

Sustainability will not

Is the sustainability revolution really coming soon to an economy near you? You'd better believe it, back it and prepare for it, writes Paul Gilding.

Profound change is rarely driven by ideas alone. Conditions must also be right – a crisis underway, a major risk emerging – before the momentum really builds for a major shift.

In this context, we can now safely assert that corporate sustainability's time has well and truly arrived. Not because the ideas are right – they have been for decades – but because the underlying drivers have gathered such momentum they will overwhelm any remaining resistance and create a new set of market conditions.

So the election of Barak Obama, for example, is enormously significant and will create substantial change, but it is not the cause of the change. His election is a result of the joint crises in capitalism and environmentalism converging to create the conditions in which sustainability will catapult into the economic and social mainstream – enabling leaders like Obama to get elected and giving them a mandate to act.

Anyone who argues the global financial crisis will sideline sustainability fails to understand that the world's scientists are now observing, rather than forecasting, a global ecosystem crisis with enormous direct economic and social impacts. The change ahead will be driven by the physics and biology of the ecosystem rather than the good intentions of our leaders.

The implications for business are enormous. Anyone who fails to understand this context will fail to guide their business through the coming storm.

I have since 1995 been working in the boardrooms of some of the world's largest companies across all sectors, particularly in the US but also Asia, Europe and Australia. I have been helping highly engaged CEOs and their executives prepare for what they well understood as core changes developing in their market context and the inherent unsustainability

of their business models.

They saw the gathering storm of changes in regulation, competition, consumer demands and employee and stakeholder expectations. They recognised that being ahead of the change was better than having the change forced upon them.

In almost all cases, however, even those with the best of intentions could not break through the system that drove them to behave in ways they knew were wrong for humanity and, ultimately, their shareholders. They made improvements and adjustments, but in most cases these



were marginal. The pressure to deliver short-term financial returns simply overwhelmed their desire to change. The best they generally could do was to prepare culturally and strategically for the time that has now arrived.

Now though they'll get to bring home the bacon because in this new world the market conditions will leave companies no choice. The change will no longer be driven by social responsibility or visionary CEOs, but by regulation, particularly changes to pricing of resources and pollution, and by societal demands, particularly consumer and employee expectations. The era of single bottom line sustainability has arrived.

Beyond the great debate

Rachel Carson's seminal 1962 work *Silent Spring* launched the modern environmental journey through the book's underlying idea. As Carson writes: "The 'control of nature' is a phrase conceived in arrogance, born of the Neanderthal age of biology and philosophy, when it was supposed that nature exists for the convenience of man".

Since then, debate has raged over whether we can control and manage nature in our own interest or whether we should work in harmony with the system we are part of. Fortunately, our science has come a long way, particularly the science on the system as a whole, and the situation is now clear. Unfortunately, the news is not good and our problem goes well beyond climate change.

The UN-appointed Millennium Ecosystem Assessment recently conducted a comprehensive global analysis of peer reviewed ecosystem science, looking at the earth system as a whole.

This was a review of ecosystem services – those parts of the ecosystem that directly support our society and economy.

Their conclusions were chilling: "At the heart of this assessment is a stark warning. Human activity is putting such strain on the natural

functions of Earth that the ability of the planet's ecosystems to sustain future generations can no longer be taken for granted".

Think about those words. This is no longer the environment 'over there'; this is the environment over here, the one we live in; the one that supports our economy, the one on whose resources we depend for survival.

So our ability to "sustain future generations" is now at risk. Climate change tips this risk into an almost inevitable crisis unless we act with extraordinary urgency.

One can easily go into despair at this reality, but there really is no time for that now. The good news is that the new

be sidelined



leadership in the US, the crystal clear science and the fracturing economy will see us attack these issues with extraordinary gusto. It will be driven not by good intentions but by resource pricing and consumer demand enforced by strong regulation framing the market context.

The significance of the change we are about to see can barely be overstated; any company that is not preparing for this new world will probably not survive. The current economic context gives greater reason to act, not less, as the model is clearly broken and reinvigorating it without substantial change will commit us to an even larger crisis.

To get a sense of the scale of change we face, and how exciting it could be, take a look at climate change. Even if we go with a low global reduction target of just 60 per cent by 2050, that means a per capita reduction of closer to 95 per cent in Australia, given population growth and our high starting point.

So we can't get there by emitting substantially less carbon or by doing things more efficiently like coal to gas technology; we're

going to have to pretty much eliminate the economy's net emissions.

That means, for example, a complete transformation of the electricity supply industry, the retrofitting of every building, the replacement of the transport fleet and an end to waste through a system of deposits and take back regulations. The same applies to the world's largest economy, the US. Talk about a massive business opportunity!

The new role of regulation

But that is just the industrial side of the revolution. The political and cultural change will also be dramatic. For example, prepare for a much stronger role for government. Thanks to the investment bank cowboys, the elites and the public have come to accept a much firmer hand on the market's controls by the people.

We have also realised that when we decide to act, we can act with power and purpose, as we have seen with the re-nationalisation of much of the banking industry.

Some of the best commentary on the

coming change can be found in Obama's inauguration speech, both because he captures the mood in the citadel of global capitalism and because he is now perhaps the most powerful man in the world.

On the ideological debates about large vs small government: "What the cynics fail to understand is that the ground has shifted beneath them – that the stale political arguments that have consumed us for so long no longer apply. The question we ask today is not whether our government is too big or too small, but whether it works."

On the role of markets: "Nor is the question before us whether the market is a force for good or ill. Its power to generate wealth and expand freedom is unmatched, but this crisis has reminded us that without a watchful eye, the market can spin out of control – and that a nation cannot prosper long when it favours only the prosperous."

On decades of apathy and outright resistance: "But our time of standing pat, of protecting narrow interests and putting off unpleasant decisions – that time has surely passed."

The meaning for business

The core implication for business strategy is that this is about value and survival. It puts 'corporate responsibility' and 'corporate citizenship' into a whole new context.

We will have a new ethic in business where purpose and contribution to society become integrated into corporate culture or become enforced by regulation. Whereas over recent decades this issue has largely been defined by a focus on doing good things *while* you make money, it will now need to become about making money *by* doing good things.

Pursuing profit at the expense of the broader public interest was previously seen as 'it's legal so it's OK'. This will cease, either through a shift in business values and culture or because the heavy hand of government will ensure what's 'legal' becomes a narrow and more constraining framework for business. Clearly, the former is a better outcome.

It means we are going to transform the economy to close to zero net CO₂ emissions. This will create massive growth in many sectors and the collapse of others.

It is key to not just think about solar panels and electric cars but the whole supply chain and across all sectors. Windmills need ball-bearings, putting solar hot water services on every home needs a lot of plumbers and a lot of pipes, agriculture will transform to become a net CO₂ sink with new farming practices, new biological materials and fuels and massive reforestation – new tractors, new water infrastructure and new measurement systems.

We will see closed loop systems for packaging and drink containers that will require widespread changes in infrastructure, new materials and very different marketing strategies.

We will see extraordinary technological breakthroughs that will deliver surprising and rapid change in many sectors – algae farms as oil refineries, petrol stations as battery exchange points, plug in hybrids and houses as peak power producers.

This is all good news. It is an economic, technological, political and social revolution far greater than anything we have imagined to date. Because we've left the change so late it will require a level of effort

comparable to waging a war. But this we can do. A large part of US industrial capacity was shifted to the war effort in just nine months after the bombing of Pearl Harbour.

In fact, the reason I quote Obama so broadly is that he could well be the Churchill figure of our time. We can't fight them on the beaches as they'll mostly be underwater, but we can win this war and 'victory at any cost' is certainly the mindset we now need.

For business, the consequences are clear. The change is coming – the question is how you respond it. To quote Charles Darwin and what he actually said about evolution: "It is not the strongest species that survive, nor the most intelligent, but the ones who are most responsive to change."

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