

BiE Conference
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Speech by Rt. Hon. The Lord Holme of Cheltenham CBE
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In the great debates of our time: about globalisation and poverty; about the environment and sustainable development; or about corporate social responsibility and good citizenship, we must be careful not to set up false antitheses.

One such, is that there is a choice to be made between regulation - a good thing – and so-called ‘voluntary initiatives’ – a clearly inferior type of remedy for the world’s ills.

Quite apart from the fact that what makes the world turn round is a countless myriad of those patronisingly labelled ‘voluntary initiatives’ – What else after all, are some of our great NGOs themselves but voluntary initiatives? – I believe that to pose the question REGULATION OR VOLUNTARY ACTION is just such a false choice.

Both are required. Let me start with regulation. The stereotype has it that business resists all regulation in the sacred name of free markets.

Yes, business has resisted, and will continue to resist, excessive cramping legislation. But no successful market has ever existed without rules and regulations. The proper regulation of markets in the interests of consumers, of commercial order, or in such wider public interests as elected governments decide, is a fact of social and economic life which business accepts as inevitable and often useful.

Of course such regulation should be arrived at in consultation with those most affected, often companies, to ensure that it is well considered and that it avoids unintended consequences. It should be preferably, ‘*de minimis*’, or at least not so excessive as to stifle initiative and enterprise, the very ‘animal spirits’ which John Maynard Keynes identified as the well spring of economic success. It should conform to the principles, well set out in Lord Haskins’ Task Force on Better Regulation for the British Government including accountability, proportionality and transparency. And above all regulations should be subject to regular review so that they do not become dead letters by outliving their usefulness.

But with these qualifications I do not know of any responsible business leader who would expect, or even want, to live in a regulation free world where the invisible hand alone ensures good outcomes for all.

So there is a place for sensible regulation - and there is also a real issue in a world which has an increasingly globalised marketplace whilst it is still politically divided into nation-states of how such rules can be arrived at globally. A reason why incidentally, whatever criticisms it incurs, we should be profoundly thankful that we have managed to create the GATT and its successor the WTO to set rules for free trade. -

But in accepting the place of regulation we should not do so at the expense of or in competition to the infinitely more powerful force of voluntary action and initiative. If we could harness constructive partnerships – to set new norms, to tackle grievous problems, to consider emerging issues – using just a tiny part of the formidable energy of voluntarism we should be well on our way to creating a more sustainable and equitable world.

That is why it is so important that business as a whole approaches the World Summit for Sustainable Development in just such a spirit of constructive partnership ready to engage with others and prepared to be accountable for its contribution to social development and environmental conservation. That is the whole purpose of Business Action for Sustainable

Development, the global coalition for responsible business brought together specially for the Summit.

More and more businesses are declaring their values, publicising their policies and setting out their standards. That is as it should be. The modern world rightly requires power to be accountable – we live in a ‘show me’ not a ‘tell me’ world – and large companies are powerful bodies – perhaps not always as powerful as their critics imagine but sometimes more powerful than their directors like to acknowledge – The outside world has the right to know where companies are coming from and to know both how well they comply with regulation and, even more importantly, how well they live up to their own standards.

So there is, in my view, an unanswerable case for proper reporting on performance not only on the economic but also on the social and environmental dimensions of the business, what is sometimes called in shorthand the triple bottom line.

But let us be quite clear what the main utility of accountability and reporting is. It is to improve performance. It is not to provide a conveyor belt of juicy issues for campaigning NGOs. It is not to feed the blame culture of the media - although companies who fail in one area or another must be philosophical if this is sometimes the result of greater openness -. But far more importantly companies need to be learning systems, improving their performance by learning from experience.

Robert Lovett advising Robert Kennedy once said *“Good judgement is the result of experience. And experience is frequently the result of bad judgement”* or as Piet Hein, the Danish poet and scientist put it –

*“The road to wisdom?
well, it’s plain & simple to express
Err and err and err again,
but less and less and less”*

So if we genuinely want companies to do better in these important areas of sustainable development, we must let them learn from their mistakes, saving culpability for those serious instances where it is genuinely appropriate.

And of course good companies also learn from each other. Competitive emulation is a great stimulus to raising your own game. So there is a strong case for common benchmarks, particularly within sectors and regions where the main factors are the same. BiE is a living demonstration of the virtues of peer competition after all.

And there has been some outstanding work done by UNEP, in twenty six sectors, including chemicals, and the WBCSD in another five, including the Global Mining Initiative, in measuring progress and creating common understanding of what sustainable development means for a whole sector.

And now there is the very welcome multi-stakeholder project represented by the Global Reporting Initiative designed to produce a common framework for social and environmental reporting whilst remaining sensitive to sectoral and regional differences.

But, despite the GRI, there is also a call by some NGOs for the main outcome of the WSSD to be global regulation of large companies. It needs to be understood that this call is in itself a compromise between a fundamentalist minority whether of a neo marxist type who see all capitalism as evil and whose aim is to find out what large companies are doing and make them stop it, whatever it may be, or of a deep green “trade is harmful, lets all stay in Hobbiton variety” – and, on the other hand, a much larger majority group who see that job

and wealth creation are essential but who want to ensure it is done more responsibly and equitably.

So whilst the fundamentalist minority of would- be regulators want to bind Gulliver hand and foot so he can't move an inch, the majority, more reasonably, want to ensure that he treads carefully and that his giant footprint doesn't leave people squashed.

I believe that it is right for business to work in a constructive way with this concerned majority for better and more accountable governance – and incidentally not just for companies but for governments themselves and even NGOs – even if it is difficult to see how common ground can be achieved with the minority of fundamentalists.

And yes, the outcome might be more regulation. But let me set some parameters:

- First, decision on regulation are ultimately a matter for elected governments not business nor NGOs
- Second, let us make sure of the rules of good regulation which I set out earlier; consultation, proportionality, review etc.
- Third, let us remember that large companies can cope far better with regulation, and even secure a competitive advantage, than their smaller brethren
- Fourth, let us beware of calls for regulation in the First World which either as a matter of design or accident harm the interests of the Third World, by thinly disguised protectionism for instance.

Above all, let us recognise that even where there is regulation it is 'compliance plus' which puts life on bare bones and so try to focus the real effort of the Earth Summit in creating the will for all the global stakeholders to rally round issues in the search for shared solutions and common action, rather than in repressive recrimination.

As Lord May, the President of the Royal Society has said recently, *"Business and industry are held by many ideologically oriented groups to be the problem not the solution, but if global business is not to be engaged as part of the solution, then there is no solution"*.

We stand ready. We are already engaged in a host of initiatives, with governments, central and local, with communities, with universities, with NGOs. More needs to be done, globally and locally, and business stands ready to play its part.

The Summit is in South Africa. Let us try to make it what they call there an INDABA, a gathering of the wise heads of our small world, to try and find common ways forward.

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