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PLANET GOVERNANCE – A NEW CONCEPT

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Abstract

Although there are many concepts related to sustainable development, this paper analyses the concept of "Planet Governance", which comes from, and is related to, Corporate Governance. It aims to present all the literature that relates the application of business strategy to the global economy, associating the instruments of Corporate Governance with Global Governance.

The current valuation of companies in the market, attracting investments, funding resources, in particular from listed companies, are related to compliance with Corporate Governance good practices. Based on this premise, then the economic and social development of states can also be related to good environmental practices carried out by a given economy. From this comparison, this new concept of "Planet Governance" was evidenced by the authors.

Based on the pillars and main variables of corporate governance, we defined a new concept: the concept of Planet Governance. "Planet Governance identifies the way in which governments manage, based on the principles of equity, transparency, alignment of interests and accountability, their economic resources for the sustainability of the planet with a positive impact on the country's economic performance".

Planet Governance will be understood as a concept that will allow, in the first place, to evaluate the governments of countries in terms of the management of the planet (resources). It will also enable evaluating the economic and social impact resulting from these good practices, thus going further and more specifically than the Sustainable Development Goals (SDGs) themselves.

Keywords

Corporate Governance; Pillars of Corporate Governance; Sustainability; Economic Development, Resources

Resumo

Apesar de já existirem muitos conceitos relacionados com o desenvolvimento sustentável, apresentamos, neste trabalho, o conceito de "*Planet Governance*", que advém, e se relaciona, com o de *Corporate Governance*.

O presente estudo visa a apresentação de toda a literatura que relaciona a aplicação da estratégia empresarial à economia global, associando os instrumentos de *Corporate Governance* à "Governance Global".

A atual valorização das empresas no mercado, a captação de investimentos, os recursos a financiamentos, em particular das empresas cotadas, estão relacionados com o cumprimento das boas práticas em matéria de *Corporate Governance*. Partindo desta permissa então também o desenvolvimento económico e social dos Estados poderá ser relacionado com as boas práticas ambientais levada a cabo por uma determinada economia. Desta comparação foi evidenciado pelas autoras este novo conceito de "*Planet Governance*".

Com base nos pilares e principais variáveis de governação empresarial, definimos um novo conceito: O conceito de Governação do Planeta. "*Planet Governance* identifica a forma como os governos gerem, sobre os princípios da equidade, transparência, alinhamento de interesses e responsabilidade, os seus recursos económicos de sustentabilidade do planeta com um impacto positivo no desempenho económico do país".

O *Planet Governance* será entendido como um conceito que permitirá em primeiro lugar avaliar os governos de cada país em termos da gestão do planeta (recursos) e também permitirá avaliar o impacto económico e social resultante dessas boas práticas, indo, desta forma, mais além e mais especificamente do que as metas que os Objetivos do Desenvolvimento Sustentável (ODS) abordam.

Palavras-chave;

Corporate Governance; Pilares da *Corporate Governance*; Sustentabilidade; Desenvolvimento Económico, Recursos

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PLANET GOVERNANCE – A NEW CONCEPT

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1. Introduction

The effects caused by industrialization and globalization are undeniable. Although these phenomena have had a positive impact on the livelihoods of societies, their social dependence and impact on natural resources have considerably increased global concerns about this transition.

All the changes resulting mainly from globalization take the economic and financial problems of companies to another level. The problem moves to a global level where, according to Dragomir and Constantinescu (2018), the concern focuses on harmonizing economic, social and environmental problems, in order to guarantee prosperity for future generations. Consequently, in the same way that companies have instruments to achieve their objectives, governments and, in a more general way, the whole world, must have instruments and measures that allow at any time measuring the reach of the main objectives in terms of sustainable development, never forgetting the need for interaction between the public and private spheres.

In the context of globalization, sustainable development is an issue that is often taken into account by policy makers, both locally and globally, who are constantly struggling with the challenge of making economies grow efficiently and sustainably.

Dragomir and Constantinescu (2018) argue that, given that regions are different and have different needs and characteristics, the process inherent to development involves several and different actors, from citizens to companies as well as local or governmental organizations themselves. In the same way that the authors point out several characteristics inherent to sustainable development at a local level, we also consider most of them at a global level, including: ecological integrity, economic security, accountability and authorization, and social well-being. They also argue that "According to these components, the main problem is the creation of a strategy capable of positively affecting each domain and each moment of the life of a community". This is our future objective: to define strategies capable of achieving sustainable development at world level by developing a composite indicator capable of measuring it. For now, and in this work, we intend to arrive at a new concept of "Planet Governance", which is the starting point for the definition of a model and the instruments inherent to it.

Thus, this article's main objective is to expose the new "Planet Governance" concept. This concept is based on two aspects: (i) Corporate Governance, concept and basis for the definition of Planet Governance and (ii) the role of governments in adopting good Planet Governance practices to achieve environmental sustainability, as well as the economic impact of good practices in terms of Planet Governance.

The designation of Planet Governance derives from the analogy with the term Corporate Governance. Currently, Corporate Governance has been highlighted for its importance in economic performance, market assessment and the sustainability of organizations. Good Corporate Governance has a positive impact on these dimensions.

Guimarães (1997), when presenting the different dimensions and operational sustainability criteria, referred to "planetary sustainability" as one of the dimensions. The author also considered the following dimensions: ecological, environmental, demographic, cultural, social, political, and institutional sustainability. He considers that the main objective of planetary sustainability is "to reverse the global processes of ecological and environmental degradation". Here, our objective goes a little further, as we do not want to associate the concept of Planet Governance only with the ecological-environmental aspect.

As for governments, they too must take into account the economic performance and development of countries associated with the sustainability of the planet. Thus, Planet Governance emerges as a concept associated with the good management of governments in order to maintain a "healthy" planet, that is, Global Governance.

On the study and interest in these matters, Kahn (2015) argues that "if we could communicate to the public that "we know that there is a lot we don't know about," and, at the same time, teach the public about the methodology of how we create new scientific knowledge, then we could allow more leeway for experimentation and study, and we discover the right strategies to promote sustainable global development".

2. Literature review

This topic will address the theoretical developments on the matters that led to the Planet Governance concept.

2.1 Planet Governance and Corporate Governance

The Planet Governance concept is based on matters related to Corporate Governance, extracting from this last concept basic ideas for the development of the Planet Governance concept referred to in this article.

In its most limited sense, corporate governance refers to how to manage a company. In recent years, it has been a topic in the life of organizations that arouses the most intense debates because it is directly related to important events that reflect the current scenario of high volatility surrounding the business environment. (Quaresma, 2014).

In recent years, the concept of corporate governance has developed and gained popularity due to developments in management science. Corporate governance, which is used in the management of companies in order to obtain the greatest benefits for their shareholders and other stakeholders, is one of the topics frequently discussed in the literature (Çemberci, Basar and Yurtsever, 2022).

In its most diverse aspects, corporate governance options will determine the efficiency and effectiveness of the management of companies regarding the challenges of competitiveness, internationalization and globalization, access to capital markets and their sustainability as organizations integrated in a specific community. At the same time, they have increasingly attentive and demanding stakeholders determined to defend their interests (Quaresma, Pereira and Dias, 2014).

It should be noted that corporate governance is something completely different from the daily activities of operational management, as it goes further in its perception and operation. It is, therefore, considered to be a management and control system that dictates how a board of directors manages and supervises a company.

The literature provides several definitions of corporate governance. In 1776, Adam Smith, in his work entitled "The Wealth of Nations" raised the hypothesis that with the separation between ownership and control within organizations, they would be managed by people who would not have the same type of interest and attention as the owners (Quaresma, Pereira and Dias, 2014). Over a century later, Berle and Means (1932) analysed the separation between ownership and control that gives administrators the possibility to pursue their interests in favour of the interests of owners. Jensen and Meckling (1976) detailed the concept of Agency Theory, which refers to the separation between ownership (principal) and agent (management), considering that the manager may act in the sense of not maximizing profit for the shareholder, leading to conflict of interests and agency costs associated with monitoring management. Donaldson and Preston (1995) presented the stakeholder theory, showing that all stakeholders of organizations, in their relationships with organizations, seek to obtain benefits. Accordingly, there is no reason to choose a set of interests over others, expanding management's interaction with all those who have a relationship with it and not just with shareholders. Since then, many studies have focused on this concept. However it is believed that this separation, ownership and management, becomes inevitable as markets become more developed.

The various financial scandals that occurred in the 20th and 21st century, which at their base involved acts of mismanagement by companies, led to a growing concern of states and market regulators for the issuance of laws (Anglo Saxon markets) and principles (European market), whose purpose is to guide the activities of organizations in terms of corporate governance. Common sense suggests that companies with a corporate governance structure aligned with Best Practices Codes should have better management (Fama and Jesen, 2003). Corporate governance is thus under the scrutiny of the market.

Cadbury (1992) defined corporate governance as "the system by which companies are managed and controlled", the OECD developing this concept a little further by indicating that it "involves a set of relationships between the management of the company, its management body, its shareholders and other subjects with relevant interests. Corporate governance also establishes the structure through which the company's objectives are set and the means to achieve those objectives are established and controlled. Good corporate governance must provide adequate incentives for the board of directors and managers to pursue objectives that are in the interest of the company and its shareholders, and must facilitate effective supervision" (OECD, 2004).

Just as corporate governance is based on the laws and principles that govern the actions of companies, Planet Governance is conceived as a concept that should guide the good practices and economic policies of states in terms of governing the planet.

2.2. Sustainable Development and Corporate Governance

The concept of Sustainable Development is as old as economics itself. Since the beginning of the existence of economics, with Adam Smith, there have been concerns related to the development of a nation. And, further on, other classics such as Thomas Malthus, David Ricardo and Stuart Mill followed up this concern, referring to some aspects of sustainable development. Neoclassical theory emphasized concerns about the existence of clean air and water and renewable resources (fossil fuels, ores), expressing the need for government intervention in the case of externalities and public goods.

In 1968, economists and humanists from ten countries met in Rome with the aim of improving the socio-economic situation of developing countries. Their main concern was the scarcity of resources, economic development, ecological problems and economic development. This group of individuals became known as the Club of Rome.

Klarin (2018) states that it was forestry that gave rise to the greatest use of the term sustainable development, ending up being mentioned for the first time in the Strategy for the Conservation of Nature and Natural Resources of the International Union for Conservation of Nature, published in 1980.

Although initially sustainable development aimed mainly at an ecological perspective, it quickly spread to the socio-economic domain.

The existence of the concept of sustainable development, as we approach it today, dates back to the 1970s and 1980s. All the studies and analysis inherent to this concept have become more pronounced in recent years, associated with natural disasters and climate change. However, it has existed for many decades, related not only to those areas, but also to the instability then felt in the socioeconomic and political levels.

However, it was between the 1980s and 1990s that, given the reduction of the ozone layer and climate change, environmental problems began to be seriously addressed, leading to greater concern and focus on the concept of "sustainable growth".

According to Hove (2004), sustainable development is a process that contributes to achieving sustainability, that is, the final long-term goal. As a result, we conclude that sustainability ends up following the results obtained using sustainable development strategies. Accordingly, Dempsey et al. (2011) argue that the sustainable development process consists of actions linked to managerial, financial, strategic and technical skills that help to achieve sustainability.

More recently, the term sustainability has been associated with many areas other than the environment and/or development, also including the economy, technology, business, and agriculture, among others.

In general, sustainability refers to the creation of a condition that enables people and nature to coexist in a productive harmony that allows the socio-economic development of current and future generations (Nodehi and Taghvaee, 2021).

Vatamanescu et al. (2017) argue that "sustainability is changing the way life is framed and lived in the 21st century. It integrates concepts and theoretical models barely anticipated and discussed in the previous century, which, nowadays, have known an exponential dynamics".

Klarin (2018) argues that the concept of complete sustainable development depends on the balanced existence of three pillars, characterized as the pillars of sustainability:

- environmental sustainability, with the objective of maintaining a healthy environment, managing to combine the existence of economic activities involved in production, with the well-being of the existing population with environmental quality;
- social sustainability, with the objective of guaranteeing the application of human rights and equality, preservation of cultural identity, respect for cultural diversity, race and religion;
- economic sustainability necessary to maintain the natural, social and human capital required to obtain wealth.

Gazolla and Pellicelli (2019), assuming the need for a model that seeks to promote the well-being of individuals, argue that "there is a misunderstanding between the central role of the public sector regarding sustainable development and its effective participation in the enterprise. The reason behind it is the difficulty of integrating the myriad needs of citizens and the requirements of different cultures".

Global goals such as the SDGs are believed to create a common vision and an incentive for greater cooperation between international organizations and institutions and therefore improve policy coherence (Haas and Stevens, 2017).

Although companies are profit-oriented, increasing political pressure, market competition, customers with different characteristics from the past, and the general public, among others, are leading the most diverse business sectors to get involved within the framework of the Sustainable Development Goals.

Good corporate governance should provide adequate incentives for the board of directors and managers to pursue objectives that are in the interest of society and its shareholders, and should facilitate effective supervision (OECD, 2004). Also according to the OECD (2004), good corporate governance should contribute to the organizations' sustainable growth, identifying, among others, factors that can contribute to the companies' long-term success: professional ethics and concern for environmental and social issues of the external environment in which the company operates.

Thus, it is possible to identify a relationship between corporate governance, ethics and environmental and social issues, also involving sustainability and the social responsibility of organizations, concepts used to build the concept of Planet Governance.

Planet Governance is thus identified as a concept that relates the performance of countries and governments to competitiveness and sustainability based on respect for all citizens and natural resources on the planet.

Corporate sustainability implies the incorporation of sustainable development objectives, that is, objectives that are directed towards the pursuit of social equity, economic efficiency and environmental performance, in a company's operational practices (Labuschagne, Brent and Van Erck, 2005).

The concept of Corporate Social Responsibility has been the subject of debate and scientific studies. It is linked to some theories, such as the Stakeholder Theory and its business implications, aiming to demonstrate the impact of corporate governance on all those who have an interest in the company's activity. In this sense, companies define their strategic stakeholders in business management planning, outlining a specific strategy based on their expectations. Thus, in the current changing world, Social Responsibility has become a field of study that increasingly integrates new perspectives for companies to promote sustainable development.

For now, the contribution of companies to sustainable development is represented by their integration of Social Responsibility strategies considering various activities that report results and are linked to sustainable development.

Gerhards and Greenwood (2021) state that "the last two decades have seen an increase in the use and evolution of forms of governance instruments that seek to promote sustainability in increasingly complex and varied contexts. These instruments, mostly voluntary, combine guidance on sustainability strategy and/or monitoring with marketable public information, such as certifications, ratings and reports, to encourage their use".

Song et al. (2022) report that their "understanding of the status and progress of SDG adoption in business sectors is limited. Although many companies have mentioned the SDGs in their reports, they lack assessment and monitoring tools to assess the current status and actions in implementing the SDGs in business sectors".

As we have also seen, other literature is concerned about the subject, but not with the objective of quantifying the scope of the objectives that represent the sustainability that each country will have at any given moment. For that, it will be necessary to start with the definition of a new concept and capacity, to enable, in the future, measuring this reach (or greater, or lesser, distance from the outlined objectives).

3. New Planet Governance Concept

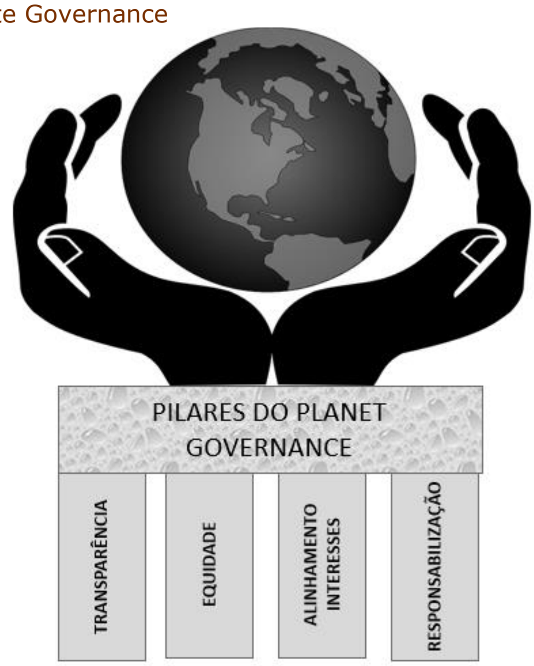
3.1. Pillars of Corporate Governance and Planet Governance

An adequate model of Corporate Governance is essential for the success of organizations. The separation of powers structure and the organization's control and balance system must meet four fundamental criteria, as follows:

1. Equity: Ensuring the protection of the rights of all shareholders, with special attention to minority shareholders, without, however, leaving aside the remaining stakeholders;
2. Transparency: Timely provide shareholders and other interested parties with adequate and clear (and comparable) information on the organization's performance, namely regarding its strategic and financial dimensions and compliance with corporate governance principles;
3. Consonance/Alignment of Interests: The rules, procedures and incentives in the company must ensure the alignment of the performance of decision makers with the interests of stakeholders, with a special focus on shareholders;
4. Accountability: ensuring the appropriate accountability of decision-makers (Quaresma, Pereira and Dias, 2014).

It should be noted that these four criteria have been joined by others in recent decades, such as discipline, independence and social responsibility (a criterion that has been given greater importance in recent times). Today, a well-run company takes social issues into account, giving a high priority to ethical standards, not only non-discrimination and human rights but also environmental issues. A company is considered to obtain indirect economic benefits, such as corporate reputation and increased productivity, if it takes these factors into account.

Figure 1 – Pillars of Corporate Governance



Source: Authors' own

Based on the pillars of effective corporate governance, parallelism with the concept of Planet Governance was identified. Planet Governance complies with the stated criteria, and it is up to governments to introduce governmental policies that are based on the principles of: 1. Equity in the equal treatment of all citizens, where governmental practices and policies in terms of Planet Governance aim at the well-being of all ; 2. Transparency of governments on policies and reforms that may have an impact on Planet Governance; 3. Alignment of governments' interests with the well-being of the planet; 4. Accountability of governments for negative impacts of policies and reforms that may have a bearing on Planet Governance.

According to the OECD, "Good corporate governance helps to build the trust, transparency and accountability environment necessary to foster long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies" (OECD, 2017). Accordingly, Planet Governance should also help governments to have greater accountability in the management of world resources, in order to guarantee a better performance of countries evaluated by economic indicators, contributing to a better, or worse positioning, of the countries regarding Planet Governance.

Business development is a long-term business vision that ends up incorporating social and environmental dimensions into business strategy. It encompasses concepts inherent to social responsibility, such as ethics, transparency, effective communication, good corporate governance practices and accountability, which are fundamental elements of this new position.

Small-Warner et al. (2018) argue that "many business leaders implement strategies aligned with global sustainable development objectives, but not necessarily in synchrony with their core businesses".

3.2. New Planet Governance concept

This theoretical construction of the Planet Governance concept is based on the Corporate Governance concept, adapted to the government of countries with a focus on the Governance Good Practices of the Planet.

The definition of Planetary Governance arises from the parallelism with the Corporate Governance concept. Good Corporate Governance practices help organizations to achieve high financial and economic performance due to the impact on the organization's image in the market, being a key topic in current debates. By bringing governance closer to the planet, we believe that good practices by states in this area could have favourable economic and financial impacts on countries. Thus, Planet Governance emerges as a concept associated with good government management in order to maintain a "healthy" planet, that is, Global Governance.

After reviewing the literature, where the constructs were collected to define the concept of Planet Governance (Table 1), it becomes possible to carry it out.

The Planet Governance Concept can be as follows: "Planet Governance identifies how governments manage, based on the principles of equity, transparency, alignment of interests and accountability, their economic resources for the sustainability of the planet with a positive impact on the performance of the countries' economy".

To this end, and after having understood the concept of Planet Governance, it becomes evident that we need to develop a Planet Governance Index to measure the performance of states.

Table 1 – Constructs for the design of the Planet Governance concept

Contributions	***Planet Governance***
Definitions of Corporate Governance	Analogy of the governance of organizations and governance of the planet.
Scope of Corporate Governance	Governments that manage states with an awareness of environmental resources and the well-being of all citizens.
Pillars of Corporate Governance	Planet Governance is based on principles of equity (treatment of all citizens); transparency (revealing economic policies taking into account environmental resources), alignment of interests (between the various governments and the planet and between the various citizens and the government) and accountability (penalizing or rewarding the actions of governments through their economic policies with impact on the planet).
Corporate Governance and Social Responsibility	Governments should have concerns about the sustainability of the planet and be rewarded for their policies that can have a positive impact on this matter.

Source: Created by the authors based on the information collected

The Planet Governance concept can be defined as follows:

"Planet Governance identifies how governments manage, based on the principles of equity, transparency, alignment of interests and accountability, their natural resources in order to maintain the sustainability of the planet with a positive impact on the countris' economic performance".

Decisions made at corporate level, which will have an impact on the economy as a whole, will have long-term impacts on future generations and will determine whether communities, some already in constant change, will become more sustainable, environmentally friendly and more resilient.

It should be noted that at global level, the way of managing and controlling organizations is necessarily different from region to region, and even from country to country, as a result of many different factors, such as: culture; the external environment in economic, political, social, technological terms, among others; the legal regime; and influences from other nearby countries.

The future evaluation of Planet Governance will be done through an Index, the Planet Governance Index, whose indicators will be built with proxies fed by macroeconomic data that will evaluate the performance of governments in that regard. A better or worse government performance assessed by this indicator should have a positive or negative impact on its Global Governance assessment.

4. Conclusions

The main objective of this study, which is based on the presentation of the Planet Governance concept, was duly stated, illustrating its conception.

The 2030 Agenda for Sustainable Development establishes a new global framework to guide humanity towards a sustainable path, comprising a set of 17 goals, 169 targets and 232 indicators proposing a plan of action for people, prosperity and the promotion of peace, through the establishment of partnerships between different sectors and countries. Among the agents responsible for the implementation of this Agenda, the UN considers that several actors are protagonists of this process, and the role played by governments, companies and civil society in the scope of the SDGs is very important.

We believe that with this work, we help to develop the analysis and importance that is given to the strategy associated with the nation in search of sustainable development and the need to consider the impact that its stakeholders have on the state of the nation. Broman and Robert (2017) argued that more systematic and unified research on the topic was needed. Accordingly, we consider our work to be a major contribution in this regard.

Klarin (2018) argues that "the fundamental limitations of implementing the concept of sustainable development are the level of socio-economic development that many countries have not yet reached, associated with the lack of financial resources and technology, but also the diversity of political and economic objectives at global scale".

Thus, and given the level of development that Portugal has experienced in recent decades, we believe that the emergence of a more "serious" approach and stance on the subject will be useful and appropriate. This will lead to the definition of the "Planet Governance" concept already presented and its future development in terms of strategic definitions.

All studies on sustainability and environmental governance have made invaluable contributions that have usefully broadened the field of environmental policy based on government intervention. The inclusion of new agents and their interests, governance mechanisms and motivational reasons reinforced the analysis of the challenges and results in terms of sustainability, namely at environmental level. However, in our view, the sustainability governance revolution remains incomplete.

Thus, and given that sustainable development must select priority areas among the different ones presented, which form the process of implementing sustainable development, it will be necessary to involve local planning (local authorities, companies, associations and citizens) and to define strategies at national and international level. Thus, the concept of "Planet Governance" appears associated with the need to move forward with an efficient sustainable development project.

Lucci (2015), Reddy (2016) and Satterthwaite (2017) defend that local governments should play a leading role in achieving the Sustainable Development Goals, assessing the local situation, identifying needs and resources, developing partnerships with stakeholders, and implementing appropriate policies and projects. Local governments are recognized as being in an important position to implement intermediation strategies to localize the global agenda (Gustafsson and Mignon, 2019; Palermo et al., 2020). Thus, based on this concept where we have the design of a theoretical model, we aim to create a measurement index of good government practices in terms of managing the country's natural resources and defending the preservation of the planet. Through the model presented, it will be possible to assess, in future, a "Planet Governance Index" for states.

Bogers et al. (2022) argue that "the need for better policy coherence in the governance of global sustainability is indisputable". In order to face the complex, interrelated and non-linear challenges of socio-environmental sustainability that threaten societies and ecosystems, we consider it necessary to move from environmental governance to governance for sustainability, which will fundamentally change the way how the study of the socio-environmental challenges analyses the causes, processes, results and proposed solutions. To this end, the aforementioned index will be created by the authors, to be able to assign governments a classification in this matter, thus verifying the impact of the adoption of good practices of Planet Governance on macroeconomic indicators.

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