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# How to transform business for resilience in an era of continuous societal turbulence

Prepared for the Gerhart Center for Philanthropy, Civic Engagement, and Responsible Business webinar series

February 2022



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Q&A



# 01

## About BSR

# We Are a Global Team of Sustainability Experts

BSR™ is an organization of sustainable business experts that works with its global network of the world's leading companies to build a just and sustainable world. With offices in Asia, Europe, and North America, BSR™ provides insight, advice, and collaborative initiatives to help you see a changing world more clearly, create long-term business value, and scale impact.

- Copenhagen
- Guangzhou
- Hong Kong
- New York
- Paris
- San Francisco
- Shanghai
- Singapore
- Tokyo



# Our Industry Focus

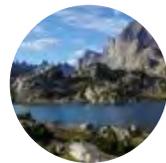
BSR provides consulting services through teams that specialize in **11 major industries**. Our team has extensive experience developing and implementing sustainability strategies and programs in these industries.



## Industry Focus

- Consumer Products
- Energy and Extractives
- Financial Services
- Food, Beverage, and Agriculture
- Healthcare
- Industrials and Utilities
- Information and Communications Technology
- Media and Entertainment
- Transport and Logistics
- Travel and Tourism

## Areas of Expertise



Climate Change



Equity, Inclusion and Justice



Human Rights



Sustainability Management



Inclusive Economy



Women's Empowerment



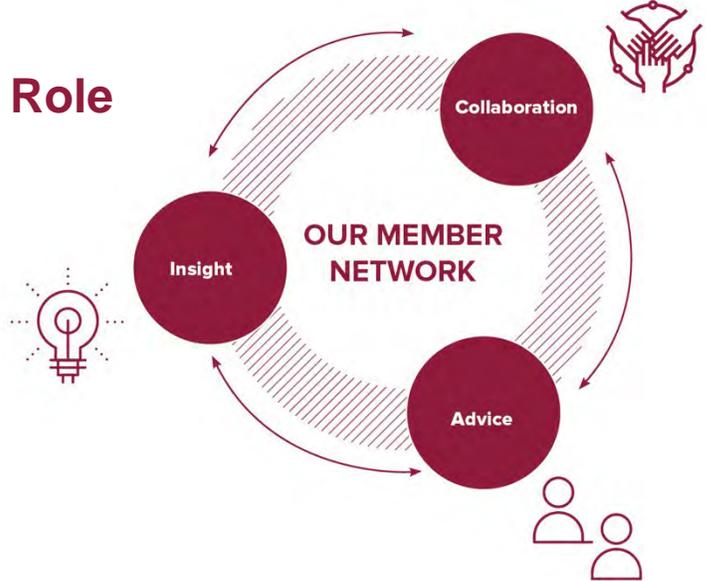
Supply Chain Sustainability

# Our Theory of Change

## BSR's Vision



## BSR's Role



In this decisive decade, the need to create an inclusive, net zero economy could not be more important. To achieve this vision, all elements of society -- **business, government, civil society and citizens** – must align to support and enable a fundamental change in the market economy.

The **role of business** is to create and deliver products and services in a way that treats people fairly, meets peoples' needs and aspirations within the boundaries of our planet, and encourages market and policy frameworks that enable a sustainable future.

**BSR's role** is to provide insights which help business leaders see a changing world more clearly, advice to enable the creation of long-term strategic value, and opportunities for collaboration that help you to scale impact.

**02**

# Key Emerging ESG Trends

# The Global Landscape for ESG is Shifting Quickly



Davos Agenda 2022 Social Justice Fairer Economies

## Why we need a new social contract for the 21st century



14 Jan 2022

Aron Cramer  
President and Chief Executive Officer, BSR

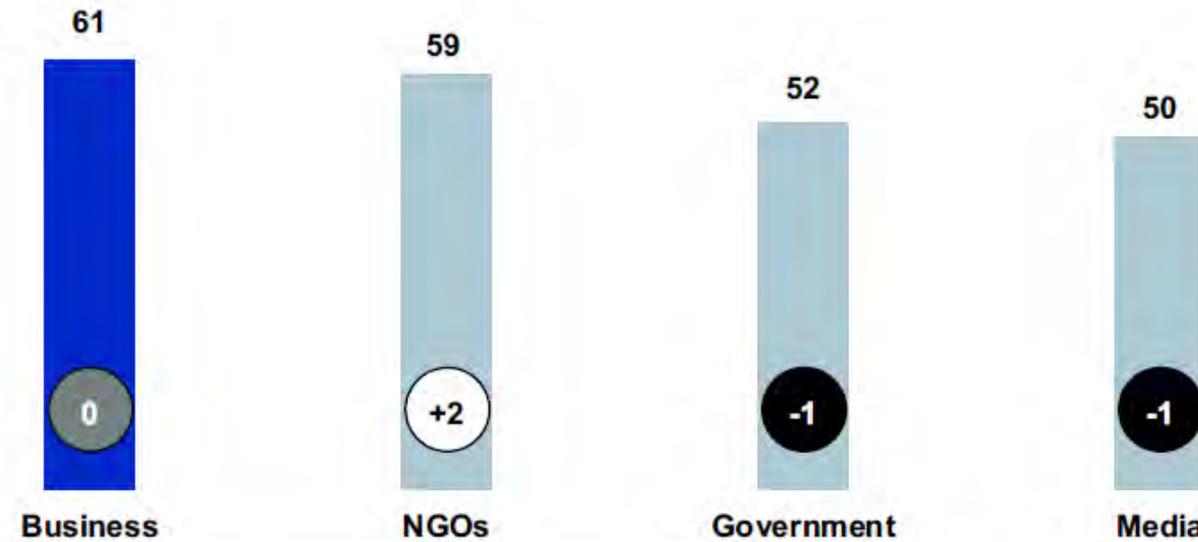
# Business Still Most Trusted to Lead

## TRUST DECLINES FOR GOVERNMENT AND MEDIA; BUSINESS STILL ONLY TRUSTED INSTITUTION



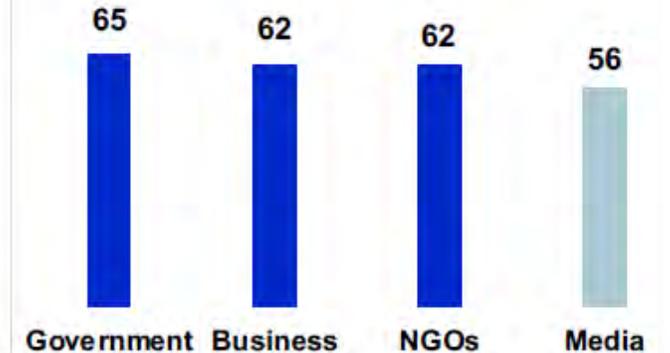
Percent trust

Global 27



### IN MAY 2020, GOVERNMENT MOST TRUSTED

Global 11



# Societal Leadership Is a Core Business Function

## RESTORING TRUST IS KEY TO SOCIETAL STABILITY



### Business societal role is here to stay

People want more business leadership, not less.

### Demonstrate tangible progress

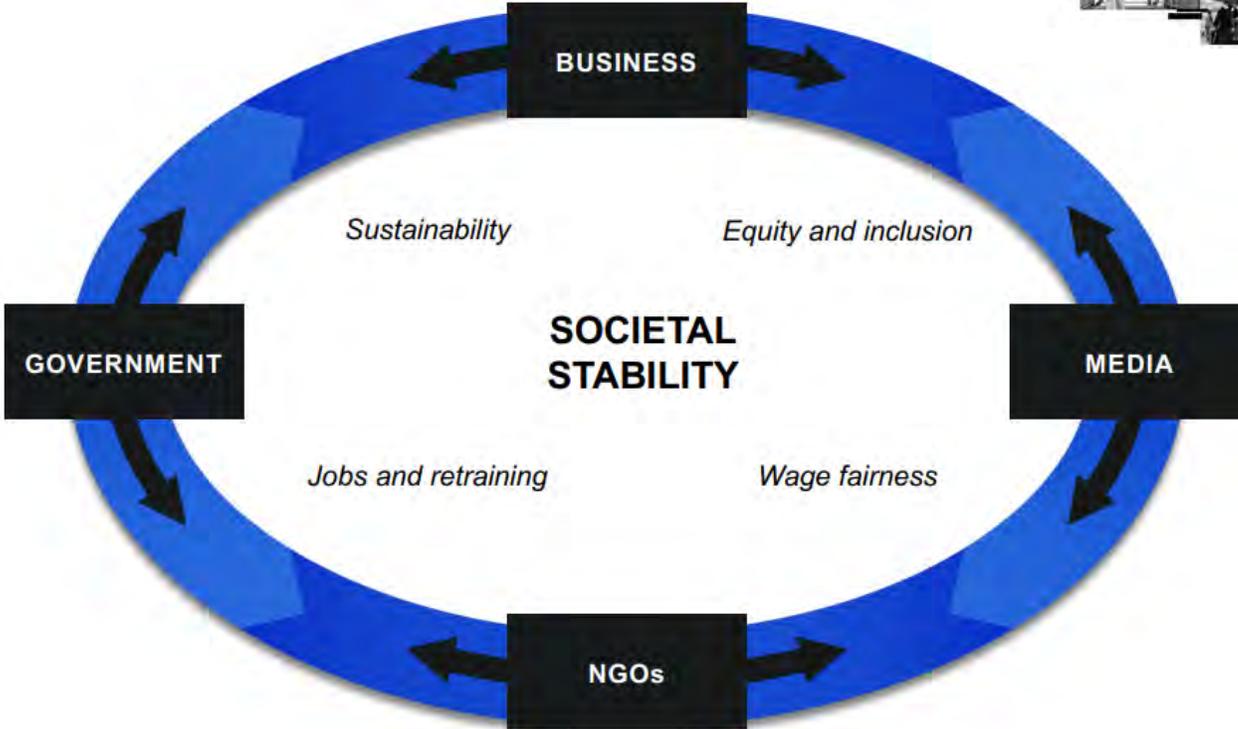
Restore belief in society's ability to build a better future: show the system works.

### Leadership must focus on long-term thinking

Solutions over divisiveness; long-term thinking over short-term gain.

### Every institution must provide trustworthy information

Clear, consistent, fact-based information is critical to breaking the cycle of distrust.



# It Is a Time for Purposeful Sustainability Leadership



Photo by Tadej Skofic on Ur

WEDNESDAY JANUARY 12, 2022



By



The last two years have made predictions seem to be exercises in futility. In fact, the dynamics reshaping our world are largely the product of underlying changes we already were fully aware of; none of this was entirely unexpected.

Looking ahead to 2022 then, we need not only to have a healthy dose of humility, but we need to also keep in mind what we know to be true and focus on the important ways those things will shape the year ahead, no matter what surprises might happen.

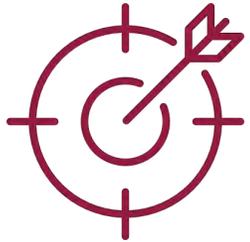
- **Business will continue to use its voice amidst “the great fragmentation” pulling our world apart.** Any CEO wishing for times when the business voice on social issues is not needed will be sorely disappointed by what is to come. All signs point to continuing debates over contentious issues that are driving society apart: generational differences in mindset and priorities, tensions between China and the West, populist movements on the left and the right, and socially divisive information bubbles. All this is leading to “the great fragmentation,” which leaves business in a bind when other elements of society cannot function effectively. Business has a strong stake in social cohesion based on democratic values for shared human progress.

Not everyone agrees, however. Traditionalists have long argued that focusing on sustainability too often comes at the expense of running a good business, as we heard in some of the [debate](#) surrounding my old company Unilever last week. Increasingly, criticism is coming from the political realm too, where parts of the establishment now cry “woke capitalism” every time “activist CEOs” open their mouths.

So let’s not drag down those executives who are genuinely ready to take a stand. Most of them didn’t set out to become societal leaders, but this is the responsibility bestowed upon them by the times. This is a moment that calls for more leadership, not less.



# It Is Time to Redefine Sustainable Business



## Act within own business boundaries

Create resilient business strategies, governance, and management approaches that ensure achievement of sustainable business goals.



## Enable with positive relationships

Catalyze sustainability action by building mutually beneficial relationships and collaborating with stakeholders and partners across the whole value chain.



## Influence by promoting policy frameworks

Promote policy frameworks that strengthen the relationship between commercial success and the achievement of a just and sustainable world.

- **Proactive**
- **Explicit**
- **Systemic**

# 03

## How to create a long-term value in today's world of disruption



# Key Features of a Sustainability Strategy

**Influences overall business strategy and purpose**

**Reflects current and emerging internal and external challenges and opportunities**

**Is appropriately positioned vis-a-vis peers and competitors**

**Specifies governance and accountability frameworks**

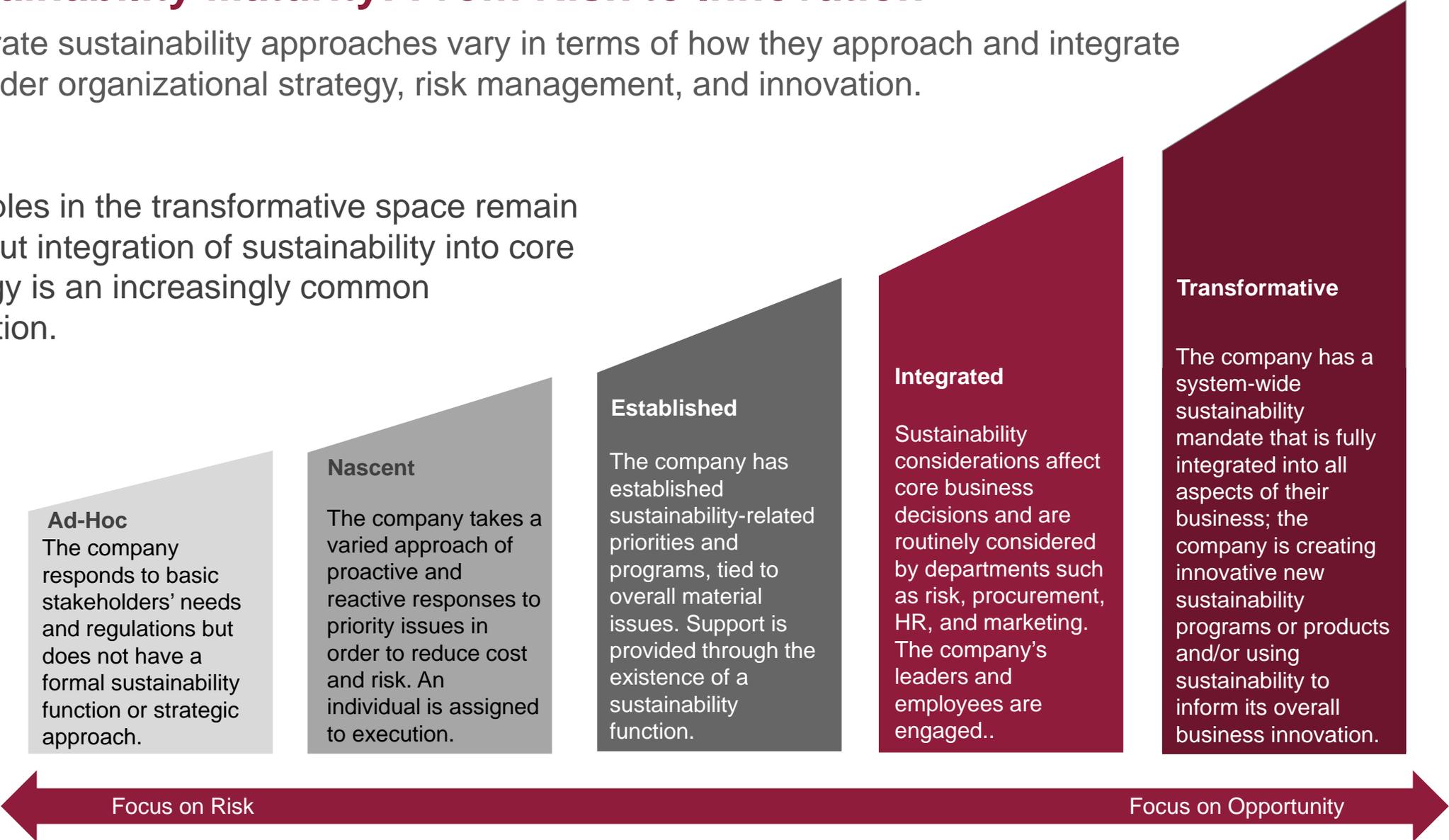
**Allocates and mobilizes appropriate resources**

**Measures and communicates results and performance**

# Sustainability Maturity: From Risk to Innovation

Corporate sustainability approaches vary in terms of how they approach and integrate with wider organizational strategy, risk management, and innovation.

Examples in the transformative space remain rare, but integration of sustainability into core strategy is an increasingly common aspiration.



**04**

**What's Next?**

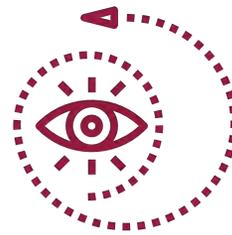
**Resilient Business Strategies**

# Defining Business Resilience

Resilient business strategy is **not just about a process** that drives company and stakeholder value. It is an **essential pathway** to achieving a just world and an economy that delivers truly inclusive and sustainable prosperity.

Resilient businesses will be better prepared to capture strategic advantage and contribute to the realization of thriving societies.

## A resilient business does three core things:



1. Anticipates material changes to the operating environment



2. Systemically develops and tests strategic plans in the context of such changes



3. Allocates resources and creates value in ways that enable success in multiple potential futures

# Why Resilience and Why Now?

Resilience is essential to the success of both business and society; each depends on the other.

While connected, resilient business and resilient societies have different characteristics and contexts.

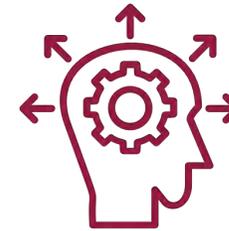
Resilience is deeply relevant to nearly every **core business activity**: product development, sourcing and procurement, human capital development, natural resource acquisition and use, financial capital deployment, and marketing and communications.

Resilient business strategies are the best pathway for companies to compete and deliver value and for business and society to thrive.

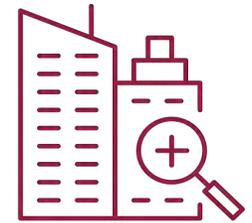
## BSR presents three primary objectives:



1. To urge leaders to adopt resilient business strategies as an imperative for a transformed world



2. To shape a shared understanding of what resilience means for business and society

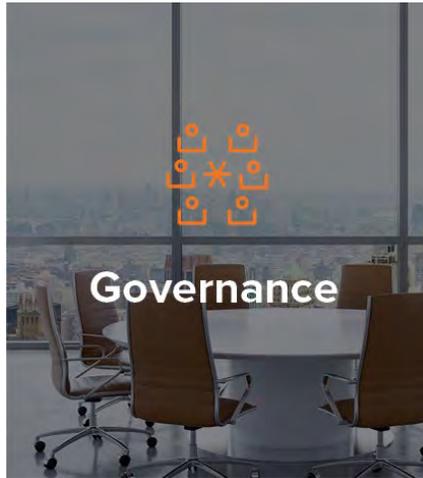


3. To catalyze action by defining the building blocks of resilient business strategies



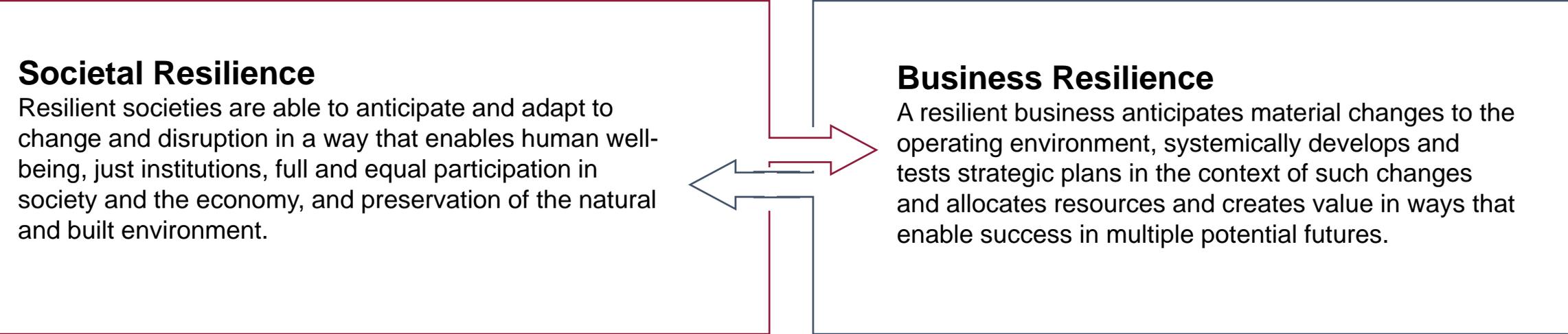
# The Building Blocks of Resilient Business Strategies

Resilient business strategies call for a fresh look at many, if not all, elements of business.



# Business and Social Resilience Are Deeply Interconnected

Resilience is essential to the success of both business and society; each depends on the other.





# Dimensions of Societal Resilience



Environmental disruption, extreme weather, and natural capital



New technologies



Political dysfunction and functioning public institutions



Income inequality



Diversity, Equity and Inclusion



Flaws in the social contract and safety net



Impact of the decline of legacy businesses



The pace of change

**05**

# A new social contract for the 21st century

# Why We Need a New Social Contract For The 21st Century

## What is Social contract?

A social contract is a real or hypothetical **agreement between a government and its people** setting out the rights and duties of each. The social contracts on which society is currently based largely emerged in the post-war era.

## Why we need a new social contract?

The social contract is **no longer fit for purpose**. COVID-19 and the heightened urgency of addressing diversity, equity and inclusion, faded traditional employment systems (e.g., lifetime employment) have made clear how the importance of remaking the social contract.

## What a new social contract should address?

1. **Advance safety net** to address a new set of circumstances (e.g., reskill during longer working lives and new ways of hybrid working)
2. Align with a world being reshaped by **technological revolutions**, and the **transition to a net zero and just climate transition**.
3. Tackle **inequality and exclusion** that plague societies around the world.

WORLD ECONOMIC FORUM

Davos Agenda 2022 | Social Justice | Fairer Economies

### Why we need a new social contract for the 21st century



In the global north, social contracts in many nations were formulated for a mid-20<sup>th</sup> century world that no longer exists. Lifetime employment, fixed benefit pension plans, and the traditional nuclear family have all faded, just as lifespans have expanded. In many parts of the global south, social safety nets remain under construction, despite the growth of vibrant emerging economies and societies, leaving the social contract in many countries incomplete.

# Why Are Social Contracts Important Today?

Social contracts in mature economies remain based on the realities of the middle of the last century. Modernizing the social contract delivers benefits both for society as a whole and for business.

## Social and Economic Benefits

- Modernizes social contract to meet 21<sup>st</sup> century realities related to changing demographics, nature of work, and public finances
- Promotes economic mobility and security
- Reduces income inequality
- Advances diversity, equity and inclusion
- Maximizes social and economic benefit of energy transition and digitization
- Contributes to good public governance

## Business Benefits

- Supports long-term value creation
- Promotes economic stability
- Advances social license to operate and 'purpose'
- Supports employee development and access to skills
- Creates consensus around emerging issues reshaping the economy
- Strengthens the foundation for innovative products, services and business models
- Clarifies respective roles of business, government, citizens

# Five Principles to Guide Business Engagement On a New Social Contract



## 1. Stakeholder Capitalism

Reorient business strategies to focus on long-term value creation based on a multi-stakeholder model.



## 2. Skill Development and Career Pathways

Enable all workers to achieve sustainable livelihoods while also meeting workforce needs for companies to thrive and compete in a fast-changing economy.



## 3. Economic Security and Mobility

Contribute to the strengthening and modernization of the social safety net to ensure and promote economic security and mobility.



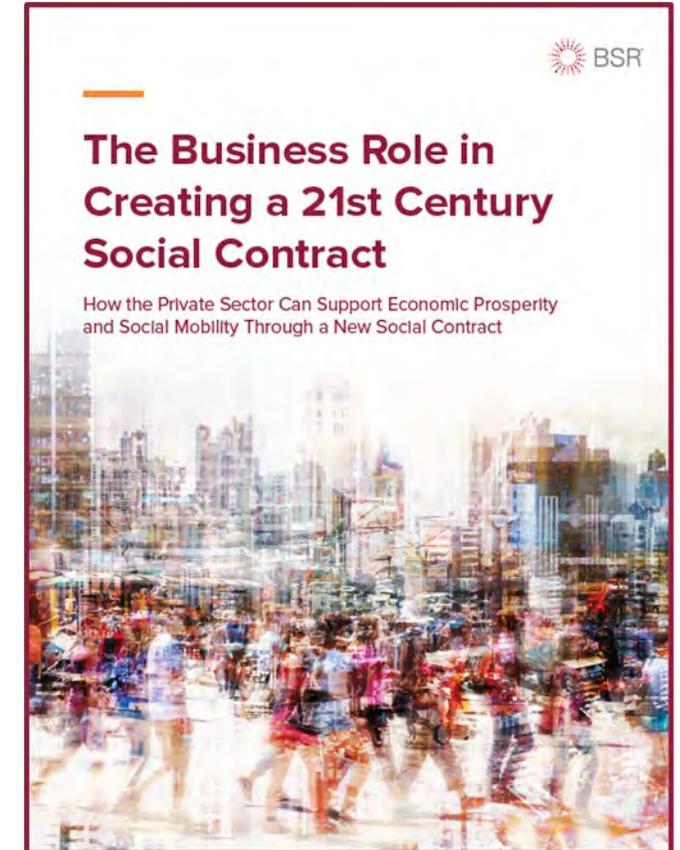
## 4. Just Transition to Net-zero GHG Emissions

Create high-quality green job opportunities and support workers and communities displaced in the transition to a net-zero GHG emissions economy.



## 5. Worker Data Protection

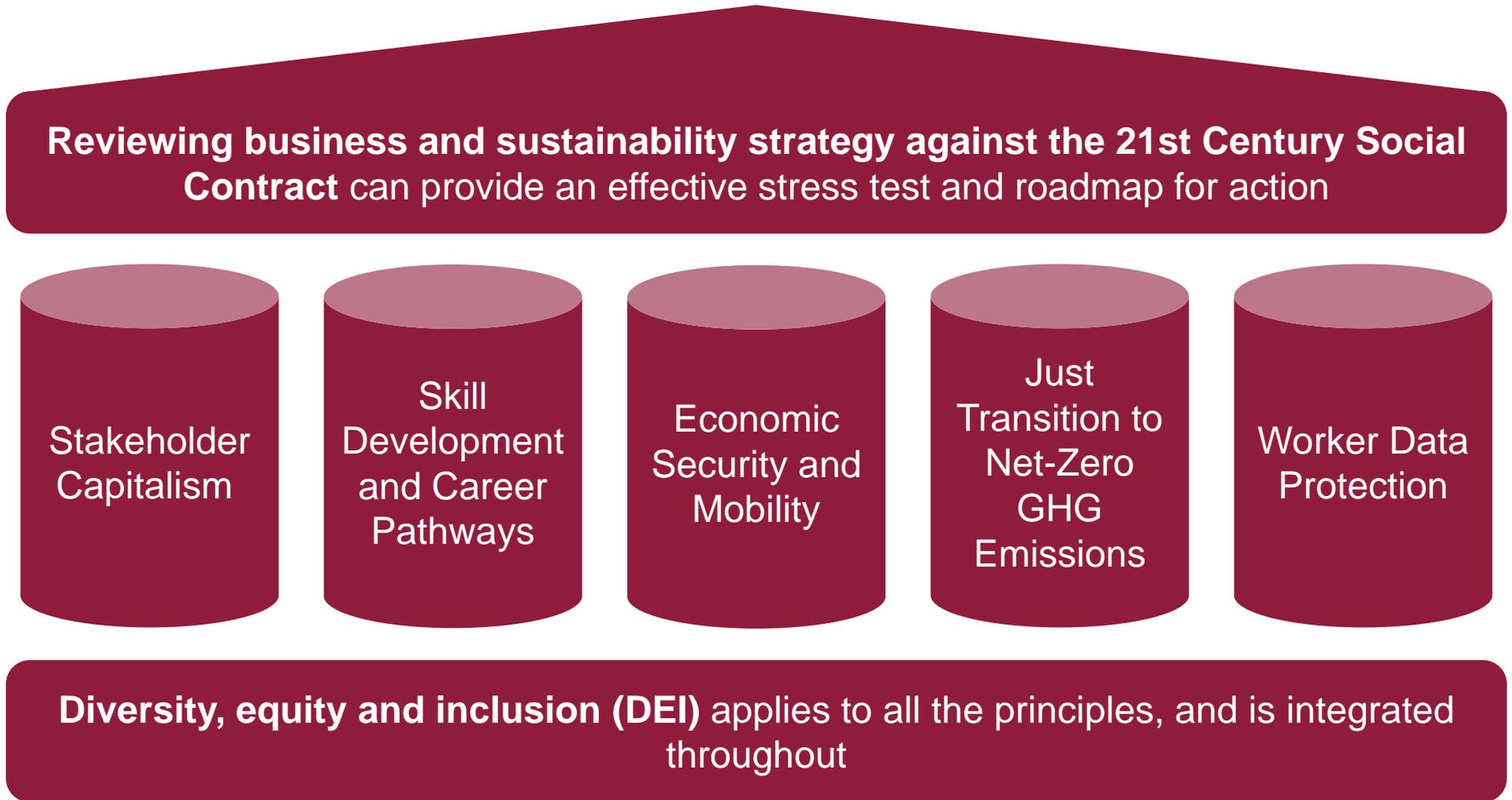
Ensure that implementation of new technologies is aligned with international human rights standards and that data stewardship practices protect the privacy and nondiscrimination rights of workers.





## Translating the Framework into Business Action

The social contract provides both an overall approach to aligning business purpose and activities with social expectations, and a roadmap for actions companies can take to advance specific principles.



# Principle 1: Stakeholder Capitalism

Reorient business strategies to focus on long-term value creation based on a multi-stakeholder model.



## Key Challenges

- Growing distrust in capitalism and the role of business in society
- Calls for companies to support multi-stakeholder capitalism
- COVID-19 changing relationships between business, governments, and civil society

## Actions

1. Align business with long-term value creation for all stakeholders
2. Design accountability systems to support long-term value creation
3. Pay fair share of taxes and report publicly
4. Reduce the earnings gap
5. Align policy advocacy with ESG objectives

<https://www.bsr.org/en/our-insights/report-view/business-role-creating-a-21st-century-social-contract>

## Principle 2: Skill Development and Career Pathways

Enable workers to achieve sustainable livelihoods consistent with the workforce needs for companies to thrive and compete in a fast-changing economy.



### Challenges

- Rise in automation and AI continues to affect the quantity and quality of jobs
- Mix of education and skills needed for work will constantly evolve
- Traditional educational models are not preparing people for the 21st century economy
- People from historically marginalized backgrounds are excluded from the workforce

### Business Actions

1. Create quality employment opportunities that enable access to livelihoods amidst structural change
2. Offer beneficial career pathways
3. Establish a modernized approach to worker training
4. Partner with educational institutions to shape 21st century skills curricula

<https://www.bsr.org/en/our-insights/report-view/business-role-creating-a-21st-century-social-contract>



## Principle 3: Economic Security and Mobility

Contribute to the strengthening and modernization of the social safety net to ensure and promote economic security and mobility.



### Challenges

- The social safety net has been under increasing pressure
- Wage stagnation and income inequality have been rising
- Racial and gender aspects of inequality are bleak
- Economic mobility has declined or stagnated
- Growing shift away from direct employment relationships with employers

### Business Actions

1. Address the urgent needs facing the social safety net considering COVID-19.
2. Advocate for critical elements of the social safety net that meet the needs of all workers.
3. Advocate for new laws on the classification of workers
4. Advocate for minimum wage levels; and in the absence of such laws, pay a living wage
5. Promote widespread access to social infrastructure and technology

<https://www.bsr.org/en/our-insights/report-view/business-role-creating-a-21st-century-social-contract>

## Principle 4: Just Transition to Net-Zero GHG Emissions

Create high-quality green job opportunities and support workers and communities in the transition to a net-zero GHG emissions economy.



### Challenges

- Climate change presents quite possibly the biggest economic question of our era.
- Business action, ideally supported by government action through regulation, investment, and incentives, is needed
- Climate threats could be as destabilizing to societies and economies as the pandemic
- Systemic socioeconomic inequality further exacerbates the dangers posed to vulnerable populations

### Business Actions

1. Generate low-carbon employment and manage the impacts on workers from high-carbon roles
2. Advocate for policies that enable the generation of high quality low-carbon jobs
3. Work towards a just transition through social dialogue and stakeholder engagement

<https://www.bsr.org/en/our-insights/report-view/business-role-creating-a-21st-century-social-contract>

## Principle 5: Worker Data Protection

Ensure implementation of new technologies is aligned with international human rights standards, and data stewardship practices that protect the privacy and nondiscrimination rights of workers.



### Challenges

- Increased and novel uses of digital tools in the workplace surface new social, ethical, and human rights dilemmas
- New digital tools could accentuate existing workplace discrimination
- COVID-19 will accelerate existing uses of technology, and generate new use cases
- Data-driven digital economy alters the power dynamic between employers and workers
- Norms, boundaries, and governance of workplace privacy are still nascent

### Business Actions

1. Undertake forward-looking assessments into the impacts of disruptive technologies
2. Secure meaningful and informed employee consent for worker data collection
3. Use data and digital tools to enhance the recruitment and management of workplaces
4. Advocate for new international standards on privacy in the workplace

<https://www.bsr.org/en/our-insights/report-view/business-role-creating-a-21st-century-social-contract>



# Conclusion

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- While the global landscape for ESG is shifting quickly, governments are experiencing a breakdown of public trust. The public is turning to **business to lead societal changes**.
- Business must create **long-term value** for all stakeholders while delivering on promise of a just and sustainable world.
- Companies need **resilient business strategies** by:
  - i) preparing to capture strategic advantage and contribute to the realization of thriving societies, ii) anticipating material changes to the operating environment;
  - iii) developing and testing strategic plans in context of such changes;
  - iv) allocating resources and creating value in multiple potential futures.
- **A new social contract** is now an expectation for business. This should be based on:
  - i) stakeholder capitalism; ii) skill development and career pathways;
  - iii) economic security and mobility; iv) a just and inclusive transition to net zero;
  - v) responsible use of technology.
- We need to **act urgently, with purposeful leadership**, and precision to make this decisive decade one in which real achievements are delivered.

# Questions?

## Further Reading Sources

- [BSR Resilient Business Strategies](#)
- [BSR report “The Business Role in Creating a 21st-Century Social Contract”, Jun 24 2020](#)
- [World Economic Forum blog by Aron Cramer, “Why we need a new social contract for the 21st century”, Jan 14 2022](#)
- [BSR blog “2022: Purposeful Sustainability Leadership for Turbulent Times”, Jan 12, 2022](#)
- [The Conference Board, Toward Stakeholder Capitalism, Feb 2022](#)
- [2022 Edelman Trust Barometer](#)
- [BlackRock, Larry Fink's Annual 2022 Letter to CEOs](#)
- [Financial Times, “Critics of ‘woke’ capitalism are wrong”, Jan 24, 2022](#)
- [BSR blog “Why Companies Should Assess Double Materiality”, Feb 8 2021](#)
- [BSR blog “Impact-Based Materiality”, Feb 3 2022](#)
- [BSR blog “Only Transformative Net-Zero Implementation Will Meet Our Climate Goals, Sept 20 2021](#)
- [WEF Lighthouse Action on Social Justice and Stakeholder Inclusion, Sept 2021](#)

# Thank You

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BSR™ is an organization of sustainable business experts that works with its global network of the world's leading companies to build a just and sustainable world. With offices in Asia, Europe, and North America, BSR™ provides insight, advice, and collaborative initiatives to help you see a changing world more clearly, create long-term business value, and scale impact.

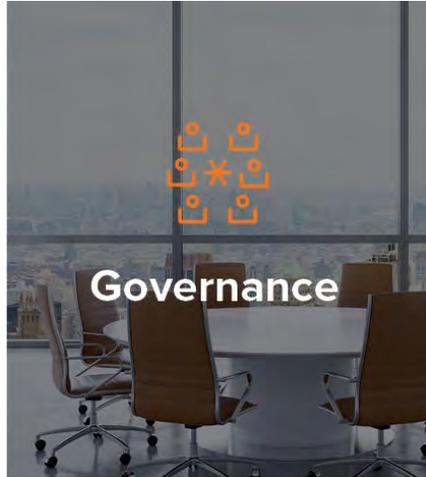
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# The Building Blocks of Resilient Business Strategies 1/2

Resilient business strategies call for a fresh look at many, if not all, elements of business.



**Governance** needs an overhaul to ensure that resilient business strategies are established and implemented in a way consistent with a broader purpose than merely short-term value for shareholders and with more diverse perspectives shaping the approach.

**Financial capital deployment** should shift to ensure forward-looking investments that will produce value in anticipation of changed market conditions and societal expectations and to enable greater financial stability and long-term returns.

**Natural capital management** is essential to ensure that access to natural resources is stable and well managed, with a focus on climate, biodiversity, water, and other crucial natural resource inputs necessary for business.

**Product and business model development** should also shift to address emerging market needs and requirements, rather than relying on legacy opportunities that are most vulnerable to disruption.

# The Building Blocks of Resilient Business Strategies 2/2

Resilient business strategies call for a fresh look at many, if not all, elements of business.



**Built environment** investments should be designed to meet fast-growing demand in ways that enable access, minimize use of natural resources, are tied to zero-carbon transportation, and are able to withstand extreme weather.

**Supply chains** are a core element of a resilient enterprise and depend on rethinking all aspects of the process, from product design to raw material procurement to processing to distribution, and includes sourcing decisions, supplier finance, and worker well-being and livelihoods.

**People** strategies will need to modernize to achieve skill development, career pathways, and greater equity for an increasingly diverse workforce with changing expectations, comprised of people who will change jobs and careers multiple times.

**Public policy** efforts should shift away from being reactive toward an approach that actively promotes modernization of the social contract, decisive action on climate, and capital market reforms that promote long-term value creation for all stakeholders. Policy engagement should also be significantly better aligned with stated ESG commitments.

# Dimensions of Societal Resilience 1/2



## Environmental disruption, extreme weather, and natural capital

The rise of destructive weather events, the dramatic decline in biodiversity, and decrease in natural capital have created not only human suffering, but they have also created economic uncertainty and disruption that interfere with business continuity and contribute to social and political instability.



## New technologies

Technology brings amazing benefits, but it also brings many social questions, political and societal disruption, and unintended consequences. Individuals, companies, and policymakers are struggling to understand these impacts and create “rules of the road” about the [development and deployment of new technologies](#) to maximize benefits and manage detriment.



## Political dysfunction and functioning public institutions

Loss of faith in [political institutions](#) and globalized markets based on accepted principles continues to grow, hindering business planning, creating social discord, fueling lack of trust, and forcing business leaders to address questions that might have been considered “too political” in past years.



## Income inequality

Societies around the world also are wracked by [rising income inequality](#). In addition to the obvious unfairness, income inequality hinders social cohesion and undermines support for market-based economies, both of which interfere with societal resilience.

# Dimensions of Societal Resilience 2/2



## Diversity, Equity and Inclusion

Structural discrimination plagues most societies. In addition to the patent unfairness this represents, this creates social and political tension, deprives entire population groups of the proper opportunity to participate in society, excludes massive pools of talent from business activities, and thereby leads to serious threats to societal resilience.



## Flaws in the social contract and safety net

Economic and social mobility is declining, most notably in the mature economies of North America and Europe. Combined with demographic changes, pressure is increasing on public finances and risks hindering economic dynamism.



## Impact of the decline of legacy businesses

The decline of legacy businesses in energy, retail, and other industries is leading to significant economic dislocation, changing cityscapes, and leading to high levels of public anger and resistance to change.



## The pace of change

In addition, the overall pace and breadth of change have also created social instability and contributed to divisions in society that reinforce distrust in government while emphasizing the role of business to lead in this fragile environment.