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# Academic paper

## Sustainable globalization and implications for strategic corporate and national sustainability

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### Abstract

**Purpose** – The purpose of the paper is to present a conceptual framework and a set of conditions within which nations and business can strive to embed sustainability in corporate/national strategy. The objective is to motivate business and national leaders to do so with sustainability mindsets and strategic leadership. The pre-conditions that will accelerate the “motivation” to do so are identified, as are interventions identified. The sphere of influence business and national leaders have to impact sustainable globalization is identified.

**Design/methodology/approach** – The approach is to focus on information in the public domain that outlines the “real” challenges faced by nations and business as they consider the need for sustainability and key issues such as “poverty and climate change”, which if not addressed could have detrimental strategic implications for the planet, business and nations. The changes that have taken place since 1982 when global leaders signed up to Agenda 21 and the relatively insignificant movement that has occurred to date is outlined to strengthen the case for quantum leaps in the short to medium term. The strategic framework recommended is one that combines the need for organizations to set a new gold standard for “corporate responsibility”, which is a “commitment to sustainable business” followed by a commitment to differentiating the business or nation on a sustainability paradigm. This is presented as means to embedding sustainability in strategy in the form of the concept of “strategic corporate sustainability”. The concept of strategic corporate sustainability is presented as a two-step approach that initially requires both national and corporate leaders to commit to the need for sustainability by developing triple bottom line strategies. This is followed by the need to embed sustainability strategy as the corporate strategy that differentiates the nation and the business, strategically setting it apart from those that have not done so. This is presented as one of the ways to move forward to achieve the goal of sustainable globalization.

**Findings** – The key findings from information in the public domain of nations and business that have embedded a sustainability policy and are demonstrating that enlightened leaders who have sustainability mindsets as a primary requirement for the future are presented with the examples of General Electric and Unilever. The process of nations embedding sustainability policy, which in turn motivates business to strive for sustainable business, which finally leads to sustainable consumption, is presented in a sequential manner.

**Originality/value** – The originality of the paper is in the form of the concept of strategic corporate sustainability, which was first mooted in 2008 at Cambridge University and has since been accepted as a key subject and elective for MBA and AMP programs between 2008 and 2012 at many business schools, confirming both its validity and its originality.

**Keywords** Strategic corporate sustainability, Strategic national sustainability, Sustainable globalization, Sustainable policy, Sustainable business, Sustainable consumption, Sustainable development, Corporate social responsibility

**Paper type** Conceptual paper

The views, ideas and concepts expressed in this article are those of the author personally, and are not in any way or form linked to the organization he works with.

### Section 1: global “mega” challenges impacting the planet

The “mega trends” the planet is faced with due to the insatiable appetite of nations and business to exhausting global resources at an unprecedented rate is highlighted by the

KPMG (2012) report which listed ten global “megatrends” which will impact the planet. . . I have anchored the area of sustainability impact next to each of them:

1. Climate change (environmental sustainability).
2. Energy and fuel (economic sustainability).
3. Material resource scarcity (economic sustainability).
4. Water scarcity (environmental sustainability).
5. Population growth (social sustainability).
6. Urbanization (social sustainability).
7. Wealth (economic sustainability).
8. Food security (social sustainability).
9. Ecosystem decline (environmental sustainability).
10. Deforestation (environmental sustainability).

Every one of the mega trends identified stem from one of the triple bottom line elements demonstrating the looming crises for both national and business sustainability and the urgent need for these issues to be addressed comprehensively. The megatrends are intertwined and therefore need a strategic corporate/national sustainability approach to proactively circumvent.

While all the identified trends matter the two all-pervading global sustainability challenges the planet is faced with are:

1. Poverty – a social sustainability challenge confirmed by the emergence of the 99 percent vs 1 percent global movement and the fact that over half the 7 billion inhabitants live on under US\$ 2 per day.
2. Climate change – GHG emissions which impact global warming and will contribute to a temperature rise of 2°C and the devastating impacts on many nations and its people coupled with impending water scarcity which will cause the next phase of global conflict.

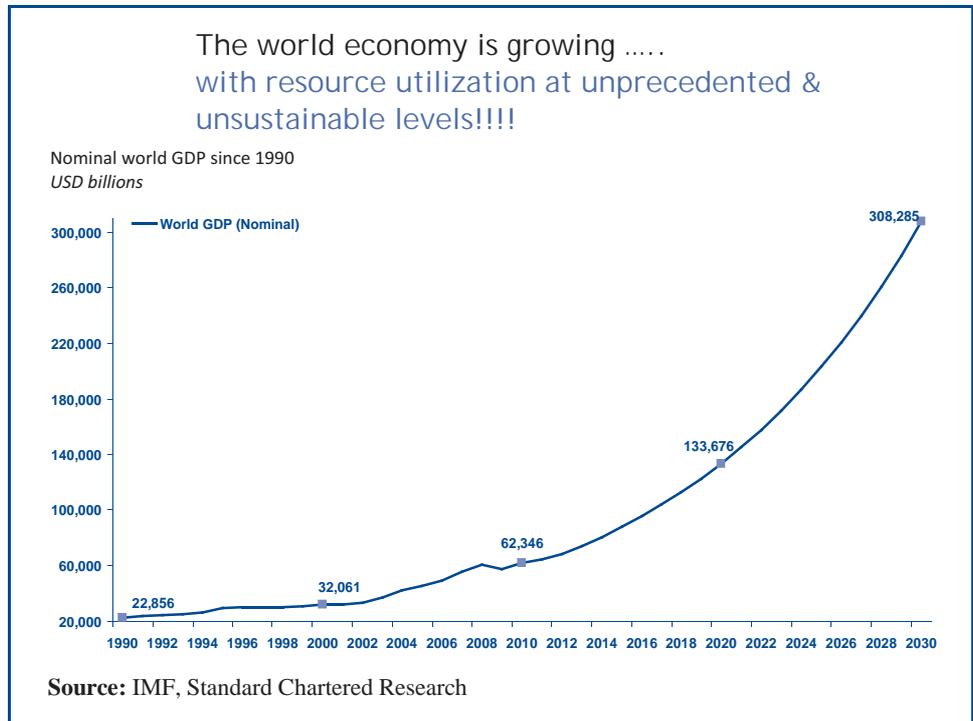
Every Leader endowed with the stewardship of either a nation or business need to address the above two issues and develop strategies that pre-empt a catastrophe by facing reality like never before. The most worrying trend is that global GDP by 2010 reached US \$ 62.2 trillion which had doubled in ten years since 2000. The projected 2020 figure is US \$ 133t by 2020 and US \$ 308t by 2030 (Pries, 2011). From a mere US\$ 32t in 2000 to projected to reach US\$ 308t by 2030. . .an unprecedented increase which will require a level of resource utilization that the planet cannot sustain and even begun to regenerate itself from.

The global population reached 7 billion people with 40-50 percent living on less than US\$ 2 per day and “surviving” at best, 11 percent have no access to safe water and 35 percent have no access to sanitation (*Financial Times*, 2012). In 2011 the economic cost of disasters hit an all time high of US\$ 380 billion. Many of the global issues could have been addressed if the nations cut back the massive investment behind defense. The top three spenders being USA US\$ 739b, China US\$ 89.8b and UK at US \$62.7b (*Economist*, 2012).

The projected GDP growth is beyond the “regenerative” capacity of the planet and will require an “unprecedented consumption of resources” which in turn will “rob” resources from future generations (see Figure 1). Projections indicate nothing short of two planets by 2030 would be required to meet the resource needs at the projected level of consumption and growth.

The reality is that 20 years after the Rio conference in 1992 the percentage of the World’s energy needs met through renewable energy is yet under 15 percent (IEA, 2011), brands that impact sustainability or claim to be “ethical” are even less. Finally nations and business which have embedded strategic corporate sustainability in there national or business

**Figure 1** Global GDP projections



strategies are few and far between. The threshold required to bring about a tipping point globally is not in sight.

One wonders if “denial” of that scenario has lulled the world’s present national/political and business leaders to complacency. Is it denial or irresponsibility with a “that’s not my problem syndrome” or “It’s not happening in my life time” attitude that has brought about such apathy and lack of urgency? If not how could one ever explain the lack of tipping point leadership and lack of urgency towards strategic sustainability today? No matter what the World’s leaders think and believe the majority of the world’s 7 billion population (Population Reference Bureau, 2011) and all future generations will suffer the consequences of this lack of global leadership. The reality is exemplified by the dramatic rise of the “Global 99 percent vs 1 percent” movement which is asking for equitable distribution of wealth and global stewardship of resources. Probably the 99 percent know that not only are they “surviving” today, the likelihood of two or three more planet earth resources will not happen. . . .but the 1 percent seem to ignore the reality cocooned in their own little world sheltered from it!

#### *Why sustainable globalisation has not yet reached a tipping point*

In recent times national and business leaders seem to have acknowledged the need for “sustainability” more to meet the approval of organizations like the United Nations which is mainstreaming the agenda item than through conviction and commitment. Nations and Business have focused on “Doing good to look good” with little respect for the need for strategic sustainability mind sets and embedding and mainstreaming sustainability into either national strategies or corporate strategies.

Strategic decisions that impact sustainability can never be made by leaders in “transit” nor by leaders who focus on delivering the next quarter’s result at any cost. Until and unless the global reward system changes from its obsession with the short term and re-calibrates its focus from short term results for survival in both business and politics to Strategic Corporate sustainability, a tipping point for sustainability will remain a concept at best.

Today, most business leaders are focused on “short term economic profit” at any cost propelled by a global reward system of short-term “quarterly profits”. When it comes to National/political leaders they have approached social and environmental issues on a “provided it impacts our short term survival” basis and focused on securing another term in office.

It is therefore no surprise they take short term populist decisions and as a result have a negative impact on strategic sustainability issues.

One of the key reasons for this is that “Meeting needs of future generations” can never be done by leaders whose focus is either delivering the next quarter’s results or winning the next election. No matter how much evidence exists the “Knowing-doing gap” is so wide and will never be bridged unless we have leaders with a “Sustainability mind set and a commitment to strategic corporate sustainability”.

Michael Porter and Jan V. Rivkin confirm the short term focus of both political and Business leaders in today’s decision making:

In government, time horizons have also shortened. Leaders focus on the news cycle and the next election, not policies needed to strengthen America for the long term.

However, financial markets and executive compensation practices that reward quick fixes and focus attention on “this quarter’s numbers” can tempt managers to move business activities to whatever location offers the best deal today rather than make the sustained, location-specific investments required to boost long-run productivity (Porter and Rivkin, 2012).

The one emerging silver lining is a new breed of global leaders with a sustainability mind set such as President Barack Obama, Jeff Immelt of GE, Paul Polman of Unilever, Ray Anderson of Interface and organizations like Toyota, Puma, Nike, Cadbury, Patagonia and nations like Denmark, Sweden, the UK, Singapore and key influencers like John Elkington, Al Gore, David Suzuki, Jeffery Sachs, Nicholas Stern who have begun the journey to embedding Strategic corporate/national sustainability and advocating it against all odds.

## Section 2: shaping responses to global “mega” trends

To bring about a tipping point we need a global “mind” shift towards sustainability beyond rhetoric and narrative commitment. We need more visionary leaders, enlightened consumers who have a “reality mind set”.

At this point we are so far away from achieving a tipping point because of the selfish and short-term agendas of many who claim to be global and national leaders but do not have the inner commitment or resolve to embed sustainability, sadly this is despite the writing on the wall!

The approach has to be a “holistic” one that addresses the “triple bottom line” as mentioned below whereby each issue is engaged with in terms of its impacts (see Figure 2):

- Energy and fuel – Economic sustainability and environmental stewardship.
- Material resource scarcity – economic sustainability and environmental stewardship.
- Urbanization – social sustainability and environmental stewardship.
- Food security - social sustainability and environmental stewardship.

One cannot develop a strategy for any of the above without taking into consideration both a socio-environmental and eco-environmental impacts – i.e. an energy and fuel strategy has to make decisions on how to reduce dependence on fossil fuels and to invest in a mix of renewable sources. A food security strategy has to take into consideration both land and water utilization. Material scarcity is best addressed by the optimum use of the natural resources especially with the new wave of science and nanotechnology which presents many opportunities for economic growth sustainably, where “less is more”.

**Figure 2** Sustainability – triple bottom line



Among the new emerging modeling tools which will be available to national decision-makers in the future to make holistic strategic sustainability decisions is Foreseer which is in its early stages of development by a team at Cambridge University.

A tool for system thinking in the Energy, Land and Water nexus which provides for data input which covers each of the areas identified and enables strategic forecasts of possible scenarios which in turn needs a targeted and strategic approach. Many nations can benefit from this development in the future. The key point that needs to be borne in mind is that “strategic national/corporate sustainability” demands a 360° holistic approach which stems from a triple bottom line mind set. Record global emissions of greenhouse gases led by carbon emissions which reached 30.2 gt in 2010 (BBC-IEA, 2011) confirms that the world has neither taken seriously or changed adequately 20 years since Rio to even marginally change the collision course we are on. For sustainability to impact the planet we need, enlightened governments embedding policies to achieve national sustainability, which in turn will encourage business to drive for strategic corporate sustainability whereby they embed sustainability strategy in corporate strategy. These two significant actions will in turn present the consumer sustainable products and service options which will contribute to sustainable consumption (see Figure 3).

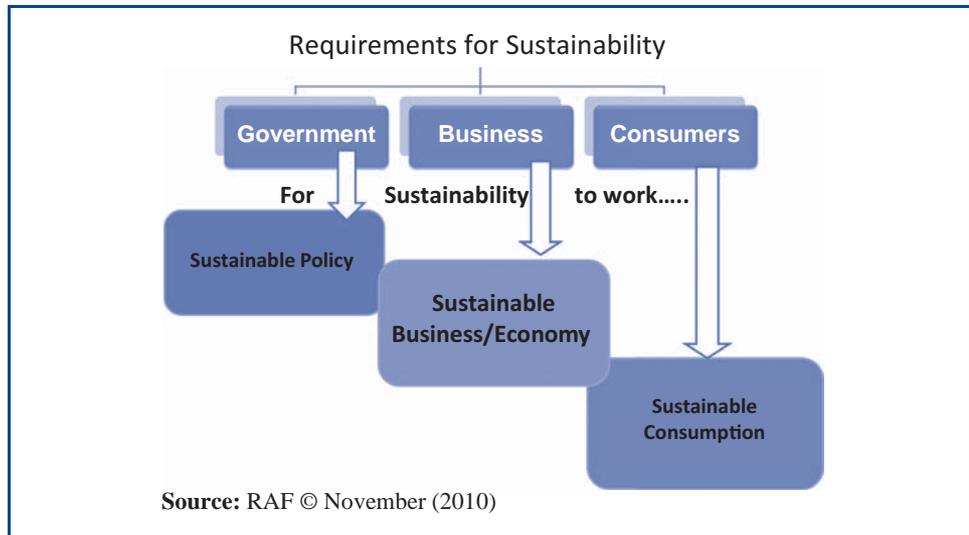
In Phase 1 – Governments need to have in place and implement “Sustainable policies” as the first step in a journey towards sustainable development. Policies which secure the strategic interests of a nation from a sustainability perspective. The question is how many enlightened nations have a national sustainability policy and strategy in place which addresses the economic, environmental and social challenges in a coordinated and strategic manner?

To do so, how many leaders have a sustainability mind set and has brought its constituents along towards supporting strategic decisions versus short term survival?

We simply cannot afford to wait any longer. Our planet's natural resources are depleting at unprecedented rates. We are already seeing real leadership from some of the largest companies around the world. The time has come for all in the business community to stand up, take meaningful action, and become part of the solution (Frances Beinecke, President, Natural Resources Defense Council, Ceres, 2010, p. 5).

Implying that these future challenges cannot be tackled piece meal but in a holistic manner, a sustainable manner based on strategic Sustainability policy.

**Figure 3** Requirements for global sustainability



In Phase 2 – If a National sustainability policy and strategy is in place, then and only then will business have the impetus to drive towards sustainable business and embed it in corporate strategy and thereby commit to “strategic corporate sustainability”.

Unlike at any time in history the sphere of influence of business impacts planet earth directly. If one looks at the global economy, business occupies an increasingly commanding position with no less 46 of the top 100 World’s largest economic entity rankings (see Figure 4). In the past almost all of them were nations.

This emerging sphere of influence needs to be harnessed for a sustainable planet.

**Figure 4** The world’s top 100 economic entities



The silver lining is that in the past decade business leaders are striving to move in that direction at least in “narrative” as confirmed by the UN Global Compact-Accenture CEO Study (2010) over 800 CEO’s were interviewed and here is some of what they said:

- 93 percent of CEO’s believed that “sustainability” as important to the company’s future.
- 96 percent felt that Sustainability issues must be fully integrated to strategy and operations

One cannot help but refer to this phenomenon as “narrative commitment” to sustainable business! If this narrative commitment even remotely translated to action we would have gone beyond the 1 percent barrier of those listed companies in the world committing to Global compact principles and embedding sustainability in strategy as demanded by strategic corporate sustainability. Clearly the “knowing-doing gap” is wide and will take more than words to bridge.

Phase 3 – If government policy was in place and business embraced and embedded the subject in strategy it would be inevitable that products and services will be sustainably made and delivered.

This will then engender “sustainable consumption” as the “scale” of products which are sustainable will increase and be made available widely. If this was to happen where 86 percent of the world’s consumption takes place today we would have achieved a “tipping point” for sustainable consumption. One of the pre requisites for this to happen is if the end consumer is enlightened and educated of the urgent need to exercise “personal responsibility” on how they can make a “sustainable choice” every time.

### Section 3: implications for strategic corporate sustainability/corporate strategy

David Blood of CERES in the 21st Century Corporation-CERES Roadmap for Sustainability said:

The interests of shareholders, over time, will be best served by companies that maximize their financial performance by strategically managing their economic, social, environmental and ethical performance. Central to this thesis is the explicit recognition that sustainability factors directly affect long-term business profitability (Ceres, 2010, p. 4).

- Most progressive and forward looking business leaders understand best practice business strategy is about leveraging sustainability challenges into increased revenues, profitability, and competitive advantage. Sustainability is integrated into strategy.
- Success requires placing sustainability at the epicenter of business models. Environmental, social and governance issues must be seamlessly integrated into strategic planning and investment decision-making.

While organization after organization strives to increase stake holder value by impacting people, profit and planet in an acceptable way has given birth to the concept of the “triple bottom line” (Elkington, 1997) and stakeholder value.

Corporate/national responsibility will no longer be an option but mandatory for all organizations/nations. Strategic corporate sustainability will become the way business organizations and nations commit to being responsible where doing good and doing well, will become the new normal.

Sustainable business is increasingly becoming the aspiration of all business. The emerging new paradigm for sustainable business is strategic corporate sustainability as a means to embedding sustainability in corporate strategy and creating sustainable value.

Chris Laszlo in his book *The Sustainable Company* (Laszlo, 2003, p. 15) presents an approach which reviews the evolution of business focus from simply economic considerations to triple bottom focus to create sustainable value. Migrating from economic profit at any cost towards sustainable business.

As John Elkington of Cannibals with forks fame states:

The shift from “exclusive to inclusive forms of corporate governance. The profound business implications of the sustainability agenda mean that the role of the corporate board is rapidly moving to centre stage. The best way to ensure that a given company fully addresses the triple bottom line is to build the relevant requirement into its corporate DNA from the very outset and into the parameters of the market it seeks to serve” (Elkington, 1997).

The transformation of mind-set and organizational culture to include key stakeholders is what enables sustainability to become an essential part of business conduct (Laszlo, 2003, p. 45).

The issue is many boards have neither the experience nor exposure to the emerging agenda and paradigm which is changing the business world. How many nations have leaders who understand the need for national Sustainability strategy? Many are the definitions that have been put forward on the subject which have given different weight age to the elements of sustainability. When one takes into consideration the new global agenda and emerging global megatrends, it demands a response! Business leaders and national leaders need to commit to “sustainability” and therefore sustainable business and sustainable nations become there focus. No business however grandiose in its CSR initiatives can ignore the new normal for corporate responsibility or national responsibility where all three elements of sustainability people, planet and profit matter equally. As we review strategic plans of business or national strategies to asses if sustainability strategy has been embedded, the state of the planet proves beyond reasonable doubt it has just been narrative. The emerging paradigm for sustainable business or nations which is increasingly being embraced is articulated in the concept of strategic corporate sustainability. This is when a business commits to integrating corporate responsibility, sustainable business and corporate strategy (see Figure 5).

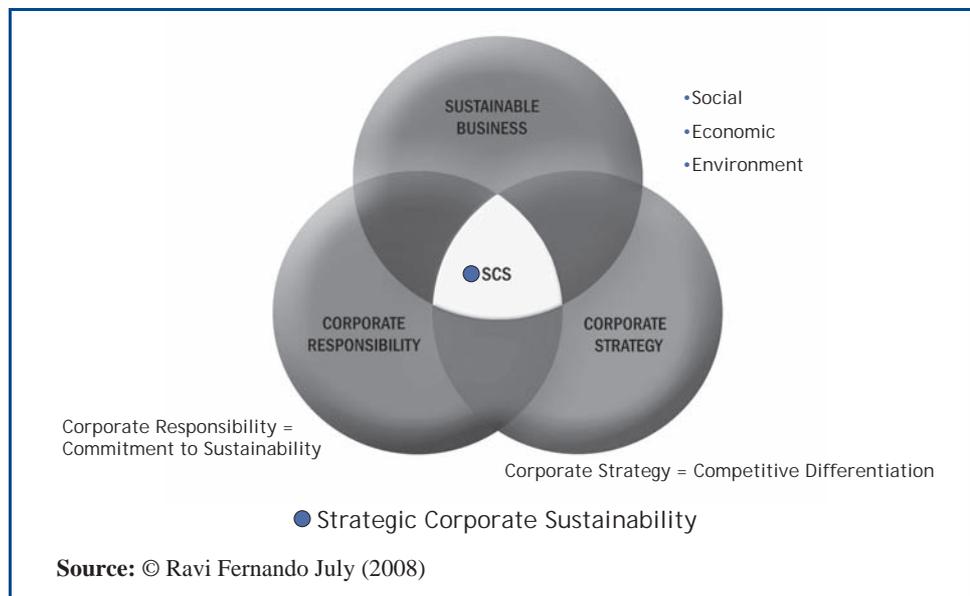
### *Strategic corporate sustainability*

A Commitment to implementing strategies for Sustainable Business which differentiates the organization, whilst impacting all stakeholders which are in its sphere of influence (Ravi Fernando, July 2008).

Enlightened businesses have begun the journey to creating sustainable value and some of the front runners are: General Electric, Fuji Xerox, Unilever, Toyota, Puma, Novo Nordisk, Dow Chemicals, Interface.

Strategic corporate sustainability requires a two-step approach:

**Figure 5** Strategic corporate sustainability



*Step 1 – commit to sustainable business.* The first step and prerequisite for any business to move towards strategic corporate sustainability is to “commit to sustainable businesses”.

Corporate responsibility is a business's commitment to sustainable business (Ravi Fernando, July 2008).

The world's best are all moving in the direction of sustainable business as they know all stakeholders which includes the emerging ethical consumer have begun to demand that a new normal for corporate responsibility. “National responsibility” could be paraphrased to mean the same, “A nation's responsibility is to make a commitment to its sustainability by adopting a national sustainability strategy”. As illustrated that point is reached when an organization/nation recognizes that its corporate responsibility is to make a commitment to sustainable business and develops a strategic sustainability approach. Sustainability strategy will address every one of the triple bottom line elements that the business or nations have within its sphere of influence and sustainability reporting will need to be mainstreamed. This is a key first step for most business/nations a recognition to do so considering the global agenda and emerging paradigm.

*Step 2 – embed sustainability strategy which differentiates the organization.* Many business and nations have recognized the need to be committed to sustainability but the issue is committing to strategy in fact “the strategy” by embedding sustainability in the corporate strategy is what is required. In most cases corporate/national strategy and sustainability strategy are two separate strategy streams which have very different priority and resources allocated. Corporate strategy is the main focus and is independent of the other and will override the sustainability strategy.

The tipping point for sustainability will come when “sustainable business/national strategy and corporate/national strategy” are “one”. Strategic corporate sustainability is achieved when the future differentiation of its business /nation, are based on a sustainability paradigm.

At step two those “enlightened” business/nations make the transition from two strategies to one strategy mainstreaming sustainability strategy and embedding it in traditional corporate strategy and they become one.

Integrating sustainability is not just a good opportunity for business. It is essential for success in a world of constrained resources. Right now every business has a choice to make. We choose to move fast, using sustainability as a force for innovation. We choose to embrace transparency, collaboration and advocacy as tools to unlock opportunity and enable us to thrive in a clean and green economy (Mark Parker, CEO and President, Nike, in Ceres, 2010).

Increasingly the two elements available to doing so are narrowing down to either environmental or social sustainability as economic sustainability is the equalizer and hygiene factor. The point at which sustainable business, corporate responsibility and corporate strategy intersect is the organizations strategic corporate sustainability.

Business and even enlightened nations are increasingly “differentiating” on either environmental sustainability where its innovation is focused on the emerging green business opportunity or social sustainability, where it could impact the organizations employee, community and society in a manner that sets it apart. Economic strategy decides the viability of an organization and in sporting parlance gets entry to the game.

The need for sustainable innovation which enhances its positioning cannot be underscored. The emerging trend is that business is adopting a sustainability approach to innovation based on environmental and social sustainability as illustrated by the Arthur D. Little's (2005) report.

Sustainability driven innovation is defined as the: “Creation of new market space, products and services or processes driven by social and environmental sustainability issues”.

A survey among 80 companies by both the World Business Council for Sustainable development and Arthur D. Little indicated the following:

- 95 percent of companies believe that sustainability–driven innovation has the potential to bring business value and almost a quarter believe that it will definitely deliver business value.
- 60 percent of companies see potential benefits to their top line and 43 percent see further benefits to the bottom line.

Economic sustainability covers factors such as “Operational excellence and corporate governance” which cannot be compromised. Among the organizations which have made progress on the journey to strategic corporate sustainability are General Electric, Unilever and Toyota.

The “eco-magination” initiative of GE, Unilever’s sustainable living plan and Toyota’s commitment to hybrid automotives are among the few example of embedding sustainability strategy in corporate strategy. In each of these organizations its leaders have demonstrated that “strategic corporate sustainability” is not only possible but makes strategic business sense.

General Electric sold \$17 billion in ecomagination products in 2008 out of total revenues of \$182.5 billion. The company aims to increase this figure to \$25 billion by 2010. GE has also set a target for R&D investment in cleaner technologies: \$1.5 billion by 2010, up from \$1.4 billion in 2008 and \$750 million in 2005 (Magee, 2009).

GE has never forgotten the importance of R&D. Each year, we put 6 percent of our industrial revenue back into technology – so much that more than half of the products we sell today didn’t even exist a decade ago. We’ve made a business decision to focus all the innovative powers of GE on solving the problems of energy use and environmental stewardship (Jeffrey Immelt, CEO and Chairman, General Electric, in Ceres, 2010, p. 45).

Similarly Unilever’s “sustainable living plan” and Toyota’s drive towards hybrid technology are setting the pace for “green products and vehicles” changing the game by aligning sustainability strategy and corporate strategy to be one. For business/nations to migrate towards this second step they need to understand the focus required in each of the triple bottom line elements as it makes that transition (see Table I).

As closing points:

- Nations need to embed sustainability policy and set up national sustainability steering committees which have the Key Ministers which impact – economic, social and environmental issues reporting to the Nation’s leader who should act as the nations sustainability champion through conviction.
- Business needs to strive for strategic corporate sustainability where by the commitment to sustainability should be followed by the embedding of sustainability in corporate strategy. This process should be championed by the CEO and managed by the chief sustainability officer.
- Consumers the world over should be all enlightened on the need for making sustainable choices and empowered to do so by providing them with Sustainable options by both governments and business.

**Table I** Strategic corporate sustainability – focus and sphere of influence

<i>Strategic corporate sustainability-</i>	<i>Strategic national sustainability –focus and sphere of influence</i>	<i>Strategic corporate sustainability -focus and sphere of influence</i>
Economic sustainability	Policy/Governance/Research and development/Alliances and GDP/GNP growth	Strategy/innovation/differentiation/ governance/collaboration/profit/cash
Social sustainability	Policy/society/community	Strategy/employee/community
Environmental sustainability	Policy/GHG emissions Renewable energy/water/waste/ green cover	Strategy/carbon footprint /water/green business and sustainable innovation/life cycle analysis

Source: © Ravi Fernando, April (2012)

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## About the author

Ravi Fernando has an MBA from the University of Colombo and is a Fellow of the Chartered Institute of Marketing (UK); he holds a Diploma in International Management and completed the Advanced Management Program at the INSEAD Business school in (France). He is an Alumni of the University of Cambridge Programme for Sustainable Leadership, having Completed the Climate Leadership Programme in 2007 and the Post. Grad. Certificate in Sustainable Business at Cambridge University in 2008 with Distinction. He is currently reading for a Master's in Sustainable Leadership at Cambridge University. He is the Operations Director of Malaysian Blue Ocean Strategy Institute since December 2011. He is a Board member of the United Nations Global Compact Sri Lanka and is on the Board of Governors of UNOPS – ARU and Boards of LOLC, Environmental Foundation, Ceylon Asset Management Ltd. His career with Multi-nationals includes Unilever, Sterling health International, Smithkline Beecham International and Reckitt Benckiser, covering Africa, the Middle East and Asia in CEO/Marketing Management positions. He was the founder CEO SLINTEC (Sri Lanka Institute of Nanotechnology) in 2008. In Academia, he is a faculty member of the INSEAD Advanced Management Program from 2005-2010 and an Executive in Residence at the INSEAD Social Innovation centre from September 2010. He is also a visiting faculty member at the Deusto Business school, Universtat of Pompeu Fabra in Spain and University of Colombo MBA. In September 2007 he won a "Global Strategy Leadership award" at the World Strategy Summit for his work on Ethical branding for the Sri Lankan Apparel and Tea sectors. Ravi Fernando can be contacted at: [ravi@ceylonam.com](mailto:ravi@ceylonam.com)

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