

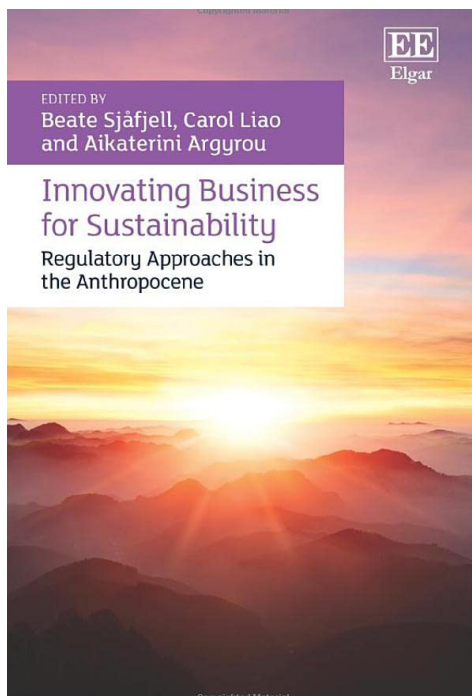


# Innovating Business for Sustainability: Regulatory Approaches in the Anthropocene

Edited by: Beate Sjøfjell, Carol Liao & Aikaterini Argyrou

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Innovating Business for Sustainability is an ambitious book that successfully questions business-paradigms and offers concrete, well thought out methods to implement sustainability in the modern business world. While the vast majority of scientists around the globe agree on the premise that climate change is real and has dire consequences for humanity, things are not as clear for actual solutions which go beyond the idea of somehow reducing greenhouse

gas emissions. The editors Beate Sjøfjell, Carol Liao, and Aikaterini Argyrou with their team of scholars put their academic focus on an area that has great potential achieving lasting change: the role and place of business in our societies.

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The book is structured in three parts with different areas. The first one, Sustainability, Gender and the Role of Business identifies how current climate sciences are partly repeating mistakes of the past by omitting the role of gender in climate change. Sarah E. Cornell presents an example of how alleged woman empowerment through businesses can perpetuate unsustainable practices without tackling the real causes of gender inequality. By carefully analysing the language used in the bulk of the research concerning current global megatrends like climate change, ocean acidification, biodiversity loss, and natural resource use, she shows how all these documents are not including gender at all or not enough. Since a lot of actors around the globe are falling in line with the changes proposed in the analysed research, including gender could lead to real lasting changes. Sarah E. Cornell shows how the often sought “view from above” by policy makers and researchers ignore the important role of everyday actions by every person. She argues convincingly how including gender and the perspective of the individual is not only the right thing to do, but also helps to adjust climate change research to the actual human behaviour and decision-making.

Hanna Ahlström presents Social-Ecological Systems thinking as an approach that tries to respect the complexity and interconnectedness of climate change,

ethical and social issues. While system-thinking covers a wide array of research areas, she manages to deliver the specific example of the project Sustainable Market Actors for Responsible Trade (SMART). Ahlström presents to the reader how system-thinking can be included in current law-making.

The first part closes with Roseanne Russell's essay about the problem with selling gender equality as business innovation. Contrary to some studies, which suggest adding women to corporate boards might lead to more sustainable businesses, she argues that the complexity and opacity of corporate decision-making complicates proving the existence of such a link. If women are included in the current flawed economic system, the system itself will not change.

The second part, *Regulatory Approaches to Innovating Sustainability Business*, moves on to concrete regulatory perspectives seeking to implement sustainability in existing businesses. Covering Australian superannuation funds as drivers for more sustainability, Vijaya Nagarajan and Ann Wardrop analyse how big institutional investors can influence other market players to include climate change considerations in their investments. Since the economic transformation to reduce greenhouse gas emissions is dependent on the investor's capital, the redirection of capital towards the greening of the economy is one of the most promising and important ways to fight climate change. Vijaya Nagarajan and Ann Wardrop illustrate how the long-term perspective superannuation funds have to consider in their investments creates the need to incorporate sustainability factors. While that creates some positive impact across the market, the question remains how to transfer those changes to companies and investors without such a long-term perspective.

Isabel Álvarez Vega and Charlotte Villiers illustrate how the Non-Financial Reporting Directive of the European Union struggles to incorporate different company law traditions and concepts of the member states. The resulting flexibility limits its impact. Despite the wide scope of the different problems regarding the implementation of the NFRD in each member state, the authors manage to dive into detail for some of the state-specific company-law.

Sara Ghebremusse describes the challenges in creating helpful transparency in African mining. Combined with the last part of the chapter, the role of social enterprises as vessels for change in the Netherlands by Pjotr Anthoni, Aikaterini Argyrou, and Tineke Lambooy, the middle part of the book displays how many approaches to tackle sustainability exist, but also how many challenges they present. By focusing on specific challenges, the second part of the book presents specific problems and solutions to the reader rather than abstract critique.

*Reconceptualizing Theory, Law and Governance*, the third part of the book, questions existing shareholder value-focused-paradigms in the business world and company law. By digging into the historical background of those paradigms and the role of stakeholders, Susan Watson offers new proposals about defining value and corporate tools to fight climate change. After establishing that the historically most successful company is one that maximises value in its capital fund separate from natural persons, she suggests adding sustainable practices to the definition of value. Long surviving companies have had to incorporate sustainability into their considerations. The question is, however, whether that meant sustainability for the company or the planet. At some point in the near future, they will be the same, but as long as not all externalities are priced, they might not be. Susan Watson

rightly so argues for regulation requiring companies to minimize the externalities they create. Interestingly, she seeks to reduce sustainability measures to the extent that they enhance company fund value. By leaving open what to include in her definition of value, the proposal lacks in concreteness. Still, her approach takes the economic realities into account and creates a well-rounded compromise of value-creation in the limits of planetary boundaries. Yue S. Ang sets her focus on the workers and the connected principal agent problem. She draws a causal link between diversified corporate agency and greener business practice. Carol Liao then describes in her essay about “Regulation by litigation on the path to sustainable corporations” litigation as “a palate cleanse for the flaccid accomplishments of the CSR [Corporate Social Responsibility]”<sup>1</sup>. She presents climate change litigation as a useful tool to speed up the economic and politic transformation. Climate change litigation is a balance act of respecting the boundaries of the governmental and parliamentary competences while using the tools at the court’s disposal to protect the individual. If reform policies are missing, the ladder might not be achievable without failing the former. The arising questions are too complicated to fully cover in an essay or a book review but should be considered when writing about the topic.

Beate Sjøfjell compares the main concepts established previously by her colleagues with the European Union’s Green Deal, especially the action plans for finance and business. As a solution for the gap between the two, she presents her suggestions for an EU company law reform which go beyond “liberal structuralism”. The more of her proposals can make it through the pluralistic and politically complicated law-making process in the EU, the better equipped the EU’s company law will be

to tackle some of the problems the world is facing.

The strength of the book lies in finding a balance between theoretical and practical approaches. Abstract concepts without realistic ways to implement them usually remain abstract concepts, and practical approaches without underlying theory risk missing something important. While the authors illustrate, more than once, the need to extend the current definition of value to incorporate gender quality, working within the planetary boundaries, and social aspects, they also deliver actual and potential methods of achieving said extension, especially in the second part of the book. The authors do not shy away from blaming existing predominantly masculine structures for the shareholder-value approach with its narrow definition of value. In similar fashion, they state the harshness of some of the suggested system changes without sugar-coating, which is refreshing for readers of climate-change related literature, who sometimes might feel that the implications of climate change still are not always expressed as drastically as they should be.

A project as ambitious as this one is bound to leave some questions open, some of which the authors themselves ask at the end of the book in their suggestions for further research. While the authors illustrate how classical economic theory enabled a lot of the current problems, more research might be needed as to what makes implementing some of the suggested actions in praxis so challenging. Sustainable innovated businesses will still have to survive and compete in a global, unforgiving market until system changes suggested by the authors reach far enough to relieve some of the pressure.

One of the ways to accelerate that urgent process is by writing and reading books like *Innovating Business for Sustainability*, which is an important step-

<sup>1</sup> S. 252 in the reviewed book.

pingstone in not just innovating business for sustainability but innovating the economic way of thinking around the globe.

