pictures of smiling children and jolly workers — credible. Communications must be truthful and show transition as a learning process, with setbacks and obstacles reported as well as successes and progress.

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