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40 Postcards From a Sustainable Future

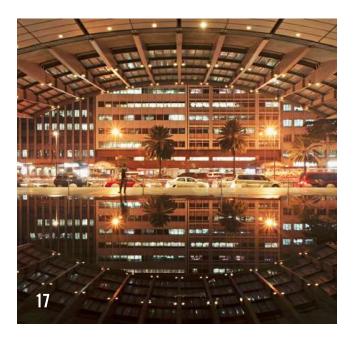












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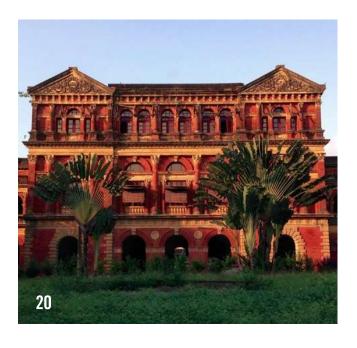


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### Cities of the Future

Red pinpricks of light mark the trail of thousands of cars suspended in the evening rush. By the roadside, impatient commuters jostle for space in already jampacked buses against a backdrop of littered streets and toxic fumes.

This is Manila, a thriving Philippine city that plays host to more than 12 million people and 2.5 million motorists. Today, Manila is ranked 96th out of 100 major urban centers in the world in terms of sustainability by the annual Arcadis Sustainable Cities Index. Manila is my home.

For many city dwellers like myself, sustainability—or the lack thereof—is a distressing reality. Soon, even more aspiring urbanites will stream into Asian cities. A total of 120,000 people move into cities each day and, by 2022, there will be more people residing in cities than in other locales.

Cities will house another 1.1 billion people in pursuit of better livelihood prospects within the next two decades, numbers from the Asian Development Bank pose. Urban poverty will thus continue to rise, even as more than 700 million people already live in urban slums.

What many cities are missing—whether an emerging city like Manila or prosperous Beijing to the east—is the delicate balancing act of sustainability, ensuring that quality of life (People), environmental welfare (Planet) and economic wealth (Profit) come together in one inclusive, safe, resilient and viable package. Some Asian cities like Hong Kong (See Page 12), Seoul and Singapore have achieved this.

How can future and existing Asian cities follow suit? In this edition of AsianNGO Magazine, we seek to answer this question by presenting views and recommendations from across the board—government, civil society, multinational companies, grassroots businesses and philanthropists—as we strive together to fulfill the 11th objective of the Sustainable Development Goals: promoting sustainable cities and human settlements in Asia and worldwide.

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# Ethics as a Driver of **Business Innovation**

BY ERNST VON KIMAKOWITZ







### Businesses need to be a part of the solution to the challenges we face as a global community

Ethical questions surrounding business conduct have gained a lot of traction over recent years. On one hand, a broadbased consensus has emerged that the business community does indeed have responsibilities towards wider society, paving the way for transformation from a shareholder to a stakeholder economy.

On the other, we are today fully aware that we can only successfully address the challenges we face as a global community, both environmental and social, if business plays an active role in co-creating solutions.

With the realization of these two points, civil society has become more attentive towards corporate conduct and more demanding in placing ethical claims on businesses.

We should welcome these developments as they will allow us to make better use of the great productive power that business has to contribute to a more sustainable and more equitable planet.

### **Ethical questions have** entered the top of the corporate agenda

When I talk to members of the business community, these changing expectations are being recognized and met with general acceptance; not universally welcomed, but nonetheless viewed as a reality that is here to stay. It is difficult today to find a statement of a business leader that does not include some expression of the social and environmental responsibilities the business assumes.

The rationale for doing so is straight forward: Negative repercussions of corporate misdemeanor have become more costly and far less predictable than the potential gains from engaging in business activities that, if made public, will be met with disapproval by civil society.

Public outcry over corporate conduct can have costly consequences. In this context, it is of little surprise that businesses are paying greater attention to ethical questions today.

However, businesses oftentimes have yet to see the bigger picture these developments paint. Businesses want to avert reputational damages, steer clear of legal challenges, prevent declining customer loyalty or avoid falling stock prices. In essence, the motivation is to not face unwanted consequences of unethical behavior.

Businesses frequently view ethics as a way to avoid downside risks, but much less as a way to create upside opportunities.

In doing so, I argue that they are underutilizing the creativity, ingenuity and desire of their people to develop meaningful innovations that create sustainable value.

## Ethics is the mother of invention

Necessity is the mother of invention, as the saying goes. But what if it is not the coercive character of necessity, but instead the voluntary, self-imposed values exceeding legal and regulatory obligations that are in place?

I recently spoke with the owner of an outdoor apparel and sports equipment company, and she told me that they had decided they no longer wanted to use the material they were using for their line of bicycle bags as it contains substances that are harmful to the environment. The quality of the bags as they were was outstanding and they were selling well. There was no reason for change other than the ethicallymotivated desire to produce the most eco-friendly products possible.

After an intense search, the research and development team actually did find an alternative material that met all the requirements for bike bags—being watertight, sturdy and long-living, without the negative impact on the

environment. Today, they not only have a range of great bike bags but are also among the most eco-friendly ones on the market. In consequence, they are providing an additional value proposition to their customers and have turned a good product into a bestseller.

Ethical motives are a strong driver for meaningful innovations.

These meaningful innovations can be intra-organizational, striving to enhance employee well-being for example, or extra-organizational, setting the industry standard for constructive stakeholder relationships. They can be product-related, as the above example, or they can be related to business models when, for example, micro insurances offer pricing models to include customers that were previously excluded.

Such innovations can be both for social or environmental benefit, but in either case, products, services or business models that make people's lives better or protect our natural environment are good business.

## Ethics is not a limitation to entrepreneurial success but is its foundation

Creating such upside opportunities based on strong values and the ethical integrity of the organization does not come by itself. First and foremost, a business has to emancipate itself from the view that ethics poses a limitation to entrepreneurial freedom.

The leadership of the business needs to develop and communicate a mental framing in which ethics is seen as an enabler of meaningful innovation and a generator of business opportunities.

In addition, everyone in the organization needs to share a set of non-negotiable core values that drive the business. These values have to be lived by in the entire organization and need to be protected against opportunistic behavior.

Lastly, businesses can train and cultivate ethical behavior in the organization. Terminological and conceptual clarity on ethical questions in business matter greatly.

The future success of businesses will, more than ever, depend on innovations that help to address the main challenges we face as a global community. Businesses that embrace ethics as an enabler of sustained success in the market place will be able to reap great benefits—because creating shared prosperity on a sustainable planet is good for people, planet and profit. •

#### ABOUT THE AUTHOR

Ernst von Kimakowitz is the director of the Humanistic Management Center, a Swiss-based think-tank, learning institution and advisory firm on business ethics and corporate responsibility. He is also the director of the leadership development and executive training provider ETHICS FIRST — Empowering Responsible Leaders.

- ✓ ernst.von.kimakowitz@
   humanisticmanagement.org
- in /humanistic-management-center
- www.humanisticmanagement.org





**PHILIPPINES** 

T: (+632) 403 8668

F: (+632) 403 8358

VIETNAM

T: (+848) 3948 3568 F: (+848) 3811 4701 INDIA

T: (+91) 44 4554 8438 F: (+91) 44 4207 2357 CAMBODIA

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