

Re(organising) our role in society

Maintaining the Societal role of Business



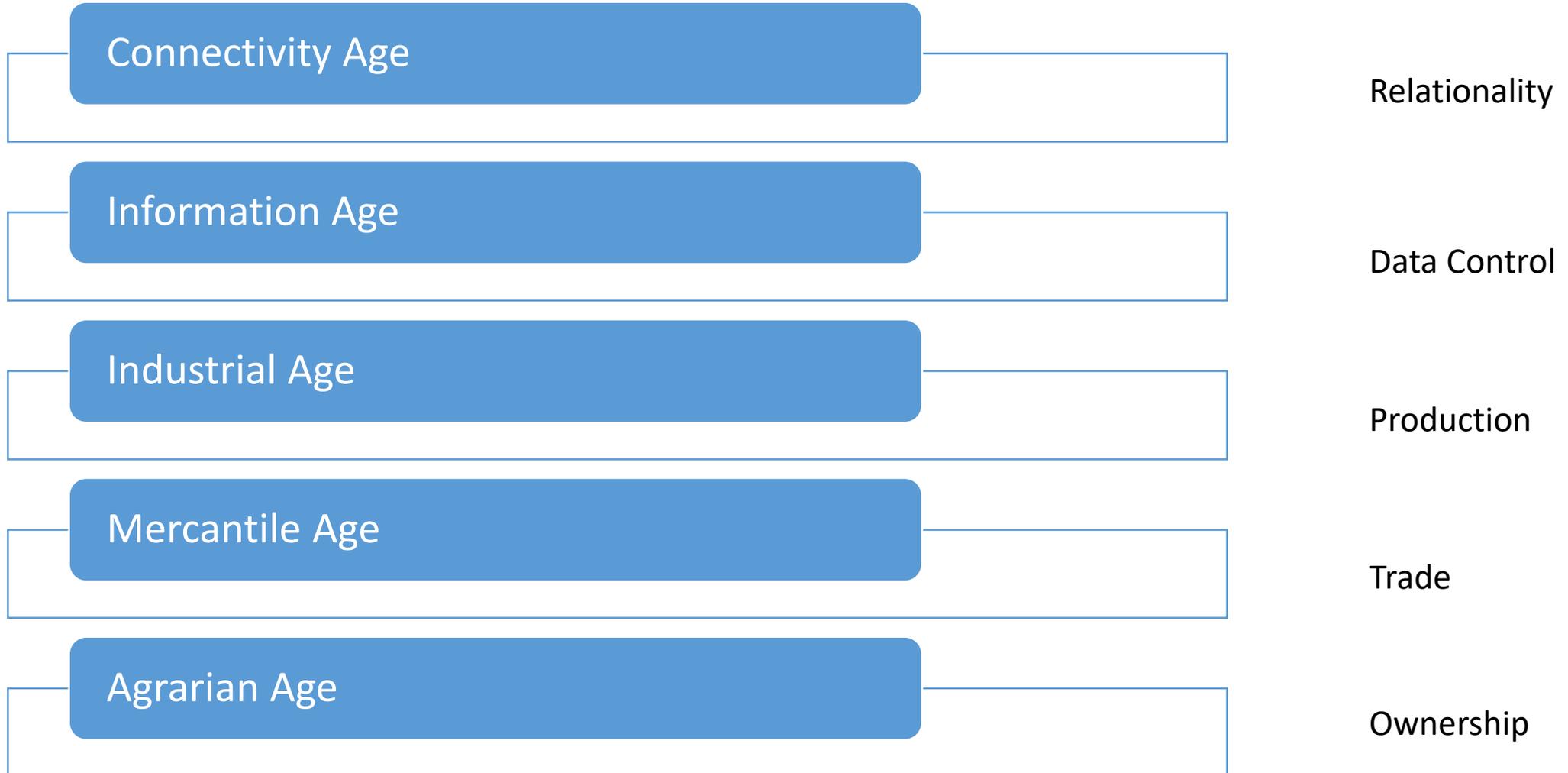
Andreas Wasmuht
BRLSI Business & Economics Convenor

12 June 2018

The agenda for tonight

1. The historic background
2. The question of trust
3. The global issues
4. The Top 100 Economies
5. Corporate Social Responsibility
6. From the Digital Information Age to the Connectivity Age
7. A way forward

Business is always re(organising) its role in society



The question of Trust

Trust Index A World of Distrust

Average trust in institutions,
general population, 2017 vs. 2018

Global Trust Index remains at distrust level

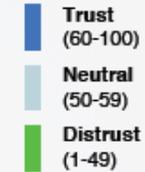
20 of 28 countries are distrusters, up 1 from 2017

Source: 2018 Edelman Trust Barometer.
The Trust Index is an average of a country's trust in the institutions of government, business, media and NGOs. General population, 28-country global total.

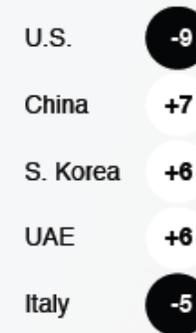
▲ 2017 General Population



▲ 2018 General Population



Biggest changes in



Trust decline in the U.S. is the steepest ever measured

Some are more trusted than others

Percent trust in companies by industry sector and by their country of origin, and change from 2017 to 2018

Sectors

Most Trusted

Technology	75%
Education	70%
Professional Services	68%

Least Trusted

Financial Services	54%
CPG	60%
Automotive	62%

Biggest Y-to-Y Changes

Food and Beverage	-4
Automotive	-4
CPG	-3

Countries of Origin

Most Trusted

Canada	68%
Switzerland	66%
Sweden	65%

Least Trusted

Mexico	32%
India	32%
Brazil	34%

Biggest Y-to-Y Changes

U.S.	-5
U.K.	-4
Sweden	-3

A wider role than business performance

Business Must Address Market Dynamics

Trust-building mandates for business in countries with extreme or typical trust changes

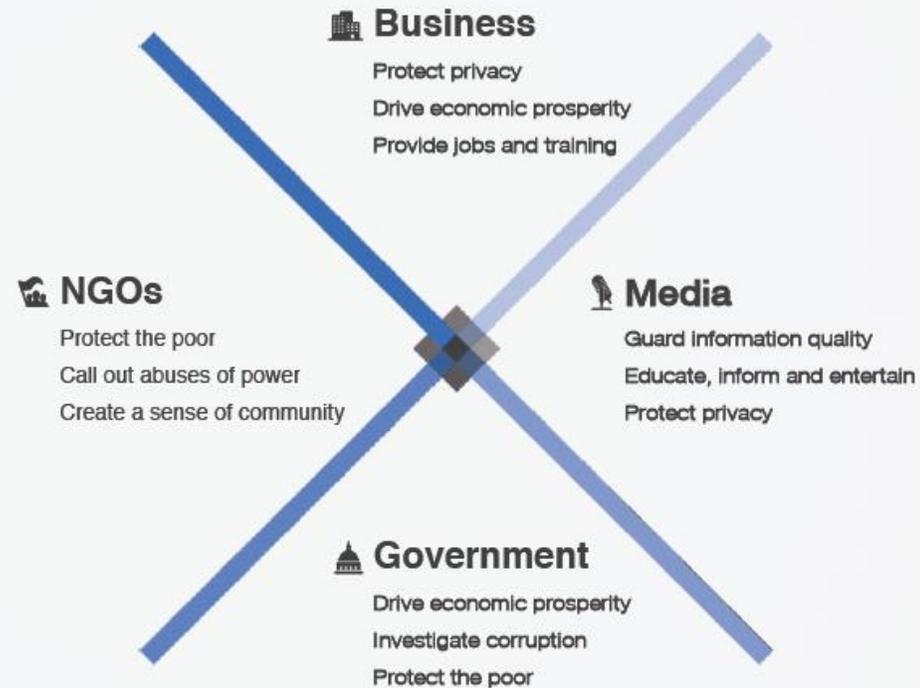
Countries with extreme Trust Gains Countries include China, UAE, South Korea	Countries with Typical Changes in Trust Countries include Russia, Mexico, U.K., Japan	Countries with extreme Trust Losses Countries include U.S., India, Colombia, Brazil
Invest in Jobs	Invest in Jobs	Guard Information Quality
Protect Consumers	Promote Equal Opportunity	Protect Consumers
Improve Quality of Life	Safeguard Privacy	Safeguard Privacy
Ensure Competitive Workforce	Drive Economic Prosperity	Drive Economic Prosperity
Innovate	Provide for Future Generations	Innovate

Source: 2018 Edelman Trust Barometer. Trust Volatility Measure. The net year-over-year (2017-2018) percentage point change across the four institutions (TRU_INS). General population, 28-country global total. Trust-building mandates Analysis. The most effective trust building mandates for each institution. Mandates not shown in rank order. INS_EXP_BUS. Below is a list of potential expectations or responsibilities that a social institution might have. Thinking about business in general, how would you characterize each using the following three-point scale. General population, 28-country global total. For more details on the Trust Volatility Measure and Trust Mandates Analysis, please refer to the Technical Appendix.

Solutions extend beyond business

Each Institution Must Play its Role

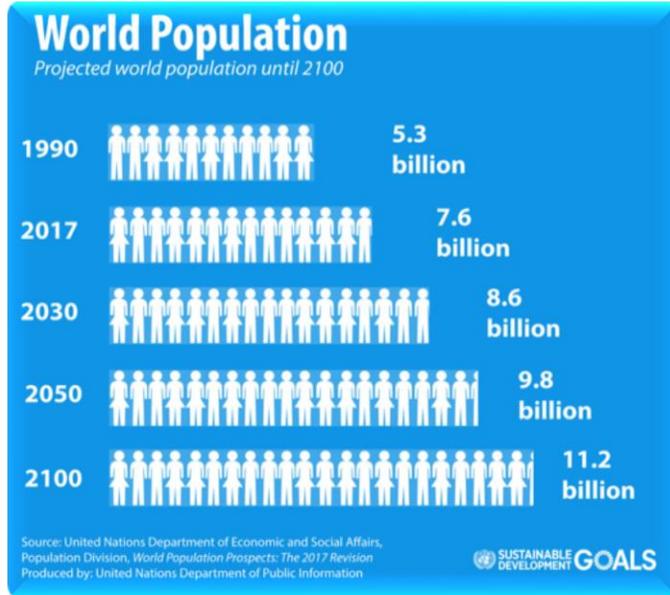
Top trust-building mandates for each institution



Source: 2018 Edelman Trust Barometer. Trust-Building Mandates Analysis. The most effective trust building mandates for each institution. INS_EXP_GOV; INS_EXP_MED; INS_EXP_BUS; and INS_EXP_NGO. Below is a list of potential expectations or responsibilities that a social institution might have. Thinking about [insert institution] in general, how would you characterize each using the following three-point scale. General population, 28-country global total. For more details on the Trust Mandates Analysis, please refer to the Technical Appendix.

- The solutions are not isolated but interrelated across issues and institutions
- It is important to address the issues through integrated action across all sectors

The Global issues – business must act

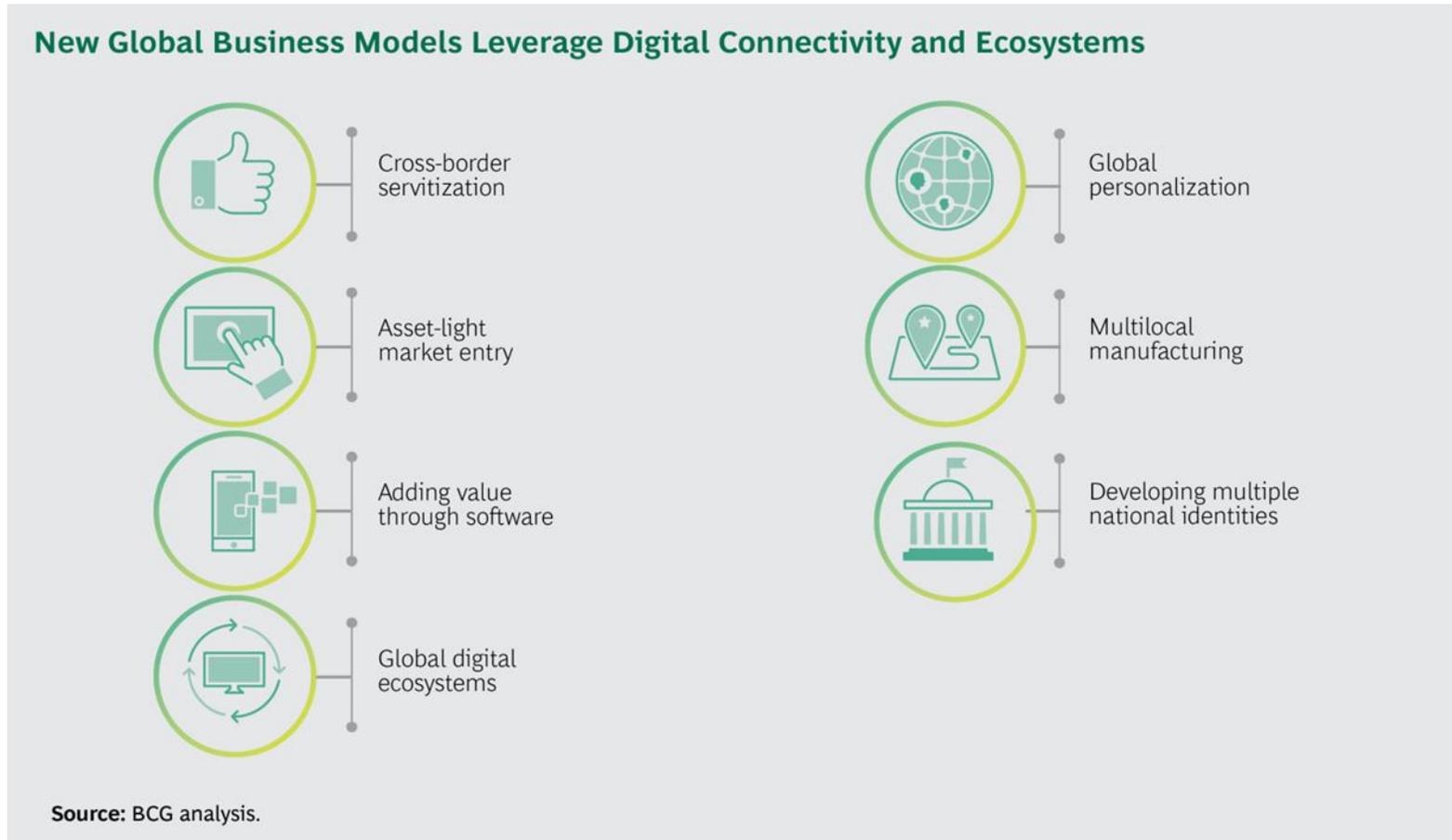


The Top 100 Economies

Top 100 Countries/Corporations					
Country/Corporation	Revenue (US\$, bns)	Country/Corporation	Revenue (US\$, bns)	Country/Corporation	Revenue (US\$, bns)
1 United States	3,251	35 Austria	189	69 Ping An Insurance	110
2 China	2,426	36 Samsung Electronics	177	70 United Arab Emirates	110
3 Germany	1,515	37 Turkey	175	71 Kroger	110
4 Japan	1,439	38 Glencore	170	72 Société Générale	108
5 France	1,253	39 Industrial & Commercial Bank of China	167	73 Amazon.com	107
6 United Kingdom	1,101	40 Daimler	166	74 China Mobile Communications	107
7 Italy	876	41 Denmark	162	75 SAIC Motor	107
8 Brazil	631	42 UnitedHealth Group	157	76 Walgreens Boots Alliance	103
9 Canada	585	43 CVS Health	153	77 HP	103
10 Walmart	482	44 EXOR Group	153	78 Assicurazioni Generali	103
11 Spain	474	45 General Motors	152	79 Cardinal Health	103
12 Australia	426	46 Ford Motor	150	80 BMW	102
13 Netherlands	337	47 China Construction Bank	148	81 Express Scripts Holding	102
14 State Grid	330	48 AT&T	147	82 Nissan Motor	102
15 China National Petroleum	299	49 Total	143	83 China Life Insurance	101
16 Sinopec Group	294	50 Argentina	143	84 J.P. Morgan Chase	101
17 Korea, South	291	51 Hon Hai Precision Industry	141	85 Gazprom	99
18 Royal Dutch Shell	272	52 General Electric	140	86 China Railway Engineering	99
19 Mexico	260	53 China State Construction Engineering	140	87 Petrobras	97
20 Sweden	251	54 AmerisourceBergen	136	88 Trafigura Group	97
21 Exxon Mobil	246	55 Agricultural Bank of China	133	89 Nippon Telegraph & Telephone	96
22 Volkswagen	237	56 Verizon	132	90 Boeing	96
23 Toyota Motor	237	57 Finland	131	91 China Railway Construction	96
24 India	236	58 Chevron	131	92 Microsoft	94
25 Apple	234	59 E.ON	129	93 Bank of America Corp.	93
26 Belgium	227	60 AXA	129	94 ENI	93
27 BP	226	61 Indonesia	123	95 Nestlé	92
28 Switzerland	222	62 Allianz	123	96 Wells Fargo	90
29 Norway	220	63 Bank of China	122	97 Portugal	90
30 Russia	216	64 Honda Motor	122	98 HSBC Holdings	89
31 Berkshire Hathaway	211	65 Japan Post Holdings	119	99 Home Depot	89
32 Venezuela	203	66 Costco	116	100 Citigroup	88
33 Saudi Arabia	193	67 BNP Paribas	112		
34 McKesson	192	68 Fannie Mae	110		

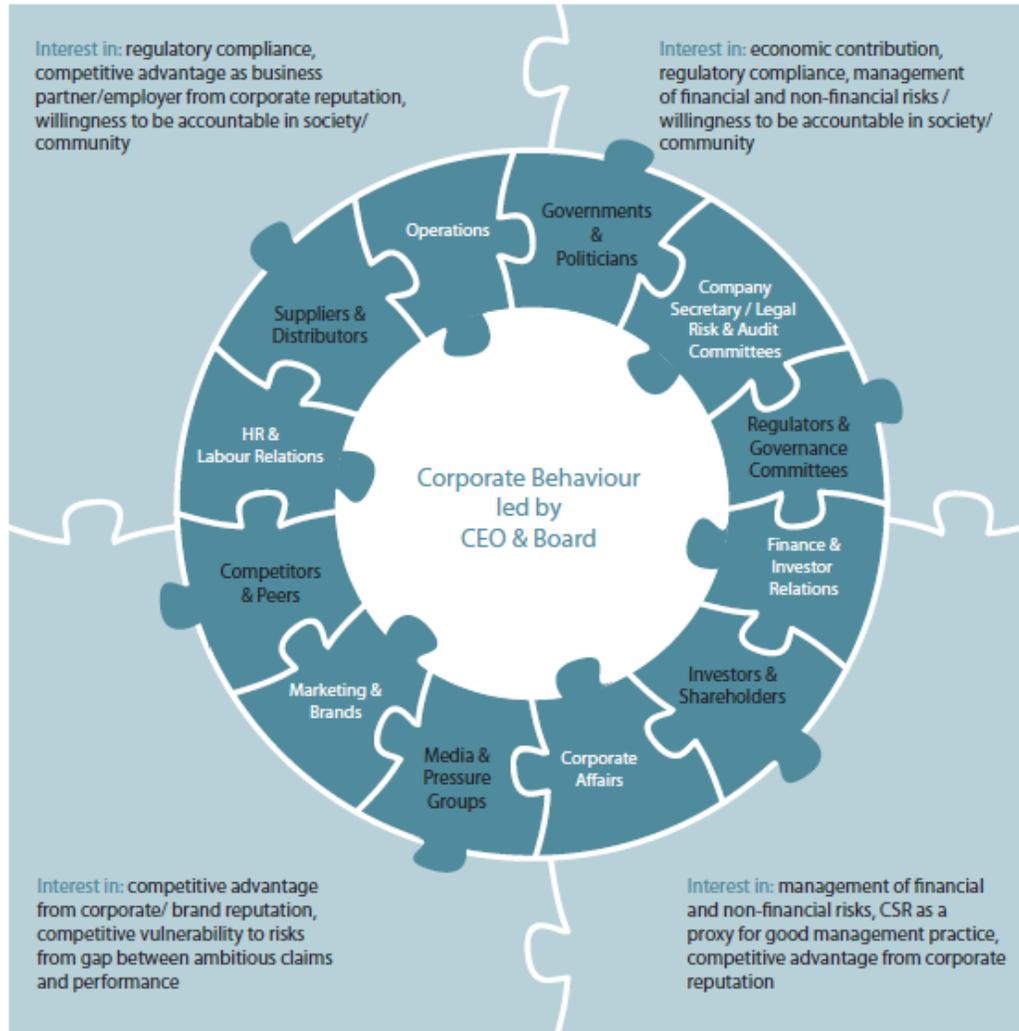
- 31 of the top 100 economies are corporates!
- Walmart is bigger than any country apart from the G9
- The influence and responsibility of corporates is global
- This extends across all industry sectors, horizontally and vertically
- Organisations will play a vital role in helping to address global issues as part of the overall ecosystem
- This also applies nationally and locally

The new neo-classical approach – more of the same



- The jargon is different but the rhetoric is the same
- Ecosystems are defined as an environment that can be ‘utilised’ rather, not one that can be ‘enriched’
- Business Schools and Consultancies continue to focus on binary optimisation strategies
- The behaviour and attitude within the business environment is absent

Corporate Behaviour is key – Corporate Social Responsibility



- With the optimisation of profit and turnover as the only CSFs, behaviour predominantly focuses on outcomes, rather than the process
- ‘Balanced Scorecards’ emerged in the 1990s, but in most cases it is only Profit and Turnover that matter as metrics
- The optimisation of shareholder value remains the key responsibility of directors and in some countries is even enshrined in law
- Stakeholders such as government, legislation, consumers, competitors are recognised, yet most of the relations are adversarial, rather than co-operative
- Corporate Social Responsibility is ubiquitously cited as important in corporate literature and reports, but in reality is often restricted to small scale token initiatives
- Yet, Social Responsibility will be critical in reframing the role of institutions in the future

(Corporate) Social Responsibility

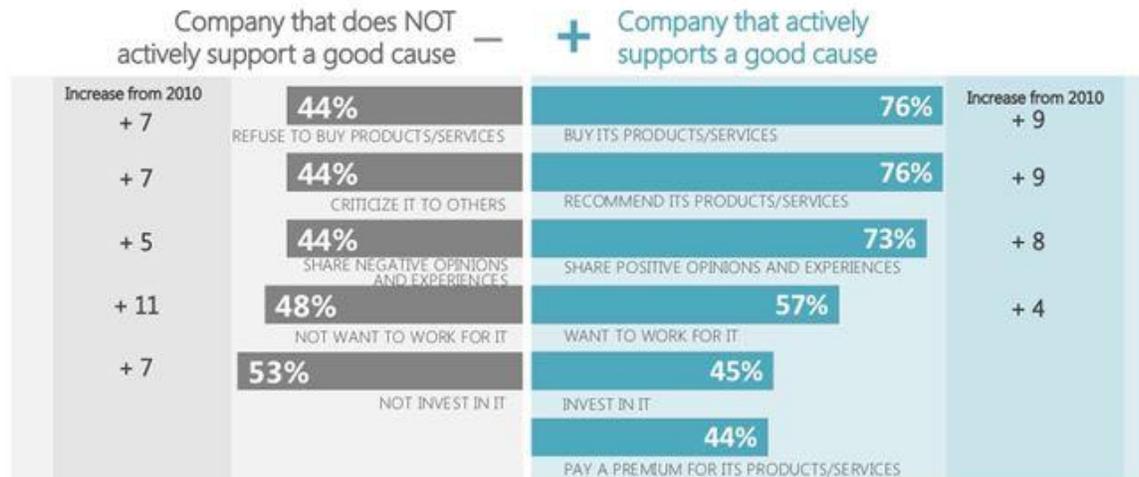


- Social Responsibility relates to the entire Ecosystem
- United Nations: "A company's delivery of long-term value in financial, social, environmental and ethical terms."
- Partnerships across the value chain are critical to fostering a different approach that can drive sustainable value
- Shared goals and objectives represent the cornerstone of Social Responsibility (e.g. long-term needs, resources, capabilities)
- Shared and balanced Critical Success Factors follow that spell out the benefits and value for the partners
- Focus is on commitment and integration into business practices
- Shift from 'doing no harm' to 'actively contributing' to improvement
- Transform from the institution as a machine to the organisation as an organism (corporation > cooperation)

Generations are different

	MATURES	BOOMERS	GEN XERS	MILLENNIALS
Years born	1945 and before	1946 – 1964	1965 – 1979	1980 - 1999
Age in 2015	70 + years old	51 – 69 years old	36 – 50 years old	15 – 35 years old
Cultural ethos	Uncertainty; Conformity	Prosperity; Counterculture	Disillusionment; Information	Globalization; Social Responsibility

Consumers will praise...and punish



Complexity in Business & Economics



- B&E are dynamic and open environments
- Connectivity and interactivity are increasing exponentially, creating feedback loops
- This represents its own ecology and ecosystem, rather than a mechanistic and determined system
- This is constantly in change and formation through the interaction of agents where possibilities are realised
- Classical neo-classical Economics focuses on equilibrium positions in which asset allocation can be determined
- Complexity focuses on interactions in addition to inputs and outputs
- It is imperative that Complexity in Business & Economics is progressed as part of the mainstream

Emergence in Business & Economics



- Connectivity and interactivity creates continuous feedback
- From which new opportunities emerge
- As these evolve, new structures become apparent
- The ecosystem starts to adopt to new ways of operating
- And a paradigm shift occurs in which the structure and nature of connectivity and interactions change
- Even in the new structure, aspects are constantly evolving and emerging
- The Digital Age represents such a paradigm shift, disrupting and replacing existing business environments and structures.
- The rate of change is influenced by the number of economic agents, their connectivity, the frequency and significance of interactivity and their influence

Creating the right environment

Capability Approach and functionings (Sen & Nussbaum)



1. Life
2. Bodily Health
3. Bodily Integrity
4. Senses, Imagination, Thought
5. Emotions
6. Practical reason
7. Affiliation
8. Other species
9. Play
10. Control over one's environment

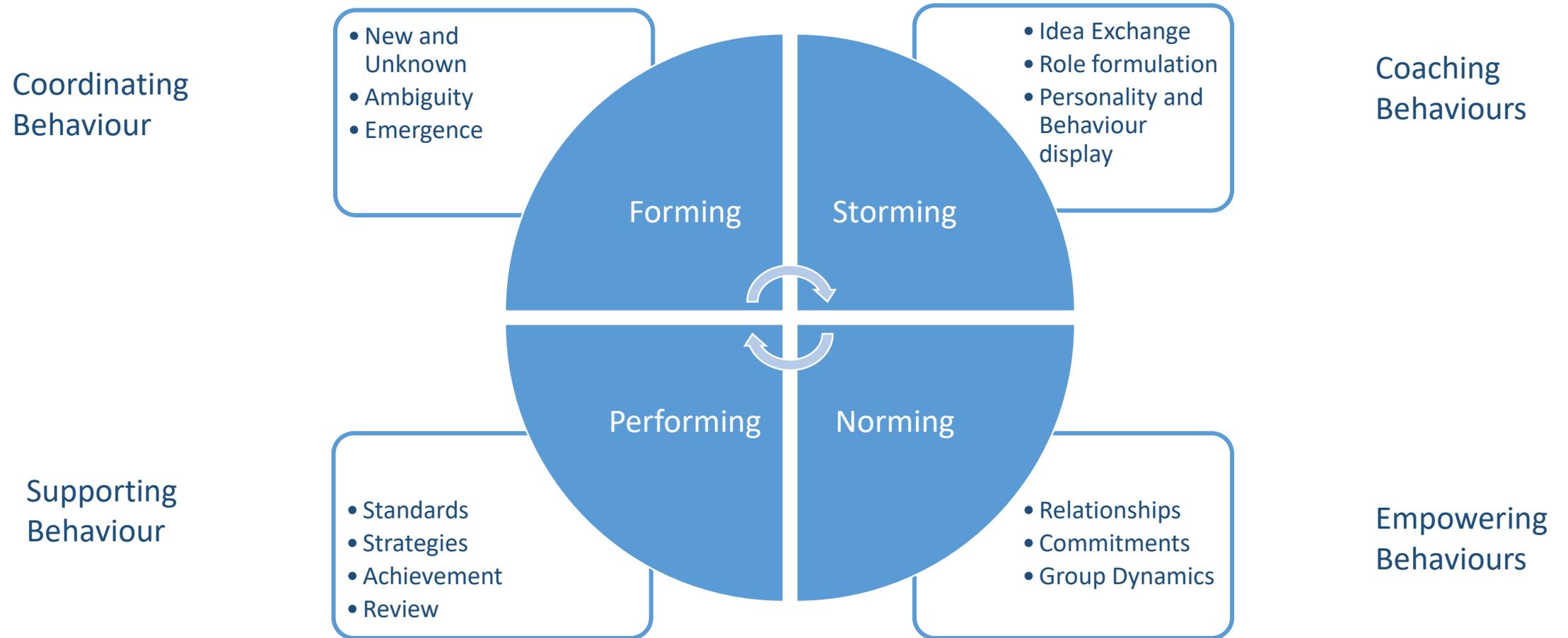
Behaviour needs to change too



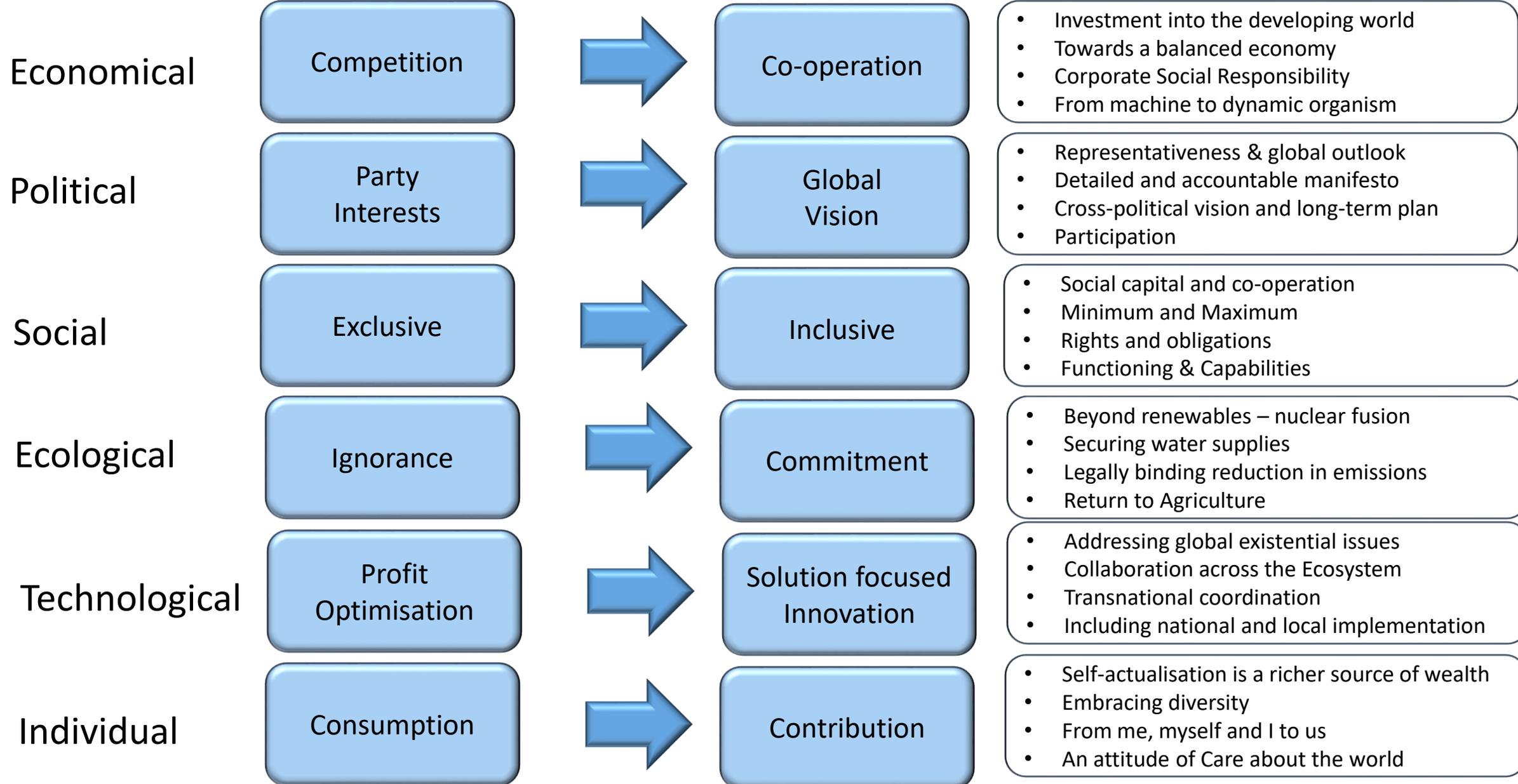
Maslow's Hierarchy of Needs

- Our human needs become increasingly social
- Emphasis changes between 'consuming' and 'contributing'
- Our attitude toward ourselves, others and the world in general influence how we behave and react to our circumstances and future potential
- According to Sonia Lyubormirsky happiness is driven by life circumstances, our biological make up and our behaviour
- Amartya Sen & Martha Nussbaum – Capability approach

Relationships and Relationality



In conclusion

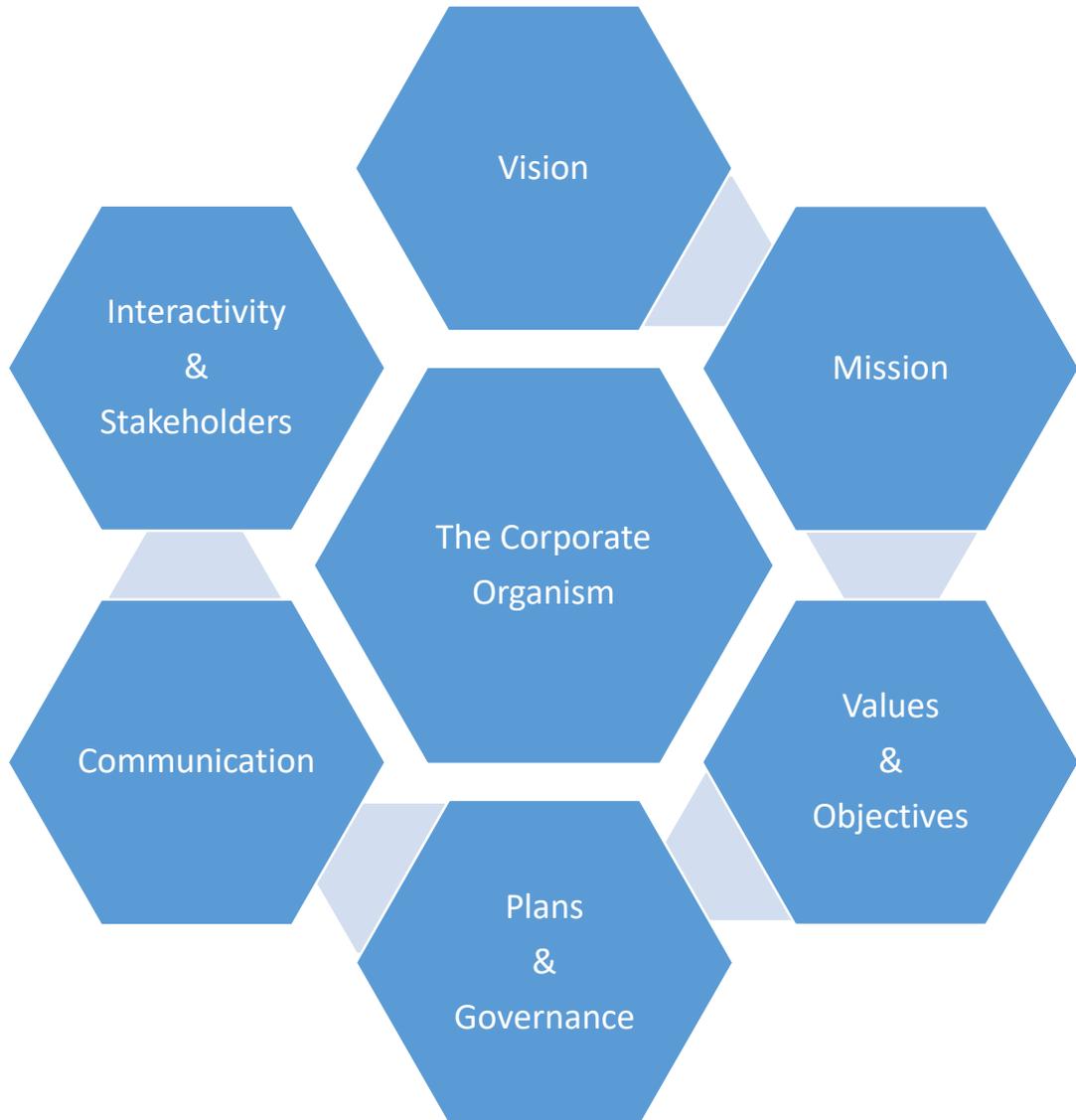


Thank You



Appendices

Appendix - The corporate Organism



- The organisation is an organism, rather than a machine
- Functions and processes are important but so are connectivity and interactivity
- It is the exchange of ideas that allow progress to be made
- Group behaviours and attitudes are key to the wellbeing of the organisation as a whole
- This extends beyond the organisation into the wider business value chain and society in general

Appendix – The issue of Trust

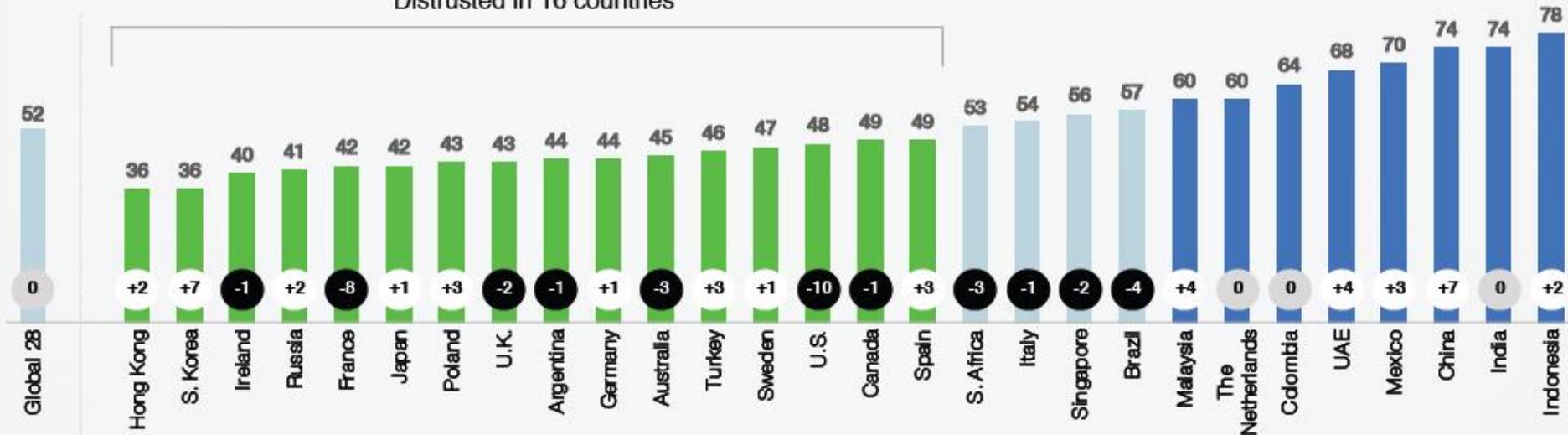
Trust in Business Increases in 14 of 28 Countries

Percent trust in business, and change from 2017 to 2018

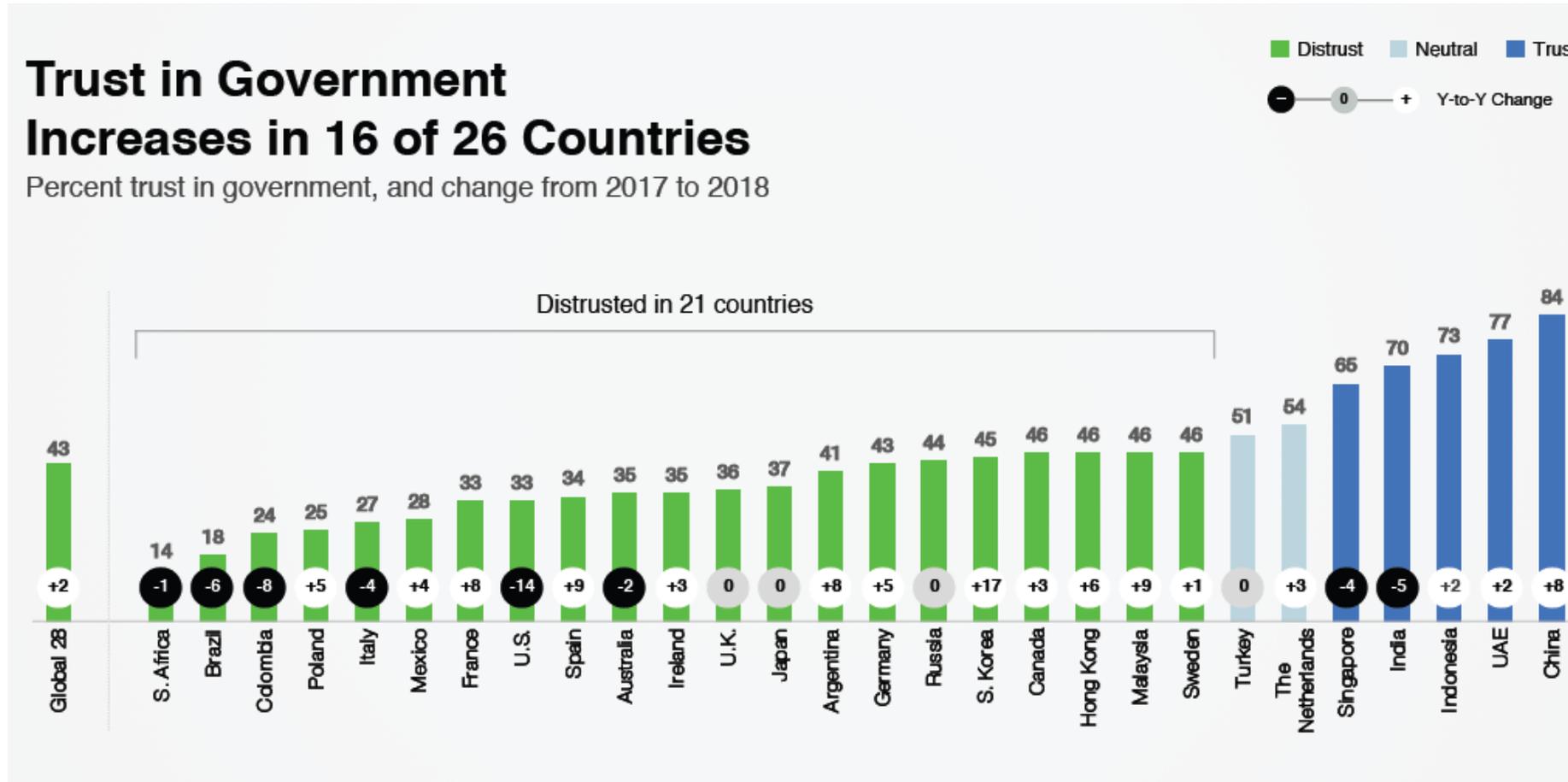
■ Distrust ■ Neutral ■ Trust

● 0 ● + Y-to-Y Change

Distrusted in 16 countries

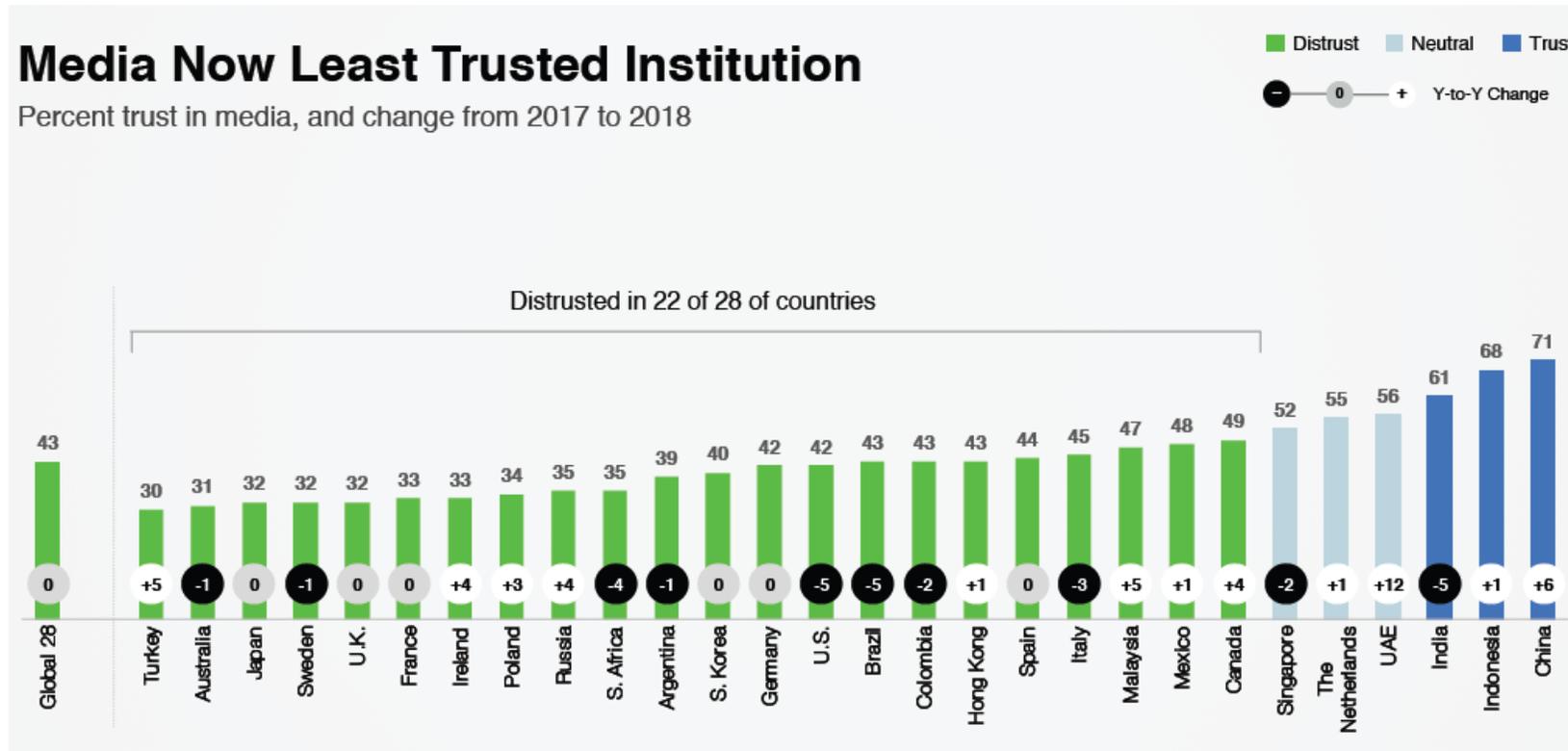


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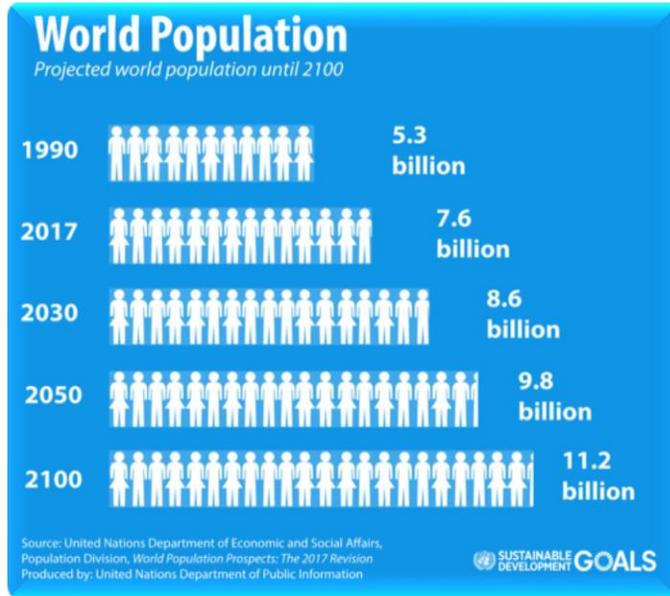


Source: 2018 Edelman Trust Barometer. TRU_INS. [GOVERNMENT IN GENERAL] Below is a list of institutions. For each one, please indicate how much you trust that institution to do what is right using a nine-point scale where one means that you "do not trust them at all" and nine means that you "trust them a great deal." (Top 4 Box, Trust) General Population, 28-country global total.

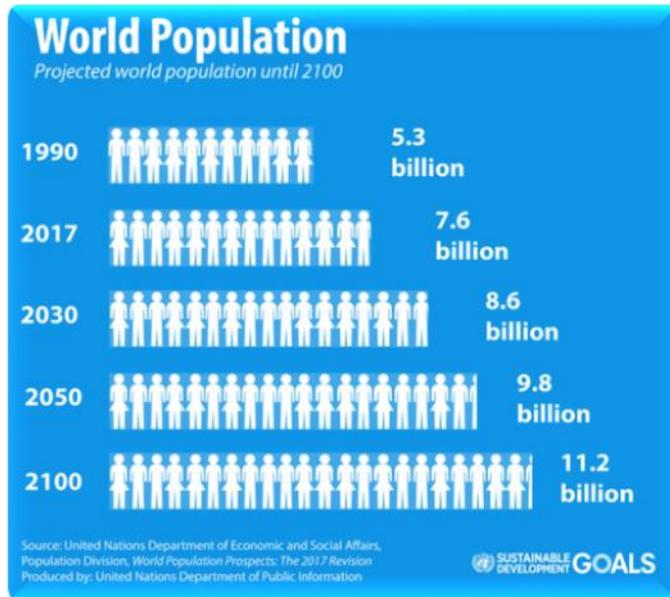
Appendix – The issue of Trust



Appendix - Making a difference at the Societal level

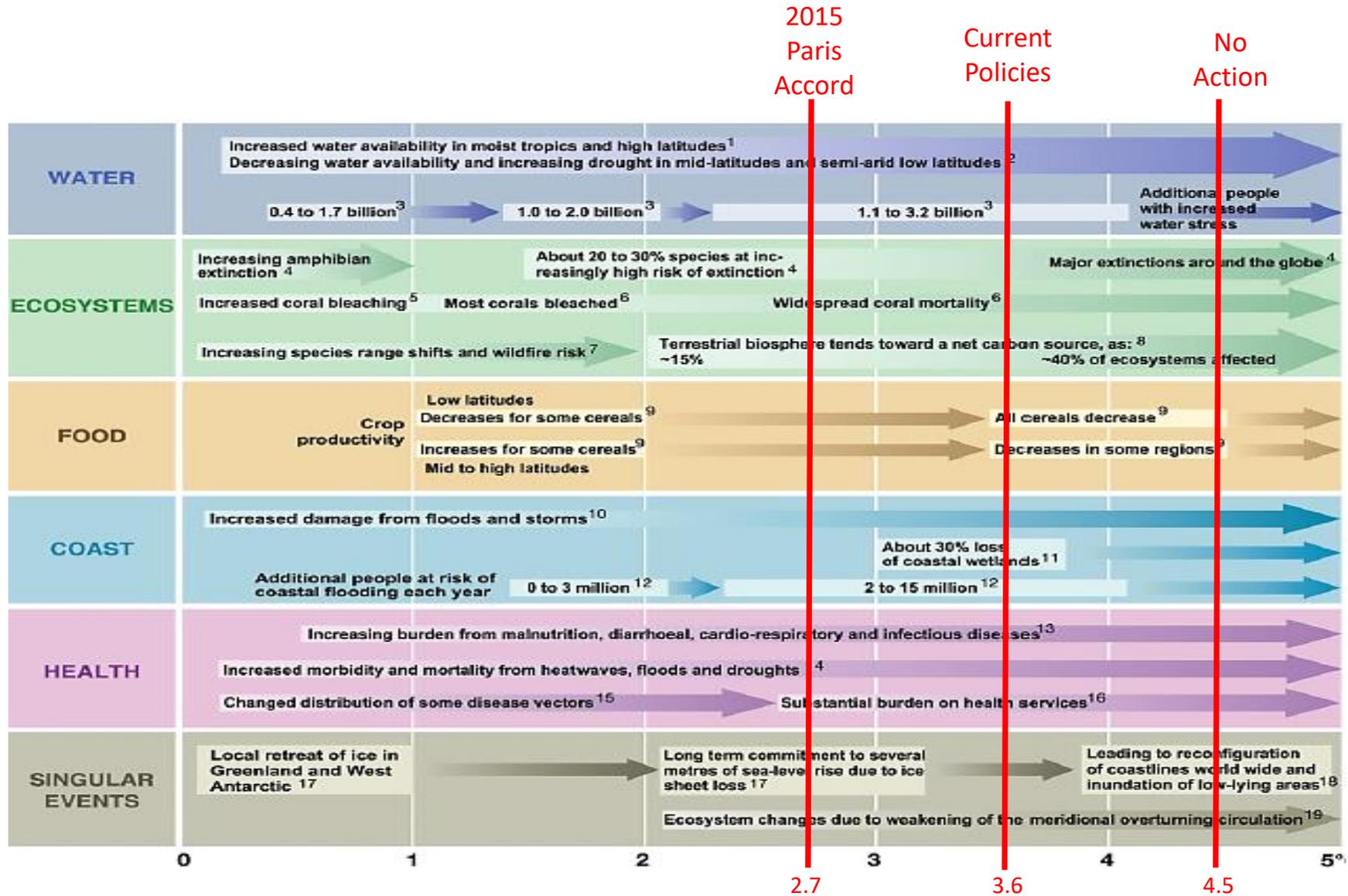


Appendix – Global Issues



- According to the UN mid-estimate, the world population will increase from 7.3bn to 8.5bn in 2030, 9.7bn in 2050 and 11.2bn by 2100
- However, the high estimate suggests a high value of 16.5bn if fertility rates increase to 2.9
- 2015-2050, half of the world's population growth is expected to come from nine countries: India, Nigeria, Pakistan, Democratic Republic of the Congo, Ethiopia, United Republic of Tanzania, United States of America (USA), Indonesia and Uganda.
- The world fertility rate is falling, currently at 2.49, but still significantly above the replacement rate of 2.07.
- It took 120 years (1800-1920) for the world population to increase by 1 billion to 2 billion
- Now we increase by 1 billion every 12 years
- The implications for energy, food, water demand are very significant

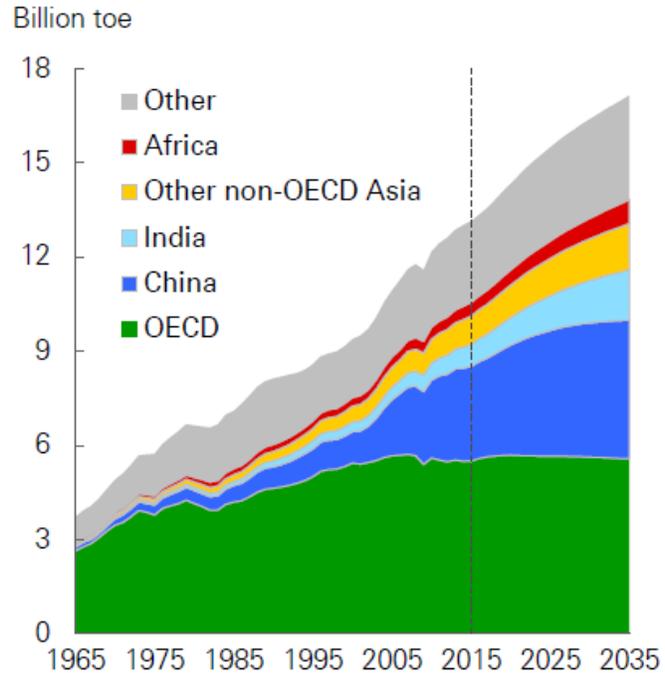
Appendix – Global Issues



- Current CO₂ ppm has reached 400ppm and increasing at 2.1 ppm per year (measured at Mauna Loa)
- IPCC forecasts for 2100 range from 500-900ppm, all above the point of no return – 450ppm
- Kyoto Protocol required emissions to reduce by 5% between 1990 and 2010, instead they increased by 40%
- In order to avoid irreversible climate change we need to reduce emissions by 85% by 2050
- The US, as 2nd largest overall emitter of CO₂ has pulled out of the Paris Accord

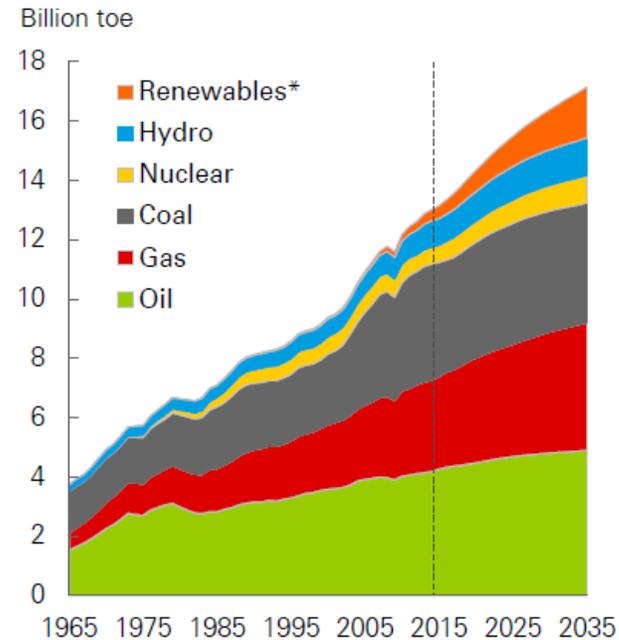
Appendix – Global Issues

Energy consumption by region



Source: BP World Energy Outlook 2016

Primary energy consumption by fuel



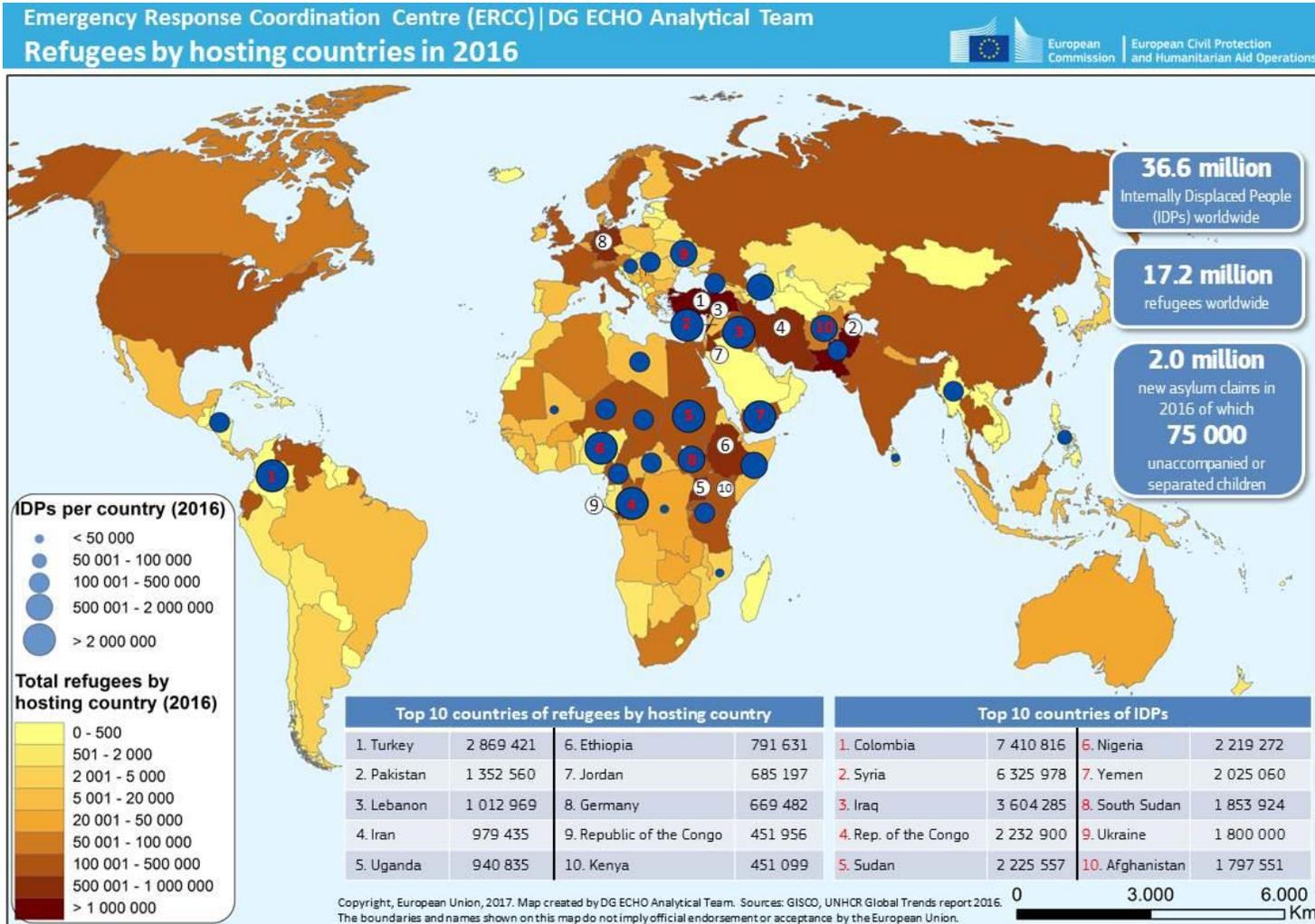
*Renewables includes wind, solar, geothermal, biomass, and biofu

Source: BP World Energy Outlook 2016

We consume the equivalent of 12,852 mtoe of energy a year and this will increase by a further 38% in next 20 years

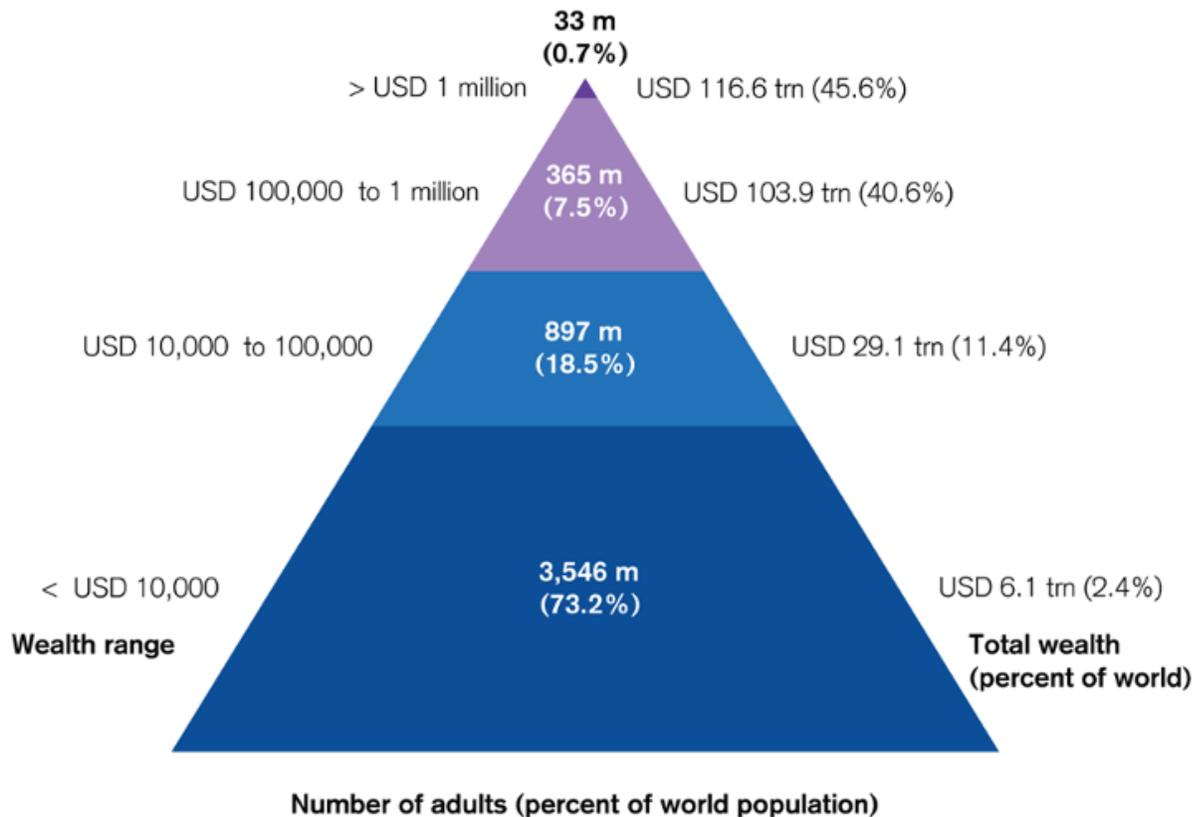
- Renewable energy is limited by the investment required to provide scalable supply
- As a result renewable subsidies of \$66bn are dwarfed by fossil fuel subsidies of \$409bn.
- The US withdrawal from the Paris Climate Change Accord is very significant

Appendix – Global Issues



- 65.5 million people require protection from forced displacement
 - 40.3 million as a result of conflict
 - 22.5 million are refugees
 - 2.8 million are asylum seekers
- The problem is acute and spans continents from Central and South America, Europe, Africa, the Middle East and Asia.

Appendix – Global Issues



The Global Wealth Pyramid

Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2016

- < 1% have >45% of the world's wealth
- The top 8.2% have 86,2% of the world's wealth
- The bottom 73.2% only have 2.4% of wealth

The wealthiest Top 10 Individuals

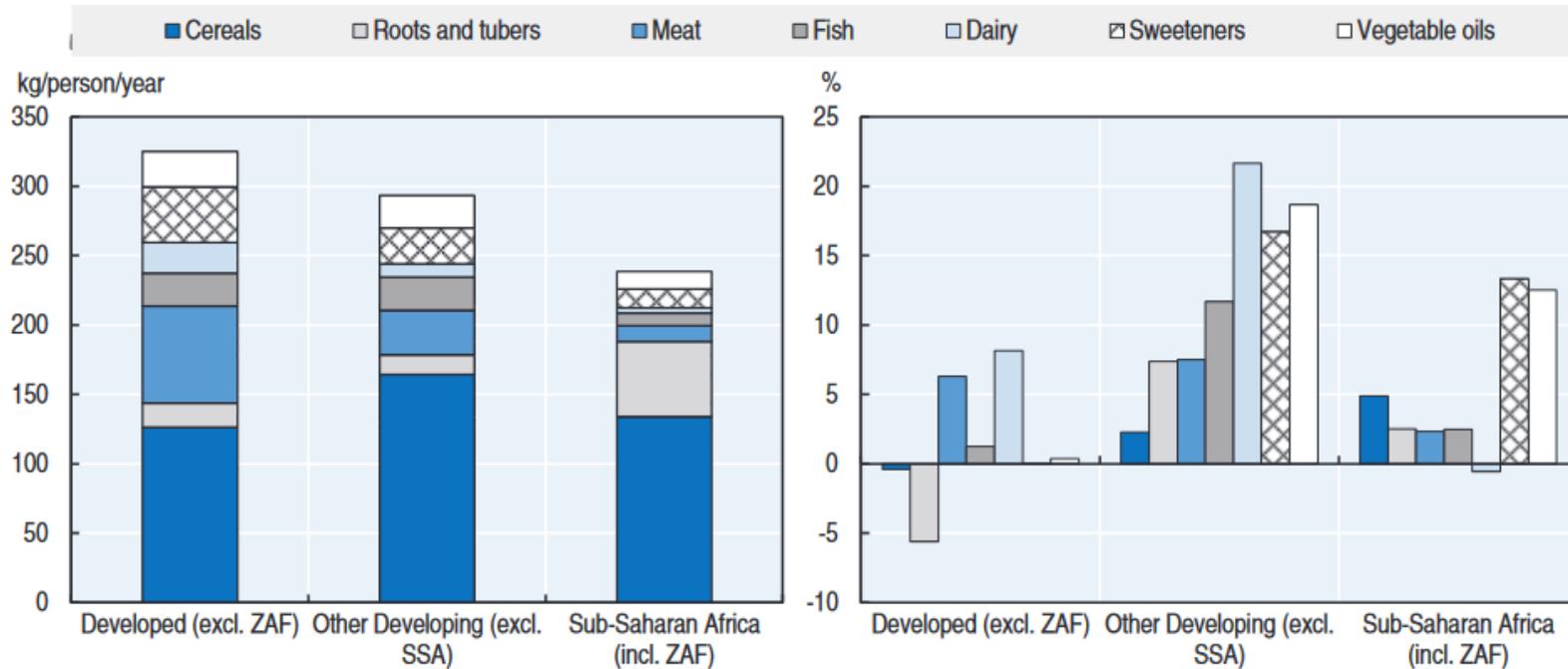
1. Bill Gates	\$86bn
2. Warren Buffett	\$75.6bn
3. Jeff Bezos	\$72.8bn
4. Armanco Ortega	\$71.3bn
5. Marc Zuckerberg	\$56.0bn
6. Carlos Slim Helu	\$54.5bn
7. Larry Ellison	\$52.2bn
8. Charles Koch	\$48.3bn
9. David Koch	\$48.3bn
10. Michael Bloomberg	\$47.5bn

\$612.5bn

Appendix – Global Issues

Per capita food consumption by region and source

Kg/cap/year in 2025 (left) and growth 2025 vs. 2013-15 (right)



OECD – FAO Agricultural Outlook to 2025

OECD – FAO Agricultural Outlook to 2025

- Demand will continue to be highest in the developed world
- Biggest increase in all food sources will be in the developing world
- The developing countries' needs are highest but only Asia has high production capability
- Africa in particular will suffer
- Meat production requires 100 times more water than grain, contributes significantly to CO₂ emissions and requires 100 times more land per kg of yield
- Demand for fish is exceeding supply leading to fish stocks being:
 - 21% exploited
 - 52% fully exploited
 - 17% over exploited
 - 7% depleted

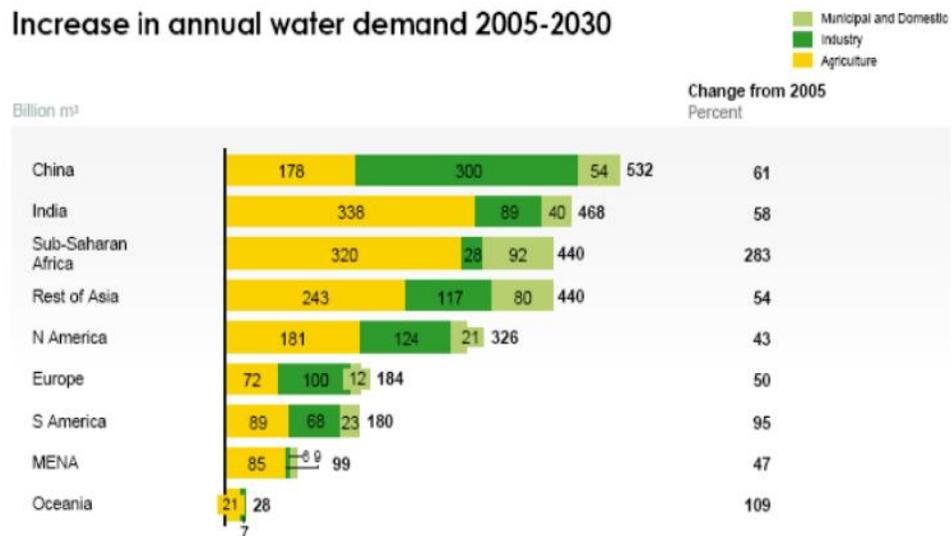
Appendix – Global Issues

REPRODUCTIVE, MATERNAL, NEWBORN, AND CHILD HEALTH			
Family planning >	Antenatal and delivery care >	Full child immunization >	Health-seeking behaviour for child illness >
INFECTIOUS DISEASES			
Tuberculosis effective treatment >	HIV antiretroviral treatment >	Insecticide-treated nets coverage for malaria prevention >	Adequate sanitation >
NONCOMMUNICABLE DISEASES			
Prevalence of raised blood pressure >	Prevalence of raised blood glucose >	Cervical cancer screening >	Tobacco control >
SERVICE CAPACITY AND ACCESS			
Basic hospital access >	Health-worker density >	Access to essential medicines >	Compliance with the International Health Regulations >

- Family Planning continues to represent a vital role, despite the fall in fertility rates
- Infectious diseases represent a greater risk of dispersion in a ‘connected’ and ‘interacted’ world
- In the West, health issues are relate to both physical and mental issues
- Access to essential medicines and qualified support remains a real issue in many parts of the world

Appendix - Water is poised to become the most precious resource

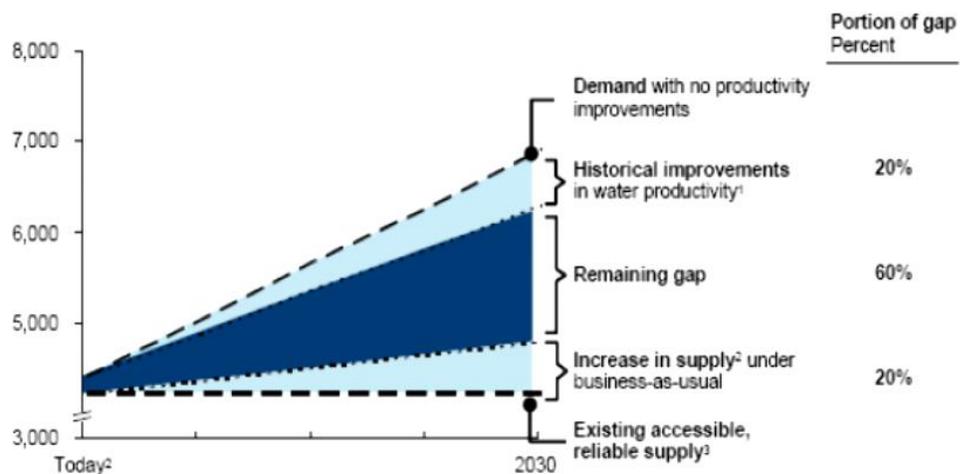
Increase in annual water demand 2005-2030



Source: European Environment Agency

- By 2030, 33% of humanity will have access to less than 50% of water for basic needs
- Africa's % increase in demand will be the largest
- Climate change and global warming will further aggravate the situation

Billion m³

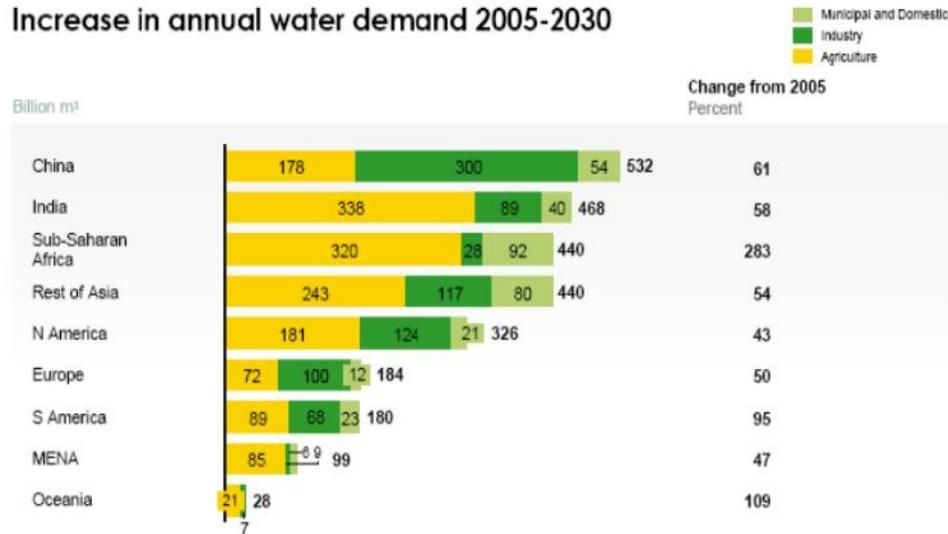


Source: European Environment Agency

- Improvements in water supply will be critical to close an ever increasing supply gap
- Current projected supply and productivity improvement still leave a 60% gap, equating to 2,000 billion m³

Appendix - Water is the most precious resource

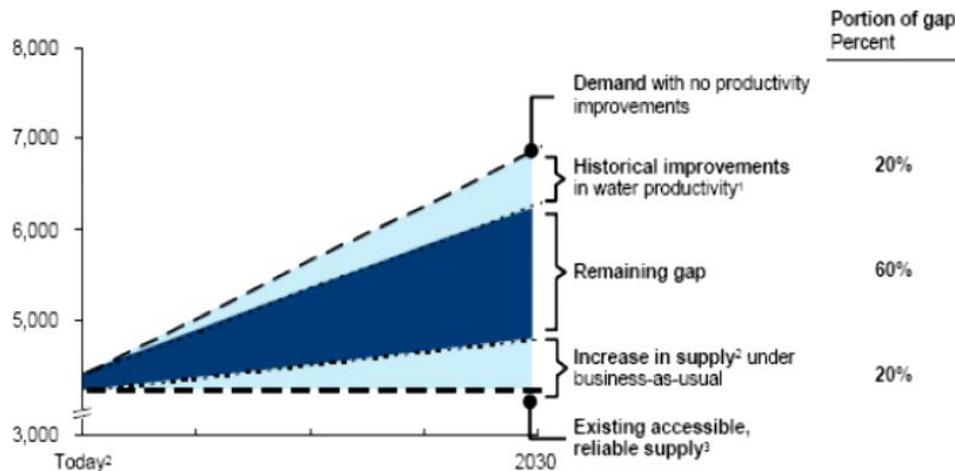
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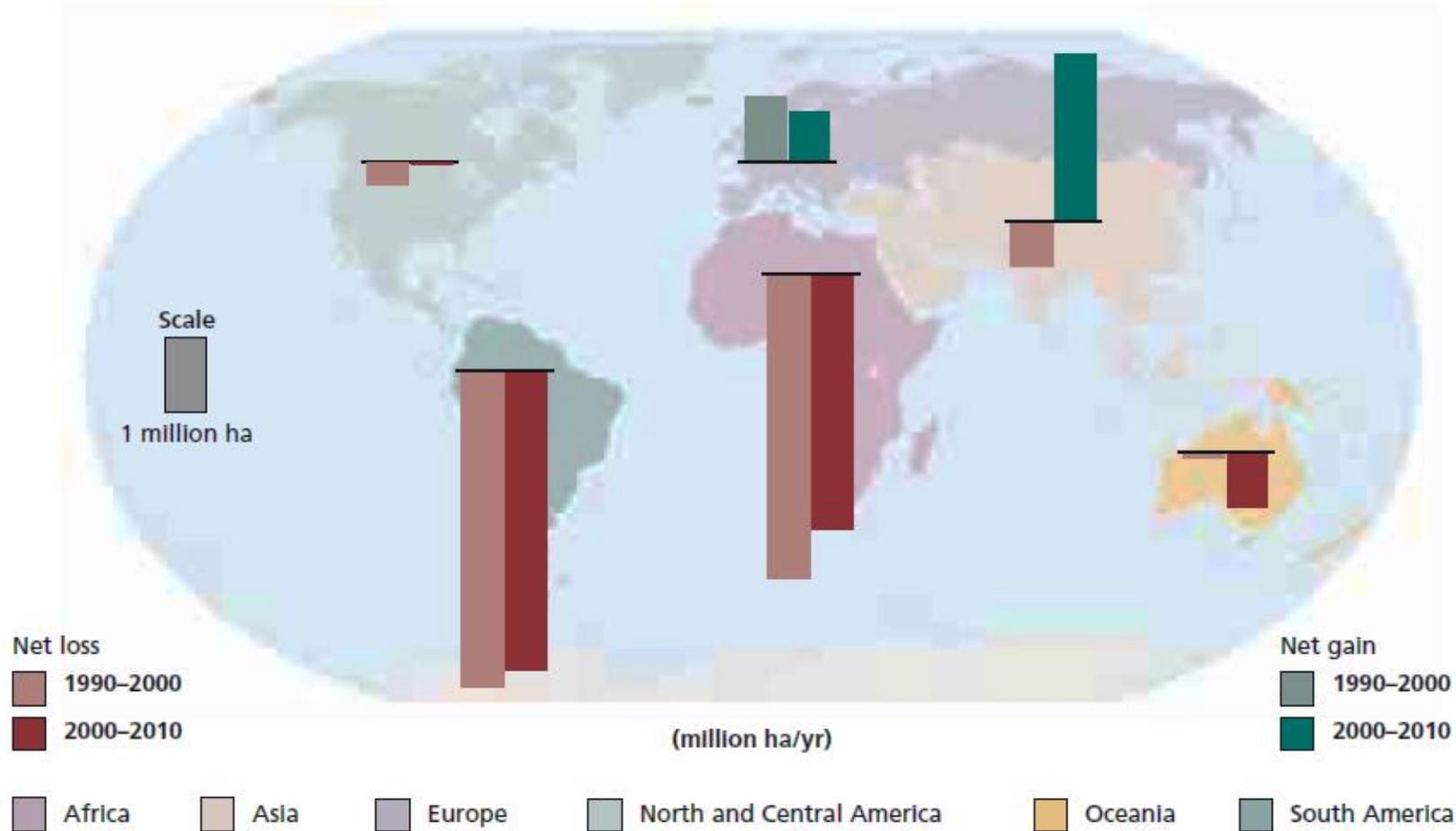


Source: European Environment Agency

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- Current projected supply and productivity improvement still leave a 60% gap, equating to 2,000 billion m³

Appendix – Global issues

Annual change in forest area by region, 1990–2010



- We continue to lose 3.3m hectares per year – the size of Holland
- Deforestation has declined per annum from 7.3m in the 1990s and 4.0m in the 2000s but only China reports significant re-forestation
- 42% of the world's forests are in South America and Africa – the heaviest areas of deforestation