Sustainable growth requires a long term focus from business

Professor Ian Goldin was Vice Chair of the Oxford Martin Commission for Future Generations and is Director of the Oxford Martin School at the University of Oxford

Since the crisis of 2008, many financial institutions have struggled to regain public confidence as originators of sustainable growth that can benefit the many, rather than the few. And yet an attitude of 'business as usual' persists. Corporations continue to feel acutely the pressure of the ticking clock, with hyper-speed trading systems, impatient stakeholders and quarterly earnings targets all conspiring to reinforce a focus on the short-term.

Short-term returns can be a useful measurement of success. Firms that cannot navigate the short-term die before the prospect of even the best laid long-term plans become reality. Successful firms need both – a sharp focus on short-term effectiveness and an ability to scan the horizon and prepare for the longer-term. Planning for the long-term needs to be embedded into business practice and culture.

For businesses to not only survive but thrive in the long-term requires both a focus on business opportunities and investment as well as a broader consideration of corporate governance and social responsibility. It is time for a re-thinking of corporate governance, for firms to shoulder part of the responsibility for leaving a sustainable world for future generations. Sustainability must be hard-wired into corporate practice to mitigate the risk of leaving a damaging legacy. While the private sector is the biggest source of jobs and growth, unsustainable growth models can heighten financial instability and cause irreparable harm to the environment.

Systemic reform of the current growth model must take place to fulfil commerce's necessary role in ensuring a sustainable future for people and planet. There are already good examples of this; with initiatives such as the B Team, set

The Oxford Martin Commission for Future Generations members include (from l to r) Lord Rees, Lord Stern, Dr Mo Ibrahim, Professor Ian Goldin, Pascal Lamy, Julia Marton-Lefèvre and Roland Berger

up by Richard Branson and Jochen Zeitz, and Unilever's work on sustainable business practices, but the vast majority of business leaders are yet to embed long-term planning into their corporations' DNA.

The Oxford Martin Commission for Future Generations, chaired by Pascal Lamy, former Director-General of the World Trade Organization, was born out of the shared concerns of its members that governance requires a dual vision: a commitment to address current needs *and* to build the foundations for vibrant generations in the decades ahead. The future is full of opportunity, but our increasingly integrated and inter-connected world presents growing systemic risks, meaning we can no longer operate on the basis of 'business as usual'.

The Commission's report, *Now for the Long Term*[1], sets out a number of practical recommendations for changes to the private sector, to ensure future generations can enjoy the benefits of corporate success and economic growth. We endorse the recommendations of the G30 on long term finance, particularly the call for the creation of dedicated long-term financial institutions. These could include infrastructure banks, green finance, small business banks and innovation funds, and would require the public and private sectors to work more closely on the mobilisation of long-term capital, overcoming the mismatch in assets and liabilities. This is particularly acute in the long-term markets where the savings of individuals to fund their pensions are not matched by investments in infrastructure and other long term assets.

'Health' assessments could be developed for listed companies, concentrating on long-term value creation and absolute performance. This should take into account portfolio churn, remuneration incentives, length of investments, shareholder voting rights, organisational talent and tenure, time dedicated to long-term strategy deliberations, and innovative capacity.

"The future is full of opportunity, but our increasingly integrated and inter-connected world presents growing systemic risks, meaning we can no longer operate on the basis of 'business as usual'"

Our call to 'revalue the future' also builds on the work of the World Bank, the Mo Ibrahim Foundation, Transparency International and other agencies in measuring governance. We propose the development of a Long-Term Impact Index to rate the effectiveness of countries, companies and international organisations in addressing longer-term challenges. The Commission also recommends the creation of a Voluntary World Taxation and Regulatory Exchange, to promote information sharing, enhance transparency and harmonise company taxation arrangements. The Exchange would reinforce the overall framework of the OECD/G20 Base Erosion and Profit Shifting Action Plan (BEPS Project), to ensure that multinationals pay their fair share, and that profits from the digital economy are not unfairly and artificially shifted to other jurisdictions.

We believe that while the private sector is the necessary engine of sustainable growth and development, owners and boards need to embrace longer-term responsibilities. The extraordinary advances of recent decades promise remarkable opportunities for both current and future generations; only with a collective shift in focus can the corporate world play its part in ensuring these are not squandered. ■

1. Now for the Long Term, the report of the Oxford Martin Commission for Future Generations, was published by the Oxford Martin School. The School is a unique, interdisciplinary research community of over 300 scholars working to address the most pressing global challenges and harness the potential opportunities. To download the report, visit www.oxfordmartin.ox.ac.uk