

# News and Cluster Activities

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## Role of Business in Tomorrow's Society

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The World Business Council for Sustainable Development (WBCSD) organized a debate on 20 February 2006 in Geneva, Switzerland on the Role of Business in Tomorrow's Society. The room was packed with 250 top leaders from business, international organizations and NGOs, with a fast-paced debate and wide participation conducted by a BBC anchorman.

The first issue concerned where business is today and where it is going, focusing on the key issue of the borderlines of responsibility between business and government. Without a framework of law and social services, business cannot operate effectively, but it was clear that business did not feel comfortable venturing too far to fill the vacuum created by failures in government. Business could not create equity. Business was particularly poor at taking a long-term perspective, and this is also reflected in business school education. The difficulty of doing business transnationally without an adequate framework highlighted the crisis in global governance, but with the slow pace of institutional reform globally, no one was confident that the necessary framework would be created in time.

One problem that was not adequately addressed was employment creation. The ILO estimates that 500 million new jobs will be needed by 2015. Yet the largest companies are capital intensive and create only 1% of employment, and the push to raise productivity makes the problem worse. As was to be expected, there was disagreement as to whether the business model itself needed to be changed, with some questioning the whole economic system.

Discussion then moved to the environment, and whether the market could work for nature. While business must be environmentally responsible, the market does not fully price nature's services, and many environmental resources have no market value, so governmental and intergovernmental regulation are also necessary. Business can only respond to an impetus from consumers or governments. The number of businesses that truly integrate sustainability into their strategies and meet their environmental commitments is very small. Many more only see CSR as an issue of image and branding. The issue of business free-riders who ignore their responsibility needs to be addressed, but by whom was not clear.

The final topic was development, and whether the market could work for the poor. There was a very negative perception of business in developing countries (and little trust of business in the West). While it was acknowledged that it was essential to do business with the bottom of the pyramid, and that the poor are tomorrow's market, in practice it was difficult to get the market to work for the poor without the necessary framework conditions of stability, the rule of law, education, basic infrastructure and utilities. Business can partner with NGOs on this, and must take a longer-term perspective. One company had pledged to do 10% of its business with the poor, and encouraged investment in innovation of new business models and products. This was an important source of employee motivation.

Some of the remaining problems that were raised but not resolved were the failure of capital markets to see more than short-term returns, the difficulty of scaling up small solutions to a significant level, the rapid expansion of unsustainable consumption patterns in places like China and India, the refusal of governments to allow Corporate Social Responsibility to be discussed at the UN level, and the failure of business to become involved in the debate on trade. While it was encouraging to see the progress made by committed companies such as those in the WBCSD, the scale of the problems was enormous and we were just comfortable with micro-solutions. Since the founding of WBCSD there had been no progress on issues it had raised such as pricing resources to reflect full environmental costs, shifting the tax burden away from employment, or reducing damaging subsidies. Business needed to provide more leadership in addressing the problems of global governance, but it could not find the solutions on its own. Today neither business nor governments have the trust of the public, and what is the price of trust?

As will be seen by this short and rather personal summary of a deep and wide-ranging debate by leaders from many perspectives speaking off the record, there is a clear awareness of the problem, but little in the way of solutions. Ethical issues and values were often touched on, as was the importance of human motivation and willingness to change. The WBCSD pledged to continue the dialogue.

The debate was based on and launched a report by the Tomorrow's Leaders group to the WBCSD which can be consulted at:

<http://www.wbcds.org/plugins/DocSearch/details.asp?type=DocDet&ObjectId=MTgyMjM>. The WBCSD will prepare a more complete report later.

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