Input to the ongoing discourse on
Corporate Responsibilities in the context of the post-2015 Sustainable Development Agenda
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We know that behind the opaque cloud of our ignorance and the uncertainty of detailed outcomes, the historical forces that shaped the century, are continuing to operate. We live in a world captured, uprooted and transformed by the titanic economic and techno-scientific process of the development of capitalism, which has dominated the past two or three centuries. We know, or at least it is reasonable to suppose, that it cannot go on ad infinitum. The future cannot be a continuation of the past, and there are signs … that we have reached a point of historic crisis. The forces generated by the techno-scientific economy are now great enough to destroy the environment, that is to say, the material foundations of human life. The structures of human societies themselves, including even some of the social foundations of the capitalist economy, are on the point of being destroyed by the erosion of what we have inherited from the human past….

We do not know where we are going. We only know that history has brought us to this point.... However, one thing is plain. If humanity is to have a recognizable future, it cannot be by prolonging the past or the present. If we try to build the third millennium on that basis, we shall fail. And the price of failure, that is to say, the alternative to a changed society, is darkness.

Eric Hobsbawn[2]

Introduction: Putting things in context
On the one hand…
The shared understanding of a majority of scientists, representatives of civil society, and multilateral institutions as well as of a growing number of enlightened leaders from the private sector is clear: Global economic, social, and environmental systems are on an unsustainable trajectory.[3] Phenomena such as climate change, extreme weather events, rising sea levels, loss of biodiversity, and other environmental changes are likely to have a negative impact on the development opportunities of future generations. Extreme poverty, poor health, inadequate nutrition, and other forms of human deprivation are widespread and reduce development opportunities of the generation living today. One result is increased internal as well as international migration—depriving rural areas and poor countries of the most valuable development resource: the initiative and skills of young people. Even in rich countries, income

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2   E. Hobsbawm: *The Age of Extremes*. New York, 1996, p. 584f.
3   See WBCSD / Sustainable Development Solutions Network: The Business Case for Sustainable Development. November 2013.

and wealth disparities are widening, and high unemployment—particularly among young people—is becoming endemic.

On the other hand
Despite all this, there is no reason to surrender to melancholy pessimism. When resources are priced properly, resource-intensive and ecologically damaging goods will become more expensive—and hence less attractive. Competition encourages producers to make the use of such goods cost-effective—that is, to minimize their use. Companies that take their responsibility toward the environment seriously and develop better products and processes will have a competitive edge. Under such conditions, the competition inherent in open markets becomes the primary driving force for the creation of ecologically sound technology. If markets were made to work for the environment by applying "full-cost pricing" along with the polluter pays principle, ecological innovation will be encouraged on the product and process level.

When *The Limits to Growth*[4] was published in 1972, it received enormous attention—and created enormous fears. Today we know that the projections that Dennis Meadows and his colleagues presented were overly pessimistic, as they underestimated the potential of economic feedback mechanisms and human creativity to lead to improved technologies, substitution mechanisms, and modified patterns of behavior. Despite a more than doubling of world population over the last 50 years and a substantial increase in consumption, most metals, food, and other natural resources have become more available rather than scarcer over time. As most of the world's known reserves[5] went up, the prices (adjusted for inflation) of most natural resources came down. The main pollutants have lessened in most industrial countries, and air and water quality have improved. Micro-organisms such as smallpox, plague, cholera, typhus, and the like, which threatened the lives and health of earlier generations in industrial countries, have been successfully conquered and are much better contained than they were 50 years ago. There is also spectacular progress in the management of diseases such as HIV and malaria.

Will the future be so different? The answer to this question depends, according to the late Julian Simon, on the response to another question: Will the rate of technological development slow down?[6] His answer—and, given, for example, information and communication technologies or genetic engineering, he was right—was that the pace of development of new technology is increasing. Hence if the future differs from the past, the bias is likely to be in the direction of underestimating the rate at which technology will develop. The value and weight of "the ultimate resource,"[7] as Simon called it—that is, human ingenuity with the proper economic signals and in a free society—are today still not properly taken into account when discussing sustainable development issues. Simon and others concede that in the short run all resources are limited, but the longer run is a different story:

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4   D. Meadows et alia: *The Limits to Growth*. Universe Books, New York, 1972.
5   A concept that depends on the current prices and current technologies and hence changes with new scientific discoveries, technological progress, and the recycling rate.
6   J. L. Simon: *The Ultimate Resource 2*. Princeton University Press, 1996; see also J. L. Simon: *The State of Humanity*. Blackwell, Oxford, 1995.
7   Simon, *Ultimate Resource 2*, op. cit. note 6.

> *The essence of wealth is the capacity to control the forces of nature, and the extent of wealth depends upon the level of technology and the ability to create new knowledge. A wealthy world can find remedies for a new disease more quickly than can a poor world, because the wealthy world possesses stocks of knowledge and skilled persons. A key characteristic of a wealthy society is a well-developed set of legal rules. Wealth both creates such rules and depends upon them to produce the conditions of freedom and security that progress requires.*[8]

Better technologies available today have already changed the definition of eco-efficiency, and more of the same is to be expected.[9]

Those believing in human ingenuity as a powerful force make an important contribution to the sustainable development debate by pointing out that we should be interested not so much in a specific resources per se (copper, for example) but in the particular services that resources can yield (such as the capacity to conduct electricity).[10] The same point was made long ago by Amory Lovins in arguing for the potential of energy efficiency.[11] If the services required for sustainable development can be supplied by other resources (such as optical fibers), the availability of the original resource (copper) has no great significance. If scientists are able to assemble atoms and molecules into new materials that can be substituted for a scarce resource, that specific scarcity becomes irrelevant. There is no reason to assume that similar mechanisms will not help to deal with emission issues better.

Creating awareness about actual and potential problems associated with the "business as usual trajectory" and drawing attention to possible outcomes associated remains an important part of the sustainable development discourse: Warning voices provoke new thinking, different perspectives and trigger political reactions as well as changes in human behavior that in their entirety confute all predictions. The real world is characterized by continuous feedback mechanisms and interactions (circular interdependence), and human ingenuity holds out the promise of endless innovations. Nothing remains unchanged, since humans respond intelligently to altered circumstances, to conflicts and shortages: intensive research yields new knowledge and significant technical innovations. For this reason, the competition for resources between current and future generations need not be a zero-sum game, in which one party can only win if the others lose. Owing to technological progress, what the present generation regards as "sustainable" may be totally irrelevant for future generations. The opportunities created by technological advances and appropriate (full-cost) pricing continue therefore to be highly significant for the sustainable development debate—they help stretch the time needed for eventual changes in human behavior with regard to their production, consumption, and waste patterns.

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8   Ibid., pp. 12–13. Simon deals also with the arguments that the concept of entropy and the associated second law of thermodynamics are against "business as usual," see p. 77 ff.

9   See 10 years ago E. U. von Weizsäcker, A. B. Lovins, and L. H. Lovins: *Faktor Vier. Doppelter Wohlstand— halbierter Naturverbrauch. Der neue Bericht an den Club of Rome*. Droemer Knaur München, 1995, and, more recently, E. von Weizsäcker, K. Hargroves, and M. Smith: *Faktor Fünf*. Droemer München, 2010.

10 Simon, *Ultimate Resource 2*, op. cit. note 6, pp. 23–73.

11 Early on, A. B. Lovins: "Energy Strategy. The Road Not Taken?" *Foreign Affairs*, October 1976; see also, A. Lovins: *Reinventing Fire: Bold Business Solutions for the New Energy Era*. 2011.

A precautionary approach for sustainable development…

Despite all this, there is no reason to propose an undifferentiated business-as-usual approach. What is to be developed is a "middle path" between approaches that tend to move toward the future in the spirit of Hans Jonas´s "heuristics of fear"[12] and those who believe that improved technologies and new research findings open up completely new possibilities for future action"— that is, an unfettered business-as-usual optimism. What ought to be kept in mind is the precautionary principle accepted by the international community in 1992 with its support of the *Rio Declaration on Environment and Development*: "In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation." In the context of the sustainable development agenda, this normative prescription ought to apply not only to environmental issues but to all others as well.

So, the challenge to overcome for the design of a sustainable development path is immense. There is no universal blueprint. Human development is always context-specific and the result of the complex interaction of multiple economic, social, cultural, ecological, political, and legal factors.[13] Different goals have to be attained simultaneously on a global level: sustained economic development and technological change, a higher degree of social inclusion, and a reduction of the human-made threats to the local and global environment. Differences in the initial conditions will result in greatly varying assignments of tasks within and among countries and segments of population.

… and a new standard of practices for all
The goal of the sustainable development discourse—very similar to the aspiration articulated in the preamble of the Universal Declaration of Human Rights—is a *new common standard of practices for all peoples and all nations*, to the end that every individual and every organ of society, keeping the necessity for a sustainable development path constantly in mind, shall strive by teaching and education to promote coherent action and implement state-of-the-art national and international measures progressively, to secure universal and effective recognition and observance.

Given the scale and complexity of problems to be solved, single actors or institutions by themselves cannot make a decisive difference. Successful endeavors to change the development path necessitate a multistakeholder approach, whereby the international community, multilateral institutions, national governments, regional institutions, civil society, and the business sector as well as individual households share responsibility and commit resources, skills, and know-how to achieve sustainable solutions in a fair way. In the same way

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12 H. Jonas: *The Imperative of Responsibility*. University of Chicago Press, 1985.
13 See UN System Task Team on the Post-2015 UN Development Agenda: Realizing the Future We Want for All. Report to the Secretary General, New York / Rio de Janeiro, 2012.

that a nation's economic and social success is greatest when there is a fair division of labor and responsibility between different societal actors, sustainable development will benefit from shared values and common understanding over basic issues and opportunities.

The primary responsibility for human development undoubtedly continues to rest with national governments and their administrations. It is their duty to set the appropriate priorities, allocate the resources available to them accordingly, and work in the most cost-effective way. But the corporate sector—the single most efficient source of economic activity—has its share of responsibilities too.

Corporate risks and opportunities in the context of the post-2015 Development Agenda
Assuming sustainable development–related responsibilities means different things in different sectors, but in all cases it is likely to involve additional costs and expenses. However, these ought to be considered as strategic investments for the continuance of old and the creation of new business opportunities.

Rising societal sensitivity in high-income and emerging countries will result in a more pronounced awareness of the growing dangers and the positive or negative roles played by sectors and individual businesses. As public expectations grow, businesses are well advised to look beyond short-term market signals and work closely with multilateral institutions, governments at all levels, scientific institutions, and civil society to identify sustainable development challenges and implement solutions. Business may not be able to solve all these problems, but business cannot thrive in a society that fails to solve them.

Companies that establish a reputation for problem solving are likely to be rewarded with government and community support. They are likely to enjoy differential acknowledgement and be seen as reliable partners in addressing long-term sustainable development challenges. This again is likely to allow them to help shape public policies in support of sustainable development, improve their positioning in the present and future marketplace, and maintain their social license to operate and grow.

Companies and sectors on the wrong side of sustainable development are likely in the long term to face diminishing opportunities and increasing challenges. Such companies may in the short term continue to earn and even increase their profits even while they despoil the environment or ignore other societal needs, but they will not thrive in the long term as societies and governments gradually revoke their (social) license to operate. Indeed, the very survival of those companies is threatened when they come to be seen as directly opposed to the interests of society.

Probably the most important obstacle for corporate actions in line with the requirements of sustainable development is the current structure of incentives: The costs and expenses for business enterprises occur today, whereas the possible return on investment is likely to become reality "later"—and certainly outside current accounting cycles. The widespread focus on short-

term performance in the context of financial markets, quarterly corporate reporting cycles, and—for politicians—the rhythm of election cycles constitutes a potentially high hurdle for long-term returns. Enlightened corporate leaders today already agree that a business that strives to save on costs or exploit opportunities by going to the edge of what is legally permissible instead of living up to the spirit of a Global Compact–based corporate responsibility philosophy may look better in the short term but is likely to create higher risks of accidents or perceived misconduct. Therefore, when faced with dubious legal standards, good management practices wisely exercise self-restraint and avoid morally ambivalent business practices.

Enlightened corporate leaders today also agree that economic success achieved with collateral social or ecological damages or, even worse, human rights violations offends human dignity (including the dignity of those responsible for such a conduct) and destroys public trust. You do not have to study moral philosophy and make complex ethical analyses to come to the conclusion that corporate activities should do no harm and that international norms ought to be respected—these *minimal moralia* simply represent good management practices and mere decency.

What is needed is the application of this responsibility mind-set to a long-term time frame and appropriate actions today in view what is demanded in a long-term perspective. This needs leadership profiles and value management of a different kind. Corporate leaders will have to participate in the public discourse on sustainable development,[14] be exposed to and learn from constituencies outside the business silo, create transparency, and explain complexity as well as share dilemmas. Management of the manifold dilemmas posed in the context of corporate responsibilities for the Post-2015 Development Agenda necessitates a values-based approach and a reference to what the High-Level Panel emphasized in its report:[15] a global *moral common sense*.

Common values for sustainable development
We are faced with an incentives problem. Barely existing today are the incentives for individuals or institutions to:
- ✓ pay or invest in something now that might bring a return on investment in the long term,
- ✓ accept changes in accustomed production and consumption habits for a long-term benefit,
- ✓ endure uncomfortable alteration due to different patterns of individual mobility now for an infinitely small contribution to the prevention of problems in the future,
- ✓ change other aspects of the "courant normale," or
- ✓ for politicians, inflict short-term burdens for long-term change on their constituencies— those by whom they want to be re-elected.

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14 The current best practices are demonstated by Paul Poleman of Unilever, see http://www.unilever.com/sustainable-living/news/news/PaulPolmanspeaksatlaunchofnewUNreport.aspx.

15 Report of the High-Level Panel of Eminent Persons on the Post 2015 Development Agenda: *A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development*. New York, 2013, p. 6. http://www.un.org/sg/management/pdf/HLP_P2015_Report.pdf.

The "costs" accrue immediately while the returns become apparent only in the long run, and for different people probably at different places in the world—if at all (because deteriorations of the status quo have been prevented due to the impact of the changes). Awareness raising through education and advocacy, tax reforms so that all costs tell the ecological and social truth, and appeals for enlightened self-interest will be necessary to motivate a small but increasing number of people worldwide.

Above all, sustainable progress for a global development path that is compatible with the planetary boundaries and sound opportunities of future generations to satisfy their needs depends on a common ethical denominator. A "future we want for all"[16] rests on the core values of human rights, equality of opportunities, and social as well as ecological sustainability. The identification with a global common moral ground may allow for an enlightened common interest perspective. Only this is likely to make it possible for individuals and institutions to "give" without immediately "taking," to forgo superficial consumption today for the benefit of the preservation of scarce resources, or to invest now for the benefit of other people's children living in the future elsewhere in the world. Only the internalization of a common minimum of core values such as respect for life and human dignity, mutual respect and peaceful settlement of conflicts of interest, justice and fairness, and the firm intention to honor the Golden Rule principle of reciprocity—that is, to treat others as you would wish to be treated—opens the possibility to find a common sustainable path for human development. If and when lifestyle models such as *sophisticated modesty*, *smart simplicity*, or *prosperity light* become fashionable, they are likely to become attractive as development patterns for the rising middle class population of the world. The evidence that "more" in terms of conspicuous consumption does not necessarily mean "more" in terms of happiness and quality of life has been shown clearly.[17]

In a search for common values and moral insights, it is not necessary to start from scratch. Endeavors to define binding ethical norms for a enlightened–self-interest–driven way of living together in peace and prosperity are available. Since the early 1990s a number of studies, the result of commissions´ work as well as of eminent individuals such as Hans Küng, have raised awareness about and drawn attention to the existence of universal norms, values, or principles:
- ✓ Declaration Toward a Global Ethic and the World Ethos,[18]
- ✓ A Common Framework for the Ethics of the 21st Century,[19]
- ✓ Report of the World Commission on Culture and Development: *Our Creative Diversity*,[20] and
- ✓ Report of the Commission on Global Governance: *Our Global Neighborhood*.[21]

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16 See UN System Task Team, op. cit. note 14.

17 See the Report of the Commission on the Measurement of Economic Performance and Social Progress (Joseph Stiglitz, Amartya Sen, and Jean-Paul Fitoussi), http://www.stiglitz-sen-fitoussi.fr/en/index.htm, as well as the World Happiness report edited by John Helliwell, Robert Layard, and Jeffrey Sachs, http://unsdsn.org/resources/publications/world-happiness-report-2013.

18 http://www.weltethos.org/index-en.php.

19 http://unesdoc.unesco.org/images/0011/001176/117622eo.pdf.

20 World Commission on Culture and Development: *Our Creative Diversity*. Paris, July 1996, http://unesdoc.unesco.org/images/0010/001055/105586e.pdf.

21 Commission on Global Governance: *Our Global Neighborhood*, http://www.gdrc.org/u-gov/global-neighbourhood.

The common denominator of all this work for a collaborative ethos is the desire that individual actors and institutions act according to the Golden Rule as well as internalize and apply in their personal and professional lives common values such as nonviolence, reverence for life, solidarity, fairness, justice (also in its intergenerational meaning), truthfulness, tolerance, equality, sustainability, respect for human rights, and integrity.

Another important commonality in the work just cited is that human development can no longer be perceived as "a single, uniform, linear path, for this would inevitably eliminate cultural diversity and experimentation, and dangerously limit humankind's creative capacities in the face of a treasured past and an unpredictable future."[22] Last but not least, there is a pronounced need for political and corporate leadership, one "made strong by vision, sustained by ethics, and revealed by political courage that looks beyond the next elections."[23] The corresponding equivalent for business leaders would be moral courage that looks beyond short-term economic results.

General affirmation of normative terms versus concrete rejection in a specific context
So far, so good—but the next step, the operationalization and application of such abstract common values, is a complex task. We owe Michael Walzer for the important consideration that the basic approval of a general abstract norm among people does not necessarily mean consent in the application of such a norm to specific circumstances: "Moral terms have minimal and maximal meanings; we can standardly give thin and thick account of them, and the two accounts are appropriate to different contexts, serve different purposes."[24]

With "thin," Walzer means the general agreement to an abstract term or moral concept without reference to a specific context. Reasonable people all over the world can easily identify themselves with norms such as "truth," "justice," "fairness," and most of the others defined through the search for a common global ethos. A moral (or responsibility) discourse, however,

> *ought to be done in a thick manner, accounting for the specificities of the actual situation in which a decision has to be taken. The "thin" level of the moral discourse propagates general terms and concepts like "justice," "truth" or "freedom"—the thick level necessitates a discourse about how to achieve a desired good concretely, and this is much more difficult as people acknowledge the concept but give "truth" or "justice" their own additional meaning, derived from their own culture. The claim that we must all be heading in the same direction since there is only one direction in which good-hearted (or ideological correct) men and women can possibly march is an example of philosophical high-mindedness. But it does not fit our moral experience.[25]*

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22   World Commission on Culture and Development, op. cit. note 21, p. 7.
23   Ibid.
24   M. Walzer: *Thick and Thin. Moral Argument at Home and Abroad*. Notre Dame University Press, 1994, p. 2.
25   Ibid., p. 9.

This also means that in the context of corporate responsibilities for the post-2015 Development Agenda the discourse has to become "thick." When evaluating the 10 Goals proposed by the Global Compact (UNGC) or those recommended by the Sustainable Development Solutions Network, reasonable people all over the world will agree that they are right on spot—no rational person can disagree with goals such as "ending poverty," "qualitative education for all," "good governance and realization of human rights," "gender equality," or "health and well-being at all ages." Most experts in the different science categories will also agree on the targets associated with the goals. From a corporate perspective, however, this agreement and support is "thin."

In order to operationalize them—to make the agreement and the support "thick"—the potential (general) responsibilities will have to be differentiated at least
   ✓ by *industry sector* (given that the pharmaceutical industry, the extractive industry, the agro industry, the textile industry, the financial industry, and any other industry have—besides the non-negotiable duty to adhere to the law and regulations—very little in common),
   ✓ by *initial condition and resource base* of a company (given that small and medium enterprises in low-income countries have totally different resource bases and thus breadths and depths of their responsibility portfolio than high-performance multinationals from OECD countries),
   ✓ by *culture context* (given that valuations about "desirable" and "undesirable" vary according to different "collective programming of the mind, that distinguishes the members of one group or category of people from another.... with consequences for beliefs, attitudes, and skills as well as systems of values"),[26] and
   ✓ by the "*do no harm*" principles of the UN Global Compact and the "*do good*" requirements of its LEAD initiative.

Also in the context of the corporate responsibilities for the post-2015 Development Agenda, the top management of a company will have to go through a conscious management cycle.

Nice words are fine, but hens lay eggs
The wisdom of the African proverb about hens laying eggs puts the intuitive sentiment in one sentence: Articulating nice statements and issuing attractive brochures does not really help—on the contrary, if actual performance deviates from the messages given, there will be cynicism and frustration on the side of the employees, and if the actual performance deviates from the public expectation, external criticism will arise. Companies competing with integrity have answered the basic question: they want to be "part of the solution" not "part of the problem."

The appropriate way for a company to proceed is to undergo a similar strategic reflection process as for the 10 principles of the UNGC in general and to reflect and possibly consult with

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26   G. Hofstede: *Culture´s Consequences*. 2nd ed., Sage Publication, London, 2001, p. 9f.

specific stakeholders about what their "post-2015 development agenda" responsibilities could be.

- ✓ What, in the light of the encouragement about "taking action in support of broader UN Goals and issues," can the company do and is willing to engage in?
- ✓ In what areas does the company have experience, skills, resources, and networks in connection with its core competences that would be especially useful to support of broader UN Goals?
- ✓ Who are the relevant stakeholders with whom the company could cooperate in strategic social investments and philanthropy? What are their stakes and expectations? What are the experiences from earlier cooperation?
- ✓ How does the company proceed if the expectations of civil society conflict with those of the financial community?
- ✓ Where are the areas that could lead to a business case in the years to come?
- ✓ Is the company willing to allocate human resources and financial budgets over three to five years to allow for a sustainable program rather than short-term projects?

Sustainable Development Value Management
Once this ground work is done, corporate management will have choices from a structured portfolio and can set the priorities that are the best fit with the overall corporate strategy. And then—as usual in value management—SMART targets have to be set, internal and external communication initiated, employees and business partners committed and incentivized, performance appraisals and promotion criteria as well as bonus systems and compliance management adjusted appropriately and benchmarking done.

Allocating top managements time to reflect on such issues is, in my experience, the single most important element of a successful corporate responsibility process that goes beyond the "business-as-usual trajectory." Dialogue with internal and external stakeholders helps to reach informed decisions about the content, scope, and limits of their "post-2015 development agenda" responsibilities. Corporate management thereby becomes familiar with the pluralism of demands from different stakeholders. Managers are challenged by values, concerns, views of the world, and perceptions of corporate obligations that can differ substantially from their own. But this learning experience—as challenging as it may sometimes be—enhances the social competence of corporate management. Such dialogues are in the best of all worlds a two-way street: civil society stakeholders, too, have the opportunity to learn about the mind-set of management and about managers' way of making decisions on the background of business fundamentals, and hence these stakeholders can better assess where there are limits and non-negotiable essentials for profit-oriented corporations.

Complex issues do not have simple solutions
Obviously the corporate sector will not be able to solve all problems. To sustainably transform the pattern of energy use, production, and consumption, integrated approaches are necessary—a change in the "rules of the game" is necessary to make the human impact on Earth sustainable. Addressing market failures and a better alignment of private incentives with

the societal objectives of sustainable development is imperative. These changes will come anyhow sooner or later. The choice is whether to proactively lead the change or to follow the trend and give in to increasing pressures. New methods of reporting, accounting, and valuation will have to be developed and applied to make the "true cost" of non-compliance with sustainable development rules transparent. A close cooperation with experts from the financial sector will help to increase awareness, improve understanding, and facilitate buy-in. A constructive engagement with policymakers and representatives of civil society to adjust the current rules of the game in a gradual and predictable manner will facilitate progress.

Last but not least, "solution-stakeholder-teams" should include the media to "spread the sustainable development gospel"—to explain and educate the general public about what is at stake and what can be done by whom.