

Traditional business thinking is failing us. Here's how Asia can lead in developing a sustainability mindset for enterprise.

OPINION by Samah El-Shahat

Covid-19 has been a global catastrophe. It has taken lives and visited untold economic and social calamities upon us. Like all severe crises, it has held a mirror up to our failings, not least the economic principles that have driven global development.

Cutting through the sanitised economic propaganda that the West has been selling for over 30 years, this pandemic has revealed that “trickledown” economics does not work, and that the social contract has not only been reneged on for decades but has also been shamelessly subcontracted to the market. And it has confirmed what many already know, namely that the market does not care about a just and fair society. It cares only about profit.

It has also confirmed that there is a critical role for the government to play in society.

A new model

The vital role of government is something that Asian economies never forgot, but the pandemic has offered an opportunity to reinforce the message. We need to reset capitalism away from soaring and perpetual inequality, unfairness, climate change, and declining real wages for the masses in the West, and embrace a new model.

One aspect of sustainability thinking that is gaining massive momentum is the ESG model – environmental, social and governance principles must drive business thinking.

This is a framework for optimising “stakeholder-ism”, a move away from maximising shareholder value and towards considering the interests of a broader group of stakeholders, such as workers, the community, and suppliers.

To date, discussions around ESG have mostly taken place in the West. Yet, for ESG to have true impact, it not only needs to involve Asia, but Asia needs to shape it.

How Asia can lead the way

Asian corporations will be at the forefront of economic global growth in the coming decades. Chinese, Japanese, Indian, Malaysian, and Vietnamese companies are already reigning, and new contenders will be soaring in the global economy. How Asian corporations act will have a profound impact on us all.

Yet, oddly, the general approach to ESG metrics does not account for Asia’s particularities, particularly the cultural, historical and theoretical elements. These impact mostly the metrics of S and G.

This is because of ESG’s roots in the West, devised and implemented by the narrow and undiversified C-suite culture, and the consultants who advise them.

These are the same people who have adhered to the theory of maximising shareholder value for decades, which is why S(ocial) has been the most neglected of all three variables.

The theories which surrounded these companies and shaped their values did not deem the interests of workers, communities and suppliers important to the bottom line. Asia has a critical role to play in remedying this oversight.

Generally, Asian cultures are much more people-centred; social norms and social bonds are still the bulwark of the social contract. In Asia, it is not

about how much to the right or to the left your politics are. The relationship with “social” is healthier, and less privy to guilt and ideology, and hence more likely to be consistent and material.

Western CEOs have a great deal to learn from their Asian counterparts on how to put flesh on the still rather fuzzy concept of maximising stakeholder value. It is easy to preach the concept, but much harder and more complicated to apply because of the inherent need within it to balance the interests and welfare of many actors. It is ultimately about complicated trade-offs that must be made between the interests of different constituents. This is not much mentioned in the zeal with which ESG is being embraced.

Balancing the needs of different groups requires management skill that our Western counterparts have been extremely poor at due to the vertical nature of their corporate leadership, business model and management structure. Chinese, Japanese, and South Korean CEOs, have to always engage, consult and bring management, lower cadres, and wider stakeholders, along with them, due to the consensus building style of leadership they espouse.

Going forward Asia CEOs must see they already do “Social” better than their western counterparts, and the world needs to learn from them.

Capitalism needs Asian ideas, values and ESG metrics like never before.

