



CHANGING COURSE

A GLOBAL BUSINESS
PERSPECTIVE ON DEVELOPMENT
AND THE ENVIRONMENT

STEPHAN SCHMIDHEINY
WITH THE BUSINESS COUNCIL
FOR SUSTAINABLE DEVELOPMENT

Changing Course
A Global Business
Perspective on Development
and the Environment

Stephan Schmidheiny
with the Business Council
for Sustainable Development

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To waste, to destroy, our natural resources, to skin and exhaust the land instead of using it so as to increase its usefulness, will result in undermining in the days of our children the very prosperity which we ought by right to hand down to them amplified and developed.

—Theodore Roosevelt
Message to Congress
December 3, 1907

Declaration of the Business Council for Sustainable Development

Business will play a vital role in the future health of this planet. As business leaders, we are committed to sustainable development, to meeting the needs of the present without compromising the welfare of future generations.

This concept recognizes that economic growth and environmental protection are inextricably linked, and that the quality of present and future life rests on meeting basic human needs without destroying the environment on which all life depends.

New forms of cooperation between government, business, and society are required to achieve this goal.

Economic growth in all parts of the world is essential to improve the livelihoods of the poor, to sustain growing populations, and eventually to stabilize population levels. New technologies will be needed to permit growth while using energy and other resources more efficiently and producing less pollution.

Open and competitive markets, both within and between nations, foster innovation and efficiency and provide opportunities for all to improve their living conditions. But such markets must give the right signals; the prices of goods and services must increasingly recognize and reflect the environmental costs of their production, use, recycling, and disposal. This is fundamental, and is best achieved by a synthesis of economic instruments designed to correct distortions and encourage innovation and continuous improvement, regulatory standards to direct performance, and voluntary initiatives by the private sector.

The policy mixes adopted by individual nations will be tailored to local circumstances. But new regulations and economic instruments must be harmonized among trading partners, while recognizing that levels and conditions of development vary, resulting in different needs and abilities. Governments

should phase in changes over a reasonable period of time to allow for realistic planning and investment cycles.

Capital markets will advance sustainable development only if they recognize, value, and encourage long-term investments and savings, and if they are based on appropriate information to guide those investments.

Trade policies and practices should be open, offering opportunities to all nations. Open trade leads to the most efficient use of resources and to the development of economies. International environmental concerns should be dealt with through international agreements, not by unilateral trade barriers.

The world is moving toward deregulation, private initiatives, and global markets. This requires corporations to assume more social, economic, and environmental responsibility in defining their roles. We must expand our concept of those who have a stake in our operations to include not only employees and shareholders but also suppliers, customers, neighbors, citizens' groups, and others. Appropriate communication with these stakeholders will help us to refine continually our visions, strategies, and actions.

Progress toward sustainable development makes good business sense because it can create competitive advantages and new opportunities. But it requires far-reaching shifts in corporate attitudes and new ways of doing business. To move from vision to reality demands strong leadership from the top, sustained commitment throughout the organization, and an ability to translate challenge into opportunities. Firms must draw up clear plans of action and monitor progress closely.

Sustainability demands that we pay attention to the entire life cycles of our products and to the specific and changing needs of our customers.

Corporations that achieve ever more efficiency while preventing pollution through good housekeeping, materials substitution, cleaner technologies, and cleaner products and that strive for more efficient use and recovery of resources can be called "eco-efficient."

Long-term business-to-business partnerships and direct investment provide excellent opportunities to transfer the technology needed for sustainable development from those who have it to those who require it. This new concept of "technology cooperation" relies principally on private initiatives, but it can be greatly enhanced by support from governments and institutions engaged in overseas development work.

Farming and forestry, the businesses that sustain the livelihoods of almost half of the world's population, are often influenced by market signals working against efficient resource use. Distorting farm subsidies should be removed to reflect the full costs of renewable resources. Farmers need access to clear property rights. Governments should improve the management of forests and water resources; this can often be achieved by providing the right market signals and regulations and by encouraging private ownership.

Many countries, both industrial and developing, could make much better use of the creative forces of local and international entrepreneurship by providing open and accessible markets, more streamlined regulatory systems with clear and equitably enforced rules, sound and transparent financial and legal systems, and efficient administration.

We cannot be absolutely sure of the extent of change needed in any area to meet the requirements of future generations. Human history is that of expanded supplies of renewable resources, substitution for limited ones, and ever greater efficiency in their use. We must move faster in these directions, assessing and adjusting as we learn more. This process will require substantial efforts in education and training, to increase awareness and encourage changes in lifestyles toward more sustainable forms of consumption.

A clear vision of a sustainable future mobilizes human energies to make the necessary changes, breaking out of familiar and established patterns. As leaders from all parts of society join forces in translating the vision into action, inertia is overcome and cooperation replaces confrontation.

We members of the BCSD commit ourselves to promoting this new partnership in changing course toward our common future.

Stephan Schmidheiny, Chairman of BCSD
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Preface

In mid-1990, Maurice Strong, secretary general of the 1992 U.N. Conference on Environment and Development, asked me to serve as his principal advisor for business and industry, to present a global business perspective on sustainable development and to stimulate the interest and involvement of the international business community.

I did not want to remain a lone voice. So I invited some 50 business leaders to become members of the Business Council for Sustainable Development (BCSD). Almost everyone I approached was prepared to join, which is an encouraging indication of the growing interest of business leaders in environment and development issues.

As we began to work together, I was impressed by the degree of interest they showed in involving themselves in complex issues that have traditionally been seen to belong to the realm of government, aid agencies, and environmental groups. This attitude clearly contrasts with any perception of business leaders as being concerned only with things of immediate relevance to their companies.

Our members took the trouble to participate actively in the preparatory process of the U.N. conference, joining with other parts of society to organize its agenda. They have taken a global, long-term perspective—looking beyond the immediate interests of themselves and their corporations, and beyond their own terms of office to the needs of future generations. And they have sought to transcend the boundaries of their own personal education, experience, and authority. They have not shied away from controversial topics characterized by incomplete or contradictory knowledge and understanding, conflicts of interests, or diverging personal opinions and preferences.

I would like to express my sincere appreciation for their entrepreneurial spirit, which led them to participate so fully and unselfishly in this demanding work.

My fellow members and I wanted very much to include in the BCSD representatives from Eastern Europe, the former Soviet Union, and China. This challenge proved to be beyond us. A shared concept of "business" allows people in Sweden, Australia, and Kenya to deal with one another. The absence of a "business sector" in the planned economies, as well as the complex problems emerging in the change from state-planned to market-driven systems, presented obstacles the Council was not able to overcome.

In early 1991, we selected a list of issues that we saw as necessary components of our report. At our first plenary meeting in The Hague in April 1991, we refined the list and began to divide into task forces to study and report on these issues. These groups were composed of members, their associates, outside experts, and members of the BCSD staff. BCSD members from developing countries and those from the industrial world agreed that the realities and needs of developing nations should permeate our book.

Each Council member delegated an associate as a representative to the more frequent Liaison Group meetings, which served to keep the Council members apprised of and engaged in the work of the Council secretariat and all the task forces. This group held three active and lively plenary meetings to review and discuss drafts of the various chapters.

But the BCSD is more than a product—this book. It is also a process. It has organized some 50 conferences, symposia, and issue workshops in more than 20 countries. Members from Africa, Asia, and Latin America were particularly active in their regions, offering their own experiences and viewpoints and drawing many of their peers into the process. At this writing, we expect that groups organized through the BCSD will produce their own reports on business and sustainable development in the world's three developing regions. The wide and continuing process may, in the long run, have a far greater impact than this product.

The fast-growing interest in sustainable development in the poorer parts of the world proves that people here understand that economic development can only happen in a healthy environment.

There is an inescapable logic in the concept of sustainable development. So it is hardly surprising that looking at core issues from a business

point of view led the Council to many conclusions similar to those of other groups, such as economists and political leaders. But we also produced new perspectives that proved helpful to the planners of the U.N. Conference on Environment and Development, such as our discussion of technology cooperation.

Despite different national, cultural, and business backgrounds, we also managed to agree among ourselves. We did not agree on every detail and every word. That was never our intention; there was not enough time, and such unanimity would have required turning 50 hard-pressed business leaders into an editorial drafting committee.

But we have produced ideas and concepts that all have generally endorsed, and all have agreed to have their names listed with the BCSD Declaration. We sign on as individuals, but we realize our endorsement means that we will be closely watched and judged as we deploy our best efforts in our respective offices to comply with the program presented in this book.

A search for consensus can often produce a very low common denominator. I trust that our readers will agree that this is not the case in this book. We realize that many theories of sustainable development go far beyond the recommendations of our report. Indeed, the practices of some companies already go beyond our counsel. Yet this is the first time that an important group of business leaders has looked at these issues from a global perspective and reached major agreements on the need for an integrated approach in confronting the challenges of economic development and the environment. We have outlined a change of course for business that can have far-reaching consequences for most business people, including the BCSD members.

Our Perspective

The BCSD speaks not for global business but as a small group of business leaders, by definition representing a small minority. We claim no legitimacy beyond our collective wisdom and that of the many people who have worked on this report.

Yet *Changing Course* does offer a global perspective, because sustainable development itself is a global vision. Such a perspective must by nature be general; it cannot be specific about countries, business sectors,

or individual corporations. We have offered in our text specific examples from the real world to demonstrate the practical relevance of our statements. We have also collected, with the help of many corporations around the world, short case studies to demonstrate that what we offer is not abstract but is already being done by many of the more successful companies.

The challenges of sustainable development are of a magnitude and complexity that far surpass the understanding of any individual or group. We entered this exercise in a spirit of humility, and have emerged even more humble.

Our work should be compared with the initial sketches of an architect who is concerned with the concept and the shape of a building, its functions, and its different relations with its environment. These sketches must be elaborated upon by many—measuring, calculating, and specifying—before they are converted to blueprints. Then the job of turning design into reality falls to many builders; we include ourselves in their number.

We call for a long-term view, for far-reaching changes, and for action. But we do not base our hopes for success on radical changes in human nature or on the creation of a utopia. We take humans the way we find them, the way we all are made, with all our strengths and weaknesses. We base the conclusions in our report on the facts and our own experiences of the real world. We believe that given the will and understanding, our proposals can eventually become part of practical reality.

The title *Changing Course* was chosen with some care. While the basic goal of business must remain economic growth, as long as world population continues to grow rapidly and mass poverty remains widespread, we are recommending a different course toward that goal. There will be changes in direction and changes in the measurements of progress to include indicators of quality as well as quantity. Business is a large vessel; it will require great common effort and planning to overcome the inertia of the present destructive course, and to create a new momentum toward sustainable development.

A Personal Note

Although for practical reasons my name stands as that of the author of *Changing Course*, credit for most of the content of this book belongs to others. The names of those who have contributed a great deal, aside from the BCSD members, appear in Appendix 2. But I would like to express here my special thanks to BCSD executive director Hugh Faulkner, who managed our entire process with great skill and a rare mix of vision, commitment, and good will, and to our editorial advisor, Lloyd Timberlake, who helped us find words for our findings and conclusions.

Working together toward a common goal with many people of different backgrounds in many parts of the world has been a most rewarding experience. From the beginning, I have seen this not as a philanthropic effort, but rather as an investment in my own education and in the future of my children's business. As happens with so many investment projects, it came in over budget: I promised Maurice Strong a third of my time over 20 months, and I have in fact found more than half of my time taken up by BCSD work.

Looking back—and looking ahead—I have every reason to be satisfied that I did not spare any effort. I feel sure that the investment will reap substantial dividends.

I found the combination of business and environment concerns appropriate. Conservation of the environment and successful business development should be opposite sides of the same coin—the coin being the measure of the progress of human civilization. The degree to which these two halves can be joined in the world of human activity, and the speed of this process, will determine the rate at which sustainable development will turn from a vision into reality.

Stephan Schmidheiny
January 1992

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