Six Global Trends in Business and Society

A stark look at the risks business education must address in 2022.

People want business to engage more – not less – with societal problems. That's according to the **2022 Edelman Trust Barometer**, which presents findings from a survey of 36,000 people in 28 countries.

According to the survey, people believe societal leadership is core to business. They also believe business is an effective driver of positive change. And yet, respondents don't perceive business as doing enough to address issues such as climate change, economic inequality, workforce reskilling and untrustworthy information. More than half say capitalism does more harm than good in the world.

At INSEAD, we pay close attention to trends like these, as they help inform our agenda as a global business school. We are particularly attuned to six global trends impacting business and society. These trends, which present both serious risks and impactful opportunities for business, hold implications for our school's activities in 2022. Here, we offer key insights from leaders and organisations closest to the issues.

Climate is the top priority

Today's gravest threat to humanity isn't Covid-19, despite **what headlines may imply**. Global leaders and experts surveyed for the World Economic Forum's **Global Risks Report 2022** cite environmental issues as the biggest global risks in the short, medium and long term. Extreme weather, climate action failure and threats to biodiversity are of the greatest concern.

The urgency of this problem has increased in the last two years, both because the pandemic has stalled progress toward a green transition and countries have met the climate emergency with an inadequate response. For example, while 197 countries signed the Glasgow Climate Pact at the 2021 UN Climate Change Conference (COP26), their commitment is not expected to achieve **the 1.5°C goal** set by the 2016 Paris Climate Agreement.

Inequality between and within countries is making matters worse. OXFAM International estimates the **top 1 percent** of people produce twice as many emissions as the bottom 50 percent. And yet, the least fortunate will bear the consequences. By 2030, the climate crisis is estimated to kill approximately 231,000 people in poor countries each year.

Socio-economic risks are increasing

As the pandemic persists, socio-economic problems are worsening. Globally, the economic recovery is slowing in the wake of inflation spikes, debt crises, rising commodity prices and supply chain bottlenecks. "**Livelihood crises**" are increasing among lower-income households, a segment particularly hard-hit by higher prices and expensive debt.

By 2024, the global economy is projected to be **2.3 percent smaller** than it would have been without the pandemic. Labour market imbalances, protectionist policies and disparities in education and skills are expected to create more divergence in economies worldwide. By 2024, economic growth in advanced economies is projected to surpass pre-pandemic growth by 0.9 percent. However, in developing countries (except for China), economic growth is expected to fall 5.5 percent below pre-pandemic growth. Growth in Latin America and Sub-Saharan Africa is projected to slow even more.

Inequality is increasing within most countries

Failures to distribute the Covid-19 vaccine equitably have most harmed the world's poorest countries. Although half of the world's population has already received two doses of the vaccine, only **7 percent of Africa** is fully vaccinated. Inequality has also worsened in the areas of healthcare, education, digital access and economic growth which mostly impacts the poor, women and girls, and visible minorities. Since the pandemic began, the timeline for achieving gender parity has slipped a whole generation, from **99 to 135 years**.

Wealth inequality continues to rise. Today, the richest 10 percent of the global population owns **76 percent** of all wealth, while the poorest half owns only 2 percent. Multimillionaires – representing only 1 percent of people on Earth – have also captured 38 percent of all additional wealth accumulated since the mid-1990s.

However, data on income inequality shows different trajectories. Over the last two decades, income inequality *within* countries has significantly increased while income inequality *between* countries has decreased. The 2021 World Inequality Report indicates that the gap between the average incomes of the top 10 percent and the bottom 50 percent of individuals within countries has nearly doubled, from 8.5 times to 15 times. Yet the gap between the average incomes of the richest 10 percent of countries and poorest 50 percent of countries has declined from about 50 times to less than 40 times.

Distrust in key institutions is mounting

A lack of trust in key institutions has reached critical levels. **Nearly 6 in 10 people** say they instinctively distrust something until evidence suggests otherwise. Government and media fuel a "cycle of distrust," with nearly 1 out of 2 people perceiving these institutions as divisive forces in society. Democratic governments are trusted even less than autocratic regimes. Increasingly, consumers and employees hold businesses accountable for their role in society. They also want CEOs to take a stand on issues. The Edelman survey reports that beliefs and values now guide key decisions such as buying or advocating for brands (58 percent), choosing a place to work (60 percent) and investing (64 percent). Most institutional investors (88 percent) also scrutinise an investment's commitment to ESG as much as its operational and financial practices. Meanwhile, activists are taking to the streets to **protest greenwashing** while litigators are **taking corporate giants to court** over failures to fulfil climate promises – putting increased pressure on businesses and investors to address climate change in a meaningful way

Metrics for ESG reporting are converging

For years, ESG reporting lacked rigor and consistency due to the absence of a single ESG accounting standard. It created difficulties for investors looking to compare companies' commitments, and also fueled discontent about the greenwashing of sustainability investments. However, in November, the **International Sustainability Standards Board** (ISSB) was formed to create a formal set of accounting standards for investors and the general public.

The convergence of metrics for ESG and sustainability will help organisations to firmly commit to these factors and **embed** them within their business strategy. The new standards will also enable monitoring of large-scale ambitions that have been historically hard to measure, such as contributions to the UN Sustainable Development Goals.

Technology regulation is growing in importance

Our dependency on technology, coupled with the acceleration of technology innovation, has increased the need for new regulatory tools and policies. The challenge for policymakers is to develop approaches that protect consumers' privacy, speech and security without dampening growth or inhibiting innovation. Governments and corporations must also work together to rebuild trust and moderate misinformation in digital spaces. This will require an **agile, flexible and transparent approach** to governance along with global cooperation and collaboration, particularly to address fast-moving cybersecurity threats.

Overall, trending in the right direction

Due to these and other global risks, 84 percent of global experts and leaders in the WEF report say they are "worried" or "concerned" about the outlook for the world. We share their concerns. But we also see these risks from another angle. They are reasons to act. They are sharp reminders that responsible business matters. They motivate us to work harder for people and the planet. Ultimately, that leaves all of us in a better position – not just to manage other risks, but to face the next crisis headed our way.

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