"ACHIEVING SUSTAINABILITY THROUGH CORPORATE SOCIAL RESPONSIBILITY" THE MORAL DIMENSIONS

Why and how corporate board should become involved

Dr.DasaarathiSahu*

Abstract:

Today, more than ever, corporate sustainability has risento the status of strategic business matter and demandssupervision from the top. However, despite the extensivebody of literature available on corporate governanceand sustainability as separate areas of research, minimalattention has been paid to the interaction between thetwo. In particular, there is limited knowledge of the rolethat should be performed by the board of directors indesigning, endorsing, and overseeing the implementationof a corporate sustainability program.This paper responds to the need expressed by manymembers of The Conference Board (both corporatedirectors and senior managers with board-related duties,including general counsel, corporate secretaries, andinvestor relation officers) for additional guidance onhow to approach the task of overseeing a sustainabilitystrategy. The report highlights a series of issues for apragmatic boardroom discussion on the subject.

Key Words: Corporate Social Responsibility, Corporate Sustainability, Moral Dimension, Social Contract

* Lecturer,Dept of Business AdministrationUtkal University

Introduction:

In response to legislative changes and increased public scrutiny on the activities of corporations, governance and sustainability issues have taken root in the business community. Today, leaders of public companies are becoming increasingly aware that their access to capital and ability to implement a long-term business strategy depend on support from multiple stakeholders. However, when it comes to social and environmental matters, the board of directors often faces a knowledge gap that can impair the performance of its oversight responsibilities.

Although the sustainability debate has already brought about considerable conceptualprogress, a pivotal dimension to sustainable development has so far been widely neglected.This article argues that in addition to the ecological, economic, and social dimension,sustainability critically depends on the *moral dimension of institutional legitimacy*. Asconventional models of creating and legitimizing institutions are increasingly challenged, it is

Business, that is to play an ever more important role in contributing to fair and functioninginstitutions. “Corporate Social Responsibility” as an economic concept will be discussed as a useful starting point for this new understanding of the business of business. In effect, the underlying objective of this article is to present a theoretical link between the concepts of sustainability and corporate social responsibility. The central idea is that private enterprises who cooperatively take responsibility for their institutional environment strengthen the moral dimension of institutional legitimacy: they actively contribute to empowering *sustainability by corporate social responsibility.*

The research agendas on both sustainability and corporate social responsibility include a number of questions that deserve further investigation. For reasons of focus and clarity, however, this paper will concentrate on the importance of institutions for the implementation of sustainability. Therefore, other questions of the sustainability research agenda will only briefly be touched on.

Literature Review:

How Companies and Media Define Sustainability

Alcoa At Alcoa, sustainability is defined as using our values to build financial success, environmental excellence, and social responsibility through partnerships in order to deliver net long-term benefits to our shareowners, employees, customers, suppliers, and the communities in which we operate. Brundtland Commission ".development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

DuPont The creation of shareholder and societal value while we reduce the environmental footprint along the value chains in which we operate.

MIT Sloan Management Review At root it's the idea that systems—including natural and human ones—need to be regenerative and balanced in order to last. We believe that means all kinds of systems: economic, environmental, societal, and personal. The sustainability question is: How can we design and build a world in which the Earth thrives and people can pursue flourishing lives?

Stora Enso Sustainability is the term we use to describe economically, socially, and environmentally responsiblebusiness operations. These three aspects need to be in balance for our business to be successful.

Wal-Mart Sustainability is simply about actions that support the quality of life—environmental, societal and financial— now and for generations to come.

The U.S. White House Executive Order on Federal Leadership in Environmental, Energy, and Economic Performance, October 5, 2009 says "sustainability" and "sustainable" means to create andmaintain conditions, under which humans and nature can existin productive harmony, that permit fulfilling the social, economic.and other requirements of present and future generations

Sustainability and philanthropy:

Sustainability is muchmore than philanthropy, but a coherent corporatecontribution programme remains a formidable, traditionalway for a corporation to enhance its business strategyand reward loyal stakeholders. In some cases, the linkbetween corporate philanthropy and shareholder value isundisputed. In others, however, charitable giving mostlyfurthers the goals or aspirations of those managerswho get to decide on its recipients. For this reason, it isessential for the corporate board to scrutinize the motivesof charitable contributions, demand a strategic rationale,and establish adequate transparency safeguards.

Company Response to Sustainability and Performance:

A study of the sustainability initiatives of 30 large corporations found that sustainability was “a motherlode of innovation” and that the experiences of those companies can be grouped into five stages ofsustainability response. The five stages identified are:

1. Viewing compliance as opportunity, in which the ability to anticipate and shape regulations and the skill towork with other companies—including rivals—leads to creative solutions. An example cited was HP’s decision in the 1990’s to gradually eliminate lead as a solder in its manufacturing of components, anticipating the toxic substance would one day be banned. When the European Union issued a directive banning hazardous substances in 2006, the company was prepared to capture the business opportunity for the non-lead-based products it had decided to experiment with years earlier. Between 2003 and 2007 the study reports HP saved $100 million by creating its own European Recycling Platform with three other manufacturers. The partnership was formed in response to an EU-sponsored recycling arrangement the company thought would be expensive.

2. Making value chains sustainable, in which techniques like carbon management and life cycle assessment aid in redesign of operations to consume less energy, produce less waste, and generate fewer emissions. Cargill’s and Uniliver’s efforts to create sustainable practices for cacao, palm oil, and soybean cultivation are examples, as are Wal-Mart’s requirements that its China suppliers meet stringent new sustainability goals.

3. Designing sustainable products and services, in which knowledge of environmental impacts permitscreation and scale-up of products while avoiding the “green washing” label. This owes partly to the knowhow acquired by managers and opportunities to apply techniques like bio-mimicry in product development. One of the examples cited was Proctor & Gamble’s switch to creating detergents that could work well with cold water. A product life cycle assessment had uncovered that much of the product’s carbon footprint was in the customers’ use of electricity and that reducing the footprint meant lowering the amount of energy needed to use the product. SC Johnson developed a “greenlist” process to measure and track the performance of products by classifying raw materials inputs according to their impact on the environment and human health. It subsequently decided to permit interested companies to license its process royalty-free.

4. Developing new business models, in which the emphasis is on capturing and delivering value in newways that alter the basis of competition. Understanding consumer needs and partner capabilities matter togenerating opportunities to monetize models relating to services rather than products, and to combine digital and physical infrastructures into new business models.

5. Creating next practice platforms, in which the central challenge is to question through the sustainabilitylens the dominant logic behind business today. One example is developing products that do not need waterin categories traditionally associated with it, such as cleansing products. An example that is not specific tothe study but relevant to this point is that of Wal-Mart China. As part of a summit of 1,000 leading suppliers,Chinese officials and NGOs held in October 2008 in Beijing, Wal-Mart China said it "will continue to rely onthe expertise of NGOs to driver greater innovation in its stores and higher environmental standards in the supply chain" and that its partnerships aim to help the company overall "drive returns on defective merchandise virtually out of existence by 2012."

Research Design and Methodology:

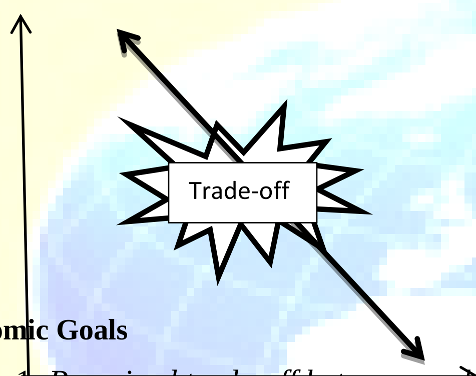
This paper is a part of my literature review in my Ph.D thesis. There is a strong theoretical background and extensive literature review behind the present idea. Me and my guide have put a lot of effort on writing this paper. Before finalising the paper we have taken the opinions of many experts in this area like academicians and senior members of corporates.

Conceptual progress and analytical approach:

Long before the term "sustainable development" became part of our shared vocabulary, there were already fervent discussions regarding the relationship between ecology and economy.During the 1970s, as the problems of environmental degradation became ever more apparentand ecological awareness grew throughout Europe and America, heated debates identified an

elemental clash between protection of the environment and economic development.This argument seemed to suggest that we need to make a conscious choice as to whether weshould place economic growth above protection of the environment or environmentalprotection above economic growth. The implicit understanding was that there is an underlying conflict in achieving these (seemingly) incompatible goals.

Ecological Goals



Economic Goals

Figure 1: *Perceived trade-off between ecology and economy in the 1970s*

Figure 1 illustrates this conflict graphically. Assuming an essential conflict between ecologyand economy, the trade-off line suggests that the realization of one of these two objectives canonly be achieved at the cost of the other: Any higher level of "ecology" is only possible at theexpense of a lower level of "economy" – and vice versa! Sensing the need to take a stand inthis fundamental trade-off, the public debate in the 1970s and early 1980s predominantlyapproached the conflict between ecology and economy by overtly taking the side ofenvironment.The very concept of sustainability, however, has marked a watershed in terms of transcendingthe assumed conflict between ecology and economy. Instead of ideologically playingeconomic growth against protection of the environment, the idea of sustainable developmenthas offered an innovative approach to understanding that economic development andenvironmental protection are not exclusive.

This new understanding of sustainable development finally broke into the consciousness ofcivil society, international policy-makers, and multinational corporations in 1987 when thewell-known Brundlandt report defined sustainability as "development which meets the needsof the present without compromising the ability of future generations to meet their ownneeds." Since both economic and ecological factors will shape this future ability, the conceptof sustainability has changed our perspective. Figure 2 illustrates this change in perspectivegraphically.

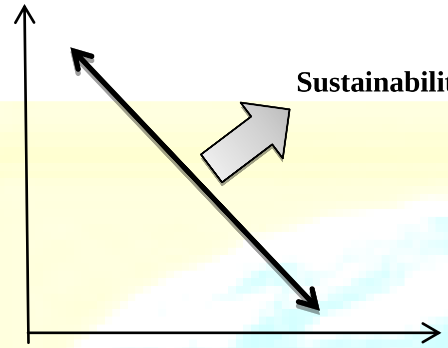


Figure 2: *Transcending the trade-off*

Instead of accepting a presumed trade-off between ecology and economy, the concept ofsustainability *transcends* the trade-off: Sustainability shifts our focus to solutions thatreconcile ecological and economic objectives.

This shift in perspective has initiated a learning process that initially might have been in some way similar to a widely known Indian story: A group of blind people experience an elephantfor the first time. The first one approaches the beast from behind, anxiously gripping the tail.Not surprisingly, he shouts a warning: The elephant feels like a snake hanging in the air! Thesecond one, however, who embraces a big back leg, reports a very different experience: Theelephant is a great warm tree! Needless to say, the same goes on for all the others who try tomake sense of the elephant's ears, the trunk or its gigantic tusks. All accounts are completelydifferent – and yet all are right. Sharing their individual understanding of the elephant, all the bits add up to an extraordinary, as-yet-invisible whole.

The missing link – the moral dimension of institutional legitimacy

Sustainable development has become a normative goal now embraced by both politicians and leaders from business and civil society alike. Yet, despite this broad consensus, environmentaldegradation, economic hardship, and numerous social tensions still prevail. Apparently, goodintentions shared by the individuals in society do not automatically guarantee that society as agroup ultimately realizes these collectively shared goals.Economics provides a

coherent and powerful framework for seeing order in this seeminglyparadoxical phenomenon. Economists have interpreted such phenomena as the unintendedconsequences of intentional action. The starting point for the economic analysis is that people
will always seek to realize their individual advantage. Each and everyonehas personalobjectives, whether or not these include the accumulation of wealth or protecting theenvironment, assisting the needy, or behaving morally. As each individual faces differentoptions to use his time, talent, and resources, he will make those choices that are best suited toachieve his particular purposes. This parsimonious yet compelling economic perspective
assumes that, on the level of the *individual*, people act rationally and intentionally. The *social* outcome of individual behavior, however, is mostly unintended: it results from the(seemingly) unrelated actions taken by millions of individuals - who often do not even realize
the ways in which their behavior might affect others.Social institutions determine whether these unintended consequences of intentional action areultimately desirable or undesirable. The most prominent example of intentional action that hasdesirable unintended consequences goes back to the very beginning of economic thought.Adam Smith argued in the late 18th century that “it is not from the benevolence of the butcher,the brewer, or the baker that we expect our dinner, but from their regard to their self-interest.”Self-interest results in intentional action by individuals, yet the “invisible hand” ofthe free market ensures that people concerned with their own interest behave in ways that also
serve the interests of others. The reason for the effectiveness of this “invisible hand” is thepower of social institutions. Institutions influence individual decisions by providinginformation and setting incentives for particular behavior. By this logic, the effectiveness ofthe “invisible hand” results from social institutions such as a competitive market, propertyrights, and a free price mechanism.

While the “invisible hand” represents the desirable version of unintended consequences of intentional action, there are also numerous examples of the “invisible fist.” In many instances,such as environmental pollution, human rights abuses, or corruption, self-interested actors, beit individual, corporate, or state actors, behave in ways that do not serve the interests of othersbut harm them. In these cases, poorly designed or lacking social institutions fail to advancesocial cooperation.The consequences of such an economic perspective for the sustainability debate are far-reaching.Sustainability aims at identifying conditions under which the ecological, economic,and social dimension of sustainable development can be reconciled. An economic perspectivespells out that both sustainable as well as unsustainable development result from the*unintended* consequences of intentional behavior. As a result, moral appeals willsystematically fail to persuade people to put the “interests of the larger community” ahead oftheir own. Table 1 illustrates this paradigm shift:

Δ Intentions	**Intentions**
Means	**Δ Means**
Δ Behaviour	**Δ Behaviour**
Moralist Paradigm	*Economic Paradigm* →

Table 1: *The moralist and the economic paradigm*

In the long run, achieving sustainability is not a question of reforming people’s individualintentions. Instead, it is social institutions that come to the forefront for putting sustainability
into practice.Social institutions can be defined as sets of formal or informal rules that include arrangementsfor their enforcement. These rules structure and modify the options people can choose in orderto achieve their particular purposes. By this logic, institutions shape the *rules of the game*whose purpose is to steer individual behavior to a desirable direction. In any given game it isthe rules that always determine which individual moves are possible and advantageous. Theprimary function of institutions is to motivate those *moves* that are generally desired – bycreating better *rules* that set incentives and provide the necessary information for suchbehavior.Sustainability aims at meeting the needs of the present without compromising the needs offuture generations. Restated in economic terms, sustainable development means to live off theinterest of ecological, economic, and social assets instead of consuming the underlying capital. As table 1shows, economic theory has established similar categories of differenttypes of capital that can be translated into the three widely accepted dimensions ofsustainability: while the ecological dimension to sustainability corresponds to the economiccategory of natural

capital, the economic dimension to sustainability matches (sociallyconstructed) physical capital. By the same token, the social dimension of sustainabilitymirrors the economic category of human capital.

Economic theory	Concept of sustainability
Natural capital	Ecological dimension
Physical capital	Economic dimension
Human capital	Social dimension
Institutional capital	*Moral dimension of institutional legitimacy*

Table 2: *Economic categories of capital and the dimensions of sustainability*

Using these different types of capital, we have learned to create wealth, improve ourcircumstances, and advance our well-being. The productivity of our endeavors, however,critically depends on the institutional setting that supports social cooperation. Only thanks to

social institutions such as the rule of law, contracts, property rights, or democracy can we reapthe full benefits of natural, physical, and human capital as well as of mutually advantageouscooperation. Thus, functioning institutions represent a valuable asset in themselves. This iswhy economists increasingly debate the importance of *institutional capital*. Like physical orhuman capital, institutional capital is highly productive; yet it also needs to be invested andre-invested in.Investments into better rules of the game can motivate self-interested actors to advancesustainability by their moves in the game. However, the creation of institutional capital is notat all a simple technicality. On the contrary, the enormous difficulties regarding the buildingof institutions in Afghanistan, Iraq or the former communist block illustrate the complexity ofthis endeavour. These problems underline that institutions do not float in a vacuum. It is by farnot enough to devise from scratch a technically sound institutional arrangement or to simplyannounce a new law.Rather, institutions need to be bolstered by social legitimacy. Thesituation in post-war Iraq drastically demonstrates that the lack of social acceptance andlegitimacy of many institutions is not exclusively a technical problem. In effect, it is muchmore a moral challenge.

The moral dimension of institutional legitimacy represents the fourth dimension tosustainability. It is a *moral* dimension because it reflects the moral quality that peopleattribute to institutional arrangements needed to implement sustainability. Only if theindividual actors perceive these ‘rules of the game’ as fair, legitimate and mutuallyadvantageous, will they be willing to take them seriously, accept them, and abide by them.

partnerships that explore the potential of cross-sectoral cooperation for sustainabledevelopment.19 The Global Compact, the prominent initiative by UN Secretary General KofiAnnan, tries to unite the power of markets with the authority of universal ideas.20 Aimed atreconciling the creative forces of private entrepreneurship with the needs of the disadvantagedand the requirements of future generations, this initiative provides a platform for corporate citizenship on a global scale. At the core of these initiatives lies the awareness that we need new frameworks for bringingtogether stakeholders from politics, business, and civil society (Figure 6). In fact, one of themany challenges of global governance is to establish and strengthen the aforementioned“second arenas” and platforms for dialogue and learning – both on a global as well as on theregional and national levels. As UN Secretary General Kofi Annan made clear, we can only solve the overarching challenges of our time if we learn how to govern better – and, above all, learn how to govern better together.

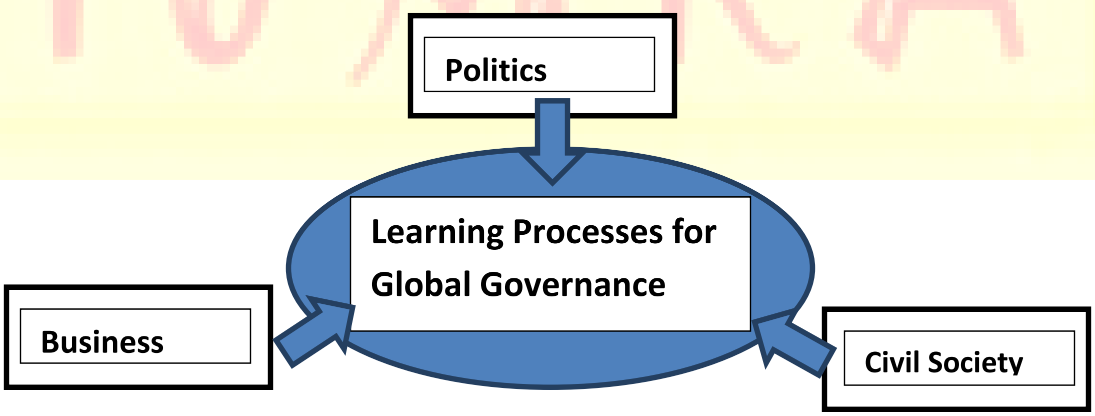


Figure 3: New Partnerships for collective learning processes

In short, functioning social institutions that reconcile and empower ecological, economic, and social objectives are urgently needed. If we want to create such institutions better, we need to enter a collective learning process. In addition, the effectiveness of these institutions critically hinges on their moral quality: Only if this institutional order is considered fair, legitimate, and mutually advantageous, can it be effective and sustainable in the long run. As politics,business, and civil society all depend on this moral dimension to sustainability, there is alsojoint responsibility for it – a responsibility to be shared by politicians, NGOs, and, as the next chapter will discuss in more detail, by companies as corporate citizens.

Sustainability – a heuristic for better institutions:

Sustainability translates into a compelling orientation towards the future. However, thisconcept does not provide ready-made instructions for implementation. The concept ofsustainability is not a recipe book with clear-cut solutions for standardized problems. Ineffect, sustainable development is not about giving convenient answers but about asking theright questions.Sustainability is a heuristic – a method not for applying existing solutions but for finding newones.

As a heuristic, sustainability raises guiding questions as to how we, as a (world) society, canorganize social cooperation in a way that motivates persons and organizations with individual goals and interests to (unknowingly) consider the present and future economic, ecological,and social consequences of their actions.As a strategy to solve problems, this heuristic has a special quality as it reflects one of themost fundamental traditions of occidental philosophy. The underlying insight is that it isneither moral nor sustainable to systematically expect autonomous and free actors to denytheir legitimate self-interest. As a consequence, the moral dimension of sustainability does notargue for the denial of self-interest but calls for fair rules of the game that seek to harness theforces of self-interest to achieve socially desirable moral objectives.This insight has important consequences for the implementation of sustainability. Ocialinstitutions that force people to permanently deny their self-interest will not be considered fairor legitimate. Consequently, they will not be supported and lack efficacy in the long run.

Therefore, the moral dimension of institutional legitimacy is critical for empoweringsustainability as an integrated and holistic concept. Sustainability is a multi-dimensionalchallenge that includes not only the ecological, economic, and social dimension but a moraldimension as well (Figure 7). Only if all stakeholders accept institutional structures that aimat implementing the concept of sustainability as fair, legitimate, and mutually advantageous,will they be ready to take them seriously, accept them, and abide by them.

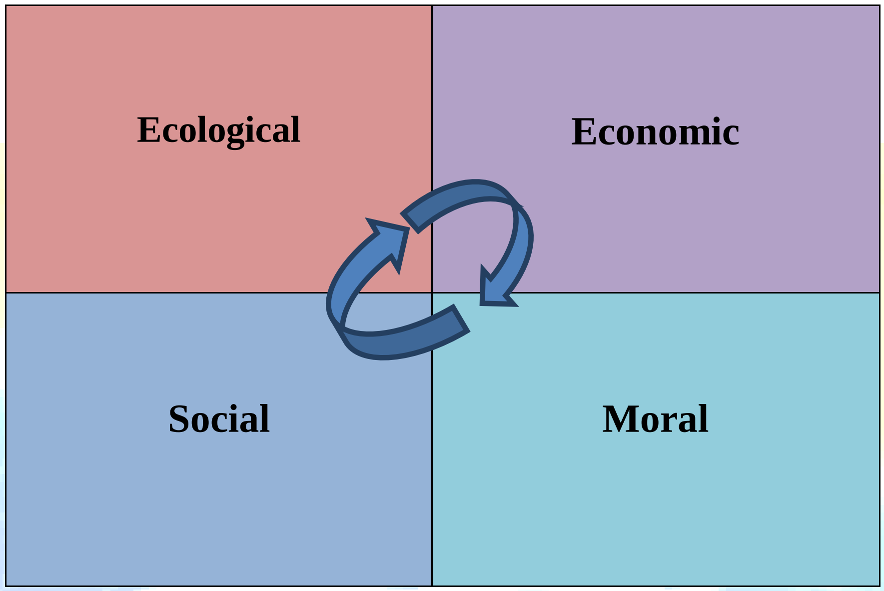


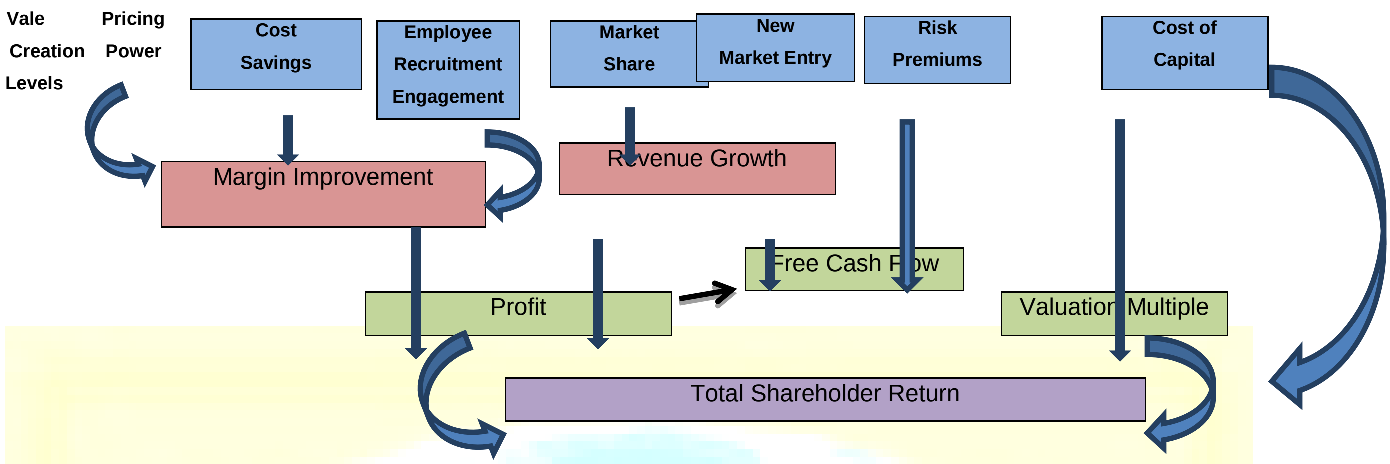
Figure 4: *Towards a holistic and integrated understanding of sustainability*

Companies can play an important role in fostering an integrated understanding ofsustainability. Global problems require sustainable solutions by global governance – a processof institutionalization that entails both the creation of new organizations as well of new rulesof the global game. Global Governance requires the cooperation of politics,business, andcivil society. Such cooperation is not easy. We are in need of novel processes and newformats of collective learning that allow identifying and realizing common interests.These learning processes aim at improving and strengthening the institutional order in whichpolitics, business, and civil society operate. Companies who contribute to improving thisorder take ordo-responsibility as corporate citizens. Internally, corporate citizens take ordo-responsibilityto strengthen corporate governance, transparency, and integrity. Ordo-responsibilitydoes not expect companies to sacrifice their self-interest within the moves of agiven game. Rather, it encourages companies to change the very game itself in order toreconcile making profits and furthering moral objectives: that is the external dimension ofordo-responsibility.Managing a company's social acceptance and legitimacy will be an ever more importantentrepreneurial challenge. Corporate citizenship is a strategy to meet this challenge – achallenge to be taken as seriously and addressed as professionally as the process ofengineering cars, conducting market research, or planning financial strategies. Investmentsinto the moral dimension of sustainability enable corporate citizens to do well by doing good.Thus, sustainability by corporate citizenship means that business understands itself and isbeing perceived not as part of the problem but as an integral part of the solution.Business as Usual Versus Sustainable Business

Following are conclusions describing the differences between conventional business practice and a sustainability business approach: Saving on cost but losing on opportunity A standard emphasis on cost can produce savings, but using a cost as the sole decision rule can mean loss of sustainabilityopportunity if the decision-making context is too narrow. Similarly, front-loading decisions with metrics can be limiting if this is not done as part of a broader review of how a company's products, processes, technologies, and markets are affected when the sustainability question is strategically posed holistically and is systematically addressed. A current example could be of a company choosing not to undertake carbon foot printing or product life cycle analyses to save money during the downturn, only to discover later that it lacked knowledge the market wanted in the upturn.

How Sustainability Affects Value Creation

Potential• A stronger brand • Greater operational • Enhanced ability • Improved • Enhanced ability to• Lower market, • Lower cost of
Impacts ofand greater efficiencies to attract, retain customer loyalty; enter new marketsbalance-sheet capital
SustainabilityPricing power • More efficient use and motivate lower rate of churn • More potentialand operational • Greater access to
Efforts • Supply chain employees sources of revenuerisks capital, financing
of resources• Greater employee and insurance
Optimization productivity
• Lower costs and
Taxes



Seeing the company tree but missing the sustainability forest. Since sustainability implies interconnections that may not be apparent until the process itself begins, decision making needs to consider relationships that extend beyond the boundaries of the company. This is a model for delivering services and capturing revenues that cannot work if the company is acting alone. Anapproach that focuses exclusively on the company can miss opportunities that actually reside in the supply chain. An MIT Sloan Management Review study found that “effectivecollaboration with stakeholders” plays a critical role becausethe solutions sustainability requires are interdisciplinary by nature. Examples of companies reaching out to collaboratein product development, design, and marketing with civilsociety and non-profit organizations include Clorox andthe Sierra Club for the Green WorksTM natural cleaningproducts product line, GE and the World ResourcesInstitute for the Ecomagination initiative, and NRDC(National Resources Defence Council) and private equityspecialists Kohlberg Kravis Roberts & Co. and Texas PacificGroup in the buyout of the utility giant TXU in Texas.A PricewaterhouseCoopers study for The CarbonDisclosure Project said that “looking at the impacts ofcarbon and climate change on supply chains, it is difficultto understand why some companies are questioning‘if’ they should do something.”Doing product impact remediation later instead ofdesigning for reduced impact up front Product designthat ignores sustainability concerns up front may leadto environmental impacts later that could be costlier.

Sustainability's Future

Some marketplace signals may help managers better discern the road ahead for sustainability. The interconnectedness and globality that is core to sustainability mean that multiple sources are bound to influence its future. Therefore, the first important thing managers need to be aware of, and prepare for, is to know that the sources of influence on sustainability's future will be dispersed. Economic and commercial actors alone will not have the last word.Companies will need to share the sustainability marketplace—and learn how to be effective within it—with many other actors including governments, non-profit organizations (NPOs), civil society organizations (CSOs), social entrepreneurs, andother influencers as they may emerge. The sustainabilityplaying field is level, filling up with many players,and does not have a set of rules observed by all. In thiscontext, there are five topic areas that can shape thefuture of sustainability. Developments in these areasshould be integral to any managerial scenario created toassist decision making in the sustainability transition.The five areas are:

1 Changes in the Rules of the Road
2 Changes in Disclosure and Transparency
3 Changes in Collaboration and Competition
4 Changes in Consumer and Investor Demand
5 Changes in the Roles

Concluding Remarks:

While the shift toward sustainability is not universal and still raises business case andcost questions at some companies, the evidence suggests that sustainability—howeverdefined or understood—is not a passing business fancy. Rather, it is increasingly seen asthe pivotal driver in a fundamental business and social transition likely to be of enduringglobal significance.Trend Sustainability is a major and deepening trend in business and other segments including civil society, local and national governments, and multilateral and global institutions. Sustainability is at "the end of the beginning" of its life cycle as a significant business issue. Going forward, it will gain increasing importance as a source of differentiation and competitive positioning across sectors, industries, and regions. Climate change is a “threat multiplier” that accelerates the momentum forsustainability but is not a unique causal driver. Response Because conventional business approacheshave largely failed to deliver on the balance of financial,ecological, and social outcomes on the scale needed forsustainability in the long term, leading firms are adoptingsustainability as a guidance system that promises morebalanced outcomes. For companies who are lagging in theirresponse, an essential first step is to simply recognize theneed for sustainability, and then take action on it.

NewSustainability-induced industries are emerging and capitalis flowing into them, notwithstanding that equity marketsare only beginning to recognize the potential magnitude ofthat change.Performance Leading-edge companies are discoveringways to lower costs and improve profitability withsustainability-driven choices, sometimes unexpectedly.Wal-Mart, who arguably has the biggest corporatesustainability make-over underway in the world today,cites seven areas of specific performance gains: efficiency,revenue, income, productivity, transparency, engagement,and innovation.

While some business sectors seem disposed to respondsooner than others, all companies will eventually beaffected as the competitive landscape is reconfigured. Thisnew landscape will result from value shifts prompted bybusiness and public policy decisions around sustainability.

Policy changes to curb carbon emissions in the UnitedStates and elsewhere will be among the significant catalystsof change. Also, as occurs in any significant businesstransformation, competitive advantage will likely adjustin favour of early movers who take action before there iscertainty in policy frameworks or expectations in positivefinancial returns. Metrics to capture sustainabilityperformance within and across companies are notcurrently standardized but sectorial and other initiativesare underway to address the problem of comparability andalso aid decision making in sustainability performance.Future Sustainability is likely to continue to grow asa business and social force that factor into corporateperformance, expectations of business leadership,consumer and market perceptions of companies, andultimately the bottom line. Measurement of sustainabilityresults across industries and firms will likely developfurther and achieve greater standardization. Employmentpatterns and opportunities in many countries will be moreinfluenced by sustainability and relate more directly togeneral economic growth.Also, factors other than climate change will shape acontinued focus on sustainability, for example, theemergence of a new global middle class of some 2 billionnew consumers in emerging market economies whoare tomorrow's drivers of global economic growth.

Therefore, companies whose success depends on growth and from emerging economies in particular, have anincentive to integrate and anticipate sustainabilityexpectations into planning and growth assumptions now.

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WirtschaftsethikalsBeitragzurOrdnungspolitik – EininterdisziplinäresForschungsprogramm ‚demokratischerPolitikberatung

Nr. 04 - 6 **Karl Homann**
GesellschaftlicheVerantwortung der Unternehmen. Philosophische,