

GUEST ESSAYS

EXCLUSION

CAN BUSINESS AND CIVIL SOCIETY SAVE OUR DEMOCRACIES?

– RAJIV JOSHI,
THE B TEAM

INTRODUCTION

I remember when I first came across the term ‘civil society’. I felt naïve at the time not knowing the definition, firstly, because most of my life had been spent as an organiser, working with grassroots youth organisations in Scotland, and secondly because it was a Scots philosopher, Adam Ferguson, who was largely credited with coining the term, as part of his famous essay on ‘the history of civil society’ published during the enlightenment era.

While I was initially blind to the notion of civic space - due to the vibrancy of ‘associational life’ in Scotland - I quickly made the connection. I realised that when my parents fled East Africa in the 1970s to escape the violence in the wake of Idi Amin, these struggles were not disconnected from our efforts to ensure young people had a voice in Scotland’s democracy, or the efforts of factory workers seeking the right to bargain collectively for improvements in their conditions, or from civil society organisations (CSOs) seeking the right to exist. I realised that it’s often when civil society is least present that it’s easiest to value how critical a role it plays in supporting the development of sustainable, equitable and stable societies, and that we all have a role to play in protecting the space for CSOs to operate freely.

As a young Scot studying economics, I also found it quite profound to learn that Adam Ferguson’s analysis of civil society was conducted at the same time as his close friend Adam Smith was undertaking his seminal ‘inquiry into the nature and causes of the wealth of nations’, which would form the bedrock of today’s market-based system, with its relentless focus on short-term profit maximisation.

Although Smith also considered many of these aspects, in his writings on the ‘Theory of Moral Sentiments’ which preceded ‘The Wealth of Nations’, it was Ferguson’s critique of commerce and its abandonment of civic virtues that emphasised the importance of protecting civil liberties and ensuring independent

government as a prerequisite for social stability. If only this assessment, and the insights of Smith's earlier work, had a greater impact in shaping our system of capitalism today.

REDEFINING THE ROLE OF BUSINESS

The world is presently at a crossroads, with significant volatility, uncertainty and risk. Inequalities have reached frightening levels.¹ The last time inequalities reached these levels, the world endured one of the biggest economic crises in history, the Great Depression. And this time it's not just the economy we've placed at risk: human activity is destroying the very ecosystems on which all life depends.

We also face a moral crisis. Rising populism, discrimination and discontent has led to surprise election outcomes in many advanced economies, leading to a decline in the values and principles that have long been the hallmark of inclusive, environmentally conscious and democratic societies. Such trends threaten efforts to address the systemic risks facing our civilisation and the resilience of the economic system.

We've already seen efforts in the USA and other countries to limit the freedom of speech and dilute the role and independence of the media. As traditional accountability mechanisms, including the judicial system, unbalanced legislatures and the rights of citizens are undermined, the role of business in influencing positive change has become paramount. We must find a way to de-risk this political situation and safeguard basic principles of democracy and rule of law on which stable economies depend.

Positive business leadership currently spans a wide spectrum, from 'corporate social responsibility' initiatives and philanthropy, to partnerships with civil society to improve corporate practices and reduce negative impacts, to joint advocacy focused on shifting policies and incentive structures to transform market-wide behaviour. This leadership involves investing in new types of collaboration, experimentation and advocacy. Companies such as Natura in Brazil are designing 'net-positive' business models that reinforce social systems and restore ecosystems, while others such as Unilever are exploring 'circular' economy concepts, in which there is greater emphasis on the reuse of resources and a focus on minimising negative impacts, while entrepreneurs are designing 'regenerative' business solutions that seek to restore nature.

Truthfully, while we need all of these approaches, I believe we need a lot more of the latter. We need entirely new business models focused on addressing social and environmental challenges with people and planet at the core,

¹ The combined wealth of the top one per cent has eclipsed that of the rest of the world combined. According to Oxfam, based on data from Credit Suisse's annual Global Wealth Databook, the net wealth of the world's eight richest men is greater than that of half of humanity.

coupled with joint advocacy to effect policy change and influence the attitudes, beliefs and behaviours of other business leaders.

We need this to happen at scale if we are to rise to the challenge of rebuilding our economic system. That's why it's inspiring to see an entire generation of what can be characterised as 'new corporate forms', led by purpose-driven entrepreneurs as part of an emerging 'fourth sector' of the economy, including certified 'B-Corps', 'for-benefit corporations', 'community interest corporations' and other structures emerging around the world. These entities have a wider definition of fiduciary duty that includes demonstrating social and environmental benefit and integrates a wider set of reporting requirements that enable them to lead for the long run.

The real question is how do we accelerate these approaches and mobilise business, together with civil society, to address systemic challenges?

A PLATFORM FOR RADICAL COLLABORATION

In 2008 when the world experienced the global financial crisis, and food and fuel prices spiked, 130 million people fell back below the poverty line. It was a perfect storm and we had no formulated response. There was no space to convene leaders from business and social movements to see how we might use the opportunity of the crisis to change the structural failures in our system that led to this collapse. I still remember the image of homeless people standing on Wall Street holding up signs saying 'Bail Me Out Too' as US\$1 trillion was mobilised overnight to save the banks.

A year later in Copenhagen, as business and civil society stood largely at odds, world leaders failed to come to an agreement to limit greenhouse gas emissions, and climate change was costing the lives of our most vulnerable. It was clear then that the 'Plan A' of business as usual wasn't working: that we urgently needed to come together to develop a 'Plan B'.

That's why I joined a like-minded cohort of individuals to help create a new kind of CSO, to work closely with business. We called it 'The B Team'.

We set a clear mission: to catalyse a movement of business leaders to drive a better way of doing business, for the well-being of people and the planet. We began by bringing together a group of notable, respected and committed CEOs supported by the Co-Founders, Virgin Group Founder Sir Richard Branson and ex-Puma CEO Jochen Zeitz. The inaugural

HOW DO WE
ACCELERATE THESE
APPROACHES AND
MOBILISE BUSINESS,
TOGETHER WITH
CIVIL SOCIETY, TO
ADDRESS SYSTEMIC
CHALLENGES?

GUEST ESSAYS

CIVIL SOCIETY & THE PRIVATE SECTOR

group included Mo Ibrahim, Founder of Celtel, Bob Collymore, CEO of Safaricom, Paul Polman, CEO of Unilever, Arianna Huffington, Founder of the Huffington Post and Guilherme Leal, Co-Founder of Natura, amongst others. We also included civil society leaders and former heads of state, including International Trade Union Confederation General Secretary Sharan Burrow, Nobel Laureate and social business pioneer Professor Muhammad Yunus, former Coordinating Minister of the Economy and Minister of Finance of Nigeria Dr Ngozi Okonjo-Iweala, World Wide Fund for Nature (WWF) President Yolanda Kakabadse and former Irish president Mary Robinson.

We recognised a clear need to grow the field of organisations working to change businesses, to help mobilise a growing constituency of progressive business leaders, willing to drive deep transformation of our economic system, which is at the root of so many of the challenges we face. Change is crucial if, realistically, we are to achieve the Sustainable Development Goals (SDGs).

The B Team is slowly building a countervailing force to the entrenched interests that often stand in the way of addressing societal challenges. As an action-oriented group, business leaders within the team lead by example and help scale up transformative solutions. Each of the leaders is part of an Initiative Working Group and the team comes together in person several times a year, while using its collective voice to accelerate existing efforts and drive systemic change. Ultimately, the goal is to engage business leaders around the world in the effort and form growing circles of action at a regional level. This has already begun following the launch of a B Team for Eastern Africa.

THE B TEAM IN ACTION

We also drive collaboration via focused initiatives. One issue is that of ‘ending anonymous companies’ which contribute to the problem of illicit flows of capital. This forms part of our Governance and Transparency initiative, co-led by Mo Ibrahim and Ngozi Okonjo-Iweala, and is a useful example of the kind of collaboration we seek to foster.

So-called anonymous shell companies are a key enabler of money laundering. Approximately US\$800 billion to US\$2 trillion – as much as five per cent of global GDP – is [laundered globally](#) every year and used to finance a range of illicit and illegal activities, including terrorism. Illicit financial flows deprive communities of the funds needed for essential services such as health and education, undermining the social fabric. It is also bad for businesses because it puts them in the risky situation of not knowing who they are doing business with: risk that can lead to fraud, business failure, fines, reputational damage and large-scale lawsuits.

To help tackle the issue, we brought together civil society partners that had worked on the issue for many years, including Global Financial Integrity, Global Witness, OpenCorporates and Transparency International, with B Team companies and other businesses, to seek ways of influencing policy and changing corporate practice.

We published a business case to help convince business leaders and policy-makers of the need for corporate ownership transparency, and influenced the G20 in adopting principles for beneficial ownership transparency by engaging with a range of governments on commitments to action, including public registers. In December 2016 we partnered with Bank of Montreal, Deloitte and Thomson Reuters to launch [OwnershipTransparency.com](https://www.ownershiptransparency.com) at Transparency International's 17th Annual International Anti-Corruption Conference in Panama. This new advocacy tool can be used by business, investors and civil society to commit to taking action on this important issue. This is an important example of business and civil society working together to push for legislation that will create more transparency and a more empowered citizenry.

KEY LEARNINGS

Over the past three years, since launching the B Team and advancing such initiatives, we have identified a number of key enablers that we believe can help to build trust and foster the radical collaboration we urgently need to scale up these efforts:

- **Shared vision:** ensuring alignment on the aims and objectives of the initiative and ensuring transparency in the value proposition for each actor contributing and the positive impacts on people and the planet.
- **Parity of esteem:** ensuring respect, inclusion and equal recognition of the importance of each partner, and a shared understanding of resource realities across the board; for example, companies may have smaller policy teams on some issues than CSOs. Any donations should be managed openly and transparently with a clear framework for ensuring that when CSOs receive resources, it doesn't strip CSOs of their ability to hold businesses accountable or compromise their independence.
- **Equal commitment:** all parties must meaningfully commit their time and intellectual capital, and ensure individuals engage at the right level of leadership in each organisation, bringing legitimacy, credibility and knowledge that facilitates progress.
- **Safe space for contestation:** partners should all operate in an atmosphere where they feel able to discuss the risks and challenges without reprisal or co-option, to explore issues properly and identify solutions under Chatham House rules, recognising the sensitivities and barriers to change in large and complex organisations that carefully manage short-term risk.

OWNERSHIPTRANSPARENCY.COM A NEW ADVOCACY TOOL CAN BE USED BY BUSINESS, INVESTORS AND CIVIL SOCIETY TO COMMIT TO TAKING ACTION

GUEST ESSAYS

CIVIL SOCIETY & THE PRIVATE SECTOR

- **Focus:** narrow interventions and clear lines of accountability to facilitate agility and achieve specific and measurable results in a realistic time span.

As Adam Ferguson pointed out, human progress requires both a strong business sector and a healthy civil society.

Given this, we need to build a better understanding of:

1. the business case for civil society
2. ways for businesses to help strengthen civil society
3. ways for civil society to help drive improvements in corporate practice.

1. THE BUSINESS CASE FOR CIVIL SOCIETY

Maina Kiai, United Nations Special Rapporteur on the rights to freedom of peaceful assembly and of association from 2011 to 2017, [stated](#):

“The presence of a robust, vocal and critical civil society sector guarantees, almost without exception, that a State also possesses a good business environment... The rule of law is stronger, transparency is greater and markets are less tainted by corruption. In other words, when civil society does well, business does well too.”

The rights of citizens, such as the right to protest, or to free speech, are at significant risk, even in some of the world’s most advanced democracies where these rights have been taken for granted for decades. There is an urgent need for businesses to speak out against these rollbacks of basic civic freedoms.

CIVICUS estimates that [3.2 billion people](#) live in repressed or closed societies. These numbers represent workers, customers and, most importantly, fellow citizens. Business is inextricably linked to the development of a thriving society, and a healthy business environment is also necessary for a society to thrive. To support this, we need business leaders to use their influence in countries where civic space is shrinking to support organisations in securing the freedom to operate and assemble, raise funds and express their beliefs and hopes for stronger, healthier, communities.

Throughout history we’ve witnessed numerous examples of egregious rights violations in the name of profit. The various scandals of the past 20 years, ranging from the use of sweatshops, child labour, unsafe working conditions, violence against women, discrimination and erosions of press freedoms have shown the negative social costs incurred when business neglects its obligation to uphold basic rights and virtues.

We need more business leaders to put in place the [UN Guiding Principles on Business and Human Rights](#) developed by Professor John Ruggie, including a recognition that this entails respecting civil rights such as the freedom of association, freedom of assembly and freedom of expression.

When the rights of individuals are violated business suffers too. Many businesses have experienced a direct impact on their bottom line through prolonged legal battles. Consumers are also increasingly concerned with how products are made, and what they stand for, pressuring brands to take action or face losses, while the best talent is attracted to brands that have a strong ethical reputation. The process has been slow but we've seen businesses beginning to step up and accept the responsibility they have when it comes to protecting and respecting human rights in a tumultuous world. But we believe this commitment must also be made specifically with regard to the protection of civil liberties to ensure the preservation of good governance, open democracies and accountable institutions, as a basic foundation for sustainable development.

We've seen what happens when companies engage in acts of corruption such as the case of Virunga National Park in the Democratic Republic of the Congo, where investigative journalism uncovered how communities were silenced by security contractors paid by multinational companies. Business can no longer stand silent while dissenting voices are suppressed for standing up against injustice.

Companies that ignore the suppression of civil society at the hands of the state take on big financial risks. We are only just beginning to understand the myriad of ways in which the suppression of citizens and CSOs is bad for business. For instance a recent study by the [Brookings Institution](#) found that between 1 July 2015 and 30 June 2016 there were 81 planned short-term internet blackouts in 19 countries at the hands of oppressive governments. These blackouts ended up costing US\$2.4 billion in gross domestic product globally.

When governments use violence and excessive force to suppress protests and free speech, it can lead to a breakdown of the rule of law and a rise in overall instability. This uncertainty impacts on markets and has a negative impact on the bottom line. Companies that are more deeply in touch with day to day life on the ground in the countries in which they operate and are able to promote and support the development of an engaged and empowered citizenry are more capable of mitigating risks.

2. MOBILISING BUSINESS: STRENGTHENING CIVIL SOCIETY

CIVICUS' [Civil Society Index](#) research identified five key dimensions on which the contribution of civil society rests: the

WHEN THE RIGHTS
OF INDIVIDUALS
ARE VIOLATED
BUSINESS SUFFERS
TOO

GUEST ESSAYS

CIVIL SOCIETY & THE PRIVATE SECTOR

levels of civic engagement, the strength of civil society's organisational structure, perceptions of civil society's impact, civil society's practice of values and the wider enabling environment for civil society.

Business can help improve the level of civic engagement, such as the number of CSO members and extent of volunteering, and the organisational structure of civil society, including aspects such as its human, financial and technological resources and levels of networking, by investing in the communities in which it operates, contributing a percentage of profits to CSOs and encouraging employees to participate actively in the work of CSOs.

Business can also contribute positively to the external environment in which civil society exists and functions, including the legislative, political, cultural and economic context for civil society, and the relationship between civil society and the state, by using its influence to champion civil society participation in policy-making processes and helping to ensure that representatives of civil society are also at the table when decisions are made. Government officials and political elites are often more incentivised to engage with the private sector due to the short termism inherent in the political cycle and the desire to profit from their relationship at the end of their term. This often places business leaders in a powerful position.

Corporate leaders can help advance the values practised and promoted within the civil society arena, such as civil society's promotion of democracy, tolerance, equality and protection of the environment, by integrating these values into their businesses and policies, and educating employees. They can also help expand the impact of activities pursued by civil society actors, such as tackling inequality, climate change and other public policy priorities, or empowering disenfranchised communities, by transforming supply chains to share value more fairly, phasing out harmful emissions or engaging local people in decision-making over the use of local resources and planning for service delivery. There is an increasingly compelling business case for companies to invest in objectives pursued by civil society if you consider the lens of the SDGs. The [Global Commission on Business and Sustainable Development](#) estimates that sustainable business can unlock US\$12 trillion in new market value and create up to 380 million jobs by 2030.

Individual business leaders can also publicly or privately voice strong opposition to crackdowns on civil society and violence against human rights defenders, helping governments to recognise that erosions of civic freedoms also threaten business interests. This may be even more important in countries where civil society has been repressed, as business will often have influence where other actors are unable to intervene. For example, Tiffany & Co. spoke out to support investigative journalist Rafael Marques de Morais when he was being targeted with a long jail sentence for exposing corruption in the diamond industry in Angola. Tiffany felt that it was important to stand up for Rafeal because they believe in the importance of respecting basic human rights and recognise that corruption is a threat to their business.

Anisa Kamadoli Costa, Chairman and President of the Tiffany & Co. Foundation, stated:

“At Tiffany & Co., we believe that by welcoming the opinions and concerns of many different groups - including those that challenge us - we can enhance our own business practices and positively influence the jewelry industry. We value dialogue with a broad range of groups whose diverse viewpoints help us advance best practices along our supply chain.”

It's clear that protecting the ability of citizens to organise and speak out is fundamental for all businesses if they wish to contribute to a stable, better and more viable future for all, and to integrate moral obligations. As Martin Luther King once said: “Our lives begin to end the day we become silent about things that matter.”

3. MOBILISING CIVIL SOCIETY: BOLSTERING BUSINESS LEADERSHIP

Civil society can play an equally crucial role in improving corporate practice. By supporting due diligence processes to identify any potential human rights risk through on the ground monitoring, civil society can provide early warning signals of abuse or corruption and ensure increased accountability for delivering results. Given businesses' responsibility to inspect their supply chains and make sure their operations are not violating human rights or harming civic space, it is essential that businesses maintain strong working relations with civil society to ensure comprehensive and credible due diligence.

Take, for example, the case of Coca-Cola, which in 2012 decided to restart company operations in Myanmar. In order to avoid potential human rights and corruption risks they first hired due diligence consultants to undertake a review of the supply chain. However, at first pass these consultants failed to detect a major risk; this was only discovered after engagement with civil society. Through local channels [Global Witness](#) was able to inform Coca-Cola that a director in a potential supplier held a stake in the Myanmar jade industry. This would have been a major business risk to Coca-Cola, in that it would have faced fines from the US government and possibly irreparable reputational harm in regional and global markets; prior to September 2016, the USA had strong sanctions against the Myanmar jade industry due to long-term links to human rights abuses and environmental degradation.

Weak governance and corruption costs the private sector billions each year and ultimately adds an average of [up to 10 per cent](#) to the total cost of doing business globally, and much more in some countries. The same research has shown that businesses that move operations from a country with low corruption to a country with medium or high-level corruption can lose up to 20 per cent in profit.

PROTECTING
THE ABILITY OF
CITIZENS TO
ORGANISE AND
SPEAK OUT IS
FUNDAMENTAL FOR
ALL BUSINESSES
IF THEY WISH TO
CONTRIBUTE TO
A STABLE, BETTER
AND MORE VIABLE
FUTURE

GUEST ESSAYS

CIVIL SOCIETY & THE PRIVATE SECTOR

Transparency of information is also an important mutual goal for civil society and business. The private sector needs healthy, open societies in order to thrive and markets need the rule of law in order to function. Over the past 20 years, [civil society](#) has worked tirelessly to drive transparency and fight corruption. On the grassroots level, organisations such as Janaagraha, a Bangalore-based CSO whose name translates to ‘people power’, are tackling this challenge with innovative tools such as [ipaidabribe.com](#). This website allows citizens to report bribes and record who asked for the bribe and where it took place.

An estimated US\$1 trillion is paid in bribes each year, and they exact a particularly heavy toll on business. A study by Harvard Business School’s [George Serafeim](#) found that bribery affects a firm’s competitiveness in a myriad of negative ways, including regulatory fines, reputational damage and impact on employee morale. [Grassroots tools](#) such as [ipaidabribe.com](#) support the development of better business and have been found to strengthen local governance. This is why business should be alarmed at the sweeping legislation that the Indian government passed in 2010 [limiting civic space](#), which caused 4,000 small CSOs, many of them similar to Janaagraha, to close their doors.

CONCLUSION

Ultimately, we don’t have the luxury of time and we can’t wait for governments and bureaucracy. Given growing repression by governments, the extremes of inequality, runaway climate change and rampant corruption, the societal collapse that Adam Ferguson warned of in his essay feels too close for comfort.

Recent global events like Brexit and the election of Donald Trump in the USA have set off a new wave of activism around the world. Citizens are marching in the streets and also flexing their power as consumers by pressuring CEOs to take action or suffer the consequences. Uber CEO, Travis Kalanick, stepped down from President Trump’s business advisory council after 200,000 people [deleted the Uber app](#) in response to the company’s drivers crossing the picket line during a JFK airport protest. At the same time, 100 US technology companies, including Apple, Facebook, Google and Microsoft, [filed a legal brief](#) following Trump’s introduction of a travel ban on citizens from seven Muslim-majority countries, arguing that the ban affects their ability to hire from talented immigrant pool.

De facto gag orders placed on the US Environmental Protection Agencies, and Trump administration requests for internal lists of ‘climate scientists’, also do not bode well for civil society in the Trump era. This is why it is even more important than ever for business and civil society to work together and for more companies to stand up together, to bring ground cover and strength in numbers.

It’s time for all of us to roll up our sleeves, put aside our differences and work on the solutions. We need more cross-sector athletes working to forge a new contract between business and civil society to help place civilisation back on a safe course. We need business to stand up and speak out when civil society space is threatened and human rights defenders are put in danger. We need to ensure that individual priorities do not pull us away from

our collective responsibility. It's time to invest in this new relationship, to pilot new forms of collaboration and connect our struggles. The true power of the people is always greater than that of those in power. It's time to harness it.

IT'S TIME FOR ALL
OF US TO ROLL
UP OUR SLEEVES,
PUT ASIDE OUR
DIFFERENCES AND
WORK ON THE
SOLUTIONS