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# Five Global Trends in Business and Society in 2023



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## **INSEAD faculty weigh in on the greatest threats and opportunities for the year ahead.**

Forecasts are rarely perfect, but last year our predictions for [global trends in business and society](#) proved to be fairly accurate. As expected, [extreme weather events](#) revealed the immediate impacts of climate change. The growth rate of the global economy remained [well below average](#). And the lingering effects of Covid-19 [hit the poorest hardest](#).

Yet our forecast did not predict the most disruptive event of the year: Russia's invasion of Ukraine, which sparked a series of new crises and exacerbated existing ones. The intersecting and compounding challenges of a warming planet, weakened economy, geopolitical conflicts and social instability ushered in problems of [skyrocketing inflation](#), [food insecurity](#), an [energy crisis](#), a [cost-of-living crisis](#) and a potential [global recession](#).

Volatility and uncertainty remain high this year, clouding our view as to what lies ahead. We recently conducted a survey to capture the INSEAD academic community's perspective on the top threats facing businesses this year and

the greatest opportunities to act as a force for good. Between 16–31 December 2022, a total of 46 INSEAD faculty members from nine academic areas and three campuses participated in the survey. The participating faculty members identified the following five issues as critical, with recent reports from the World Economic Forum, Edelman, World Inequality Lab and other key institutions underscoring their importance.

## **Climate change**

A quarter of survey participants cited climate change as the number one societal issue for businesses to address in 2023. A further nine percent ranked climate change as the fourth biggest societal threat to business this year.

These results are in line with the [World Economic Forum's Global Risks Report 2023](#), which highlights the urgency of the climate emergency and compares its impact in the short and long term. [Among the top 10 risks](#) identified by the [experts surveyed](#), “failure to mitigate climate change” is the fourth greatest risk in the next two years, and the number one risk in the next 10 years.

According to the [Intergovernmental Panel on Climate Change's Climate Change 2022 report](#), the planet has already warmed by 1.1°C, leaving approximately 3.6 billion people dangerously exposed and vulnerable to climate impacts. The world is currently on track to [warm by 2.5°C by the end of the century](#), far exceeding the 1.5°C target set by the Paris Agreement.

An issue intimately connected to climate change is biodiversity loss and ecosystem collapse, something the Global Risks Report identifies as one of the “fastest deteriorating environmental risks”. The interplay between nature loss and climate change – in conjunction with other parts of the “polycrisis”, as the report calls it – means that as natural ecosystems are increasingly burdened, climate change will continue accelerating, and vice versa.

Fortunately, nations across the world are taking bold steps to address this mounting risk. At the [UN Biodiversity Conference \(COP15\)](#) in December 2022, 188 governments agreed to the “[Kunming-Montreal Global Biodiversity Framework](#)” (GBF). Regarded as a historic package, the GBF outlines four goals and 23 targets for addressing biodiversity losses and restoring natural ecosystems by 2030. These include cutting food waste in

half, protecting 30 percent of lands, oceans, coastal areas and inland waters on earth and reducing annual government subsidies that are harmful to nature by \$500 billion. The GBF also requires large companies and financial institutions to monitor and disclose their risks, dependencies and impacts on biodiversity in a transparent manner.

## **Income and wealth inequality**

According to the INSEAD survey, the second-most important societal issue for businesses to address this year is income and wealth inequality.

The [World Inequality Report 2022](#) indicates that global progress on inequality is mixed. According to the report, inequalities within countries have grown significantly over the last two decades – the gap between the average incomes of the top 10 percent and bottom 50 percent of individuals has **nearly doubled**. However, inequalities *between* countries have declined. The gap between the average income of the richest 10 percent of countries has **dropped from being approximately 50x higher to less than 40x** higher than the poorest 50 percent of countries.

Meanwhile, both income inequality and wealth inequality among individuals **remains staggeringly high**. Currently, the richest 10 percent of the global population earn 52 percent of global income and possess 76 percent of all wealth, while the poorest 50 percent of the global population earn 8.5 percent of global income and possess only 2 percent of wealth.

Who is responsible for addressing the wealth gap? Of the 32,000 people surveyed in the 2023 Edelman Trust Barometer, **77 percent say they expect CEOs to take a stand**.

## **Social instability**

About one-fifth (18 percent) of INSEAD faculty cited social instability as the biggest threat for business this year.

Indeed, 2022 saw a significant uptick in civilian protests worldwide, affecting developed and emerging economies alike. Many protests were triggered by economic woes **caused by inflation**, while others were political in nature, such as the **riots in Peru following Pedro Castillo's ousting** and the more recent **storming of Brazil's government buildings** in a scene eerily similar to the 6 January 2021 attack on the United States Capitol. In America, there is **continued talk and questions** about the prospect of a civil war.

Many of the factors contributing to social instability are expected to persist in 2023. Economic optimism is continually declining; the Edelman report finds 24 of 28 countries are experiencing all-time lows in the number of people who think their families will be better off in five years. More than half of those surveyed said their country was more divided today than in the past, and 65 percent said the lack of civility and mutual respect is the worst they have ever seen.

The report also suggests citizens expect businesses to take on greater responsibility in addressing these issues, as many have lost faith in governments. While **business is perceived as competent and ethical**, government is viewed as unethical, incompetent and a source of misleading information.

### **Inflation and recession risks**

In the INSEAD survey, 17 percent of faculty indicated that inflation and recession risks are the greatest threat to business this year.

Up until very recently, other institutions hinted at a similar outlook. On 1 January 2023, the IMF's Managing Director announced that the fund expected **a third of the world economy to fall into a recession** in 2023 as a result of the Russia-Ukraine war, inflationary pressures and rising costs of borrowing. The **cost-of-living crisis was cited as the top risk** to the global economy for the next two years in the Global Risks Report 2023. And **74 percent of participants in Edelman's survey shared fears about inflation**.

In the last several weeks, however, the economic forecast has started to improve. Economists point to **several contributing factors** including supply-chain improvements, a robust labour market, lower energy prices and the reopening of China's economy. While some caution that a recession remains a possibility, the broad consensus is that any downturn will be mild and brief. At the World Economic Forum, an IMF spokesperson announced the **fund would upgrade its economic forecast** to reflect this sunnier outlook.

That said, **inflation remains high and interest rates continue to climb**. In the absence of further government intervention, these variables have the potential to create headwinds to growth.

## Geopolitical crises

A quarter of INSEAD faculty flagged geopolitical crises as the top threat facing business in 2023. Another 11 percent cited it as the most important area for firms to address to serve as a force for good.

Currently, geopolitical tensions are prevalent in virtually every corner of the globe. Earlier this month, the Council on Foreign Affairs' annual Preventive Priorities Survey **identified 30 potential conflicts** for the year ahead, including spillovers from the Russia-Ukraine war, rising tensions between China and Taiwan and ongoing nuclear threats in North Korea and Iran.

Meanwhile, the World Economic Forum highlighted the emergence of “gloeconomic warfare” as an offshoot to geopolitical fragmentation, **ranking geopolitical confrontation as the third biggest risk** in the short term. Tensions are also running high within countries. According to the Edelman survey, six countries – Argentina, Colombia, the United States, South Africa, Spain and Sweden – are in the “severely polarised” category.

Though the consequences of these threats largely fall on the shoulders of governments, businesses have a responsibility to step in and help mitigate them. Public-private partnerships are **four times more likely to yield optimal results** for society than if government or business work alone, according to the 2023 Edelman Trust Barometer.

The Global Risks Report 2023 reinforces this point, emphasising that the time to act is now. “Concerted, collective action is needed,” the report says, “before risks reach a tipping point.”

### Find article at

<https://knowledge.insead.edu/responsibility/five-global-trends-business-and-society-2023>

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## About the series

### Crossroads: Business & Society

The Hoffmann Global Institute for Business and Society at INSEAD explores the intersection of business and society. The challenges of our times are unprecedented, and the decisions made by leaders today determine the future. HGIBS aims to equip these leaders to make decisions in ways that deliver positive outcomes for business, communities, people and our planet in line with globally agreed sustainability goals.

The UN Sustainable Development Goals, or SDGs, offer a cohesive and centralised framework for discussing a new development model that is good for all people and the planet. INSEAD is aligning more closely with the SDGs as more business leaders engage with the SDGs, using the 17 global goals to account for their contributions to society.

This series provides much needed clarity regarding what the SDGs mean for strategies, operations and business models.

