

A new script for Asia

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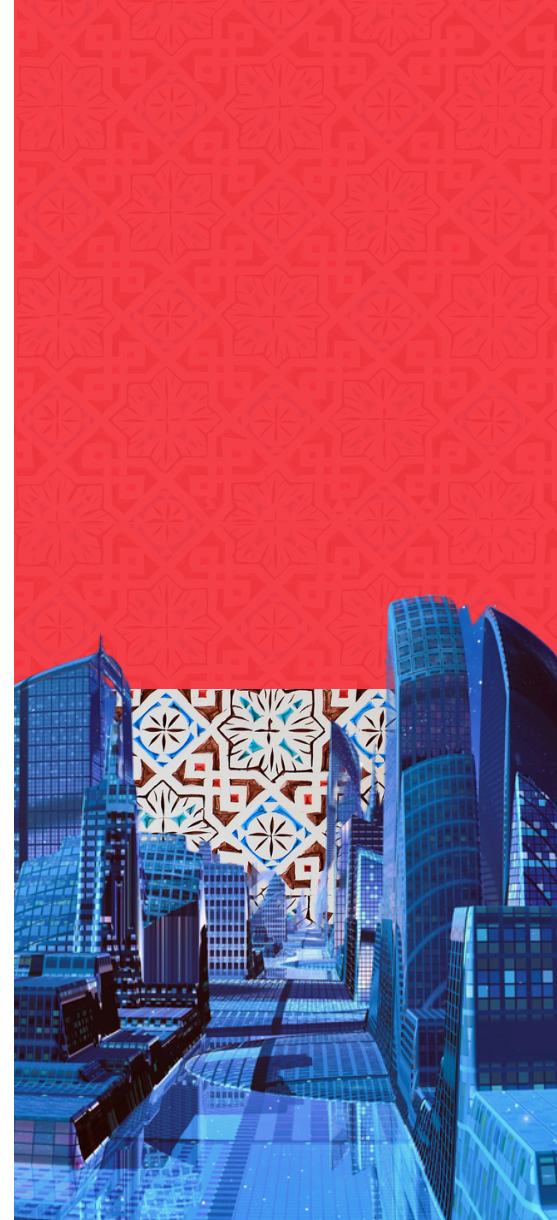
As Western business leaders abandon their environmental and social commitments, Asia must forge a new path

About 15 years ago, I was invited by the CEO of one of the world's most successful chemical companies to attend the firm's annual global meeting, as a guest commentator. At the meeting, expensive consultants delivered a 50-slide presentation on a proposed growth strategy for Asia, lauding the "green" approach the company would take as it grew. When asked for my opinion as a chemical engineer by training, I stated that the consultants were compromised in their assessment, not taking into account the impact of chemical pollutants on people or the environment. The growth strategy would poison the region, I warned.

I set out a test, effectively putting the jobs of the company's top technical experts on the line with one question. Are your products guaranteed not to cause harm to people or the environment?

A stunned silence followed. The company president stood up and remarked, "It seems we have been asked to look ourselves in the mirror and confront some inconvenient truths." The consultants were later asked to leave, and an intellectually honest discussion ensued over the course of two days. It led to tangible changes to the company's business model and how it positioned its brand.

This may read like a self-congratulatory story, but it serves to make a point. The global business community and its leaders have not left that meeting. They remain trapped by the same intellectual dishonesty and inability to create any value aside from commercial gain. For too long, business leaders in Asia have taken their cues from Western business leaders, adopting their ideological approach to capitalism. Today, they need to write a new script. Will they be principled enough to do so?



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The West's rollback

The need for Asia to diverge from Western models has become urgent. We are witnessing a cross-industry roll-back of business commitments to social progress and the license to operate beyond basic regulatory requirements. It is evident in the companies dismantling their diversity, equity and inclusion (DEI) programs, the financial institutions withdrawing from climate alliances, and the tech companies retreating from much-needed fact checking and the monitoring of socially destructive content.

This retrenchment is apparent across the West, but is particularly evident in the US, where a resurgence of ultra-capitalism, driven by a powerful alliance of elites and a political climate of exceptionalism, has led corporations to discard even the thinnest veneer of social responsibility. The presence of so many oligarchs at the inauguration of Donald Trump was a clear message that values don't matter – though in truth, it was not much different during the Biden presidency.

The performative nature of corporate commitments

This regression should come as no surprise – and it provides lessons for industry leaders in Asia, Africa and elsewhere. The lesson is this: if businesses and the ecosystems that business rely on allow intellectual dishonesty and public relations (PR) to be normalized as core pillars of 'business as usual,' then there comes a point when the lies catch up and a retreat becomes inevitable. The lies also form a barrier to true innovation for good.

Corporate commitments to social and environmental causes, often deceptively marketed under the umbrella of environmental, social and governance (ESG) principles, have consistently been more performative than substantive. These initiatives, including DEI programs, were once lauded as both moral and strategic imperatives, promoted for their supposed correlation with enhanced decision-making and improved financial performance. Yet, when faced with even the slightest headwinds, these commitments are readily abandoned, revealing their inherent fragility.

BlackRock, for example, was noted for its vocal advocacy for ESG integration, led by chief executive Larry Fink. Yet it has retreated in the face of political backlash, scaling back support for ESG shareholder proposals and prioritizing financially-driven sustainability initiatives. Similarly, Unilever, once lauded for its ambitious Sustainable Living Plan, has significantly weakened key commitments, including reductions in virgin plastic use and pledges for living wages in its supply chain, citing challenges in balancing sustainability with financial performance. These reversals, among many others, expose the fragility of corporate commitments to ESG and public good when confronted with external pressures or perceived economic trade-offs.

One must wonder why these causes are being abandoned so easily. The truth is simple: the architects and beneficiaries of the prevailing capitalist system – along with their enablers in business schools, media outlets, and consulting firms – never truly believed in the values they publicly espoused. Their pronouncements on diversity, sustainability and other socially responsible initiatives were merely calculated strategies, designed to align with prevailing cultural and market trends, and only insofar as they served the bottom line. A whole industry of deception was born with a sophisticated network, accompanying narratives, and even methodologies. These initiatives were, in essence, elaborate branding exercises, intended to enhance corporate reputations rather than drive meaningful systemic change.

Just look at the rush over the last few years to make absurd net zero commitments. This was perhaps one of the best examples of leaders feeling they could say anything to enhance brand value without being challenged. (For more, see ‘Why are non-scientists leading the world’s largest companies’ sustainability efforts?’, Fortune.com, 23 February 2023.) It is becoming increasingly apparent that these corporations have no foundational principles they are willing to defend, and will be intellectually dishonest at the drop of a hat. They operate with a singular devotion to profit maximization at all costs, which governs their every decision.

The entrapped CEO and the dominance of shareholder primacy

The continued, almost religious, adherence to shareholder primacy as the sacrosanct guiding principle of corporate decision-making further entrenches this deeply flawed system. Executive compensation packages, all too frequently tethered to short-term stock performance, perversely incentivize short-term profit maximization, actively discouraging crucial investments in long-term sustainability initiatives that may not deliver immediate financial gratification.

Within C-suite leadership there are seemingly no chiefs. The CEO, regardless of personal conviction or well-intentioned plans, is trapped within a system that ruthlessly prioritizes profit above all other considerations. He or she (and it is mostly he, still) has been stripped of true leadership and is simply an employee with a glorified title, there to serve shareholders who demand never-ending returns.

This pervasive systemic pressure curtails the capacity of even the most well-meaning leader to enact meaningful change. It punishes him for deviating even slightly from the single most important KPI, and rewards him handsomely for delivering the results, by hook or crook. The latter required dollops of PR-related commitments to numerous ‘do good’ causes, an essential part of the armory for hoodwinking the public and regulators into believing they are committed to slogans such as ‘stakeholder capitalism.’

The forces of global capitalism transcend geographical boundaries. This system perpetuates the focus on shareholder value and short-term gains, regardless of where economic power is centered. While cultural nuances in business practices exist across different regions, the underlying drivers of corporate behavior remain remarkably consistent: the pursuit of profit, market share, and shareholder returns continues to be the dominant force shaping corporate decision-making globally.

Consequently, many companies engage in symbolic gestures of sustainability or social responsibility – a form of greenwashing – without making fundamental changes to their core business models. This tokenism fails to address the systemic issues that perpetuate unsustainable practices. We urgently need radical reform in how we conduct business and structure society.

Opportunity for a new path: divergence from Western models

The retreat of the Western corporate model from the most pressing challenges facing humanity creates an opportunity to rethink leadership in other parts of the world. Asian nations and businesses are well-placed to seize the moment. With their rich cultural heritage and emphasis on community, long-term harmony, and diverse philosophical traditions (all of which took a beating in pursuit of the American model), they are uniquely positioned to forge a new path in leadership and responsibility. Will they be principled enough to do so?

Asian leaders now have the opportunity to write a new script, based on shared prosperity and advancing humanity through a purposeful economy. To do this, they will need to reject the ideological core of the Western model – and overcome the well-documented widespread collapse of public trust in business that has resulted. In the region that is the largest consumer market in the world, Asian business leaders can carve a different path. But it will take leaders who are wise and bold, willing to unlearn and transform.

Rather than simply replicating Western models, which have demonstrably prioritized profit over people and planet, Asia's leaders can draw upon their own traditions and values to create a more balanced and sustainable approach to development. This means escaping the confines of purely profit-driven models and embracing a more holistic vision of progress: one that values social harmony, environmental stewardship, and long-term well-being, escaping the purely profit-driven, 'blood red' hues of some Western corporate systems.

This is not a rejection of progress, but a redefinition of it. It is a conscious and deliberate effort to create a future that is both prosperous and just, in a world that faced by existential threats.

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The need for systemic change and a new model of leadership

There are no simple, universal solutions. Each society, with its unique local complexities and cultural nuances, must forge its own path toward collective wellbeing and prosperity. However, building upon this idea of divergence, and drawing from diverse global examples, there are crucial starting points that warrant consideration.

First, effective and ethical governance, encompassing both state intervention and principled private-sector leadership, is paramount. History repeatedly demonstrates that unchecked power, whether residing within corporations or the state apparatus itself, inevitably breeds abuse. While robust regulation is essential to curb corporate excesses and promote responsible practices, we must be equally vigilant about the potential for state capture and corruption. The state is not a monolithic, incorruptible entity; its institutions are vulnerable to undue influence by vested interests, bureaucratic inertia, and outright malfeasance.

Second, leadership must transcend conventional, profit-centric thinking and embody principled action. This imperative extends to leaders across all sectors – public, private, and non-profit. Now more than ever, intellectual rigor, unwavering integrity, and a deep commitment to serving the greater good must be the defining characteristics of those in positions of power. This necessitates a fundamental shift in how we conceive of and cultivate leadership.

Finally, we must unequivocally reject the notion that corporate capitalist values are immutable, etched in stone for eternity. History is replete with examples of profound shifts in economic paradigms, driven by evolving social norms, technological advancements, and political upheavals. The very concept of corporate social responsibility, once considered radical, is now widely accepted, albeit often superficially implemented and plagued by PR stunts. Capitalist values are inherently malleable.

Beyond profit as a right

The ease with which corporations are abandoning their commitments to social and environmental responsibility reveals a profound crisis of meaning within the modern business world. This retreat is not merely a failure of governance, but a failure of imagination: a crippling inability to envision a future beyond the narrow confines of profit maximization. The myopic focus on financial gain at the expense of ecological integrity and social equity is not only short-sighted but ultimately self-destructive. It disregards the fundamental truth that a healthy planet and a thriving society are essential preconditions for long-term economic prosperity – a tragic prioritization of the ephemeral over the enduring. Rethinking leadership for the post-Western, multipolar world, requires leaders to make intellectual honesty the cornerstone of their sense of purpose and drive.

We are building a legacy, whether we acknowledge it or not. It will be a legacy defined either by a reckless disregard for the delicate balance of our planet and the well-being of future generations, or by a courageous embrace of a more enlightened and sustainable path. The choice is ours. The consequences of our actions will reverberate through the ages.