Geostrategic Threats to Sustainability

David Grayson was recently asked how the complex geostrategic situation related – if it does – to sustainable development and sustainable and ethical business.

It is something which has been on his mind for a while. There is no shortage of issues!

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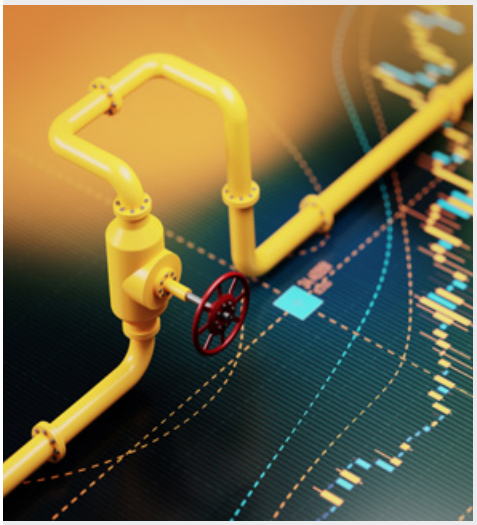
The refugee crisis and mass migration (war, climate and economic) are provoking demagogues and populism of a most ugly character. The war in Ukraine, the war in Gaza and the ever-present risk of that conflict spreading across the Middle East, tensions over Taiwan, concerns over freedom of navigation whether in the South China Sea or the Red Sea, failing narco-states and a scarily escalating number of other regional conflicts, all combine to make the world feel a much more dangerous place again. Indeed, it feels to me like the most dangerous time in my lifetime (and as a very young kid in primary school, I vividly remember talking in the school playground during the 1962 Cuban missile crisis with friends that we were too young to die!) International financiers like Jamie Dimon and Larry Fink have suggested it may even be the most dangerous time since 1938. The veteran Financial Times columnist Martin Wolf, in a magisterial book: 'The Crisis of Democratic Capitalism' (Allen Lane, 2023), analyses the existential threats he perceives to both market capitalism and liberal democracy.

It would be absurd to think that businesses can just carry on regardless in the face of these challenges or that the sustainable business agenda is unaffected by these multiple geostrategic threats.

These threats mean governments, political leaders and parliamentarians have less 'air-time' or budgets to devote to sustainable development or to creating an enabling environment for sustainable businesses to flourish. The bandwidth to think long-term for the planet is being diminished.

Dis- & Mis-Information
Ukraine War
Deglobalisation
Polycrisis
Sovereign Debt Crisis
Fake News
Cyber Warfare
Isreal-Palestine
Threats to Shipping
V.U.C.A
Cost of Living Crisis
Inter-Generational Equity
Taiwan
Mass Migration
Permacrisis
Megathreats
Inequalities
Multipolar World
Loss of Trust in Institutions
Populism



The likely further rise in populism means we cannot rely on politicians to show the visionary leadership that sustainable development needs. But could we ask it realistically of our business leaders? Even as the same geostrategic threats inevitably consume the time and thought processes of corporate boards and senior management teams, as they grapple, for example, with risks to their global supply chains or consumer confidence.

The Global Risks Report for 2024 from the World Economic Forum defines disinformation and misinformation caused by artificial intelligence as the top, immediate risk. Media attention has inevitably focused on the potential impacts on politics – especially in an unprecedented year for the number of elections across the world when half of the world's population will be eligible to vote. Dis- and misinformation, however, pose serious threats to businesses too. Geopolitical Strategist Tina Fordham describes this new reality as "a new geopolitical risk supercycle." Fordham is one of a number of consultants advising boards on what they need to understand about this 'risk supercycle' and its possible impacts on their businesses.

In a year with such a proliferation of elections, companies will have to be especially mindful of their Corporate Political Responsibility (CPR). One source of advice on CPR is the Erb Principles, https://embeddingproject.org/resources/the-erb-principles-for-corporate-political-responsibility/ developed by the Erb Institute at the University of Michigan in the US. (https://erb.umich.edu/)

Boards and SMTs will need to consider how different geostrategic risks might affect their business, and which might demand a corporate point of view. In particular, how might some of the disparate threats coalesce and produce more threats?

Certainly, Heads of Sustainability/Chief Sustainability Officers need to be engaging even more intensively with their colleagues in corporate strategy, ethics, risk, public affairs and communications functions. One source of advice for this common agenda is an excellent new book by Professor Alison Taylor, Clinical Professor at NYU Stern School of Business: 'Higher Ground: How Business Can Do the Right Thing in a Turbulent World', (Harvard Business Review Press, February 2024).

Taylor offers some practical advice to help companies decide whether to speak up on environmental, social, ethical or geopolitical issues.

"Is the issue central to your values, code of conduct and/or other existing public commitments?

Is the issue an environmental or social priority, according to a vigorous materiality assessment?

Does the issue pertain to commitments you have made to your workforce, such as any to diversity and inclusion or human rights principles?

Has your company already done all it can to ensure it isn't making the problem worse through its actions or business model?

Does your company have relevant capacity and expertise to contribute to solutions for the issue?

Is this a new issue that has a proximate relationship to the company's goals or operations?

Is there a clear way your business can make a positive contribution in collaboration with others?
Will acting on the issue support a positive operating environment for business in general? Would it support democratic participation, fair competition, equality of opportunity and basic human rights?
Can the company make a statement that's consistent with its values, prior actions, political spending, and environmental and social priorities?
A negative answer to any of these questions signifies that it would be unwise to proceed."

There is less likelihood of being 'blown off course' if the business has already done the hard work and is clear about why and how ethics and sustainability are crucial to its future success; has defined a societal purpose; is working hard to build and sustain a strong, ethical culture where employees are clear about how the business expects them to behave; the business has a robust strategy with clear accountabilities and targets, is measuring and reporting on progress – and is using this to drive continuous improvement. This requires that the board and senior management team are clear about the desired culture of their organisation, effectively checking on actual and desired culture, and driving continuous improvement. The message has to be: continue to work with other businesses committed to doing business ethically and sustainably – and do not be afraid to speak up for long-term policies that will advance sustainable development and social justice. This means that today's and tomorrow's managers need to become highly proficient as collaborators (knowing how to partner with other businesses, NGOs, international development agencies, public sector bodies and academia), and skilled as advocates.

The implication for those of us in management education? The mindsets, behaviours and skills that are needed for teaching continue to evolve and deepen.

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About the Author

David Grayson is Chair of the Institute of Business Ethics, Emeritus Professor of Corporate Responsibility at Cranfield School of Management and co-host of "All In: The Sustainable Business Podcast." He serves on the board of a bank in the ASEAN region where he chairs the Group Risk Management Committee and is board lead on sustainability/ESG.