

# Business as a Force for Good: The New Norm



## ***Marga Hoek, CEO, Sustainable Business Association***

Every entrepreneur should want to improve the world. Those that do not, and especially businesses that consume and damage our social, environmental, and financial assets, are contributors to the economic, environmental and social problems that we are struggling with today. This recognition makes it clear that it is the business world that holds the key to the solution of many of these issues.

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Companies have been coming to this realization in recent years. They are starting to look at the traditional business case from a new perspective- a view that I refer to as 'business as a force for good.' Last year alone 270 billion dollars was invested in low-carbon clean energy solutions, in addition to at least 130 billion in energy efficiency. And we have only just begun. The report, "The Breakthrough Forecast" defined the the most promising developments called the 21 'breakthrough sweet spots' - from 3D printing to sustainable air conditioning and drinking water management to genomics - making sustainable, positive business 'a trillion-dollar business case'. The movement has been spreading worldwide. Novo Nordisk is one such example. For many years they have been a leader in sustainability rankings in the pharmaceutical sector, and they are now a symbol of "doing well by doing good." The food multinational Nestlé has also become a source of inspiration. Its Healthy Kids program has reached 7.6 million children in 73 countries. This is all in the context of a broader

business case that includes social value but at the same time, generates good financial results.

### **From Periphery to Core**

The rise of 'business as a force for good' can also be seen by the groundbreaking success of the recent climate summit in Paris. For the first time, governments and businesses widely recognized that they share responsibility for what undoubtedly is the greatest challenge in our history: to stop climate change and establish a world economy that is fundamentally sustainable. Paul Polman put it very well when he said that the Paris summit was "a message to business." And in my opinion, we should also add that it is: 'a message from business'!

Paris also reinforces the 17 Social Development Goals (SDGs) of the UN. Although originally aimed at governments, SDGs are often a good compass for the business community to develop sustainable business models. According to the SDG Engagement Survey, companies in virtually all industries see 'climate action' as one of the most important SDGs to act on. SDGs are the compass by which all areas of business, science and government should focus on. "Begin with the end goal in mind," as Stephen Covey said.

Leading companies have set their ambitions higher than ever before for 2020 and beyond. The SDGs are already providing direction in this regard. Unilever, for example, is not 'merely' striving for CO2 neutrality by 2030, but to be CO2 positive: to generate more renewable energy than the company itself needs, so that they can contribute to making the environment sustainable as well.

The financial world is also weighing in. Achim Steiner, director of the United Nations Environmental Program has proclaimed 2016 the 'Year of Green Finance'. At the launch, I was speaking to the Allianz CEO Elizabeth Corley, and it became clear to me that "the Paris Agreement has pushed green finance from the periphery to the core of future global capital markets." This is already visible. For example, the pension fund APG announced that they will apply a much more rigorous sustainability yardstick to its investment portfolio while noting that this offers positive direction without an appreciable loss of revenue.

A similar movement can be seen in the stock exchange. In 2015, 30 stock exchanges worldwide joined the Sustainable Stock Exchanges initiative, committing themselves to promoting sustainable investment. Ten years ago, the phenomenon of 'green bonds' didn't even exist. Now, over 42 billion dollars in green bonds have been issued. In fact, in the past two years, the demand for green bonds has tripled and it is expected that it will triple again by 2018. The amount of sustainable investments has increased over the past two years by 60%. This

movement, together with the trend to divest from fossil fuels, makes it clear that we are on the threshold of a new era.

### **Scale is Key**

We know the areas where we need to act. The money is shifting in the right direction and the potential economic revenues are staggering. This is all very positive news, only it begs the question 'Is there a *but*'? Unfortunately, there is. Companies defining their business as a 'force for good' and steering towards shared value must transform. A different kind of leadership is necessary, new management principles, new forms of cooperation and a fundamentally different way of innovating.

Fortunately, businesses can learn from each other: there are good examples of 'ambidexterous organizations' which successfully apply a two-legged P&L. Within the walls of a profitable business, they develop tomorrow's business based on an alternative P&L structure so that it has a chance to grow to full scale. 'Learning by doing' is the motto for leading companies. The Sustainable Business Association now has over 200 member companies initiating such innovative concepts or contributing to them. For that reason, we are increasingly seen internationally as a cooperative party that sets the stage for future-proof business cases in line with the SDGs.

### **Not the Exception, but the Norm**

Striving towards a positive impact on our world is not only the moral choice, it is the right choice business-wise. Unsustainable business models are losing ground, making way for economic activities based on multiple or shared value. We are at a turning point: 'business as a force for good' will no longer be the exception, it will be the norm. Only then can we create an economy that will sustain, as does our world.

[Image courtesy of kongsky at FreeDigitalPhotos.net]

## About the Author



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