

## **Beyond Reasonable Greed: Why Sustainable Business is a Much Better Idea!**

*By Wayne Visser and Clem Sunter (Human & Rousseau, 2002)*



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### **The Legacy Of The Lion**

#### **3.1 The monarch on the throne**

The lion as an inspirational role model is neither new nor unique to business. Lions have won a place of respect and admiration in the imagination of humanity ever since we first encountered them. Their regal beauty, awesome strength, terrifying ferocity, efficiency as hunters and envied position at the top of the food chain, have made them widespread icons for our own conquests and aspirations. Witness how many royal crests and emblems proudly display the lion as their symbol of strength and courage and how many kings have adopted Leo as their name. Take Richard I, King of England from 1189 to 1199, who spent most of his reign abroad fighting wars or as a prisoner. He became a hero with the public and was popularly known as Richard the Lion-Heart. The lion as king also features prominently in the myths, legends, rituals and traditions of many of the ancient cultures of the world, from Europe to the East to Africa. In South Africa, the different words for lion – *ingonyama*, *ibhubesi* or *shumba* – tell us that it is a ‘master of all flesh’, one who ‘makes the final decision’ and ‘the royal beast’.

Beyond its connotations of leadership and power, the lion is also the archetype for the popular ‘survival of the fittest’ maxim – the idea that Nature is a competitive eat-or-be-eaten world ruled by the ‘law of tooth and claw’. Each creature has its place in the great food chain and will, sooner or later, be consumed by a predator higher up the chain: except for the supreme predators like the lion. Over the past few hundred years, this jungle metaphor probably seemed quite appropriate to acquisitive rulers of the colonial empires. No less so for the people whose lives were dominated by the supreme rule of monarchs or dictators, and who were resigned to fighting wars and the daily struggle for basic survival.

More recently, the metaphor was found to apply with equal comfort in the increasingly competitive markets of the business world. As military jargon crept into the boardroom – strategy, tactics, targeting, etc – so did the persona of the predator. After all, business

seems to mirror the hunting instinct in so many ways. Competitors are chasing the same food (customers, new products, good talent, information, new markets and investors' capital) in a cutthroat environment of starvation (bankruptcy) or consumption (takeover of somebody else's market). In this deadly game, it is seen as not only acceptable but essential to be selfish, ruthless and focused only on the prey. After all, those that are not hunting are soon likely to end up as someone else's lunch.

This view of the world is widely accepted in business, whether consciously or subconsciously. Its essence is found in a slight adaptation of a biblical quote: "Blessed are the meek, for they shall inherit the Earth – but not the mineral rights!" A recent article in *The Spectator* by Frank Johnson had the title 'Napoleon and Hitler would have been hopeless at business; so why is business obsessed with war?' It seems from the article that loads of executives read Sun Tzu's *Art of War* (c. 500 B.C.) in their spare time. Equally, everywhere you go in the office, you will run across corporate aspirations to display lion-like characteristics. The company pep-talks and motivational seminars have all the telltale language – be agile, lean and mean, learn to hunt in packs, take down the opposition, get wind of what the competitors are doing, select your target market, keep your customers in sight, chase down business opportunities, go for the kill in the sales pitch. Jack Welch of General Electric is probably the most popular and revered CEO of all time. He sounds just like a five-star US General when he tells his life story 'from the gut'. One excerpt from his autobiography goes: "In those days, I was throwing hand grenades trying to blow up traditions and rituals that I felt held us back." His most famous dictum was that each of his divisions should be No. 1 or No. 2 in its respective market. Otherwise, it should be fixed, sold or closed. Period.

Such abrupt advice may have been fairly appropriate when the role of business was unambiguous – to make profits for the company's managers, owners and other shareholders. The consensus philosophy was to feed the pride and let everyone else fend for themselves. But the role of business is changing and the hunting lifestyle is proving to have a number of weaknesses in the new landscape of sustainability. The modern capitalist company, while it continues to portray itself as a lion king, has a number of blindspots with reference to sustainability. These fatal flaws or false assumptions, that are beginning to challenge the supremacy of this kind of regal thinking, are briefly discussed below. Before moving on, however, we must stress one thing. Our comments in no way pertain to that splendid institution called the 'Lion's Club' which like Rotary and others does magnificent social work. Indeed, these 'Lions' are just exemplary elephants using an alias to conceal their good deeds!

### **3.2 Master and servant**

"Some say eat or be eaten; some say, live and let live. But all are agreed, as we join the stampede, you should never take more than you need – in the Circle of Life". These lyrics by Tim Rice from the soundtrack of Disney's animated film, *The Lion King*, hit the nail on the head. Indeed, if a lion knows its place in the greater scheme of things, all is well. But

when the lion's arrogance deludes him into thinking that he is better than other animals, his needs are more important and he can rule over his subjects like a dictator wielding pure brute force and fear, the Circle of Life is broken.

This latter scenario is, sadly, a fitting metaphor for modern business. As the nations and populations of the world have become increasingly tied into the capitalist economy, they have also become more dependent on its main agents – business. Business in turn has grown in size and power, until today it is the most influential organisation in our global society. This might have been all well and good if business acted like Mufasa, the wise lion ruler in *The Lion King*. Unfortunately, however, many companies are more like his ambitious brother, Scar, whose dangerous combination of power and lack of accountability turned his once lush kingdom into a desolate wasteland – echoing with the haunting cackle of hyenas.

People in business may think this analogy is rather unfair and dramatic. And to some extent, they may be right. The highly irresponsible Scar-like companies are perhaps few and far between. But if we examine the underlying pattern of thinking in business, there is a more subtle and insidious tendency at work. Companies constantly shrug off their social and environmental impacts because their economic contribution and financial profit are seen as more important; in fact, the latter are seen as an end in themselves. Companies are quick to point out how many jobs they create, what foreign exchange they earn through exports and how their continued success will trickle down to benefit everyone. Their beguiling argument therefore is that by enriching themselves, the whole kingdom is better off. There are no shortage of examples of this biased rationale. Pharmaceutical companies are allowed to price lifesaving drugs well beyond the reach of the average sufferer in the Third World. The justification: they need to recover their research and development costs. Oil and energy companies refuse to 'give up smoking' because the upgrade of their polluting processes would damage their profits and hurt the economy. Hence, they continue to exacerbate global climate change and the health of the communities surrounding their operations. Logging companies clear-cut vast tracts of indigenous forest, emphasising the contribution of their sales to exports. Meanwhile, the world is losing irreplaceable carbon sinks and reservoirs of biodiversity.

The list goes on and on, each flawed decision accompanied by a plausible excuse. Fishing companies systematically deplete the fishing stocks of the oceans, but justify their actions in terms of contributing to the food supply and creating (short term) jobs. Mining companies intrude on ecologically sensitive sites, but are allowed to continue because their operations boost the economies of marginalised communities or nations. At the end of the mine's life, they are seldom asked to make up for the social impacts that result from their withdrawal. Farmers are permitted (or even encouraged) to use chemical fertilizers and pesticides to improve annual yields despite steadily rising contamination in the natural water system.

Sometimes governments and other worthy institutions actively assist in the perpetration of these unsavoury practices. For instance, the authorities might turn a blind eye to the

effects of pollution on local communities because the industrial companies concerned pay significant rates and taxes. Arms companies are encouraged to export military equipment to support regional wars in distant lands because it will bring in foreign exchange. Local communities are incentivised to convert tropical rain forests into cash crops because this will help the country to meet its debt-linked structural adjustment conditions imposed by the World Bank or International Monetary Fund.

Obviously, we are simplifying the situation and there are world class companies who are notable exceptions. For example, Boehringer-Ingelheim has made an offer to the developing world to supply free Nevirapine for five years to stop mother-to-child HIV transmission. BP and BMW in South Africa and Debswana, the diamond mining giant in Botswana, have all set up HIV treatment programmes which include antiretroviral therapy for their positive employees and some or all of their families. Despite their profitability, Levi Strauss withdrew its operations from China so that it was not tacitly supporting the poor human rights track record of that country. And on the environmental front, Swedish furniture manufacturer IKEA supplied 532 000 low-energy light bulbs for free to the Swedish population in a campaign to improve environmental awareness and energy efficiency.

These are examples of companies taking decisions that did not make short-term economic sense, but were in the interests of sustainability and long-term financial profitability. For the majority of companies, however, the belief pattern is clear. Business has become used to viewing its economic contribution (profits, foreign exchange earnings, jobs) as a justifiable end in its own right, irrespective of what social or environmental side effects it might cause in pursuit of this definition of success. The tragedy is that our current political and economic system perpetuates this back-to-front power relationship and makes it virtually impossible for governments, civil society or business itself to reverse the roles. This is akin to the lion believing that other species and the environment exist purely for its own gratification, which is neither true nor sustainable.

### **3.3 An insatiable appetite**

This fatal flaw deals with business's unsustainable exploitation of the environment. All companies rely on natural resources and Nature's processes to some extent, whether as a source of raw materials, a factor of production, or a sink for its wastes. However, business has been extracting resources and impacting the environment at a rate and a scale that could only be sustainable if the planet was infinite and contained ecosystems that were able to regenerate themselves rapidly irrespective of the damage they incurred - which is not the case. A few statistics illustrate the point.

The fossil record indicates that Earth has experienced five mass extinctions of species in the past 500 million years; in each case, at least half of the species in existence at the time were wiped out. Furthermore, after each extinction, it took between 10 million and 100 million years to recover former biological diversity levels. Some time in the past 1 000 years (probably in the past 100 years), the biodiversity of species on Earth once again

began to decline, this time caused by human degradation and destruction of the natural habitat. We are precipitating what could rapidly become the sixth mass extinction. According to the landmark scientific book *A Walk Through Time, From Stardust to Us: The Evolution of Life on Earth*, we are losing an estimated three or more species an hour, a rate one hundred to one thousand times greater than the average over the preceding hundreds of millennia. And the trend is still accelerating.

We have lost over 10 percent of the species that were living a few hundred years ago. Conservation biologists are predicting that half of the diversity of life will be lost in the next century if the present rates of habitat destruction and disturbance continue. In the last 50 years, according to the World Resources Institute, we have already lost, destroyed or seriously depleted two thirds of the world's agricultural land, half of the freshwater wetlands, mangrove swamps and rivers, a quarter of the marine fish stocks and one fifth of the forests.

Perhaps this is not surprising when one considers that, since 1980, the global economy has tripled in size and is expected to expand by a factor of five in the next 50 years, while the population has grown 30 percent to six billion and is expected to reach nine billion by 2050. Or that world energy consumption rose from 207 quadrillion British Thermal Units (Btu) in 1970 to 375 quadrillion Btus in 1996 and is projected to reach 612 quadrillion Btus in 2020. Or that the average of annual anthropogenic carbon emissions, which was less than two billion tons between 1850 and 1950, has rocketed to 7.1 billion tons during the 1980s and will soar further to an expected 9.8 billion tons by 2020.

You do not have to be a genius to see that this trend is not sustainable. And yet most companies are still gearing up to continue their expansion which will require additional exploitation of the environment and its resources. At most, an environmental impact assessment gets carried out, a few mitigation measures are recommended and the project goes ahead irrespective of damage. The problem, it seems, is that we have no mechanism to track and give feedback on collective and cumulative impacts. Each extra ton of pollution or waste may be relatively insignificant on its own, but it all adds up. How else are species lost if not through square-metre-by-square-metre of habitat encroachment? How else are communities disempowered if not by job-by-job lost?

Companies, and the governments that regulate them, do not seem to have either the will or the mechanisms to say 'no' to new developments that deplete or harm the environment. No lion entertains the misguided belief that it has an unlimited food supply, so why do we?

### **3.4 Pride and prejudice**

Physical growth is inherent in nature, but it doesn't continue ad infinitum. How therefore can it be feasible for the lion to multiply at an exponential rate, or to consume more food each month, or to keep getting bigger each year? And yet, there is a widely held belief that economic growth is always good and should be continuously strived for. At the heart of this assumption is the idea that if the economy is growing, everyone is becoming progressively

better off. Wealth that is generated supposedly 'trickles down' through the society and the general standard of living is raised.

As a result of this thinking, politicians, multilateral agencies and economists point to Gross Domestic Product (GDP) as the supreme measure of progress, welfare and quality of life for the nations of the world. It has been the basis on which investment opportunities are assessed, development aid is granted, loan funding is allocated, membership to various political and economic 'clubs' is allowed and general international status is accorded. This was never the intention. GDP is a simple and useful measure of economic activity. As GDP's creator, Simon Kuznets, said in 1934: "The welfare of a nation can scarcely be inferred from a measurement of national income".

The evidence is beginning to bear out Kuznet's perspicacity. We know, for instance, that over the past 50 years, while the global economy has steadily grown, income inequality has increased. That is the rich have become richer at a faster rate than the poor have become richer. Indeed, some of the poor have become poorer in income per head. Furthermore, several indicators that adjust GDP for negative factors such as environmental degradation, poverty and health (for instance the Index for Sustainable Economic Welfare) show that, since the 1970s, our quality of life has been declining despite the increase in GDP. The United Nations' Human Development Index concludes that "the link between economic prosperity and human development is neither automatic nor obvious". In a similar vein, the World Economic Forum's Pilot Environmental Sustainability Index states that "there is no clear relationship between a country's observed economic growth rate and its environmental sustainability".

The United Nations Development Programme puts this qualitative difference in a nutshell when it identifies the following five damaging forms of growth: jobless – growth which does not translate into jobs; voiceless – growth which is not matched by the spread of democracy; rootless – growth which snuffs out separate cultural identity; futureless – growth which despoils the environment; and ruthless – growth where most of the benefits are seized by the rich. It has declared that these types of growth are "neither sustainable nor worth sustaining".

This is a fundamental challenge to one of the biggest myths of our time and one that pervades all business thinking – that growth is good and bigger is better. Now business has to face the fact that economic growth does not automatically benefit either society or the environment. And in the age of sustainability, where economic, social and environmental performance is linked, business will need to examine these relationships and impacts more carefully. When the lion pride grows, it may well be at the expense of other species and the environment.

### **3.5 Fat cats**

Is the whole animal kingdom better off if the lions are getting fatter? Logic would dictate that, if anything, many species are probably worse off as the lions' appetite grows. And yet, many companies claim and believe that society and the environment will automatically

be better off if they simply focus on maximising value for their shareholders and increasing the packages of their directors. This conclusion is not supported by the dubious track record of business.

In lion companies, the benefits always seem to trickle upwards. Even employees do not seem to be guaranteed a fair share of the spoils, let alone society in general. According to the US Bureau of Labour, a typical factory worker received the paltry equivalent of 2.5 percent of the CEO's salary in 1960. By 1990, this proportion had slipped to just 1.2 percent. According to Business Week, US CEOs earn 85 times more than their employees and CEO pay increased by 92 percent between 1990 and 1995 when it reached an average of \$3.75 million per annum. During the same period, worker layoffs increased by 39 percent. How can a more equitable world be achieved when, on the one hand, three billion people live on less than \$2 a day, and on the other hand the wealthy have \$8 trillion 'invested' in tax havens? To put this income gap into perspective, it would take one Haitian worker producing Disney clothes and dolls 166 years to earn as much as Disney president Michael Eisner earns in one day. Rather than spreading around the wealth for the common good, it seems to us that Adam Smith's invisible hand has a compulsive habit of feeding itself.

Apart from the bizarre income gap between individuals that exists in the world today, there are too many examples to ignore of companies putting their own interests before the health and safety of their employees, before the welfare of local communities and before the integrity of the environment. Nike is found to be using sweatshops with child labour. Shell is accused of human rights and environmental abuses in Nigeria. Coca Cola is put under the spotlight at the 2000 Olympics for still using ozone-damaging refrigeration. McDonald's is found to be farming beef on clear-cut tropical rainforest land. Tobacco companies are accused of including additives in their cigarettes to make nicotine more addictive. Internal e-mails between Microsoft's top management, disclosed in their recent court case, indicate a desire to dominate the market at any cost.

As most economists and business managers will tell you (if they are being honest rather than politically correct), the incentives in our current economic system make it almost impossible not to choose profits over people and the planet. Economists will talk about 'market failure', 'externalities' and the 'tragedy of the commons', while managers know that it comes down to social and environmental considerations simply being too costly in the face of unrelenting pressure from shareholders and others to make better returns and to achieve higher growth rates.

So, it is no longer appropriate to assume (if it ever was before) that bigger and more profitable companies are necessarily better for society, communities or the environment. At the same time, it is simplistic just to brand companies as villains without taking into account the economic system that shapes their behaviour. The relationship between how well a lion is eating and the health of its surroundings is neither simple nor direct.

### **3.6 Is feline competition superior?**

This blindspot challenges business's assumptions about competition and its predatory nature. Companies tend to emphasise how creative they have to get and how keen their prices must be in a competitive environment. Yet, the environment is seen as a resource to consume, customers are seen as prey to hunt down and other companies in the industry are seen as competing predators to be killed, chased away or consumed. But are society and the environment better off as a result? And is this the only model for corporate behaviour?

When thousands of staff are laid off, when knowledge is hoarded, or when an ecosystem is compromised in the name of competitiveness - as happens regularly - it is hard to argue that there has been a net sustainability benefit. And besides the social and environmental impacts, competitive behaviour may be inefficient in the long run. Take specialisation in agriculture. The world's range of crops and animals is narrowing due to dominant strains eliminating the weaker ones. More than 90 per cent of the world's food is derived from fewer than 20 species of plant. If the climate changes, it may be disastrous for agriculture as the new habitat may not suit the strains that are left. One of the reasons that Nature has been so resilient in the past has been its diversity and profusion which allow life to continue even when a step-change occurs in the environment. Nature really does abhor a vacuum! In our case, man-made competition has led to fewer options and less flexibility than the natural state. The same can happen in normal commercial markets when a big firm crowds out small firms. The end result is that the consumer has a more limited choice. Ultimately, he or she may pay a higher price for the product if the company left decides to exploit its dominant position.

To further our argument, consider this fictional illustration from Ancient Greece. Suppose there was a trireme race in the sea off the Athenian Coast to see which captain had the fastest warship. And suppose the speed of the trireme was related to how often the three rows of oarsmen were lashed with whips in each ship. Would you call the ship that crossed the line first the most successful competitor or would you say that it had the worst conditions of service? Yet, this is precisely how companies vie with each other now. They bring in management consultants to cut headcount and costs to the bone, making the remaining staff work longer and longer hours. As a result, they may achieve market leadership and win the race - but at what human cost in terms of those that stay and those that go?

Extensive research by author Alfie Kohn also suggests that, in a business context, competitive behaviour undermines individual and group performance. On the other hand, a new breed of companies is emerging that emphasises cooperative relationships. Rosabeth Moss Kanter, former editor of Harvard Business Review and author of *When Giants Learn to Dance*, calls this becoming better PALs with other organisations - the new breed pool their resources, create opportunity-based alliances and link systems in a partnership.

It is all a question of emphasis. Until now, business has chosen to highlight and dramatise the predatory aspects in Nature, whereas these are the exception rather than the rule. Nature's underlying characteristic is that of interdependent relationships and

symbiotic cooperation. Even competition in Nature only takes place within a broader context of cooperation. Likewise, in a sustainability era, companies' success will depend on being able to cultivate win-win relationships with all its stakeholders. Eventually, therefore, the competitive lion will lose its throne to the cooperative elephant.

### **3.7 Living in a new landscape**

The lion is a creature of the wide-open African plains. It thrives when it can roam freely over vast distances, hunting its prey without restriction. It will go wherever the food supply is plentiful, letting no animal stand in its way. It is as if the entire animal kingdom, and Nature itself, exists to serve him, to satisfy his hunger.

This is a fitting analogy for the way in which business has operated over the past few hundred years; roaming far and wide; ever hungry to conquer new markets; ever eager to track down fresh consumers; going where conditions best serve its appetite for profits, where taxes are most lenient, where skilled labour is cheapest and where environmental standards are lowest. This is typical of what economist Kenneth Boulding described in 1964 as the 'cowboy economy'. On the infinite plains of the cowboy economy, cowboy companies believe there are no restrictions on growth, resource consumption or waste generation. They can live life recklessly in the pursuit of profits, gunning down whoever stands in their way.

But the landscape is changing. There are very few frontiers left to conquer. The world has become a smaller, fuller place, one in which the cowboy lifestyle is no longer appropriate. Selfish lone rangers have never been much good for building healthy communities where people agree to live by certain norms to ensure peace and shared prosperity. Nor is the Earth itself an infinite plain. The cowboys can no longer just move on to fairer pastures once they've exhausted the land where they are. After all, the pastures are under pressure from a growing population, and from the activities of other cowboys who may have already degraded the soil and poisoned the water.

Boulding talks about the need to replace the analogy of the cowboy economy with that of a 'spaceman economy'. The latter pictures the planet as a closed system which, other than the sun, has finite resource inputs and a limited sink capacity to absorb our wastes. It is an economy where material conservation, recycling and waste minimisation are paramount, since there is no 'away'. Bearing this out, the carbon dioxide concentration in the Earth's atmosphere is at its highest level in 160 000 years, having risen from 280 to 350 parts per million between 1850 and the early 1990s. That's one of the less quoted statistics about the Industrial Revolution. Svante Arrhenius was the first person to spot the link between this statistic and global warming in 1890. And we're still arguing over it! Another economist, Gareth Hardin, elaborated on Boulding's spaceship economy idea by introducing the notion of the 'tragedy of the commons'. Hardin demonstrated that, in any 'open access' resource system, the resource will be systematically depleted simply by each user acting rationally in his/her own self-interest.

Yet this is exactly what our modern economic and business systems, operating in the lion mode, are set up to do. Companies have no qualms in pursuing their own selfish interests (growth, profits, shareholder value) because they hope that somehow Adam Smith's 'invisible hand' will miraculously take care of the 'common good'. However, as we will show in subsequent chapters, the common good is not being served by today's predatory business model. Closer to the truth may be Hardin's melodramatic conclusion that "freedom of the commons brings ruin to all" and "ruin is the destination to which all men rush".