

CORPORATION 2020

TRANSFORMING BUSINESS
FOR TOMORROW'S WORLD

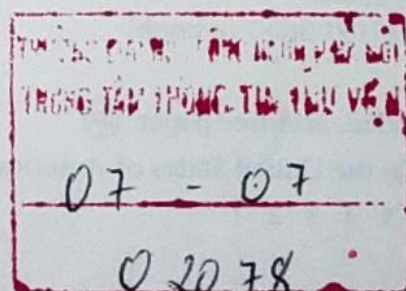
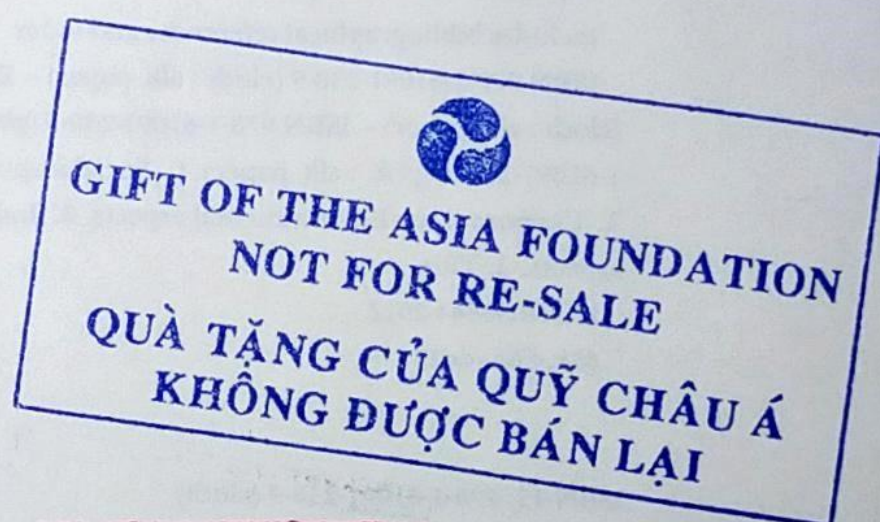



PAVAN SUKHDEV

CORPORATION 2020

Transforming Business for Tomorrow's World

Pavan Sukhdev



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To today's students, tomorrow's corporate leaders

This is your book, make it happen

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Foreword

Our oceans are severely depleted, deforestation continues apace, biodiversity is dwindling and concentrations of greenhouse gases continue to rise rapidly. The lives and livelihoods of the world's people are under increasing risk as a result of the damage our activities are doing to the ecosystems and environment of the planet. The risks of profoundly damaging irreversibilities and tipping points are increasing. As a result, inaction is dangerous: indeed the dangers are intensified by the ratchet effects of accumulation processes such as greenhouse gas concentrations and the lock-in of long-lived polluting capital. It is the poorest who are and will be hit earliest and hardest. But all of us will be profoundly affected by continuing neglect and delay, including by major movements of population and the tension and conflict these are likely to bring.

Many or most of our problems lie in combinations of market failure and irresponsible and short-term behaviour. We have it in our hands to overcome these problems through sound policy, collaborative behaviour, a more far-sighted approach to the consequences of our action, and the processes of discovery about technology, organisation and policy. All of these reinforce each other. And they can bring advances in material living standards, particularly for poor people, greater social and economic inclusion and equity, and a more attractive and hospitable environment for us all. In other words greater economic, social and environmental sustainability. Indeed, unless we act to put all three together, each of them is likely to be undermined.

This book sets out these arguments strongly and clearly. And it shows the key details of actions and policy that are necessary. The policies are designed to go to the heart of the problem and particularly the market failures involved. It shows how the entrepreneurship and creativity of firms, individuals and communities can be re-orientated away from the damage caused by distorted markets and irresponsible behaviour towards actions and discoveries that are economically and socially profitable for

firms, individuals and communities and the world as a whole. To fail to correct gross market distortions is to grossly distort markets. If we pursue these policies we will create a much sounder, stronger and more attractive way to produce and consume: more secure, cleaner, quieter, more bio-diverse and more equitable.

Specifically the book argues that UNEP's Green Economy Initiative showed that building a new economy—one which promotes economic development and social equity while reducing environmental risks and ecological scarcities, is not only possible, it is necessary for sustainability. But for too long we have been talking about making directional changes at the “macro” level without recognising that economy-wide changes can happen only if we build them up from the “micro” level. That means sound micro-policy which gets to grips with market failure.

This leads us to think about the economy's largest agents: corporations. What will change how corporations operate? Like any species, their “environment” has to change for them to evolve, and that comprises institutions, policies and prices. But it also requires greater discussion and social engagement about what works, what is sustainable and what is responsible in relation to all the relevant stakeholders.

Corporation 2020 proposes four primary changes in what could be called the “enabling conditions” for the development of a more responsible kind of corporation:

- Disclosing externalities: to provide both investors and consumers with more information to make decisions based on criteria broader than just shelf price or return on investment.
- Resource taxation: taxing “bads” rather than “goods.”
- Accountable advertising: to provide real information to consumers, rather than just sales pitches.
- Limiting leverage: especially companies considered “too-big-to-fail,” whose leverage is essentially a negative externality on taxpayers.

Action now is critical. We cannot wait until 2050 or 2100 to make changes in environmental performance. The science tells us that dramatic changes must be made to “business-as-usual” within the *next decade* if we are to maintain hope of building a sustainable economy.

As we build action we must recognise that: