

# Emerging Market Business and Sustainability: Chimera or Reality

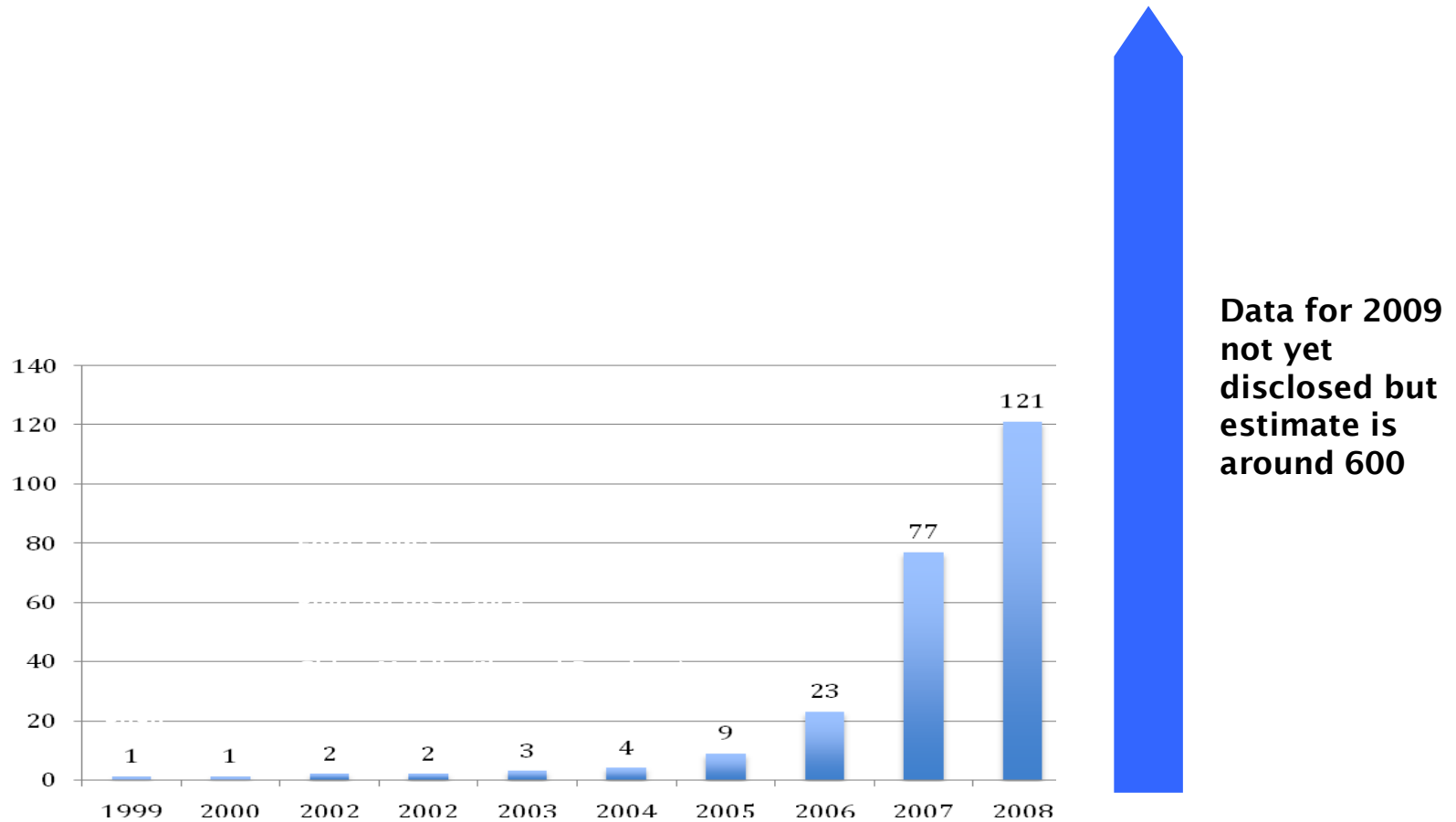
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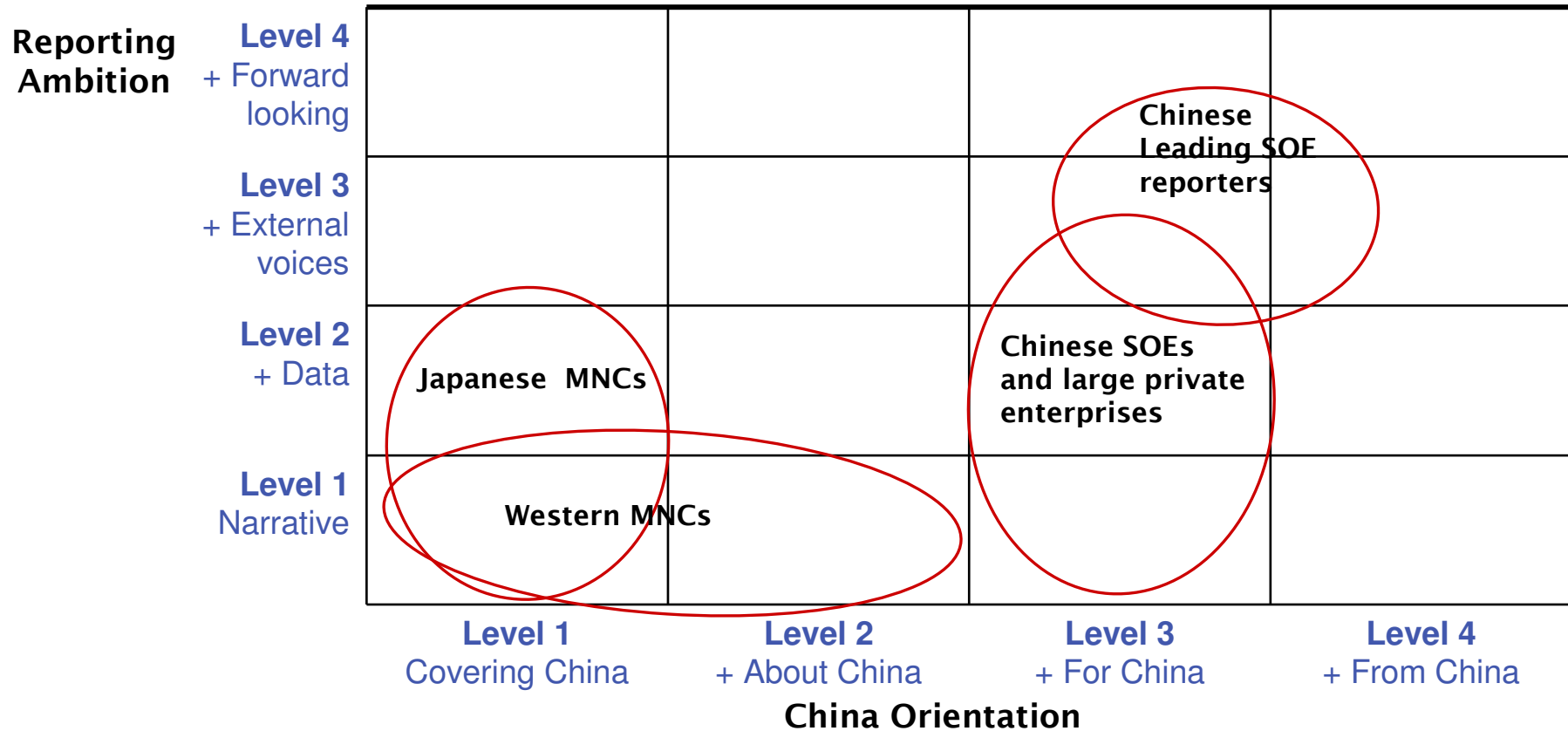
**How Will Tomorrow's Global Leaders from Emerging Nations Deal with Sustainability ?**

# Ground Zero: Chinese Sustainability Reporting



[Data from SYNTAO (2008) Journey to Discover Values: Study of Sustainability Reporting in China]

# China 2: Rest 0 - Benchmarking Quality



# China Shapes Up

1. forced closures of factories producing contaminated food
2. strengthened labour laws
3. stretch policy targets for renewables
4. harsh penalties for corruption

Sanlu Dairy's Chief Executive was sentenced to death, and several other executives to life imprisonment, following their conviction for knowingly selling tainted milk that killed several children and sickened thousands more

# China-on-China: Venturing in Africa



## *Chinese business leaders believe that:*

1. ..they are doing well in addressing complex sustainability issues whilst recognising gaps.
2. ..they are often forced into tough operating contexts because Western business has monopolised the easiest markets.
3. ..they have a lot to learn, but no more than others have learnt before them.
4. ..international media is bias against them, and never reports their good practices.
5. ...voluntary standards designed and run by Western NGOs and companies are protectionist.

**“frankly, small Chinese companies are as bad as all small companies, and large ones are increasingly as good as the best”**

**CEO of Major African Mining Company**

# Is Our Sustainability Legacy Safe...



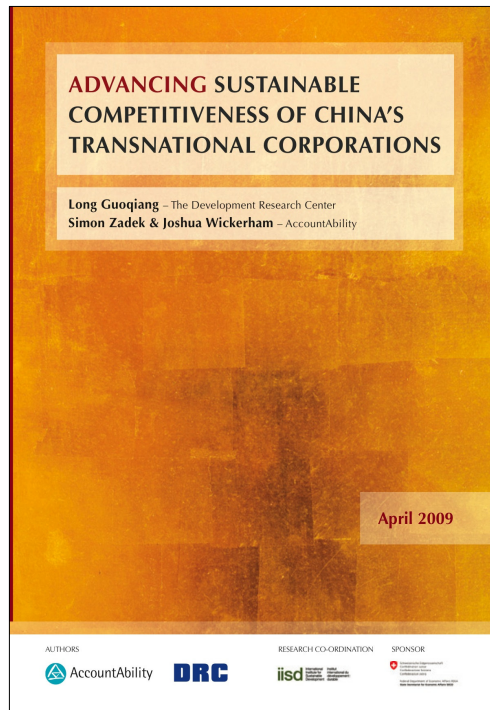
- Ethical Trading Initiative (multi-sector)
- Equator Principles (Financial services)
- Extractive Industry Transparency Initiative
- Fair Labour Association (Textiles)
- Forest Stewardship Council
- Global Reporting Initiative (all sectors)
- International Council on Minerals and Mines
- Commodities Roundtables (Agriculture)
- Kimberley Initiative (conflict diamonds)
- Medicines Transparency Alliance
- Construction sector Transparency Initiative
- Marine Stewardship Council (Fisheries)
- PACI (Anti-corruption)
- MFA Forum (Textiles)
- Responsible Care Initiative (Chemicals)
- Social Accountability International (multi-sector)

**Equator Principle** Banks represent almost 80% of global, cross-border project financing  
**Forest Stewardship Council** certification covers more than 20 million hectares

**Marine Stewardship Council** certification covers 10% of the world's wild fish catch

# Not If We Do Not ‘Get With the New Deal’ ...

## Chinese Views of Today’s Sustainability Standards



1. Most sustainability standards are controlled by Western companies, NGOs and governments.
2. Access conditions are not viable for Chinese (and most emerging economy) businesses
3. Low trust between Western ‘members’ and emerging economy businesses blocks collaboration
4. Emerging economy businesses have little experience in engaging in collaborative standards initiatives.
5. Actual standards are not suitable.

“China is currently developing 10,000 new standards, many designed for use in international markets”

China Chairman, Global 100 Corporation



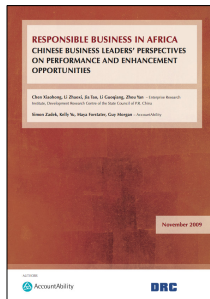
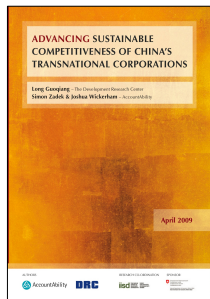
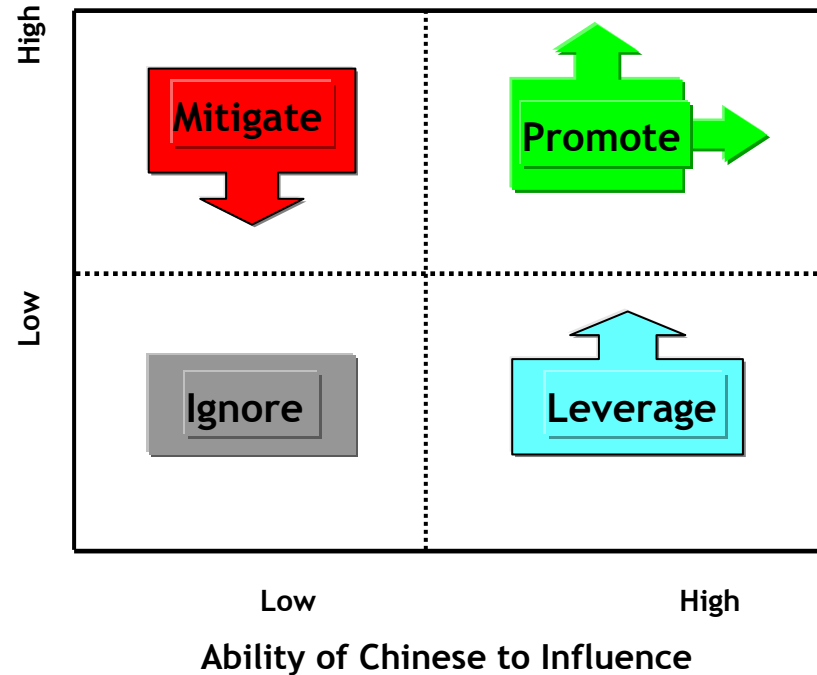
# Competitive Options – Reset or Retire !

•**Opt-in:** where companies ‘sign up’ and compete on the same terms as other global businesses.

•**Opt-out:** where companies assert their distinctiveness and so ignore or seek to get around prevailing standards.

•**Transform:** where companies seek to shape sustainability standards to suit their circumstances and interests

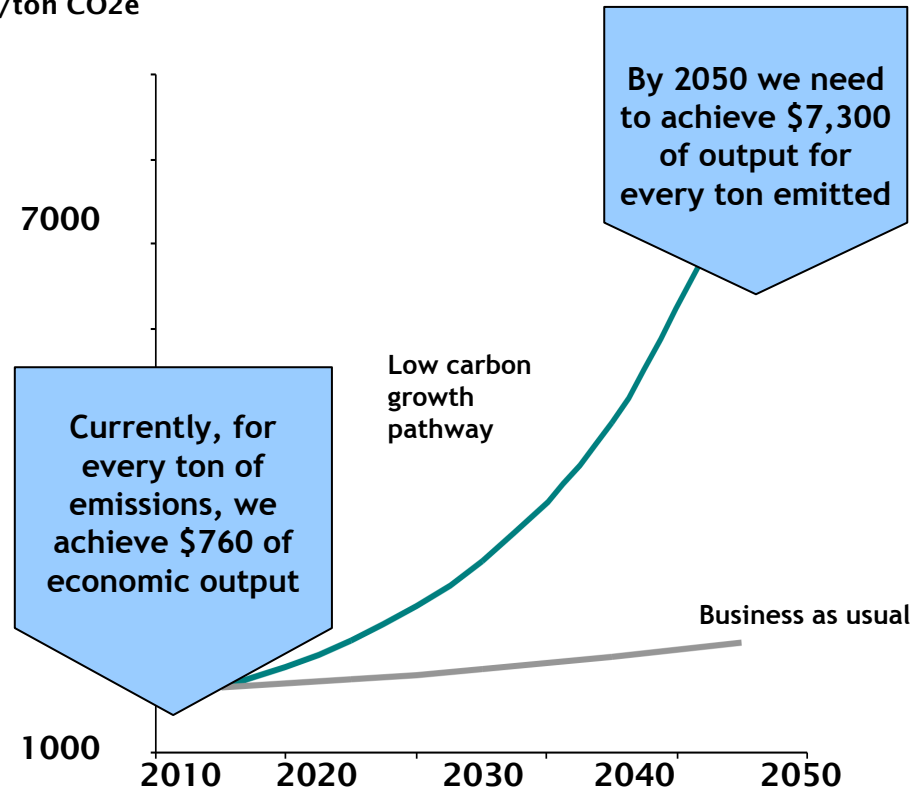
Importance to Chinese Competitiveness



internationalise standards...or **obscure**

# Solving Tough Problems: Carbon Challenges

Projected Carbon productivity  
\$/ton CO<sub>2</sub>e



Global Insight GDP forecast to 2037, extrapolated to 2050

Source: McKinsey analysis; Contours of the World Economy 1-2030 A.D., Maddison, 2007

- This means a tenfold increase in carbon productivity by 2050
- Comparable in magnitude to the labour productivity increases of the Industrial Revolution - but in one-third of the time.
- To stay on this pathway carbon productivity needs to increase by over 70% by 2020.
- This will only happen if countries develop the upside economic opportunities for low carbon, climate resilient growth.

**carbon productivity must improve by 5.6% pa compared to historic rates of 1.2%**

# Emerging Nations in the Front Seat

Commitments made under the Copenhagen Accord up to 31<sup>st</sup> January 2010 amount to 5.0 billion tonnes, of which developing-country commitments account for 4.2 billion tonnes.

The developing world has increased its commitment by two-thirds since Copenhagen. The developed world has cut its by about a quarter, from 1.1 billion tonnes to 800m tonnes.



*Source: "Taking Stock", Project Catalyst, Feb 2010*

[Zadek Blog on Copenhagen vs Davos](#)

[www.zadek.net/davos-vs-copenhagen](http://www.zadek.net/davos-vs-copenhagen)

# Will Corporate Responsibility End Up the Same ?

1. Contemporary 'CR' to rebuild the social contract given neoliberal policies in the 1980s, privatisation, globalisation.
2. 'Le Business Case' the defining feature of modern CR because 'ownership' not on the table.
3. Collaboration, civil regulation and innovation has 'moved the needle' in 'imitating' blended ownership and accountability.
4. *But we may not be able to squeeze enough sustainability out of the Anglo-Saxon model of ownership and governance.*



*Can you see Friday yet.....?*



- ❖ Emerging nations will shape tomorrow's 'business in society'
- ❖ Advancing practice rapidly, with positive results on many fronts.
- ❖ Emerging nations' governments are engaging and leading at policy level.
- ❖ Legacy approaches, such as standards initiatives, are at considerable risk.
- ❖ Historic rationale for 'corporate responsibility' may be passing.
- ❖ Emerging nations are asserting new forms of public ownership and governance.
- ❖ Challenge is to engage in the:
  - ❖ Need to internationalise
  - ❖ Societal governance dimensions.