

Preface

“It is 95% likely that the world’s remaining oil resources will last at least another 63 years, but only 5% likely that it will last another 95 years.”

The American Petroleum Institute

There is an interesting concept found in Generally Accepted Accounting Principles or “GAAP.” It is the principle of the “going concern.” This means that a balance sheet or operating statement can only be considered true and fair, if it applies to a business, which is a going concern. If the business is not a going concern, then no balance sheet, no matter how meticulously kept, can be considered to be a true and fair representation of the company’s financial state. When this concept is extended to the level of our planet, if mankind consumes all of the Earth’s petroleum resources, whether in the next 65 years, or the next 1000 years, then such resources exploitation is not profitable as it cannot be considered a “going concern.” We would simply be borrowing against the future to finance the present. How does this help us to attain sustainability for our economic future?

We present here the most serious challenges humanity has ever faced, those resulting from over-running our planet. We often hear people speak of “the market economy.” What is the market economy? In fact, in this world in which we live, there is not just one market economy, but four, listed here in order of decreasing affluence:

- (1) Western market economy
- (2) Transition market economy
- (3) Survival market economy, and
- (4) Benevolent or begging market economy.¹

¹In some places, such as Calgary, Alberta, beggars require a license to beg!

The Western market economy is comprised of nations populated by approximately one-sixth of humanity, and it contains the world's most affluent societies, consuming 75% of the world's energy. If its kindhearted members have it in mind to bring the remaining world population to their level of "prosperity," then we shall need at least four more planets to accommodate us as we stand right now. So what are our options?

With our level of knowledge and technological expertise, we have three of them. In the first option, we accelerate the work on the American-led space program, land on Mars, and in the words of Star Trek's Captain James T. Kirk, let any natives, or "aliens" know that "We come in peace." The second is that we sensibly allocate and utilize our resources, both renewable and non-renewable, and address the challenge of defining the making of "profit." The third option is that we innovate and create new ideas and new technology, not just out of self-interest, but also for the common good.

For the time being, the first option is nothing more than science fiction. While research continues on a future mission to Mars, the difference between exploration and exploitation of the Red Planet is a matter of at least several decades. There is no way we have the resources to either send enough of the population off-planet, or bring back enough resources to make the burden on Mother Earth more bearable. Who would be crazy enough to sell us the travel insurance? The other two options are really inter-related; to create and innovate both in self-interest and in the interest of humanity requires knowledge of what true profit is, in order to keep Earth a going concern. Taking from the future to pay for the present is undesirable, but we need to use at least some of the Earth's resources in order to survive. How much is enough? How much is too much? Therein lies the difficulty.

All humans are driven by two fundamental desires: the desire to own and the desire to create. Ownership is not just the titular holding of property — physical, intellectual or otherwise — but the right to make decisions, or put another way, the right of free choice. The desire to create is the desire to take that which is there, and to alter its form to suit our purposes bringing into being something that did not exist before.

These desires can be twisted to make that which is good, into that which is evil. Vandalism and the urge to destroy are deviant expressions of the desire for ownership — if I can destroy something, then I claim mastery over it. Destruction is also a perversion of creation — for in order to create, I must change that which already exists. The difference is that destruction leaves behind nothing but a vacuum that others can fill but which I do not fill myself.

These needs and desires are so fundamental that we sometimes forget they belong to all of us. We are born to create. We are born with it in us to procreate, and with the desire to raise children. That is creation. To watch a child grow up and develop is surely one of the greatest joys in life. The life of a newborn baby is entirely under our control as we regulate how and when it eats and sleeps. But we all watch our children eventually grow up, mature and leave home to start their own families. In this, we have the ultimate expression of ownership — owning the choice to create something and let it go.

Communism has and is failing precisely because it makes the mistake of removing ownership from the individual. Pure capitalism will also fail, because it erroneously equates creation with acquisition.

The key is to determine what profit really is, and how to measure it. Loosely speaking, profit must be real gain. If accumulation of wealth is to the detriment of others and contributes to the ultimate destruction of our planet, then this would be an impairment of capital, which ignores important costs without giving returns for it. In this case, it would not be a “profit,” but a residual before unpaid costs, which should be included in the cost of operation.

Humanity in general and the business sector in particular must come to realize that for a sustainable future we must be creative and innovative. We must use sensibly clean and appropriate technology, while organizing different combinations of people, places and ideas, which work not just for self-interest but also more importantly, the interest of humanity. Fundamentally, we must deal most of all with “human technology,” and re-assess the meaning of profit. Profit cannot be determined without taking into consideration everything — people, environment and the resources needed

by our descendants. This mindset must become second nature to us, or it is all too easy to follow the old, selfish ways.

The book is centered on four concepts: Creativity, Innovation, Wealth and Value. By wealth, we mean wealth for the individual, and by value, value to society. These are definitions that we first advocated in a publication on Innovation Management in Manchester, U.K. in 1994. In the first part of the book, we discuss the fundamental issues of self-interest and the common good, and “Profit and Cost.” We then build on these fundamentals with applications to economic activities including the meaning of having one’s own business, the two sides of family business, corporate power, its mission and management, and entrepreneurship for charitable organizations. “Profit” and the “market economy” have been the focal point of our efforts. It is not our intention to dispute the notion of profit or question the importance of the market economy at work. Rather, we seek wisdom and facts to help us improve our understanding of what real profit is, what “profit” can do to the people and the environment, and how is it possible through creation and innovative activities to create wealth for the individual and add value to society.

This is not a book about the environment. It is a book about Entrepreneurism. However, as you the reader will see, one of the great driving forces behind this book is an awareness of poverty and environmental devastation resulting from overuse and criminal inequality of resources distribution. Thus a variety of examples are given to provide the setting for this work. Some of these examples, for which the original citations are given, were first read by the authors in “The Little Earth Book”², a thought provoking collection of short essays on topics ranging from the Kyoto accord on global warming, to the recent (and at time of writing, ongoing) epidemic of foot-and-mouth disease in the U.K. *The Little Earth Book* asks many questions for which we believe Entrepreneurism provides a sensible alternative to the market economy.

This book was the product of many sleepless nights, much sweat and tears, and much frustration as we looked over the state of the world today. How long can we blind ourselves, living only for the purpose of making

²Bruges J., *The Little Earth Book*, 2nd ed. (Alastair Sawday Publishing, U.K., 2001).

money or profit without knowing the meaning of it? We are not owners of the planet earth, but merely its stewards. Our stewardship does not give us the right to take everything just to satisfy our selfish desires. Ultimately we shall be judged, not just in heaven, but here on earth, by those as yet unable to speak for themselves: the unborn children of tomorrow.

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