

# The role business in tomorrow's society

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**The global enterprises of today enjoy unprecedented opportunities, but they also face some uncomfortable challenges. On the one hand, many companies are doing well, achieving new levels of reach, innovation and brand awareness. On the other, operating at global scale means they come face to face with the world's most pressing problems – including climate change, poverty, resource depletion, inequality, fast-growing populations in developing countries and ageing populations in developed ones.**

## The issue of trust

Companies need to face the fact that trust in business is low. Trust in big business is lower still. A global public opinion survey carried out by GlobeScan in late 2005 in 20 countries, interviewing more than 20,000 people around the world, showed that trust among the general public in business and government has gone down by 15 per cent since January 2004.

Although enterprises are not in business to be popular, it helps to be trusted. If they are not, it makes it more difficult to form the relationships they need with communities, NGOs and customers. It makes it more difficult for them to make a contribution to society when society doubts the motives of business and often doesn't understand 'where it is coming from'.

Companies are therefore finding it increasingly necessary to explain why they do what they do. This was one of the reasons why eight leaders of the world's more thoughtful companies – Adidas Salomon, BP, China Light and Power, GrupoNueva, Procter & Gamble, Storebrand, Swiss Re and TNT – published a manifesto for global business change in Geneva in late February this year.

## Shedding new light on the business role

The discussion paper on which the manifesto is based, 'From Challenge to Opportunity', was issued by the Tomorrow's Leaders Group under the WBCSD banner and clearly sets out the group's vision of the role of business in tomorrow's society.

It argues that "business prospers by helping society to prosper". The Tomorrow's Leaders Group also says: "We see shareholder value as a measure of how successfully we deliver value to society, rather than as an end in itself."

A fundamental message of the paper is that the businesses that will



Business is exploring how markets can be made to work for poverty.

Credit: International Committee of the Red Cross (ICRC)

be sustainably successful into the 21st century will be those who find business opportunities in tackling the world's big issues – including development and the environment. That emphasis must be placed on business opportunities, rather than philanthropy.

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Many companies spend millions on community and social investment every year, and manage them as rigorously as their core business. But billions of dollars will be needed to make an impact on a global scale with regard to dilemmas such as poverty or climate change. And shareholders will rightly accept such investments only if the business opportunities being pursued are profitable – and sustainably so. It is not charity; it is business, but business done in a way that drives societal progress.

The good news is that the business

opportunities that address major global issues are frequently the most attractive ones, certainly on a long-term basis.

For example, low-carbon energy will be the energy of the future. Building a scaleable business in solar or hydrogen power not only helps protect the planet, but also provides early mover advantages in an emerging market.

When two billion people live on less than two dollars a day and another two billion are set to adopt the lifestyle and opportunities of the developing world in the next couple of decades, there is a clear business advantage in finding economic models by which low-cost products can be provided to low-income communities and applying them at scale. 'From Challenge to Opportunity' gives examples of such products, ranging from water purifiers and credit cards, to mobile phones and simplified PCs.

## From challenge to opportunity

The more challenging news about such opportunities is that they are tough to

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identify and tougher to embed into company strategy. By their very nature they require new ways of thinking. They require deep understanding of social and environmental issues as well as economic ones. They demand partnership with experts, intensive research, innovative technologies and new kinds of business models. They demand long-term investments that need to be measured by metrics that look beyond annual profits and losses.

But how do you measure the results of broader social investment? An example given in the paper is a forestry company that chose to invest in education in a remote town in Chile in order to develop the capabilities of its future workers. An additional aim was to provide local teenagers with an alternative to unskilled jobs in the nearest city.

All this is not to say that every business project will be directly oriented toward a major social or environmental issue; but increasingly this will become an irrefutable element in corporate activities, and the driving force for many of them.

The Tomorrow's Leaders Group has also looked at ways in which globalisation relates to their businesses. Could issues that at first appear to be negative for the company in fact provide an opportunity to build trust?

For example, when corporate operations are moved from one country to another, can enterprises act in ways that leave the community with a positive legacy through activities that help the local economy prosper? When companies operate in developing countries, will they be able to transform the juxtaposition of a large business operation with a poor community from a symbol of inequality to a relationship that instead provides opportunities for the local people and support for new business?

Sometimes enterprises are able to manage such win-win situations, sometimes not. "We're learning all the time," said Julio Moura, CEO of the Latin American company GrupoNueva and a member of the Tomorrow's Leaders Group. "But for now, the imperative is to show people what we are trying to achieve, to show that we can pursue shareholder value at the same time as driving human progress."

In some business circles this is not new. The work of Professor C.K. Prahalad on doing business at the 'bottom of the pyramid', for example, explores this notion in depth. Henry Ford can be seen as the godfather of genuine corporate responsibility because his focus was primarily on the product



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and the benefits it would create – with the profit being generated as a result.

However, the idea of business as a positive force is certainly not as widespread today as it should be. "It is an idea we need to demonstrate through our actions, if we are to forge more productive relationships and make progress," continued Moura.

"We need to form partnerships because business cannot solve these issues alone. We have global reach and resources – but not a public mandate – and often not specialist expertise. Politicians have the mandate, but not the global reach. And NGOs have the expertise without the resources. Together, however, we have formidable power – a new level of capability to address the issues. As Einstein said, "Our present problems cannot be solved at the level of thinking at which they were created," Moura added.

### The debate

To spark a more purposeful engagement among key stakeholders, the WBCSD held a debate on the Business Role in Tomorrow's Society in Geneva in conjunction with the launch of the "From Challenge to Opportunity" paper.

Moderated by UK broadcaster Nik Gowing, the debate, which had a wide range of business contenders present, was frank. Although the views on business were widely divergent, it was agreed by even the sharpest critics that business does indeed have a key part to play with regard to addressing the global challenges – and progressing sustainable development. Some said clearly that governments should be doing more to facilitate this process.

To prepare for deeper engagement

with key stakeholders and actions going forward, the paper makes the following analysis:

"**Governments** play a critical part in creating the framework conditions in which business serves society. Business cannot succeed in societies that fail. It requires a basic framework of law and regulation, infrastructure, services, education and healthcare. Beyond these fundamental elements, business depends on a supportive public policy framework.

"Governments also help promote environmental, social, and economic sustainability. They create and maintain a level playing field for companies by promoting competition and removing perverse subsidies, including acting together in international trade rounds. They can offer subsidies when needed to incubate key future industries and smooth necessary transitions as national comparative advantages shift. Public policy tools can be seen in terms of a hierarchy, ranging from voluntary agreements to mandatory measures.

"**Non-governmental organisations (NGOs)** are often trusted by consumers and citizens. They can use their expertise and trust to help create shared priorities among business, government, and themselves. For some time, leading companies have sought dialogue with constructive and engaged NGOs to understand the issues, set priorities, and inform strategy. Increasingly, these companies are also looking for action-oriented partnerships that tap the local knowledge and capacities of NGOs to help implement strategy. Likewise NGOs may have criteria by which they judge companies' suitability as partners. WWF, for example, says that it will

‘work with companies that demonstrate a real commitment to the principles of sustainability and are prepared to adopt challenging targets for change.’

“*Consumers and citizens* use the information available in the market – including that provided by NGOs and other observers – to make choices. They provide the ultimate license to operate. They can damage a company by choosing not to buy its products, or they can build a company’s value by buying them. The extent to which companies will be prepared to invest in addressing global issues will be influenced by the impact this investment has on their sales, profits, and market value. This is one reason why it is important for business to enter the debate and provide the public with a realistic picture of what it is already doing and what it wants to do in the future.

“*Shareholders and investors* provide the funds for companies, and there is a continuing need to create value for them as business fulfils its purpose of improved goods and services for increasing numbers of customers. Its commitment to sustainability and social progress should not depend on the approval of the market, but it should explain its thinking to interested investors, demonstrating how we seek to create value. Businesses need to satisfy shareholders on a short-term basis irrespective of whether the shareholders have an interest in longer term issues. However, if business leaders are courageous in explaining their strategies to create long-term value, and why these are linked to

driving social progress, then investors will increasingly value such factors in their investment decisions.”

### Engagement delivers results

In the past few years, engagement between companies and other actors has led to some important voluntary initiatives such as the Extractive Industries Transparency Initiative. Another, the Marine Stewardship Council, which was set up by a company, Unilever, and an NGO, WWF, is today regarded as an independent body.

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Such voluntary multi-stakeholder initiatives demonstrate progress. The Tomorrow’s Leaders Group argues that it is time to enter into more fundamental dialogue on the roles of the different actors in creating the conditions for business to fulfil its potential – effectively extending our model to encompass the roles of others.

“We need to discuss how workable global frameworks can be created. How can we encourage the development of sustainable technologies to become commercially viable? How can businesses use their trans-national capabilities to serve social objectives? How can NGO expertise help open doors for business to enter new areas where it can deliver benefits for

society?” reasoned WBCSD President Björn Stigson in an interview following the Geneva debate.

Many of the challenges society faces can only be overcome by cooperation. No one player can solve the problem alone because each has different strengths and weaknesses.

Business has capacity but no democratic mandate and, often, limited trust. Governments have a mandate but not the same capacities as business. NGOs enjoy trust, if no formal mandate. They tend to have high levels of expertise but low levels of resources.

However, the various elements of society together possess all the ingredients to take on the world’s main concerns, and, working together, manage these concerns at a new and more effective level. This is why partnership is so important.

Business will continue to provide the goods and services that people need, but the extent to which companies simultaneously deal with the major global issues of the next few decades depends on their success in achieving clarity and consensus about business’s purpose and role.

While there are many unknowns, business understands that the questions it faces will only be resolved if it continues to debate and share tough challenges, explode myths, explore trade-offs, examine roles and responsibilities, and clearly communicate expectations for others and for business.

#### ABOUT THE AUTHOR

Odd Gullberg was appointed Chief Operating Officer (COO) and deputy to WBCSD president Björn Stigson in September 2003. After a career spanning 30 years at Norwegian oil and energy, metal and chemical company Norsk Hydro, he brings an extensive international business background to the WBCSD.

Odd held various executive positions in Norsk Hydro, among them head of the communications and public affairs divisions and member of the Corporate Management Board. In 1998 he was named President and CEO of Norsk Hydro Americas. During this time, he was responsible for all Hydro’s operations in North and South America, employing 6,000 people with gross revenues of USD 3.2 billion.

#### ABOUT THE ORGANISATION

The World Business Council for Sustainable Development (WBCSD) brings together some 180 international companies in a shared commitment to sustainable development through economic growth, ecological balance and social progress. Our members are drawn from more than 30 countries and 20 major industrial sectors. We also benefit from a global network of 50+ national and regional business councils and partner organisations.

Our mission is to provide business leadership as a catalyst for change toward sustainable development, and to support the business license to operate, innovate and grow in a world increasingly shaped by sustainable development issues.

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