

## WORLD EXPORT DEVELOPMENT FORUM – W·E·D·F 2008

### BREAKOUT SERIES 4: DEFINING A BUSINESS MODEL FOR SUSTAINABILITY: DOES ONE SIZE FIT ALL?

#### **The Issue:**

In an age of interdependence, global citizenship – based on trust and a sense of shared responsibility – is a crucial pillar of progress. “At a time when more than 1 billion people are denied the very minimum requirements of human dignity, business cannot afford to be seen as the problem. Rather, it must work with governments and all other actors in society to mobilize global science, technology and knowledge to tackle the interlocking crises of hunger, disease, environmental degradation and conflict that are holding back the developing world.”<sup>1</sup>

The problem is that businesses in both developed and developing countries are having to reconcile what are often seen by some as conflicting priorities. Adhering to strict product safety, environmental and health standards but on the other hand generating jobs, building local businesses, attracting foreign investment and above all staying competitive against imports and still being able to export. At the same time, not all countries and companies play by the same rules. Some get away with paying below poverty line to workers, pay less to women and often employ child labour, pay as they wish to their local micro and small suppliers, dump their waste, and exploit their natural capital more than it can replenish itself.

In the Business and the Millennium Development Goals (MDGs): A Framework for Action, the following eight tasks are listed as core business activities:

1. Producing safe and affordable products and services.
2. Generating income and investment – through paying local wages, taxes, dividends, and royalties, making timely payment to local suppliers, and earning foreign exchange etc.
3. Creating jobs – recruiting locally, both within the company and along the supply chain, and facilitating positive organised labour relations.
4. Developing human resources – investing in training, skills development, health and safety in the workplace and along the supply chain.
5. Building local businesses – through supplier and distribution networks, especially with medium, small and micro-enterprises.
6. Spreading responsible international business standards and practices – in areas such as environment, health and safety management, human rights, ethics, quality etc.
7. Supporting technology development and transfer – investing in local research and development and introducing technologies and processes for cleaner and safer production systems.
8. Establishing physical and institutional infrastructure – for example investing in plant and machinery, telecommunications and transport systems, and legal and financial frameworks and institutions.

While all of the above are desirable, rational and expected from global citizens, one can imagine a counterargument for each, especially from businesses whose priority concerns, and rightly so, are profitability and competitiveness.

Their arguments can be summarized in terms of three issues:

1. The suppliers, especially from the developing countries, are pressured for lowering their costs. This pressure does not necessarily come from the consumers but from the buyers who are businesses themselves.
2. Accepting social responsibility as an integral part of their business models, businesses will incur higher costs that will undermine their competitiveness and profitability.

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<sup>1</sup> Mr. K. Annan, Business and the Millennium Development Goals: A Framework for Action, The Prince of Wales International Business Leaders Forum in collaboration with the United Nations Development Programme, 2007.

3. Unless there is enough government and buyer pressure (buyers can also pressure their governments) this does not make a global socially responsible business model a viable alternative.

The question is then, will there ever be enough rise in consumer consciousness to put pressure on businesses and the governments to make a universal business model a viable option without jeopardizing anybody's competitiveness?

### **Proposition**

The MDG's Framework for Action, will make those who adhere to them uncompetitive against those who do not adhere to them. Consequently, businesses want assurances that everybody will play by the same rules, otherwise at best, adherence is likely to be 'patchwork' and at worst, 'minimal'. The only solution therefore, is to reinforce the advent of global conscientious consumerism that will in turn place pressure on business to comply through legislation and consumer power.

### **Focus of the debate:**

The debate will address the following questions:

1. Is the proposition valid? Why or why not?
2. If businesses undertake to do the 8 tasks outlined in the MDG's Framework of Action, the objective of sustainability will be achieved. Or will it?
3. In the developing country context, should certain tasks be given higher priority than others in the short-term if they want to achieve the necessary long-term result of sustainability?