014 MESSAGE FROM THE HEAD: STEPS FORWARD
Head of Department Leena Avotie on recognizing the importance of sustainability, not least in education.

018 SUCCESSFUL ENTREPRENEURS ARE SUSTAINABLE
Successful entrepreneurs are characterized by understanding the concept of balance, argues Ivo Zander.

020 THE CONCEPT OF COMPLY OR EXPLAIN
Hans Dalborg, Honorary Chairman of Nordea, illuminates a key concept in corporate governance.

023 BOOK REVIEW: ‘THE SECOND MACHINE AGE’
A review of the acclaimed new book by Erik Brynjolfsson and Andrew McAfee.

024 SCIENTIFICATION IN SPORTS
The field of sports is one of many frontiers of ongoing scientification argue Leon Michael Caesarius and Jukka Hohenthal.

026 NOT BEING LAZY
Lena Zander portraits Magnus Scheving [cover] - a social sustainability entrepreneur in the entertainment industry.

028 SERVICE LOGIC AND PRODUCTIVITY
Bo Edvardsson explains what you need to consider in order to improve service productivity in your organization.

034 LEADERSHIP AND SUSTAINABILITY
Carin Eriksson Lindvall identifies four factors that seem to contribute to the creation of intrinsic motivation.

038 PHENOMENA: EMOTIONAL CONTAGION
Are users being treated as guinea pigs when Facebook’s data science team carries out experiments?

042 CLIMATE CHANGE
Daniel Nyberg and Christopher Wright argue that the nature of the corporate world’s responses to climate change hitherto can best be described as myths.

050 WHEN SOME CUSTOMERS ARE WORTH MORE THAN OTHERS
Preferential treatment may be unwise, argues Magnus Söderlund.
MOOCs
Leon Michael Caesarius and Jukka Hohenthal investigate if MOOCs will help redefine the higher education landscape.

THE CURSE OF THE COMMUNICATION LITERACY
Josef Pallas is not convinced about the PR-industry’s alleged merits. Instead he tries to answer the question: when is it time to fire the PR-consultant?

ROCK STAR PROFESSOR
Professor and Managing Director turned rock star — Henrik Räksström is the renaissance man.

MONSTROUS LEADERS
Torkild Thanem shows how monstrous leaders constitute a new leadership category and how you can avoid becoming such a leader.

CAN WE REALLY AFFORD FINANCIAL CAPITALISM?
Political and economic systems are often deemed as fiascos, but when are we going to make a similar evaluation of financial capitalism, asks Göran Nilsson.

WHAT YOU BELIEVE IS WHAT YOU SEE
The essence of sensemaking occupies Henrik Räksström’s mind.

THE FUTURE OF THE MULTINATIONAL CORPORATION
Ivo Zander paints a picture of the future of the well-established multinational corporation.

SUSTAINABLE DEVELOPMENT NEEDS STIMULI
Staffan Movin calls for cooperation between society, academia and business.

TOTAL VALUE OF OWNERSHIP
When you calculate customer profitability, ask not if your company makes money of customers but if your company helps your customers to make money, says Tordel Strömsten.

MAGNUS FROSTENSON focuses on the hard predicament of sustainability.

STUDYING CONTROLLERSHIP
Frank G. H. Hartmann draws on experimental studies to increase our understanding of controllers’ conflict of interest.

WHY PERFORMANCE-BASED PAY ACTUALLY MAY LOWER MOTIVATION
Göran Nilsson explains why financial incentives sometimes fail.
The corporate world’s responses to climate change represent a profoundly significant influence argue Daniel Nyberg and Christopher Wright who characterize these responses as myths. Based on a recent study on how 25 major corporations have responded to climate change, the authors identify, define and describe three key seductive myths and analyze their merits.
As any student of economic history knows, the notion of destruction has been a grim constant in attempts to characterize the relationship between capitalist dynamism and ever-spiralling consumption. Marx and Engels warned of enforced destruction. Joseph Schumpeter championed a dauntless culture of creative destruction. And now we find ourselves in an era of what we might call creative self-destruction.

We’re destroying ourselves. It’s as simple as that. Economic growth and the exploitation of nature have long gone hand-in-hand, but they now constitute the most ill-fated of bedfellows. Climate change, the greatest threat of our time, is the potentially definitive manifestation of the well-worn links between progress and devastation. The Intergovernmental Panel on Climate Change (IPCC) could hardly have expressed our plight in starker terms in its latest report: “Nobody on this planet is going to be untouched.”

How can we let this happen? There’s no doubt that the sheer scale of the problem makes genuinely united efforts difficult, but there must be other fundamental reasons for humanity’s alarmingly limited reaction to the spectre of all-out ecological disaster. Insouciance and apathy can’t be dictated by mere logistics alone.

The corporate world’s responses to climate change represent a profoundly significant influence. Many of them might more accurately be described as narratives or, better still, myths. Like Plato’s original Noble Lie, they function to further an agenda and maintain the status quo. They thrive on the age-old dichotomy of “us” and “them”; we may well be acutely aware of imminent catastrophe, yet somehow we’ve become convinced that they will save us. Fake comfort and false hope abound.

It’s easy enough to condemn these myths. It’s easy to be angry about them and to rail against the self-serving short-termism they epitomize. But until we appreciate quite how brilliantly they satisfy their purpose, until we grasp how sublimely they protect the interests of their instigators and risk betraying those of everyone else, meaningful and much-needed alternatives will remain disturbingly elusive.

In a recent study we looked at how 25 major corporations in the resources, energy, manufacturing, transport, finance and retail sectors responded to climate change during 2010, 2011 and 2012. The analysis involved interviews with senior and operational managers and an in-depth investigation of sustainability assessments, annual reports, submissions to governments, shareholder briefings, climate-change presentations and policy documents. The intention was not to disprove the myths we uncovered but to understand how they work and what they achieve.

Three key myths emerged. As we found, each helps to obscure the enduring corollaries between the accumulation of capital and the erosion of natural resources; and each has shown itself to be dangerously seductive.

The first myth is corporate environmentalism. This portrays corporations as the saviors of the environment. It stresses companies’ willingness to implement voluntary reductions in greenhouse gas emissions, to produce green products and services and to absorb and act on criticism of their previous policies. Celebrating the twin pillars of transparency and accountability, it implies that corporations are best placed to respond to climate change and that alternative solutions, such as government regulation, must inevitably be inferior.

The thrust of corporate environmentalism can be summed up in a familiar mantra: business as usual. We don’t need to query the underlying logic of our economic system. We just need to refine our own habits. Corporations are merely the value-neutral providers. It’s up to us to consume more responsibly. Yes, the answer to overconsumption is more consumption. The message is that corporations have equipped us with the tools to save ourselves: now it falls to us, as individuals, to use those tools wisely – and if we don’t then the fault is ours.

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expected to be an upbeat assessment of the digital age. He famously began his speech by declaring: “I'm scared. I don't think we're going to make it.” Twenty minutes later, having laid bare his anxieties about global warming and whether new green technology could tackle the problem, Doerr wept openly. He received a standing ovation. It was a landmark illustration of climate change’s ability to challenge cosy assumptions of economic growth and social advance: the brilliant, hugely successful Silicon Valley stalwart reduced to public tears by the environmental catastrophe facing humanity.

Sustainability specialists around the globe share Doerr’s fear that we might not “make it”. That, after all, is why they do their jobs. They care. They’re desperate to make a difference. Yet one of the cruelest ironies of the fight to save the planet is that those who are most environmentally attuned are frequently also those who are most often engaged in compromising the very thing they yearn to preserve.

To fully comprehend why this is the case we need to reflect on the extraordinary extent to which a commitment to sustainability has been accompanied by the ever-deeper incorporation of the environment within market capitalism. Increasingly, the environment is given a market worth; and corporations, bolstered by their mastery of myth, are seen as the core institutions through which that worth should be maintained. Being green may have become a crucial component of any modern-day organization’s make-up, but the same icy exigencies still lurk beneath the warm glow of corporate social responsibility.

The second myth, corporate citizenship, strengthens corporations’ moral role in leading us to supposed salvation. It depicts corporations as legitimate entities in public debate and paints them as representatives of “the people”. This is how corporations grant us a voice.

In effect, however, there’s only one way this voice can be heard: through consumption. As a result, citizenship itself becomes a surrogate for corporate interests of profit and shareholder value. This isn’t democracy: it’s the cementing of the narcissistic conceit that’s what good for corporations is good for all citizens. That corporate citizenship has long since become a dead metaphor highlights the astonishing strength of this myth.

Perhaps even more powerful, though, is the myth of corporate omnipotence. This is little short of a grand rendering of corporations as god-like prophets who, thanks to their rationality and efficiency, are capable of taming nature itself. Thus the most improbable promises go unquestioned. Only the “business case” matters. Corporate responses are the only responses. The state isn’t sidestepped, but it should be no more than a co-creator or supporter of schemes that prize profitability above all. Even where climate change is concerned, the bottom line rules.

We’ve heard a similar tale before, of course. The global financial system was supposed to be rational and efficient as well. How quickly we forget. But this is what passes for normality. Now, somehow, we find ourselves content to believe that climate change is a rather mundane issue of corporate rationalization, and we bear idle witness to the ever more innovative destruction of our world in the pursuit of gain.

As one senior manager interviewed in the course of our research conceded: “It’s all about recognizing that this change is happening... and taking a leadership position to be able to leverage the opportunities that come out of it.” This articulation is itself stunningly blunt, yet it pales next to the brutally forthright admission of one CEO: “I’m going to be real frank here. We’re not doing this to save the planet – that’s not the driver. We’re industrialists.” This ultra-capitalist mindset is tough to shake.

In March 2007 the renowned venture capitalist John Doerr, a key figure in the financing of “new economy” juggernauts such as Google and Amazon, took to the stage at the annual Technology, Entertainment and Design conference in Monterey, California, for what most observers expected to be an upbeat assessment of the digital age. He famously began his speech by declaring: “I’m scared. I don’t think we’re going to make it.”

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Both the environment and the market are now habitually treated as social goods. It’s therefore inevitable that their respective interests will occasionally compete. And when compromise is required, when some kind of conciliation is necessary, it’s almost invariably the market that’s favored.
when the act accuses him the result should excuse him; and when the result is good... it will always absolve him from blame.” An analogous sentiment lies at the heart of the conflict between the environment and the market. The result excuses when the act accuses.

Noble lies, myths, Machiavellian principles – none of these strategies could reasonably be hailed as conspicuously geared towards universal advantage. Yet we fall for them. We embrace them. We derive succor from them. The upshot: a theme first identified more than 150 years ago in *The Communist Manifesto* and *Das Kapital* now hurtles headlong towards an apparently inexorable denouement – one destined to render all that has gone before trivial by comparison. Humanity’s consumption of the Earth’s life-support systems has become almost cannibalistic.

You can fool all the people some of the time and some of the people all the time. Moreover, recent history suggests this may well suffice. Yet the sad, wholly inescapable fact of the matter is that there’s no deceiving the environment: we might think nature still has plenty to give, but we underestimate at our peril our reckless determination to exhaust its capacity for forgiveness.

Maverick physicist Richard Feynman cautioned as much in his personal reflections on the *Challenger* space-shuttle tragedy. The O-ring failure that destroyed the craft, killing its seven crew members before a live TV audience of tens of millions, was traced back to a blinkered insistence on launching in unusually cold conditions. Feynman was outraged that NASA – another organization notably keen to bask in claims of rationality and efficiency – could be so incredibly stupid and arrogant. “Reality must take precedence over public relations,” he wrote, “because nature cannot be fooled.”

As the IPCC has made abundantly clear, we’re running out of time. The bleak and unavoidable truth of Feynman’s words will become shockingly plain to us soon enough unless we reject some prevailing myths and replace them with responses that are sincerely rooted in proper governance, human organization and authentic engagement.

Ultimately, the corporate world is perfectly positioned to lead us in the right direction. Instead, at least so far, it has largely chosen to spearhead the march towards collective doom. Lamentably – even scandalously – the focus remains firmly on returns. In all good conscience, the point of no return would seem the most pressing concern.