



Making a *Business* Out of Solving the World's Toughest Problems

The Conference Board 2006 Global Corporate Citizenship Conference in New York recently brought together business leaders and thought leaders from around the world to explore the challenges facing business today and in the future. The discussions created a compelling sense of immediacy regarding companies' abilities to survive in a radically changing world and the crucial role global corporate citizenship will play in that survival process.

Framing the Conversation – Approaching a Cliff?

The message was clear and urgent in three keynote presentations. Companies that want to continue to be in business must:

- grasp increasingly compelling environmental and societal realities;
- attune their missions to address those realities; and
- realign their strategies to include the needs and desires of populations in developing nations and under-served segments of all societies, helping those populations become viable customers.

In today's world it is necessary, but not sufficient, for companies to invest directly in societal well being, environmental quality, and other global challenges through proven approaches such as corporate philanthropy or related initiatives. To contribute to solving the most difficult 21st century challenges, business must leverage its traditional strengths—e.g. creating products and developing markets—to spur development in emerging economies where future business growth opportunities are greatest. By combining these approaches into an integrated business strategy, companies have the opportunity to contribute directly to achieving global sustainability and, in the process, create new markets and opportunities for themselves, thus helping to assure their own sustainability as viable companies into the future.

This emphatic discussion reflected a vastly expanded way of thinking about what corporate citizenship means in the 21st century, as well as its integral relationship to global and business sustainability.

Tachi Kiuchi, CEO Emeritus of Mitsubishi Electric America and currently chairman of The Future 500-Japan opened the conference with a compelling metaphor; likening the path that many businesses are on today with his youthful experience of driving off a cliff in the Rockies while dozing behind the wheel. The message for businesses that want to be successful in the 21st century and beyond is simple:

- *Stay Alert. Watch where you're going. Get feedback.*

If companies plod forward under old paradigms and assumptions they may miss the opportunity to adapt to the emerging world and miss their “niche.” They must:

- *Adapt. Once You Get Feedback, You Must Take Action, and Change*

He likened the opportunities open to business of today to those grasped by

“... our greatest business leaders –Carnegie, Ford, Iwasaki of Mitsubishi, Hewlett and Packard, and others, the inspired business activists who created some of the first great companies. Their greatness is NOT that they saw opportunity in selling to the already wealthy. Their greatness is that they saw opportunity in the needs of the masses. The poor became their customer base, and ceased to be poor.”

Peter Senge, founding chair of the Society for Organizational Learning (SOL) framed the emerging future and business’ challenges and opportunities in different but similarly compelling context. Stating that we have arrived in world where we have never been before, he emphasized the need for radical innovation on the part of business, and global society more generally: *“We have woven a web of interdependence around the world that is without precedent,”* he said.

The situation of huge and complex systems that have evolved to the point where realigning them – e.g. atmospheric carbon resulting from energy use (very few of the participants knew of the order-of-magnitude carbon emissions reductions that many believe are necessary to stabilize future temperatures) – present challenges of a scale that we as global citizens have not encountered previously in our history on earth. It is becoming increasingly difficult for companies to understand and adapt to the magnitude of the needed changes. Senge suggested that if companies are unable to adapt the longevity of Fortune 500 companies may decline dramatically! *“Very few [currently] successful companies are able to allow signals of a radically changing world to penetrate their corporate immune system.”*

An example of the complexity now facing the world is a major initiative underway among many companies and other organizations to try to create a more sustainable global food system that meets not only worldwide nutritional needs but also creates opportunities for economic growth simultaneously with a reduction of dependency on fossil-fuel energy sources—a very tall order. Senge closed his remarks with a question: *how can you be the company that society would wish to exist?*

Stuart Hart, S.C. Johnson Chair of Sustainable Global Enterprise at Cornell and author of *Capitalism at the Crossroads* both reinforced and added to Kiuchi’s and Senge’s perspectives on the emerging global business environment. Hart said we are already experiencing the ending of the 20th century “finance-driven corporation” and well into the beginning of the 21st century ‘society-driven corporation.’ The problem for most companies is that they continue with business as usual and do not grasp the magnitude of emerging opportunities for innovation. He picked up on Peter Senge’s comments about the longevity of Fortune 500 companies, asking if multinational companies are up to the challenge to bring about the “transformative change” needed to succeed in the future.

Companies have a tremendous ability to be positive forces for change while simultaneously realizing increased opportunity and value. He dramatized the magnitude of changes that we are experiencing by pointing out that during his lifetime the global population has tripled and will likely increase by another 50 percent before leveling off at mid-century or so. Given these changes, challenges, and the opportunities they create, companies must take charge of their future, become more resilient, and transform themselves via a carefully and continuously thought out corporate vision. They must not get caught up in “everyday processes (the root of Senge’s “corporate immune system?”).”

Action within the Framework: Company Responses

Kiuchi, Senge, and Hart bracketed, at the beginning, middle, and end of the conference, extensive insights from diverse companies of how they are reacting and responding to the challenges and opportunities that the keynoters emphasized. While no one is necessarily “there” yet, important steps are being taken in many sectors and varied corners of the world.

A session on the relationship between corporate citizenship and new business growth opportunities tackled three of the world’s defining issues: energy, water, and materials. David J. Vidal, Director of Research in Global Corporate Citizenship for The Conference Board set the stage, reviewing the evolution of corporate citizenship over the past 10 years. Vidal said that the challenge of the past decade, “making the business case” is behind us, and capital markets, as discussed by **Innovest** and **The London Stock Exchange** in a later session, increasingly are valuing the interrelationships between societal issues and business opportunities, a theme that was emphatically underscored by three leading companies.

General Electric is now well known through their “Ecomagination” strategy to have taken a very public posture on the business growth potential they perceive in meeting societal needs. This understanding is now so well integrated into GE’s corporate operating philosophy

that the title of this conference summary –*Making a Business Out of Solving the World’s Toughest Problems* — is taken verbatim from their 10 principles of “Responsible Corporate Leadership.”

Coca-Cola has taken a somewhat different approach but with a very similar intent to GE’s. Recognizing that fresh water availability and access is one of *The World’s Toughest Problems* as well as being critical to Coca-Cola’s business future the company has set a multi-tiered course to become a leader in “water stewardship”:

- Improve plant performance: [Achieve] best-in-class in water use efficiency & compliance on wastewater management
- Launch community initiatives: Help enable equitable access to clean drinking water in underserved communities where we operate
- Help protect watersheds: Support the protection of watersheds in water-stressed regions where we operate
- Make a global difference: Help mobilize the international community

Through initiatives around the world Coca-Cola is striving to meet the needs of the communities in which it operates and assure its long-term business success.

S.C. Johnson & Son, a family-owned company, draws on its long history of progressive corporate citizenship to address a number of *The World’s Toughest Problems*. Their initiatives are diverse and include supporting the development of pyrethrum farmers in Kenya (which helps to assure the supply of a critical raw material while enhancing the economic well-being of the farmers, and their capacity to participate in the modern market economy); improving life-cycle product stewardship by progressively substituting less environmentally compatible ingredients with those that are more so through their “Greenlist” program; energy efficiency and greenhouse gas reduction through the use of alternative sources where feasible; and supporting public health initiatives in Africa to reduce the prevalence of insect-borne diseases; especially malaria.

Three companies are tackling three of the world's most pressing challenges: energy, water, and materials – each with a focus on both traditional markets and new markets at the bottom of the economic pyramid. While risk avoidance may have been a primary driver in the past, and citizenship initiatives in response were reactive, this approach is changing dramatically as companies recognize and respond to growth opportunities in meeting societal needs.

A Breadth of Perspectives and Experiences

Subsequent discussions reinforced the “business case is closed” theme with concrete examples. Each company understands the need to wake up to 21st century realities, stay alert, get feedback, and take actions that are fundamental to their business strategies.

“Unlocking Developing and Emerging Markets is in Unilever’s DNA”

Unilever has drawn heavily upon its over 100 years of experience Africa, Asia, and South and Central America to see the proportion of their total global sales grow nearly 100 percent over the past 15 years from 20 percent to 37 percent in those markets. Citing specifically a major initiative in India they cite their “multi-local heritage” as a key factor in achieving these results. That heritage includes

- Deep roots—part of the communities in which we operate
- Breadth and depth—specific products, unrivalled reach
- Local touch—90 percent of our managers are local

Unilever describes its “recipe for success” as a *continuous stream of renewed local insights & brilliant local execution* that results from a commitment to

- Work with, live with, serve, delight and empower consumers to create local relevant solutions
- Develop deep partnerships with our customers, farmers, coops, local suppliers, NGOs, Governments

- Engage and Build relationships with local communities—schools, village chiefs, medical authorities

Finding Opportunities in New Markets

Pioneer, a **DuPont** Company, shared a similar focus but in a quite different business sector. Pioneer believes *that a focus on agricultural livelihoods is fundamental to economic development* and that such a focus creates opportunities for the company and for its customers. For example, by participating in a project to train leading farmers to supply local poultry producers with improved inputs, the company achieves increased market access while helping farmers improve their livelihoods. In a public-private partnership in southern Africa local farmers are provided with the technical knowledge and equipment necessary to grow improved soy products that help farmers improve their incomes while providing products with enhanced nutritional characteristics (that are produced from Pioneer seeds, thus enhancing market presence). In a more “traditional” community outreach project in Thailand, Pioneer provided seeds and other inputs to local communities that needed to raise money for school lunch programs. The enhanced agricultural production enabled the community to sell grain commercially and direct the added income to the lunch program.

These and other examples are part of a strategic approach at Pioneer to leverage their expertise in ways that create “win-win” opportunities for the company and the communities in which they operate.

Focusing on Accountability, Environment and Community

Dell shared its broad corporate approach to doing business responsibly around the world by sharing three examples of how it integrates accountability, environment and community concerns into its operating practices.

- In integrated supply chain management Dell strives to assure timely, competitive and uninterrupted product flow by promoting enhanced efficiency, supporting improved working conditions in supplier operations, and promoting responsible chemicals management.
- “Design for environment” is employed to realize cost reductions and avoid risks while reducing resource and fuel consumption and promoting customer “good will.”
- The company has focused on HIV/AIDS prevention and care as a primary concern throughout their operations to enhance employee welfare, reduce employee turnover, and avoid discrimination.

Dell has made a strong public commitment to global citizenship as a way of doing business throughout the world and strives to integrate this commitment into all aspects of their business. An example of their outreach in India includes a commitment to helping Indian children learn technology skills through donated equipment and employee volunteer time. Given an anticipated rapid increase in the Dell workforce in India, such investments make intuitive sense.

Walking the Tightrope between Credibility and Skepticism

Intel has been intensely focused on understanding how to gain competitive advantage from their commitment to corporate citizenship and achieve long-range strategic benefit. They focus their initiatives within their core competencies and target educational innovation worldwide; employing technology for positive social impact in communities and supporting the development of “e-government” to help increase access to government, government efficiency, public safety and security and citizen satisfaction.

Intel believes that the “sweet spot” in their corporate citizenship results is that:

- Citizenship is leveraged outside the Citizenship organization
 - As a moral compass
 - In re-branding the company
 - In a decision-making context
- Citizenship is factor in the “product or brand promise”
 - A sense of commitment/belief makes it through communications and marketing – to the receiver – and is translated to reputation
 - Deeper, more personal connection with the customer
- Citizenship “initiatives” are tied to business competencies at local, regional and market levels

Read carefully between the lines of Intel’s recent rebranding and the commitment to significant environmental improvements and selling to the world’s poor are part and parcel of the future strategy.

A Company that Society Wants to Exist

Honda has set this as a strategic goal. Within the various markets in which they operate around the world, each is empowered to take actions to achieve that goal. In the UK, environment – and especially climate change – is a key concern, and Honda (UK) has undertaken a number of steps to respond and, in the process, exceed legislated requirements, demonstrate the company ethos, and strengthen the brand competitively. They are seeing increased repeat purchases of their cars in the UK and have found through customer communications that this is increasingly influenced by customers’ perceptions of both their product fuel economy and, increasingly, the company’s environmental commitment. To enhance the latter they have introduced a “gift” of one month of “carbon neutral” driving (through offsets, achieved in collaboration with **The CarbonNeutral Company**)” with each new Honda sold.

Supporting Themes

Additional and insightful perspectives were provided by **Dow-Corning** which emphasized the future importance of new products; **British Telecom** which is investing in technology to link communities in developing areas and facilitate economic development and, ultimately, market growth; **Johnson Controls** which emphasized the importance of workforce and management diversity for meeting global business objectives; and **APCO Worldwide**, who's CEO provided valuable real-world practical experiences and insights for operating increasingly successfully in a global marketplace based on APCO's on-the-ground global experience.

The Bottom Line: Solving the World's Toughest Problems is Good Business

The themes resonating throughout the conference were stark and consistent.

- The world's environmental and societal problems are nearing breaking points or critical thresholds.
- Solving them is becoming vitally important.
- Private business has an increasingly critical role to play (and increasingly profitable opportunities to realize) in doing so.
- The time to act was yesterday.
- Those who don't change will not be around for long.

Companies that shatter their “immune systems” and get feedback from the changing world in which they are operating will become the “society-driven corporations” of the 21st century. The companies gathered in New York in February are among those who are breaking the bounds of tradition and aggressively seeking new opportunities.

At the end of the day, the range of choices spanned by a corporate citizenship purpose involves at least two defining and interlocking propositions:

- The ability to provide products and services to current and potential customers—a substantial number of whom are today counted among the world's poor—at accessible prices *while* intentionally reducing negative environmental and social impacts throughout the value chain and turning them into positive ones; and
- Demonstrating by word and deed the values, ethics, culture, and the spirit of “the kind of company society would want to exist” —being more focused on marketplace, workplace, community and environmental responsibilities as one whole; being more efficient, less exposed to risk and more innovative than peers; and achieving sustained value creation for shareholders and society as a direct result.

The leaders gathered in New York are reaching out to address the world's toughest problems, applying core business competencies to new societal needs, and changing the nature of their businesses—enabling them to grow and thrive and, in the process, increasing opportunities for people everywhere to share in the benefits of their innovations.

A Note of Special Thanks

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