

Vision for the Future

Group B



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Leaders for Economic Change Programme

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It is 2030 and over 60% of the world's population is living in big cities. These cities are not the same as in the first decade of the millennium. Eighteen of these big cities are mega-cities, with over 20 million inhabitants. The Asian middle-class counts 3 billion people, who are heavily consuming. China has 250 cities with over 1 million inhabitants. The African continent counts 1,5 billion people. The large cities consume more water and energy than ever before, pollute heavily, and produce excessive amounts of waste. The infrastructure needs to be constantly adapted to the changes in the society and their needs. In 2020 the median age in India will be 28, while in the United States it will be 38, 45 in Europe, and 40 in Japan (The Economist, 2010).

“The frugal customers of today, are the high-end consumers of tomorrow” (The Economist, 2011).



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Challenges we are facing right now and only to increase with the nearby future:

- level of greenhouse gasses in the atmosphere
- speed of climate changes
- loss of biodiversity; sixth wave of mass extinction
- collective lifestyle pushes limits of what earth can take and regenerate
- consumer waste, industrial pollution and (agricultural) chemicals are filling biosphere with elements that cannot (sufficiently) be reprocessed in natural cycles of life
- global inequality on the rise; both within and across countries
- growing alienation from each other
- growing intake of anti-depressants (adults) and Ritalin (young ones)
- two thirds of the world has to survive from one dollar a day, while the other third is struggling with growing figures of obesity, cardio vascular & stress
- enormous bailouts of banks (US & EU) have put pressure on governments budget for education, health care and welfare system
- society has misunderstood workings of own social structures and more general rules of life
- current economic system based on continuous exploitation of natural resources

Desired future: *With respect to mass consumption, how does our desired future look like?*

I: Individuals contribute to society by showing responsible behavior; incorporating a rather long-term view on the environment; consuming organic food, opting for renewable energy in transportation vehicles, homes and enterprise, separating waste and buying environmental-friendly products; which preferably have been produced locally. The negative externalities of mass production are internalized in the price and people tend to make more responsible choices for certified sustainable consumer goods.

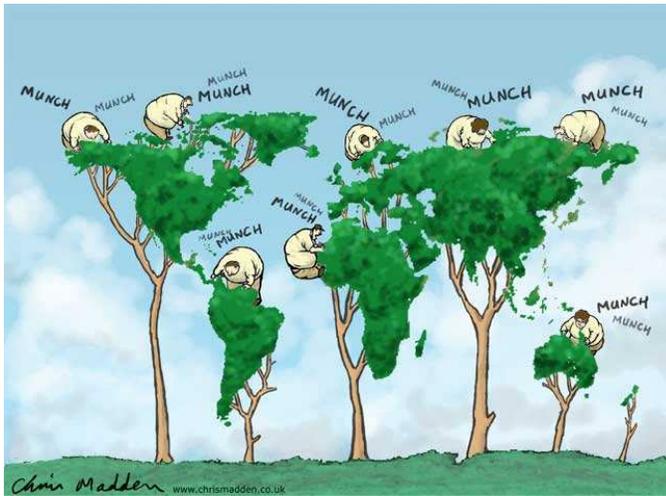
WE: Groups of people feel responsible for each other; they help each other to address issues as a healthy lifestyle, supporting each other making sustainable purchases and investments, stressing the long-term view, keeping in mind to support the local

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community. Interpersonal relations will influence and correct each other when necessary, urging to live a good life and take into consideration that we share this planet, environment and community; we are all better off doing it rather right.

IT: The desired future is one in which private organizations make consumption goods from renewable resources or recycled products. Incorporating cradle to cradle, from the designing part, product life cycles will take into consideration how the good/product will end and in which cycle it can be reproduced. Waste facility management is extremely well organized; government, municipalities and corporations take responsibility for and invest in efficient and responsible collection, separation and processing of industrial and domestic waste. Production will take place as close home as possible; provinces, municipalities and public institutions invest their (federal) funds locally; opting for locally produced products and local employment. The economy reflects a balance between the economy, society and the environment.

ALL: On all levels in society, every individual sees himself as part of the system, contributing to a better situation for the whole; caring about one's future and it's future generations means an unconditional effort in responsible behavior; urging long-term decision making in purchasing (local produced) consumption goods, responsible treatment and separation of waste, (domestic and industrial) renewable energy usage and responsible logistics.



The current reality of mass consumption

Currently, production of mass consumption goods occurs at an unsustainable pace, with the rise of future urbanization and a growing middle class in emerging markets this creating a worrying situation. Most people

are unaware of the negative externalities that their desire for consumption is creating.

When in purchasing or investment mode; the individual chases after the lowest price, not incorporating any risk(mortgages, other financial products) or bearing the cost for environment, (produced at the other side of the world, not recyclable material, containing excess packaging, destroying earth's limited natural resources, pollution) or offshore working conditions (child labor, poor access to education, health) e.g. Buying a product which has been made at the other side of the globe by poor blue collar workers who have no access to education or health care, that has been transported thousands of miles to compete in the developed economies with the local retail shops, farms and Small & Medium Sized Enterprises, forcing those to shut down and create unemployment is NOT sustainable. Over-production and over-consumption have surpassed the earth carrying capacities and therefore the global economic system is out of balance.

Introduction

Present day economic system is focused on short-term profit, and only gives little consideration to how production is organized. At an ever-increasing pace the environment is being exploited, causing a threat to everybody living on the Earth.

The 2030 economy will ideally practice a long-term profit commitment. It will be lucrative to invest in local production, renewable energy, cradle-to-cradle production, and qualified waste treatment in such a way that all potential natural resources are never destroyed (land filled or incinerated) but continuously recycled. The desired goal is that the making conscious individual choices will produce a prosperous and sustainable society. If every individual takes responsibility to care for the local community, communities and livelihoods worldwide can become self-reliant, and produce a bright future for everyone.

With regard to finance, the major banks that have been established after the financial crisis in 2008 drew too much of their power from being too big to fail. Nationalization and re-privatization would not change that. In 2030, these big banks are sold and broken up in medium-sized pieces, divided regionally or by type of business. Although this may seem like a crude and arbitrary step, it is the only way to limit the power of the individual institution in a sector that is essential to the economy as a whole. A bank that is under the impression to be too big to fail creates the threat of a financial weapon of mass destruction. Anything that is too big to fail is too big to exist.

The lessons learned from the financial crisis in 2008 will provide for new rules and regulations. A limitation of the astounding amount of money that can be made by investment bankers reduces the allure of the financial sector and makes it more like any other industry. More transparency and competition, will lead to lower financial industry fees. After banks have recovered, regulations and policies will be

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created to discourage the pursuit of capital gains for their own sake, which favors growth of the real economy; finance will become the economy's handmaiden again, not the other way around. An imperative role will be played by businesses and NGOs.

Businesses

In the past years businesses have been under several attack, being blamed for the contemporary societal problems. Businesses are being blamed for achieving short-term gains at the expense of the well being of the society. This accusations prompted has many of the other economic actors, such as governments and NGOs, to interfere in the functioning of businesses. However, business and society are codependent and there is no scenario in which the one can prosper without the other. Key for this codependent prosperity are shared values. When creating shared values, both societal, and economic interests are kept in mind. Overall creating shared values seems more fitting for the current economy and society, than the old value creating based on short-term wins.

It is undisputable that business and economy cannot exist without society. The well being of business is dependent on the well being of the society (Porter and Kramer, 2006). In a prosperous society created a higher demand of businesses, "as more human needs are met and aspirations grow" (Porter and Kramer, 2006:5). The opposite is also true; a healthy and prosperous society cannot exist without a healthy economy. A well functioning society needs successful companies, which can create jobs, wealth, and instigate innovations that could improve the standard of living. If other actors, such as governments or NGOs obstruct businesses from functioning correctly, they will hinder the development of the entire society. Therefore, business decisions and societal decisions must be based on shared values (Porter and Kramer, 2006). The opposite would mean short-term gains and long-

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term loss for society. According to Porter and Kramer, shared value creation is “identifying and expanding the connections between societal and economic progress” (Porter and Kramer, 2011: 6). Companies can create economic value by creating societal value.

When talking about creating shared value, it is important to compare it to corporate social responsibility, which is a philosophy that many companies pride themselves with. Though corporate social responsibility has been praised by many and observed as a positive development, creating shared values can be argued to be more sustainable than corporate social responsibility. While CSR seems to be more directed at maintaining a good reputation by doing good, CSV is more of a company philosophy weighing economic and societal interests against costs. While CSR seems more altruistic, CSV is more feasible and beneficial on the long term. Although it might seem like a cliché, in a way one can easily compare CSR to giving a hungry person a fish, while CSV to teaching him how to fish, or alternatively grow produce.

Though it is impossible, and would be also fairly naïve, to suggest that creating shared values will solve all current and possible future societal problems, it is a best way how to utilize the potential of businesses to contribute to the development of the society, and earn society’s trust.

The consumer mindset is a very important factor for businesses. In everyday life people are constantly faced not only with advertisements of product by companies, but also by actors criticizing the businesses. The influence of these actors, for example, has prompted the boycotting of the products of certain companies due to their exploitative practices. Though not always the case, many customers choose products that are a bit more costly, however produced in a more responsible way, to products that are cheaper, but whose production involves underpayment of workers, or shunning of human and social rights.

Overall, however, there is demand for a massive amount of products all over the price-range. As the Siemens CEO Peter Löscher said, “one size fits all is an outdated philosophy” (The Economist, 2011). Businesses need to adapt to the changing needs and values of the customer at a high speed. Big companies will need to cater for their customers locally, and “set free entrepreneurial energy and creativity at all levels” (The Economist, 2011). Currently, smaller and uprising firms seem to be very successful at reacting to the new demands of customers. Small enterprises promote the eco-friendliness of their products, and create sustainable products, which seem to have an increasing audience among the present-day customers. Their size allows them to focus on a specific group of customers and target their needs.

Bigger businesses and large companies, however, have the advantage of great experience, more financial means, and global outreach. The general trend suggests that most young and successful entrepreneurs are from India, and other South-East Asian countries. Therefore, it is imperative that these young talents are involved in the development of new products and catering to the new demands of the customers all over the world. Multi-national companies can combine the expertise they have, or can access, all over the world in order to produce products of highest quality. Hence, it seems almost irrational for big companies to think in ‘the old fashioned’-way.

NGOs

Trade and economic growth have improved the quality of life for millions of people around the world, but it has come at a high cost to the environment. As market demand for food, fiber and fuel increases in the coming decades, so will the impact on our planet's natural resources. The effect on biodiversity is, however, not just



linked to global demand, but also to where and how companies and their supply chains obtain and process these vital commodities. We are convinced that demand for sustainable consumer goods is no longer a constraint but rather an opportunity for a transition towards a more sustainable green economy. To create an enabling environment for sustainable consumer goods market governance is needed by which business, government and civil society all have their responsibilities.

Interaction between three types of stakeholders is crucial as no single stakeholder can create sustainable system innovation on its own.

NGOs will play a big role in the new and better economic system of 2030. Together with large retailers, manufacturers, traders and investors, NGOs can ensure that commodities can be produced more efficiently and responsibly. In creating demand for such products, significant environmental results can be achieved and markets will become more sustainable. NGOs play an important role in this process by participating in multi-stakeholder certification schemes, monitoring companies' environmental performance and organizing public awareness campaigns. An example of an NGO that participates actively in sustainability governance is the World Wildlife Fund. This environmental NGO works with major

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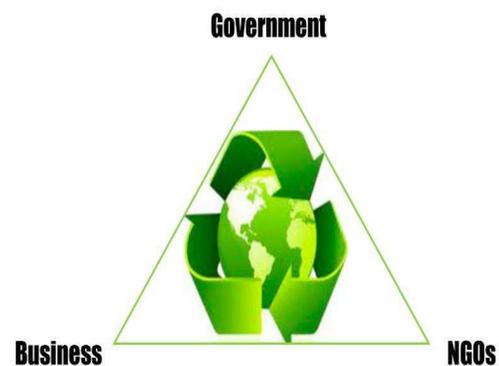
companies and their supply chains to change the way key global commodities are produced, processed, consumed and financed worldwide.

We suggest the four approaches for NGOs to promote positive change in consumer goods markets.

Firstly, by developing new market standards, promote *Better Management Practices*, and increase the supply of certified products through *Multi-Stakeholder Engagements* such as Roundtables (i.e. Marine Stewardship Council, Forest Stewardship Council, and Sustainable Palm Oil) Dialogues that involve businesses, trade and industry as well as producers and other NGOs. Secondly, by establishing *Company Partnerships* to improve the sustainability of supply chains and promote sector-wide action in this field. Thirdly, by promoting *sustainable Commodity Investment* with the financial sector. Finally, though creating joint social business ventures with private companies.

Commercial firms and NGOs can join forces and benefit from each other's strengths to create shared value by means of joint social business ventures. A good example of a successful joint venture that already exists is collaboration between the microfinance institutions Grameen with the French company Group Danone. The mission of their joint venture is to address child malnutrition in Bangladesh by producing a yogurt fortified with micro-nutrients. Moreover the production process is powered with solar and bio gas energy and yoghurt cans are served in environmentally friendly packaging. Such joint ventures are legitimate, self-financing businesses with a social mission that reinvest rather

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than extract profits. In other words, shared value is created for the producer, consumer and society as a whole. If more and more NGOs and private businesses start to develop joint ventures as such, more and more societal and environmental problems can be solved in the future.

In Conclusion

Essentially, a functioning economy depends on the healthy interplay of many factors. People who are educated and aware of the consequences of their actions are essential for a healthy economy, and consequently to a healthy society. Change cannot happen on one level, or only in one single sector. There must be a demand from all individuals for a more sustainable economy, and prosperous society. For these wishes to be materialized, action is necessary from all actors in the economy, including governments, NGOs, businesses, and customers.

Businesses should react to the demand of the customers, and provide of their needs. A healthy society is vital for business. By creating jobs and motivating development and invention, business is necessary for a healthy society. NGOs are an important player in the economy, who can instigate change in the system. They can represent the interests of the individuals in a society, as well as influence it. NGOs can also motivate businesses to follow the new trends, and cater for the needs of customers.

Ultimately, when we say 'together for a better future' we shall employ all individuals, as well as NGOs, businesses, and governments, to achieve a sustainable way of living in a prosperous economy, and a wealthy, healthy, and educated society.

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