

DANIEL MALAN,
Director of the Centre
for Corporate
Governance in Africa



PROPHET . Warnings

What are the trends for economic growth in 2014? Can Big Business address current challenges on its own? **Daniel Malan**, director of the Centre for Corporate Governance in Africa at the USB and a member of the World Economic Forum's Global Agenda Council on Values, explores.

In a letter that was read at the opening session of the World Economic Forum's 2014 annual meeting in Davos-Klosters, Pope Francis appealed to participants to "ensure that humanity is served by wealth and not ruled by it". He applauded the fundamental role that business activity has played in the improvement of people's welfare, for example in health care, education and communications, but also warned that consideration for the dignity of every human being as well as the common good "at times seems to be little more than an afterthought".

In an earlier document, Pope Francis states the following*: "As long as the problems of the poor are not radically resolved by rejecting the absolute autonomy of markets and financial speculation and by attacking the structural causes of inequality, no solution will be found for the world's problems or, for that matter, to any problems".

What are these problems that are facing the world at the moment? The World Economic Forum's network of Global Agenda Councils has identified 10 main trends that will impact the world in 2014 (see box on opposite page). It is interest-

ing to note that a lack of values in leadership (number 7 on the list) seems to underpin just about every negative trend that has been identified.

Concerns about the growing income disparity and climate change do not come from the faith-based community alone; these issues have also become mainstream within the business community itself. In the recent *UN Global Compact – Accenture CEO Study on Sustainability* (2013), 67% of more than a thousand CEOs of global companies disagreed with the statement that business is doing enough to address global sustainability challenges.

'... a lack of values in leadership seems to underpin just about every negative trend'

Seven key themes were identified by the CEOs to achieve sustainability leadership and high performance (see sidebar on opposite page). Although all these themes are useful and constructive, they are not

really new. The business case for sustainability has been on the agenda for many years. The *UN Global Compact – Accenture study* claims that "we can see the beginnings of a collaborative, systems approach to sustainability, focused on the impact business can make". To make a statement like this in 2013 gives weight to the opinions of critics like the French philosopher Luc Ferry, who has suggested that the concept of sustainability is more charming than meaningful. Similar to Michael Porter's concept of shared value, which was billed as the "big idea" in 2011, these claims negate a long history of thinking about and advocating for sustainable development. It seems that many did not heed the call of former Norwegian Prime Minister Gro Harlem Brundtland in her famous 1987 report to the United Nations where the term "sustainable development" was coined: "If we do not succeed in putting our message of urgency through to today's parents and decision makers, we risk undermining our children's fundamental right to a healthy, life-enhancing environment".

Perhaps the most significant finding from the survey is the acknowledgement that big business cannot address current

challenges on its own. In the words of Peter Lacy from Accenture, the study suggests that "business may collectively have reached a plateau in the advancement of sustainability. Without radical, structural changes to markets and systems, CEOs believe, business may be unable to lead the way toward the peak of a sustainable economy". For example, 85% of CEOs demand clearer policies and market signals from governments.

Today, there are many examples of companies that demonstrate best practice in sustainable development, good governance and corporate responsibility. But by definition the term "best practice" implies a minority. While membership of the best practice club does give a competitive advantage, it pales in comparison with the systemic threats to the global economy as a whole caused by the majority of companies who carry on with (unsustainable) business as usual. If CEOs from major corporations call for more regulation, they probably do it to level the playing field. Stricter regulation can create a new normal where today's best practice would become an entry-level requirement.

With increased regulation the concept of sustainability might lose its charm but gain more meaning. A "sustainable" business might perhaps revert to its original meaning of a "going concern", but one where adequate resources, profit and liquidity would be integrally linked with a company's ability to anticipate or respond to the sustainability challenges we are likely to face in 2014 and beyond.

Raising the performance bar through regulation while fully integrating sustainability issues to create business value could be the best way forward. That might be the only way to ensure that humanity is served by wealth, rather than ruled by it. ^a

* http://www.huffingtonpost.com/2013/11/26/pope-francis-evangelii-gaudium_n_4342964.html, accessed 26 February 2014



KEY THEMES FOR SUSTAINABILITY

- **Be realistic** and understand the scale of the problem (and the opportunity)
- **Understand** the growth opportunities – the urgency of the challenges provides opportunities for differentiation and access to new markets
- **Measure** performance – the value of sustainable business must be quantified, and this is not achieved by traditional financial accounting
- **Innovate** – constraints in terms of resources as well as societal pressure can also act as stimuli for innovation and new technology
- **Collaborate** – business impact can be maximised through partnerships with governments, NGOs and other stakeholders
- **Engage** in dialogue – honest, two-way dialogue is a prerequisite for the previous point on collaboration
- **Lead** pro-actively – although the business community on its own will have limited impact, advocacy and public commitment will be integral to further progress

Source: UN Global Compact – Accenture CEO Study on Sustainability, 2013, p. 13 – 14.

WORLD ECONOMIC FORUM'S GLOBAL TRENDS FOR 2014

Top trends	Score
Rising societal tensions in the Middle East and North Africa	4.07
Widening income disparities	4.02
Persistent structural unemployment	3.97
Intensifying cyber threats	3.93
Inaction on climate change	3.81
Diminishing confidence in economic policies	3.79
Lack of values in leadership	3.76
Expanding middle class in Asia	3.75
Growing importance of megacities	3.48
Rapid spread of misinformation online	3.35

1.00 = Not significant at all
2.00 = Not very significant
3.00 = Somewhat significant
4.00 = Very significant
5.00 = Extremely significant

(Source: World Economic Forum, Outlook on the Global Agenda 2014)

COMMENT HERE www.usb.ac.za/agenda or agenda@usb.ac.za