

# The (Futile) Quest for Sustainability in an Unsustainable Environment

# **PART ONE:**

## **The ESG Framework**

The increasing volatility and unpredictability of the global economy arising from Black Swan events, such as the COVID pandemic and the Ukraine war, is prompting corporate managers the world over to initiate measures to enhance their chances of survival.

Many are adopting the ESG Framework.

# The ESG Framework describes three dimensions of sustainability

- **Environmental** criteria consider how a company performs as a steward of nature.
- **Social** criteria examine how the firm manages its relationships with employees, suppliers, customers, and the communities where it operates.
- **Governance** deals with a company's style of leadership, executive pay, corporate accountability, and shareholder rights.

These three sets of interrelated measures of corporate performance are discussed in their broad, strategic context in my recently-published book, ***Strategy in the New Age of Capitalism.***



# STRATEGY

in the New Age of Capitalism

*Collaborative and Inclusive Approaches  
to Value Creation*

**NICETO S. POBLADOR**

The strategic goal of profit, or shareholder wealth maximization is best achieved by ***creating*** value for all stakeholders, rather than by ***extracting*** value from them.

# This can be done in a variety of ways.

1. By creating value for consumers by charging reasonably low prices and providing better quality products and services;
2. By creating value for workers by offering comfortable wages and providing good working conditions;
- 3, By creating value for suppliers by treating them fairly; and



3. By creating value for society through collaborative efforts to provide material benefits to the least endowed members of the community ***in a manner that also serves their financial interests*** – collectively known as Inclusive Business Models.

In our concept of Stakeholder Strategy, the economic value created for stakeholders is treated as *investments* to enhance output over the long haul, and not as **costs** to be minimized in the short run.

Many corporations are investing in ESG – compliant projects due to pressure from activist stakeholders.

On page 58 of my book, I wrote:

*“Today, as the role of business continues to evolve toward Stakeholder Capitalism, businesses are responding to challenging times with greater compassion for their stakeholders and taking positive steps in addressing their economic interests—not as acts of altruism, but as a means of **achieving sustainability** and meeting their long-run strategic objectives.”*

# ESG from the societal and global perspectives

The broader application of the ESG Framework to achieve national and global sustainability - as opposed to sustainability of the firm – is a function of the state.

But the state has become remiss in carrying out this function, and business should therefore assume this responsibility.

Firms can promote ESG *for society* by engaging with the various stakeholder activist groups in a collaborative effort to exert pressure on the state to promote environmental (i.e., ecological), social and governance sustainability for society, and consequently, for its component institutions as well – including business organizations.

## PART TWO: Sources of Social Instability

Apart from the COVID pandemic and the Ukraine war, there are currently ***two major sources of instability*** in Philippine society that pose a potential threat to its sustainability, one political and the other economic.



# The recently-held general elections has a potential impact on the current state of public-sector governance in our country.

- Many see in the outcome of the elections the resurrection of a political regime that history has shown to have been responsible for the breakdown of most of our social and political institutions.
- Rightly or wrongly, it was, according to a number of observers, the result of a well-oiled campaign machinery that twisted the truth beyond recognition, and aimed at gullible, impressionable voters.
- More ominously, it was seen as a political exercise where government agencies that have been captured by pressure groups, profit-seeking social media platforms, and self-seeking individuals have been complicit.

By whatever lens one views the current political scenario, the emerging system of public sector governance is visibly ***chaotic, dysfunctional, unstable and unsustainable.***

- Business, like all other institutions, are caught in the middle.
- If this process continues, we will end up as failed state like Sudan, Afghanistan and Libya.
- Business should therefore ally itself with other institutions in a common effort to save Philippine society from self destruction.

Saving an unsustainable economic system:  
Can business rescue capitalism from  
imminent collapse?

In the introductory chapter of my book, I wrote:  
*“... in the last thirty years, capitalistic societies have witnessed a dramatic increase in economic inequality, lack of economic opportunities and worsening living conditions among large segments of societies. Such large-scale economic disenfranchisement in the face of phenomenal growth is unquestionably among the greatest anomalies of capitalism.”*

The ever-widening gap in the economic fortunes of the very few, very rich individuals in society, and the great majority of the people suffering in abject poverty is ***unsustainable***.

## A PICTURE OF CONTRASTS



Foreground – squalor and poverty that is the BASECO compound in Tondo

Background – high-rise office and residential buildings in Binondo, symbolic of opulence of the privileged class

There have been increasing calls from the business community itself for a more inclusive and a more compassionate form of capitalism.



On August 19, 2019, the influential Business Roundtable (BRT) adopted a new “***Statement of Purpose of the Corporation.***”

With this proclamation, the BRT committed corporate America to **creating value for ALL stakeholders.**

Over a year later, 26 of the largest business and professional organizations in the Philippines, collectively known as the Philippine Business Groups, signed a “***Covenant for Shared Prosperity***” by which they upheld the universal issues of economic and social inequality and non-inclusivity by ensuring “...***ethical wealth creation and the sharing of prosperity with all stakeholders.***”

At its virtual annual meeting held on January 26, 2021, leaders of the **World Economic Forum** made an impassioned appeal for **Stakeholder Capitalism**, an approach to business and economic policymaking that looks ***beyond the interests of shareholders*** and toward the well-being of society.

By all indications,  
**Stakeholder Capitalism**  
appears to be the new Mantra  
in the corporate world.

## **PART THREE:**

# **The Social Responsibility of Business**

All the sound and fury about Stakeholder - or Inclusive - Capitalism is cloaked with the empty promise of Corporate Social Responsibility or CSR, interpreted by most as a form largess or altruism, and a moral obligation of business to society.

- It is widely held that business organizations have a moral responsibility to serve the needs of society, a view that is consistent with current thinking on Corporate Social Responsibility.
- Business corporations are a form of ***social constructs*** which are something that do not exist in objective reality. As such, business firms are ***ethically neutral***.
- Unlike institutions, however, ***people in organizations do have moral responsibilities***.

As a form of social institutions,  
business organizations have no moral obligation  
to serve the interest of others,  
only the ***strategic*** responsibility to serve  
the material interests of their owners.

*“A good company is one that does good for itself.  
A good person is one who does good for others.”*

Corporate initiatives that pass for “corporate social responsibility” have an underlying strategic agenda.



The social benefits arising from the commercial activities of business firms are the unintended ***external*** effects of their strategic and operational decisions on the material wellbeing of society, and not, as popularly construed, their intended purpose.

# CONCLUSION

Business organizations and other forms of social institutions can survive only in sustainable physical and social environments.

***It is therefore in the strategic interest of business to promote sustainable ecological, political, economic and social environments.***