

# Shaping the Future: Solving Social Problems through Business Strategy:

*Pathways to Sustainable Value Creation in 2020*

Presentation document

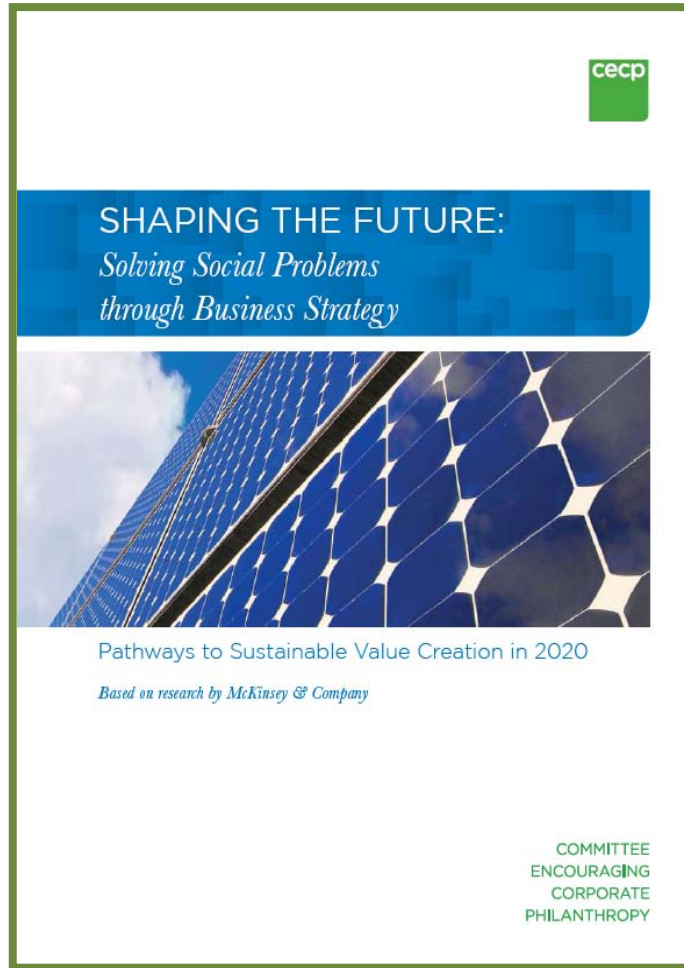
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# Shaping the Future: Solving Social Problems through Business Strategy



**We recently completed a research effort together with CECP with the aim of addressing the following future-oriented questions**

- **What will the next decade look like, and what are the implications for corporate involvement in solving social issues?**
- **How can corporations position themselves now to maximize their profitability and societal impact?**

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- **Chapter 1: Global Forces**
- Chapter 2: Four Scenarios
- Chapter 3: Preparing for the future



# Who would have thought that we could come so far in ten years?



**Cellular-telephone adoption increase from 738 million in 2000 to over 4.6 billion in 2010**

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**Warren Buffet and Bill Gates lead the world in philanthropy**

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**Investments in renewable energy technologies overtake investments in fossil fuel technologies**

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**Greenpeace partners with multiple multi-national corporations**


# In addition to the trends and individual stories, there are powerful examples of companies that are reflecting this changing environment in their strategies

**GlaxoSmithKline incorporates social issues into business strategy**



Developed innovative strategies for reducing the cost of medicines that are sold in the Least Developed Countries

**General Mills employs core competencies for social development**



Partners with USAID to improve the capacity of small and medium-sized food businesses across Sub-Saharan Africa

**Nestle manages supply chain risks for sustainable value**



Works directly with farmers to promote development in farming communities

**Alcoa sets ambitious social and environmental targets**



Reports specific company wide targets for ensuring a diverse workforce and reducing environmental footprint

# The world continues to change dramatically, shaped predominantly by five transformative global trends

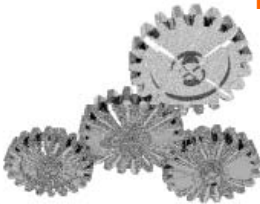
## The Great Rebalancing

- Emerging markets gaining larger share of global GDP
- Growth of a multipolar global economy



## The Productivity Imperative

- Economic growth in developed economies increasingly dependent on productivity gains
- Insufficient supply of highly trained talent for rising global demand



## The Global Grid

- Increasing interconnection of markets, trade, and technology



## Pricing the Planet

- Significant increase in resource demand as emerging markets surge
- Growing environmental pressures on business and society



## The Market State

- Growing need of states to compete for economic growth and innovation
- Competition to attract business activity



# Poll Question #1

Thinking about your corporation over the next 10 years, which one of the following is most likely to keep you awake at night?

**A** Center of economic activity shifting away from the West

.....

**B** Scarcity of natural resources and climate change

.....

**C** Scarcity of highly trained talent

.....

**D** Unpredictable policy landscape (nationally and/or internationally)

.....

**E** Increased connectivity between consumers and markets


**These global forces will require businesses to adapt to a different operating environment**

**Five transformative forces**

**The Great Rebalancing**



**The Productivity Imperative**



**Pricing the Planet**



**The Market State**



- Cover new territory
- Achieve more with less
- Tap top talent
- Engage new voices
- Win on an uneven playing field
- Partner on regulation

# Business has the opportunity to help shape the implications of these trends

Global forces ...

... are shaping a new world for business and society

- The Great Rebalancing** 
- Pricing the Planet** 
- The Global Grid** 
- The Productivity Imperative** 
- The Market State** 

The rise of emerging markets

Climate change and resource scarcity (water, food, energy)

Spread and influence of information technology

Talent shortage

New role for governments

Towards a **fundamentally different operating environment**, where

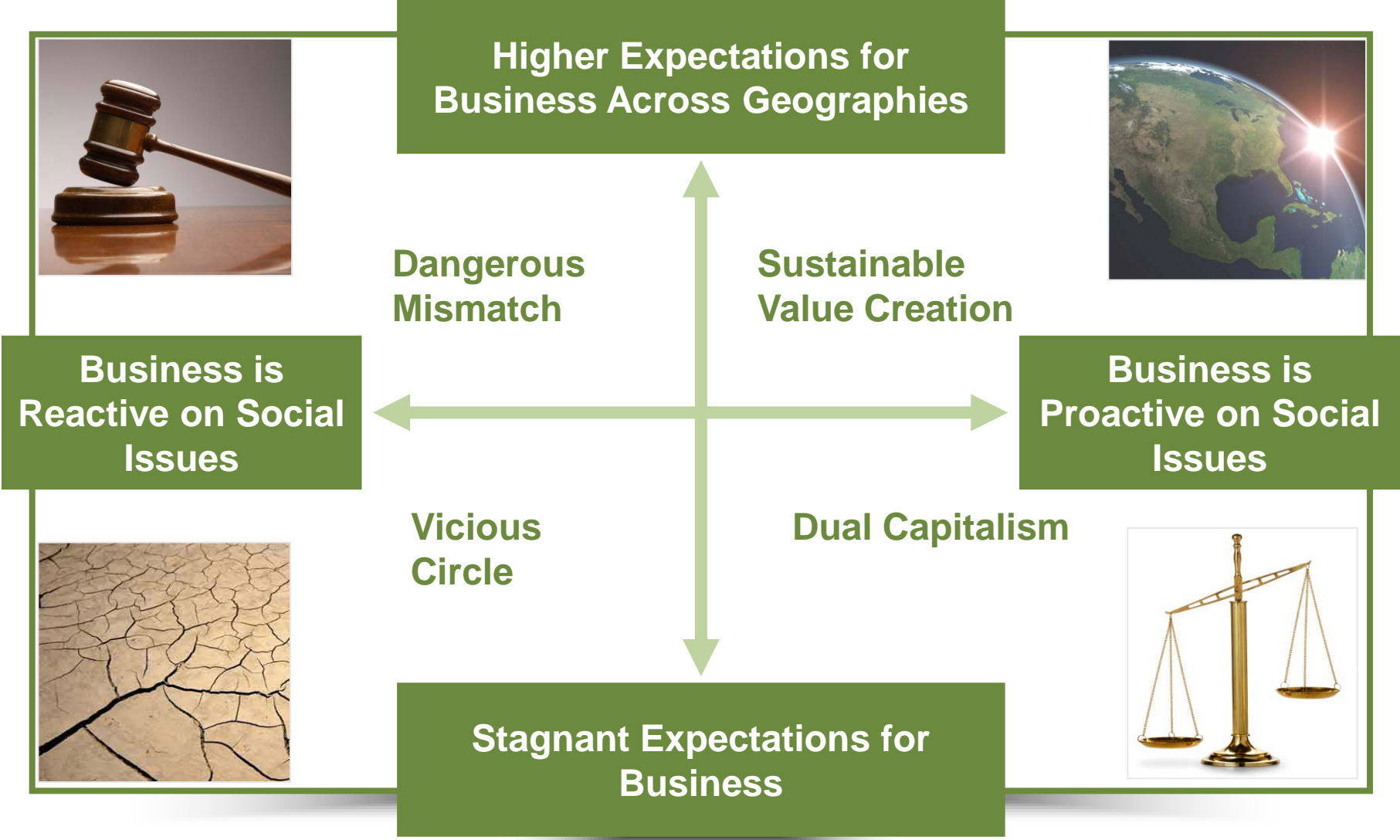
- **Governments struggle** to find solutions
- **Trust** in business is decreasing
- **Businesses are increasingly expected** to address social and environmental issues

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Depending on the role that business chooses to play in society, there are 4 different scenarios that might play out



## If business is reactive on social issues and society maintains uneven expectations for business, a vicious circle will emerge



- Business is reluctant to engage in social and environmental issues
- Governments and NGOs struggle to find solutions on their own
- Trust in business bottoms out
- Environmental and social issues worsen
- Economy suffers from increasingly pressing social problems and unpredictable policy environment

# If business is proactive in addressing social issues and society adheres to more consistently high expectations, sustainable value is created



- Business develops robust voluntary standards that address social and environmental issues
- Business builds partnerships with governments, NGOs, and other businesses
- Trust in business is high
- Business innovations drive improvement in social and environmental issues
- Economy benefits from robust business climate and innovation

# Poll Question #2

Which scenario do you think we are headed for now?

**A** Scenario 1: Sustainable value creation

.....

**B** Scenario 2: Dual capitalism

.....

**C** Scenario 3: A dangerous mismatch

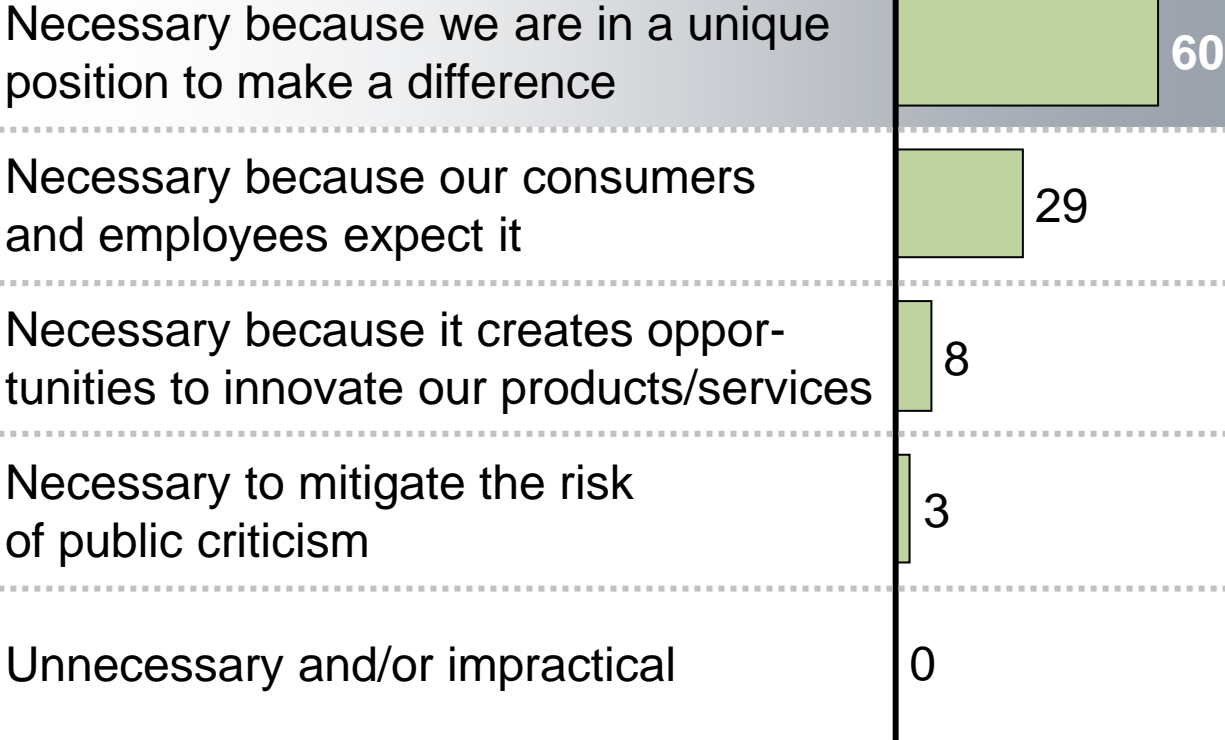
.....

**D** Scenario 4: The vicious circle

# CEO Response: CEOs recognize that business has a unique role to play in addressing social problems

Complete this sentence:  
"Taking a proactive approach in solving social problems that are important to my business is ..."

Percent



"There are more ways to make a difference than just writing a check. We can also move the needle on important social issues through involving our time, brand, and resources."

– *Duncan Niederauer, CEO of NYSE Euronext*

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# Corporations can respond at an individual level to address social issues critical to their business



In 2005, Wal-Mart committed the company to the following environmental goals

- To be supplied 100 percent by renewable energy
- To create zero waste
- To sell products that sustain people and the environment



Western Union advocates for migrant rights and has commissioned the studies on remittances to examine the power of remittances to promote long-term economic development

Western Union funds "Our World Our Family" to provide migrants with community orientation, basic language skills, job preparedness tips, and personal finance support



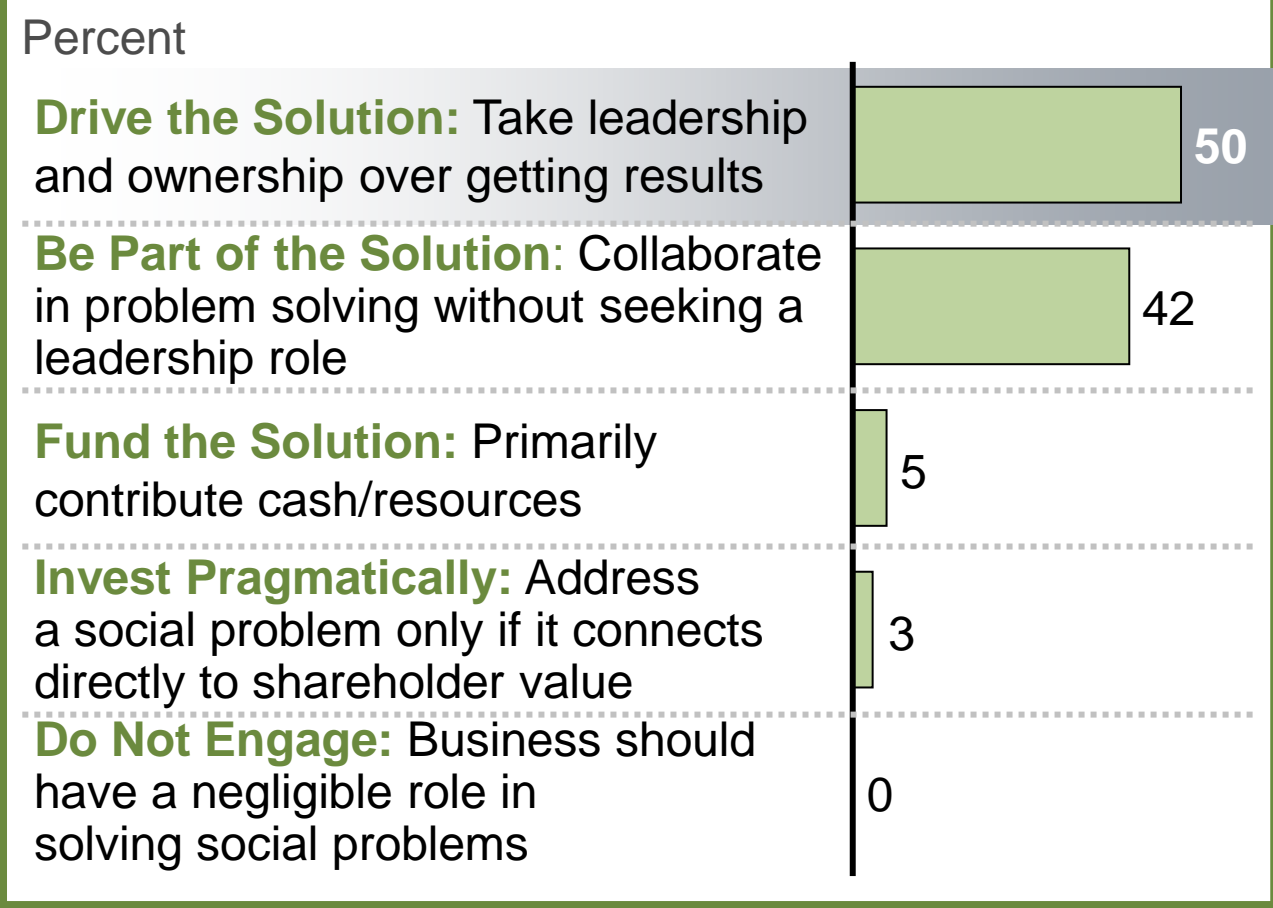
# Poll Question #3

**What do you think is the appropriate role of a company in solving a social problem that is important to its business?**

- A** Drive the Solution: Take leadership and ownership over getting results
- B** Be Part of the Solution: Collaborate in problem solving without seeking a leadership role
- C** Fund the Solution: Primarily contribute cash/resources
- D** Invest Pragmatically: Address a social problem only if it connects directly to shareholder value
- E** Do Not Engage: Business should have a negligible role in solving social problems

# CEO Response: CEOs agree that engagement in social issues is critical

What do you think is the appropriate role of a company in solving a social problem that is important to its business?



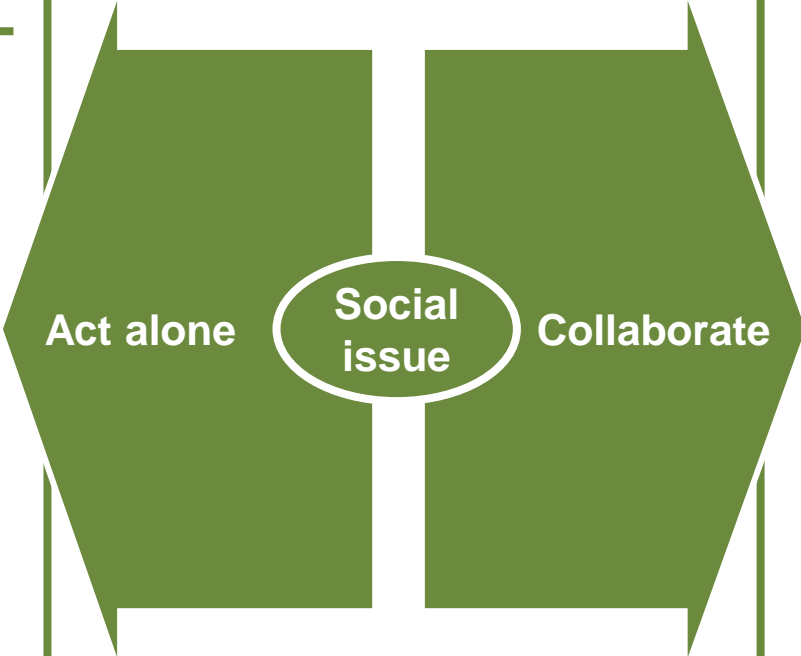
"More will be expected from market leaders and globally successful companies, and those companies who are most involved will be most successful, creating an upward spiral."

– Mike Duke,  
President and Chief Executive Officer,  
Wal-Mart Stores, Inc.

# Determining whether to tackle the issue independently or collectively

## Act alone if the company ...

- Derives a competitive advantage from being the first among their peers to get involved
- Has an opportunity to play a unique catalytic role
- Must respond immediately to protect the company from an impending threat



## Collective response appropriate when ...

- A combined approach can accomplish ends that no one single player can achieve
- The complexity of the targeted social issue requires broad skills and experience
- A large constituency (of which the company is a member) benefits from unified action

# Real-world examples of sustainable value creation partnerships

## Establishing Voluntary Industry Standards



A public-private initiative that promotes a global voluntary anticorruption standard for the oil, gas, and mining sectors

## Setting Up Region-Specific Partnerships



An employer-led alliance that drives economic development in Minneapolis and St. Paul

## Convening Diverse Groups to Solve Problems



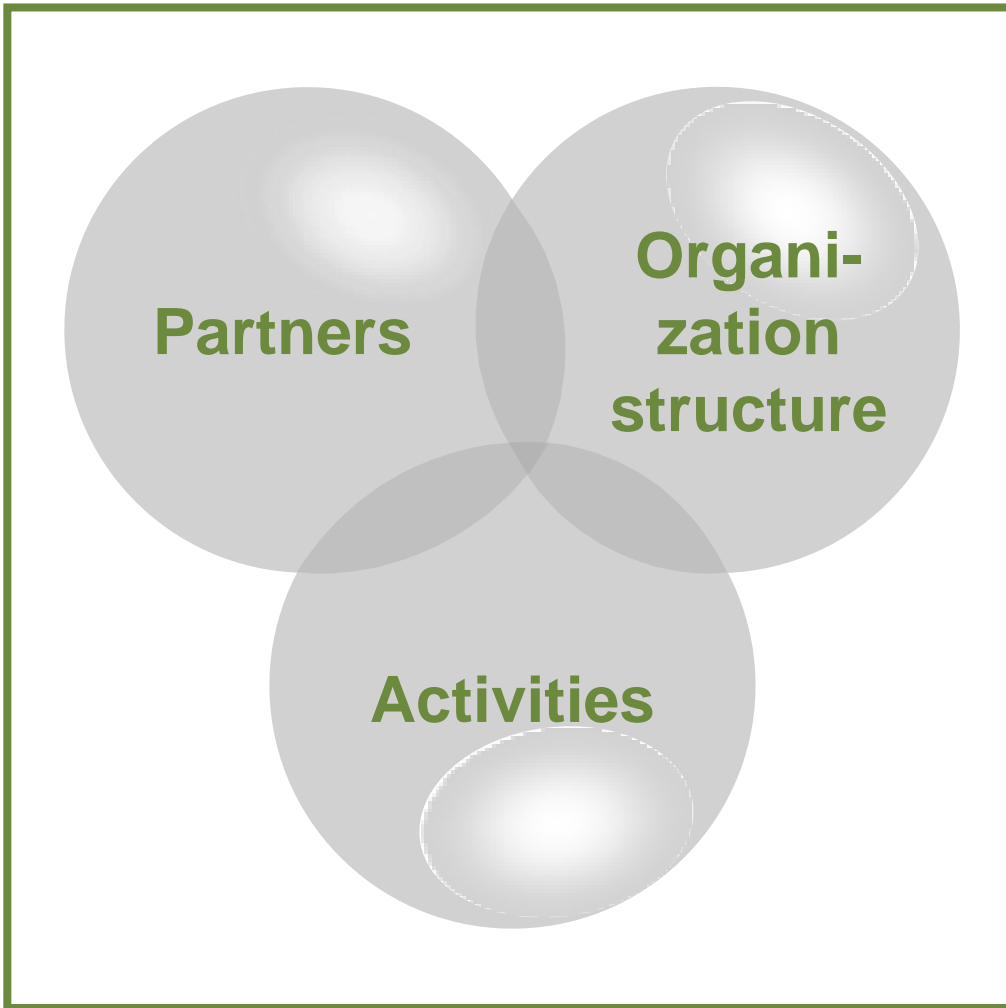
Hosts a yearly gathering where world leaders in the private and social sectors convene to brainstorm solutions to important global challenges

## Aligning Competencies in Public-Private Partnerships



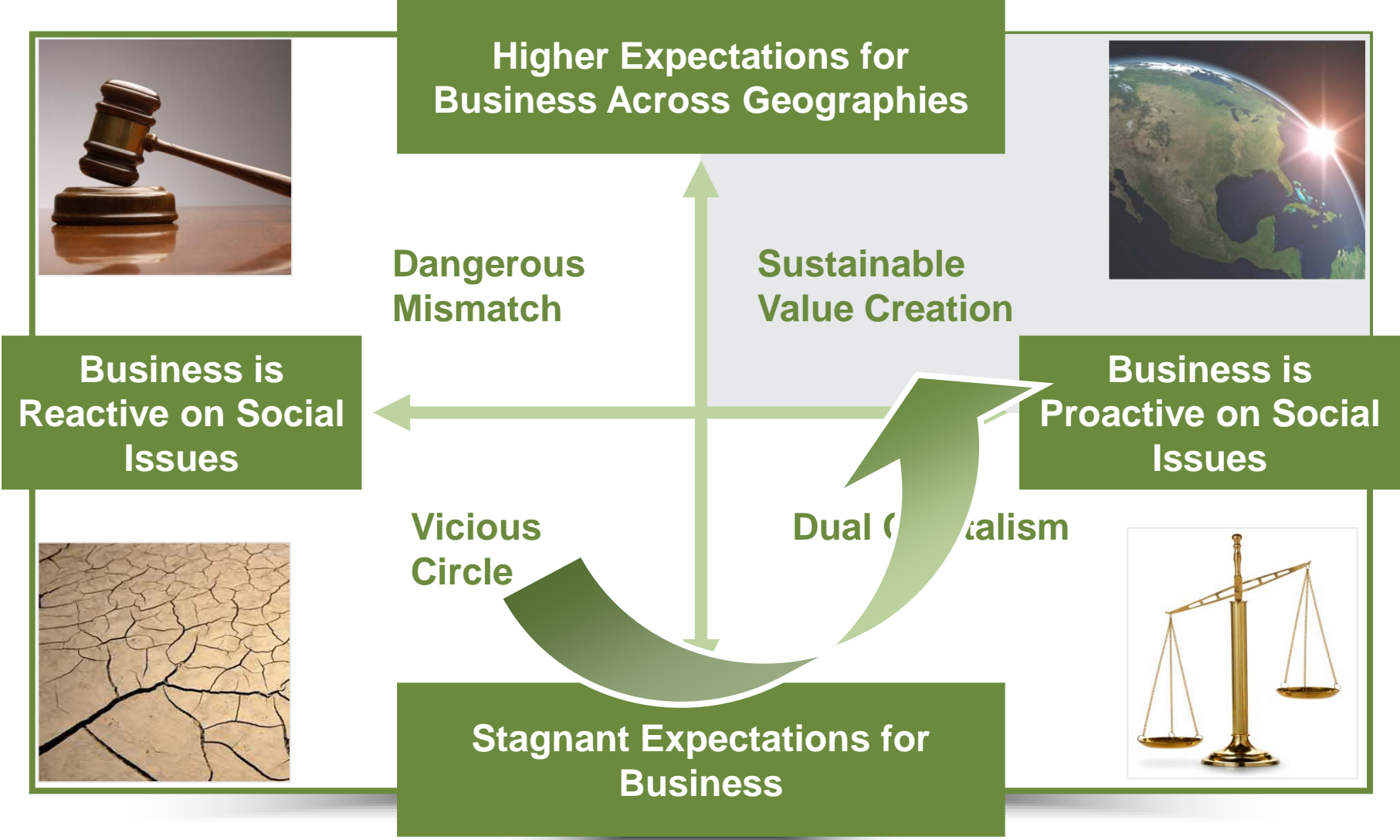
A public private partnership dedicated to attracting and disbursing resources to prevent and treat AIDS, tuberculosis, and malaria

## The next decade will see the advancement of new collaborative models with innovative groupings of partners, organization structures, and activities



- Build a group of natural allies
- Create a partnership aligned around the root causes of an issue
- Ensure partners trust one another and have the ability to work together
- Meet in a safe space to communicate and measure progress
- Take early steps to show progress and build trust

# Conclusion: Business has the power to shape the future and move us toward sustainable value creation



## 1 Collaboration

As you reflect on the notion that collaboration is necessary to address social problems, what do you think collaborations have to look like if they are going to work? What collaborations do you see your company involved with in 2020? What will make them successful?

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## 2 Rules of the game

When have you been able to push forward to help create standard rules of the game for your industry, either through regulation or voluntary standards? How did you do this?

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## 3 Impact

As you reflect on the global trends we've discussed today and the other social issues on your mind, on what issue do you hope to have really made a difference by 2020?

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## 4 "Win-win solutions"

When have you been able to tackle a major social issue through your business strategy? Do you feel it has been successful? What made it work?