Can Global Business be a Force for Good?

Vernon Ellis

The more extreme defenders of business have one belief in common with the anti-globalisation protesters: that the relationship between business and society is a zero-sum game where one can gain only at the expense of the other. In this article, the author argues the opposite case. Recognising the validity of some of the protesters’ concerns, he summarises research and his own experience at the G8 Summit and elsewhere on how the forces which drive business globalisation can also help social progress.

“Global business as a force for good”. To many people – and not only the protesters at Genoa – this sounds like King Herod writing a manual on childcare. However, although the advance of global business is inexorable, adverse consequences are not. Global business has immense potential to tackle the problems of global society and simultaneously serve its own interests. The question before us is whether, and how, that potential will be achieved.

We must start by acknowledging the fervour of the current backlash against global capitalism. We cannot dismiss the protestors as a naïve, misguided, unrepresentative, or even violent, minority – although some fit that description. For each protestor on the street, there are thousands more who privately worry about the power and influence of global business.

A common theme for many critics, in all parts of the political spectrum, is that global capitalism has been blind to its casualties and deaf to social concerns. They accuse it of ignoring the growing gap between the world’s rich and poor, and the destruction of local systems which provided a safety net against destitution. And the critics are right when they point out that it has not benefited everyone equally. There are excluded underclasses even in the most developed countries. While the poorest countries remain in relative poverty, the richest countries have raced ahead. In 1960 average income in the richest 20 countries was 18 times that in the poorest. By 1999, this gap had more than doubled to a shocking 37 times difference.

Global business also faces more specific criticisms. These reflect the highly disparate concerns of the interest groups who make up the anti-capitalist coalition: the third world, the environment, labour rights and standards, the welfare of local communities, democratic control and local accountability, and an eclectic range of cultural and spiritual issues.

Not a Zero-sum Game

The response of global business to criticisms has varied. Although many businesses continue to search for new initiatives to demonstrate their social awareness, others have reacted to the protestors with a vigorous defence of traditional business values. This attitude has perhaps been fortified by the change of political administration in the United States. Milton Friedman long ago provided their gospel text: “There is only one social responsibility of business – to use its resources to engage in activities to increase its profits.
so long as it stays within the rules of the game.” (Of course, this does beg the question as to how the rules of the game are shaped by society and government – and business). Recently, in a much-debated article in the Financial Times, Martin Wolf highlighted business concerns that the trend towards corporate citizenship is deflecting business from its true goal of enterprise and wealth creation, and forcing it to bear unnecessary costs in the process. He said that “the role of well-run companies is to make profits, not save the planet”. However, all those analysts who read the FT surely accept that the end of the world would have a depressing effect on company profits.

The “robust” school is right to remind business to focus on activities which are sustainable, make good use of its strengths, and which add value to its operations. But the more extreme defenders of business have one thing in common with the anti-globalisation protestors. They both tend to see the relationship between business and society as a zero-sum game: one can gain only at the expense of the other. This is where both are wrong. Business has always had a long-term commonality of interest with wider society. Although often resistant at first, business has constantly evolved to meet society’s goals and fuse them into its own interests. In this way society’s interests come to form part of the business case for making particular decisions.

An obvious example is health and safety. In the nineteenth century, companies could and did put their workers’ health and safety in danger. However, enlightened employers realised that this not only damaged worker morale and productivity, but also ran counter to society’s changing expectations. They joined a campaign alongside civic organisations. Other employers gradually – if often reluctantly – came to accept their case and, over time, business, society and legislation moved forward in a common direction. Worker safety became, quite simply, “good business”. I believe that a similar process will happen with global business: recognition of social goals will be seen to be good business; neglect of them will be bad business.

Indeed, this process is already happening over the environment. Where many businesses once dismissed environmental concerns as cranky and irrelevant, more and more are realizing that a degraded environment is bad for business as well as society. Moreover, business is learning the commercial value of clean air, clean seas and streams, fine rural and urban landscapes, and the preservation of wildlife, if only to satisfy the huge and growing travel and leisure market.

Sustainable Development

Of course, different countries have different societal expectations – for example, over the use of child labour. Critics say that it is these very differences which are exploited by multinational businesses: in some cases they may be right. But I am certain that there will be a levelling up of the standards which corporations are expected to meet – and that levelling up will be the result of globalisation. Why? First, because supply chains are becoming more and more integrated across the world, and good practice in one part of the chain will be diffused more rapidly into others. Second, because faster communications mean that corporate activities will face greater and greater scrutiny throughout the world. Precisely because of globalisation it is not enough for corporations to behave as good corporate citizens just in their home country. The recent controversy over the selling of generic anti-AIDS drugs in South Africa shows the importance of business working with, not against, such broader societal expectations and the importance of understanding those expectations in the first place.

The theme of the mutual interests of business and wider society is particularly urgent and relevant for developing countries. This is a key message which I have promoted in my role as Chairman of the Board of the Prince of Wales International Business Leaders Forum. Supported by leading multinational companies from Europe, America and Asia, the Forum is now active in over 40 countries. A good example of the work of the Forum was in Poland and China, where my own company linked with other members (such as ABB, BP, Coca Cola and GlaxoSmithKline) to show how business practices and problem-solving skills could be aligned with wider development objectives to the mutual benefit of business and local communities.
This project generated a strategy game called Chusco for MBA and executive education students, developed by Accenture in collaboration with London Business School. The students are not told beforehand that the game is about corporate citizenship. But by playing the game, winning students learn how they can get the most effective solutions to common business problems only if they work in harmony with other stakeholders in society.

This new thinking on business, markets, and society is desperately needed to address the horrific dimensions of poverty and exclusion. In absolute terms, there have been real and substantial improvements in health and living standards for poorer people in the world over the last 30 years – driven by globalisation. But almost half the world’s 6 billion people still live on less than $2 a day, and one fifth live on less than $1 a day. If poorer countries continue to be excluded from the benefits of global economic change, the world will become an ever more fragile and unpredictable place. Within the next 25 years, the world’s population will grow by about 2 billion, and most of this growth will be in developing countries. Will these new people live in exclusion and subsistence or will they join and expand the world’s markets as new producers, new consumers, new savers and new investors? That represents both challenge and opportunity for global business.

The solution requires a holistic long-term approach, in which business must be willing to work co-operatively with other parts of society – especially government and civil society – to bring about change. Too often in the past each sector has stayed in its own silo, unwilling or unable to see areas of mutual interest where much more could be achieved by working together.

Behind the drama of the protests, the Genoa summit provided real proof of the benefits that such co-operation can bring. One example of this was when the leaders of the G8 governments reviewed the work of the Digital Opportunities Task (DOT) Force on tackling the “digital divide”. The “digital divide” is commonly portrayed as merely about access to information technology. In fact, the real divide is socio-economic, and this is the starting-point for Accenture’s work on the DOTForce. Without access to digital technologies, and the markets and opportunities they create, existing inequalities will be exacerbated and developing countries will be forced deeper and deeper into the margins of global society, with all the dislocations that can bring – for example, mass migration, political instability, or even regional conflicts. We cannot take such a risk in a fragile world. Our economic systems have been wound up to such a high pitch of efficiency that they are even more vulnerable to quite small shocks.

To avert major dislocations to global society, we need to find a way of way of creating a cycle of sustainable development in the world’s poorest countries. Part of this rests on the need for much greater co-operation between business, government and civil society. It will also require a change in the way we view information and communications technologies.

There need be no trade-off between computers and development needs. On the contrary, we should be looking at all the ways in which digital technology can actually help in health, in education, and in creating economic and social opportunities. Used in the right way, it can help enable networks of local learning and knowledge, improved productivity and efficiency, increased access to government services, and the creation of new markets.

**Five Fundamentals for Sustainable Development**

Technology by itself is obviously not enough: it can help bring about sustainable development only if the other fundamentals are also right. Accenture’s research with the United Nations Development Programme and the non-profit Markle Foundation points strongly to five fundamentals as the pillars of sustainable development. Global business has a major role in building these pillars, but it cannot do this in isolation. It will need to work co-operatively with other stakeholders – governments, non-governmental organisations, and multilateral development agencies. The five pillars are:

- infrastructure
- policy
- education and training
- local relevance
- entrepreneurship.
Let us look at these five with particular reference to the problem of the digital divide.

**Infrastructure**
This means more than providing the backbones of communication. Nor is it about wiring everyone to a personal computer—an expensive futility in countries where literacy rates are low and people rely on oral communication. In such conditions, direct access to a telephone is more valuable than access to the Internet—more than half the world’s population has never even made a telephone call. In many developing countries public or community access centres have a key role to play in bringing people into the digital world, as well as generating opportunities for local entrepreneurs.

**Policy**
The policy environment must also be right. Take, for example, the question of liberalising telecommunications markets, which in many developing countries are state monopolies. This often raises the need to balance several competing objectives, such as securing incentives for investment and the entry of new operators, while at the same time encouraging universal access and preventing too much erosion of government revenues.

**Education and training**
Simply providing computers without the training to use them is a sure-fire formula for disaster. Basic literacy and numeracy are of course important, as are tertiary education and corporate training. But it is also crucial to ensure a core of knowledge workers: people with the technical capabilities to maintain ICT infrastructure and adapt it to local requirements.

**Locally relevant content**
Building elaborate Internet networks or providing computers is useless if the only software and content available is that designed for people living thousands of miles away. We must be sure that the technology will make a real difference to people’s lives, and that can happen only if content and software—and of course language—are relevant to the individual culture and circumstances of developing countries.

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**Entrepreneurship**
For me the key element of the five is entrepreneurship. Accenture published a major study on it only a few weeks ago. It is vital for sustainable development, providing the engine for economic growth and generating the revenue to pay for social goals. Of course, it is influenced by many factors—not least, access to finance and credit, property rights and commercial law, a fair taxation regime, and elimination of corruption.

Within this development framework, global business can play a hugely important role. It can channel its expertise, know how, and other resources to help local enterprise develop on the ground. It can share its expertise in education and training, and assist the development of locally-relevant content. This is not just theory. I and my colleagues on the G8 DOTForce offered real resources and real management commitment to turn the opportunities into reality. I am encouraged by the response of the G8.

There are many digital success stories in the developing world which have been built on these five pillars through collaborative working between business and other stakeholders. The Grameen story in Bangladesh (see box) shows how economic opportunity can be married to social goals. It shows how, in making the

**GrameenPhone**
The story of GrameenPhone in Bangladesh illustrates the difference that even simple technology can make. Its founder, Iqbal Quadir, had vivid memories as a 12-year-old boy of walking for miles in the country to buy medicine, only to find the medicine shop closed. It made him realise how simple access to a telephone could save much unnecessary toil. The Grameen Group now loans money to people in over a thousand villages to purchase cellular handsets. Phone owners then rent the phones out to village farmers and other community members for a fee and also provide messaging services. For the owners, mainly women, the scheme has brought new income and savings; for the users, mainly farmers, it has brought productivity gains through access to market information, weather reports, and pest and disease alerts.
world a better place, a company also makes it a better environment for its own business. It turns neglected areas into new markets and new sources of supply. Companies which are partners in locally-generated development acquire new customers and new local knowledge on how to satisfy their needs. Starving people do not make good customers. Uneducated people do not make good workers. Poor people do not make good investors.

The benefits of such an approach are not felt only in developing-country markets. Companies are also seeing that it helps them in their developed markets as well. Increasingly, consumers want to buy from companies who are doing good things, not bad things. Similarly, investors want to put their money into companies who are working for a better society. Only recently, we saw the launch of the FTSE4Good ethical index. This year the market for socially responsible investment is expected to reach £300bn in the UK alone.

The advance of global business may be inexorable, but its consequences are not. They are matters of choice, and business itself has the power of choice. It can choose to ignore the interests and concerns of others or it can recognise them and thereby discover new means of creating value and serving its own interests.

A commitment to working with wider society must not just be for the good economic times when profits are high. It needs to continue even when, in fact especially when, times are tough. The best way to guarantee that is to make sure that good citizenship is institutionalised within all aspects of the business. Even where good practices exist now they are often segmented. But all parts of a business need to be able to exchange ways in which good practice can enhance all of their objectives.

A similar challenge for companies is to overcome the difficulties in taking a holistic view of countries. Under the competitive pressures of globalisation, many companies have moved away from country-based operations. Key functions such as marketing, purchasing, branding, manufacturing and R&D are now commonly organised along global lines. Profit responsibility is often aligned with global product, customer or service group distinctions which can lead to a blinkered over-centralised view of the world.

We need to work within global structures, but in a way that recognises the importance of individual countries and communities. Many businesses are already trying to meet the challenge of restoring an appropriate balance between global and local. This has been shown by the emerging new breed of country managers who do not have profit responsibility but whose job is precisely to act as a focus for the company's strategy in individual countries.

After Genoa

The rise of the global corporation has undoubtedly brought many benefits: increased business efficiency; rising prosperity for many; dissemination of technology; expanded consumption possibilities; greater knowledge and awareness of different cultures; and many others. But global business needs a framework in which these benefits can be transferred and multiplied across society, without the unintended ill consequences that can arise from globalisation. That framework must incorporate recognition of the needs and interests of individual nations and communities and greater co-operation between business, government and representative organisations in society.

Disseminating and sharing the benefits of global capitalism – that is the greatest task we face in the world today. The protests at Genoa and elsewhere can be a perverse inspiration for all those engaged in the task. They show the perils of divorcing business from society. If society treats global business as a whipping boy – and if business dismisses society's concerns – then all the world's ills will deepen and multiply. The world's fragile systems – on which all businesses ultimately depend – will move closer to breakdown.

I am old enough to remember the protests of the 1960s. At that time, the rise of the global corporation provoked only a few challenges and questions over its role or place in society. At that time, what mainly concerned protesters was promoting a socialist alternative to market-based capitalism. Now, the focus is no longer on non-capitalist means of driving economic and social progress. Not only have the non-capitalist experiments failed; they are mostly perceived to have failed. In just a few years, protest has shifted
to global corporations, which have become the subject of a fierce worldwide debate. Personally, I welcome this debate. I believe that global business has every motive to recognise and assist the aspirations of global society. To quote the founder of Matsushita: “businesspeople too should be able to share in creating a society that is spiritually rich and materially affluent”.

Vernon Ellis is International Chairman of Accenture. This article is derived from the “New Statesman” lecture given in London in July 2001. This was based on Accenture research on globalisation and work towards a report on the digital divide presented to the G8 Summit in Genoa.