

Is Sustainable Development Still a Relevant Business Issue during this Economic Crisis?

By Darcy Hitchcock with Lynette Thorstensen, World Business Council on Sustainable Development (Geneva, Switzerland).



World Business Council for Sustainable Development

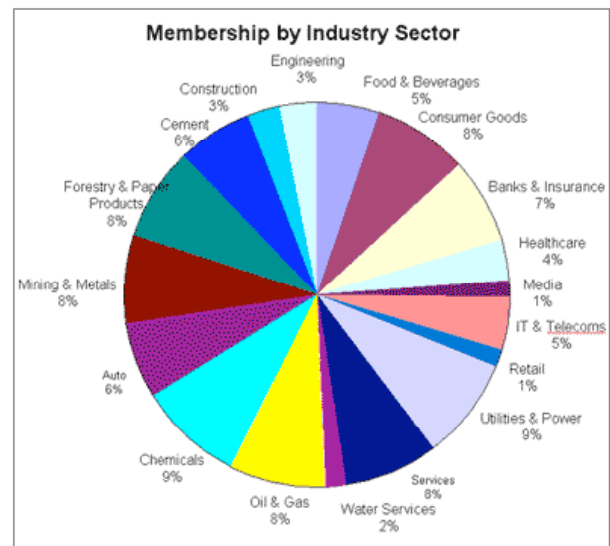
Darcy: Tell us a little about World Business Council on Sustainable Development. How were you formed and who are your members?

Lynette: We're the leading global business advocacy organization on sustainable development. We've been around for 15 years. We began when SD was definitely not a popular subject for corporations. We were founded on the back of the Rio Summit by Swiss entrepreneur, Stephan Schmidheiny. He was concerned that business wasn't doing enough and that it had a lot to offer. He was disturbed at the Rio Summit that business wasn't present, wasn't engaged. He spoke to a few of his good friends, fellow industrialists, and said let's get this thing created.

Darcy: So who were some of the early members and what drew them to sustainability so early?

Lynette: Some of the very early members were champions at the time. The CEOs felt very strongly about the issue. Early members included companies like DuPont, Western Mining in Australia, and IBM. What strikes me is that some of the companies had received extreme public criticism, either by green organizations or in a more direct way. Some of the companies that are now considered best

practice were some of the same companies that were given the hardest time imaginable a decade or more ago.



Darcy: In addition to the WBCSD, I know there is also a US affiliate. How many affiliates do you have around the world?

We've got about 30 regional networks. They go by different names. Some use a similar name as ours and others are partners with other business organizations. They're very important to our influence. These regional networks often have

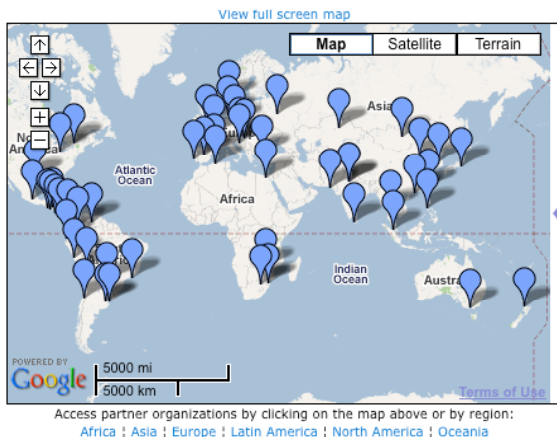
more of the small to medium sized businesses involved, not just the global corporations.

Darcy: It seems your members are mostly very large corporations. Is that true?

Lynette: The World Business Council members are almost all large corporations. The small and medium enterprises can be members of the national/regional groups. The fact that some 200 CEOs of the world's largest corporations are our members gives us a lot of our influence. You have to be a chairman or CEO to be a member, and that level of seniority is fiercely guarded. Also you have to be invited. There are benchmarks for entry. Members must be producing a sustainability report and taking active steps with targets to reduce their ecological footprint. We used to say our members represented \$8 trillion in annual turn over—but we're not sure the exact amount now with the economic downturn.

Regional Network

The WBCSD's Regional Network is an informal alliance some 55 CEO-led business organizations around the globe that are united by a shared commitment to providing business leadership for sustainable development (SD) in their respective countries or regions.



Darcy: Tell me the main things that you do.

Lynette: It's two fold. First we assist the global policy process. We're an increasingly important player in the Kyoto negotiations. At the most recent conference of the meeting of the parties at Poznan, we held a day-long business conference. We also held a ministerial breakfast that Ban Ki-Moon and our president, Björn

Stigson jointly hosted. So advocacy and policy development are central to our mission.



President Björn Stigson speaking at the opening of the Global Competitiveness Forum Jan. 25, 2009 in Riyadh

The other part is perhaps more practical. We see ourselves as being member-led. So we have working committees and produce reports. We also share best practices among our members. We have these wonderful no-holds-barred conversations.

Darcy: I'm curious what you and your members think about the increasing interest in 'green,' climate change, sustainability. Do you view it as a real and significant progress or are we just papering over serious problems and 'dumbing it down?'

The best practice companies are ones that have positioned sustainable development at the heart of their business strategy. So it's not philanthropy or not even worthy programs; it's not just the domain of someone at the head of sustainable development. This has to be central to the products and services or it's not real.

Lynette: The best practice companies are ones that have positioned sustainable development at the heart of their business strategy. So it's not philanthropy or not even worthy programs; it's not just the domain of someone at the head of sustainable development. This has to be central to the products and services or it's not real. If not, it is papering over, green wash, however you choose to term it.

Darcy: Will you be involved with the Davos Economic Summit coming up?

Lynette: Yes, our president is about to head off there. It will be fascinating to see how much the topic of sustainable development is a part of the discussion. Our role is to keep driving the debate, and the part of the debate that's starting with the Obama government in power, around green jobs and alternate economic thinking, a low carbon economy. I hope taking a long term view about creating value will be part of the policies moving forward.



Darcy: That's a great transition into talking about the current economic crisis. I hate to see so many people in pain but I also hope we stay in this long enough to rethink a lot of things. And my fear is that in rushing to get back to the old boom economy, we'll just throw stimulus at the economy, reignite the same systems and that the next crash will be even worse. So would you agree with that and if so what do you see as being the outlines of a sustainable economic system? What policies should we put in place and what would be signs of old thinking.

Fully 80 percent of the CEO's felt that sustainable development was even more relevant than ever as a business agenda.

Lynette: That's a really great question. It might be interesting to point to a vote that was taken by our council members at our last meeting, last November in Johannesburg. It was right after some of the worst excesses; Bear Sterns had just gone under. And so we had a vote of the CEOs of those global corporations asking, "Is this

agenda still relevant? Or are your minds elsewhere? Are you dealing with the horror stories of the fall out of all of this?"

There is an impatience to see some of the people responsible for these mistakes to move aside and to allow a new generation of business thinking to come forward.

We were delighted to see that fully 80 percent of the CEO's felt that sustainable development was even more relevant than ever as a business agenda. And that offered hope and lessons for moving forward. It meant taking into account feelings of people in the communities in which they operate, and taking far more seriously energy efficiency. Clearly, that's low hanging fruit. You can save a lot of money.

So it was very exciting to see those leaders saying that. My boss concluded—he's a Swede and has a very direct way of speaking—"Well, it looks like sustainable development hasn't fallen off a cliff."

Thinking about a low carbon economy, major investments in renewables are clearly part of that path forward. These are hard conversations for our members to have since some are in the renewable energy business. Vestas, for example, builds wind turbines. The agenda was very robustly discussed about positioning and not making the same mistakes.

There was a very strong view expressed about generational change. It's not that the young leaders have all the answers, but there was robust discussion about not making the same mistakes of governance, to put in charge of banks and new entities the same old-boy's network.

If you put the same people in place with similar roles, you'll get similar processes and thinking all over again. There is an impatience to see some of the people responsible for these mistakes to move aside and to allow a new generation of business thinking to come forward. And over time, we've been able to

show that having a diverse set of decision makers—mixed gender and mixed-ethnicity teams in management— does produce better results because you have a wider range of options and issues are part of the discussion.

Darcy: Fascinating! What would that new business thinking look like? Can you dive down a little deeper?

What is the role of business in a sustainable society? And we think that's about consumer choices, choice-editing.... Which ones provide social justice, environmental health and economic profitability?

Lynette: I think we need to move away from the absolute dedication to drive toward quarterly financial results. That frenzy to have your share price looking good every quarter and to impress a certain kind of financial analyst has to change. This is going to sound ridiculous, but it would be quite radical in some companies to have the CEO's include one PowerPoint slide about the business value of sustainable development when they go on their annual road show to investors and market analysts. One slide! It sounds ridiculous but that would be a radical step. Because generally speaking, CEO's do not speak about that subject to market analysts and investors.

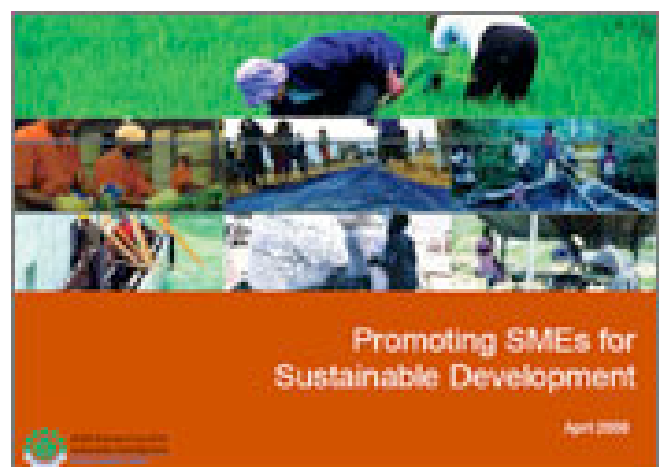
Darcy: What's the thinking about the financial system and credit system? I read from progressive economists like Mark Anielski about credit being part of what drives a need for growth. You need growth to pay off the debt, the interest. Yet here in the US, the whole emphasis has been on how to get credit flowing again. And so have you had conversations there about what a sustainable monetary system would look like?

Lynette: To some extent. The provision of credit has to be closely related to investment: What are you providing credit for? And the Obama administration is showing very positive signs about linking any more bail-out dollars to results. Look for driving new patterns of

investment. We need a discussion around value, what is real wealth creation. That's a tough discussion to have because it raises questions about lifestyles and that links to personal choices. I think that's a particularly tough discussion to have in the US, it seems. It's slightly easier in Europe, but not much.

But these are important discussions to have. It raises the question, What is the role of business in a sustainable society? And we think that's about consumer choices, choice-editing, if you like, decisions about which kinds of products and services that are responsible and reasonable, and of course, profitable. Which ones provide social justice, environmental health and economic profitability? That's a difficult line up but there is a lot of exciting thinking going on around that.

Darcy: I think about our experience in the developed world around this crash. Certainly, people are losing their jobs and some their homes. But I've done enough traveling in the world to know that billions of people would love to have our problems. So do your members think a lot about how to lift up the rest of the world out of poverty? Are they exploring notions of social entrepreneurship, bottom of the pyramid ideas?



Lynette: Yes, we do. That's the development side of sustainable development. We talk about an inclusive agenda that must include and engage local people or the efforts simply won't work. We aren't talking about companies

swooping in and swooping out. We're talking about long-term, local business engagement.

Interestingly, some of the financial institutions that haven't been so affected by the financial crisis are those involved with microcredit. As I understand it, many of those locally based microcredit institutions are doing okay. In fact, they're getting their loans paid back, unlike many of the others in the so-called developed world!

[Regarding a post-2012 Kyoto agreement] Business wants certainty, and business wants this tied up by December in Copenhagen. They don't want an aimless, never-ending inter-governmental process.

Darcy: I'm familiar with the Grameen Bank. Are you referring to them and businesses like them?

That's one of them but there are many others, for example in India, Thailand, that have teamed with NGOs (non governmental organizations), and in other cases, there are other large companies continuing to function quite effectively.

For example, the French yogurt company Danone, is operating in Bangladesh. They've made a number of mistakes, which they talk about quite openly. They lined up a whole workforce of women to sell door-to-door but they didn't realize that the women's husbands would have to be consulted. There's also a funny anecdote where they discovered the local people didn't like the consistency of the yogurt. If only they'd had local testing and engagement! So even though it was nutritionally sound product, a national health product, the local people didn't like how it felt in their mouths. There are fascinating stories like that which are shared with our members, and we have lots of exciting examples of what can be done.

Darcy: Do you have any other thoughts you might like to share with our members, what

sustainability directors should be thinking about or doing?

Lynette: This is a unique time to make a business case. The UNEP, under the direction of Achim Steiner, is pursuing the green economy initiative. He's been very quick to see business thinking and strategy about how this might work. He said this doesn't have to be a moment of despair. This is an opportunity to retool the economy, and that's quite exciting to me. There is an attempt to turn this crisis into an opportunity.

Darcy: I have a colleague in government who once told me that it was their job to formulate good ideas so that when the crisis happened, when that teachable moment occurred, they'd have an opportunity to bring them forward. It sounds like that's what you're saying. The crisis creates a sense of urgency and openness to new ideas that wasn't there before.

Lynette: I couldn't agree more, Darcy. And those that can demonstrate some flexibility in their strategy can drive important improvements moving forward.

Darcy: What are your priorities for the next year?

Lynette: Without a doubt our biggest priority is the 'Road to Copenhagen' process, the final negotiation of the post-2012 Kyoto climate agreement. That must be all tied up by December this year. There's been enormous concern that we might not have a new international agreement to replace Kyoto. One of our messages is that business wants certainty, and business wants this tied up by December in Copenhagen. They don't want an aimless, never-ending inter-governmental process. Our organization is strongly pushing for an agreement.



Darcy: Well, hopefully with our new administration, we can at least be a participant in that process.

Lynette: We'd like to see Kyoto ratified by the US. I think there's enormous optimism in Europe with the new Obama administration. He's quite right that the expectations on him are enormous, but there are a lot of innovative people particularly in the sustainable development community. It requires complex, interconnected thinking. I often think that's why there are so many women in the field. It's the ability to hold 20 thoughts at once, finishing off your PhD while changing your toddler's nappies/diapers. And it's got to be about long-term thinking, which is what sustainability is all about.

Lynette Thorstensen,
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Business Council on
Sustainable Development
Lynette has worked for
over twenty years in the
field of sustainable
development, in a career
that has spanned the non-
government, government
and private sectors. She
has held a variety of senior



roles, most notably as CEO of Greenpeace Australia, Director of Social Development and Environment in the New South Wales Premier's Department and almost four years as the global head of Sustainable Business Practices at Insurance Australia Group. In her time at IAG, the company was twice awarded Sustainability Company of the Year by Ethical Investor Magazine, and was one of only three Australian companies to be recognized by Innovest Strategic Value Advisors as one of the Global 100 top sustainability companies in the world.

Prior to living in Switzerland, Lynette served on the Boards of Greenpeace Australia Pacific and the Sydney Community Foundation.

Upcoming ISSP events

Webinar (free to members)

The New Economics

(April 15, 3pm GMT, 7am Pacific time. One hour.)

David Boyle (UK) will talk about his upcoming book, *The New Economics* (by David Boyle and Andrew Simms) describes the problems and bizarre contradictions in conventional economics with 'Freakonomics' style as well as the principles of the emerging new economics.

Register: <http://sustainabilityprofessionals.org/upcoming-events>

Workshop

Approaching Zero Waste

(May 2009)

Instructor: Shanna Ellis, Community Environmental Services (Portland, OR)

May 2009. Webinars TBD

This course will show you how to do a waste inventory and then build a practical plan for minimizing waste.

Topics include:

- zero waste as a concept and why it's important
- how to do a waste audit
- common waste elimination strategies
- leading edge strategies/what's happening around the world

Register: <http://sustainabilityprofessionals.org/workshops>