Chapter 1

Only Global Corporations Have the Resources, Global Reach, and Self-interest to Build a Better World

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> What people can positively achieve is influenced by economic opportunities, political liberties, social powers, and the enabling conditions of good health, basic education, and the encouragement and cultivation of initiatives.[1]
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> —Amartya Sen

The world faces social, environmental, and economic challenges that are projected to increase exponentially over the coming decades. Many of these issues, such as environmental degradation, climate change, access to healthcare, poverty, and human rights, are cross-border issues. National governments acting alone lack the authority and resources to provide adequate responses. The international community has too often failed to achieve binding and actionable agreements to deal with these global problems. For example, global climate change conferences have not resulted in implementable accords to address global warming. Conflicting interests between developed and developing nations, rich and poor countries, North and South, East and West, and various political ideologies interfere with agreements on many world issues. The NGO sector has made strides in advancing the human condition but lacks resources and scalability sufficient to make transformational progress.

In the face of these difficult challenges, some creative responses are emerging from the business sector. Unlike governments, businesses in the twenty-first century cross national borders, spanning oceans and continents. Modern corporations respond to customers, employees, and investors across the globe in order to profit and thrive. Moreover, companies are learning that they must be attuned to the needs of the world's population in order to maximize profits. This book tells the story of a number of global corporations that have aligned their profit-making missions with efforts to build a better world. These companies have come to understand that they can enhance their bottom lines while improving global conditions, often through partnerships with NGOs and governments.

Every country on the globe encounters a variety of struggles. Poverty continues to plague over one billion people; the growing disparity between rich and poor is a top concern of global leaders as it threatens peace and prosperity. Climate change is causing extreme weather events that trigger human dislocation and geopolitical destabilization. The degradation of water, forests, and arable land threatens human existence. The failure to adequately educate the world's children, particularly in science, technology, engineering, and math, creates a disconnect between jobs and job-seekers, leaving too many people unemployed and a workforce without the skills to tackle global concerns. Millions of children and adults continue to die from preventable diseases and illnesses due to lack of access to healthcare, medicines, and vaccines. People suffer the loss of human rights across the globe: as victims of human trafficking, or as a result of labor abuses, violence over conflict minerals, and limits to free expression. All of these world problems bring suffering to people and their families. Companies have begun to realize that these global struggles also undermine economic progress and their businesses.

Future trends will magnify the challenges. The world population is on a trajectory to grow from seven billion today to nine billion within the next few decades. The majority of people around the globe will live in cities, particularly in developed countries. Three billion additional new consumers will enter the middle class, primarily from developing markets. These emerging middle-class consumers will seek more affluent lifestyles.[2] With today's global population already consuming resources equivalent to more than 1.5 Earths, we are on an unsustainable path to meet the demands of this growing population.

Furthermore, without any course corrections, we are on track to surpass the safety threshold of two degrees Celsius that scientists predict will unleash the worst effects of climate change. Extreme weather events will exacerbate human hardship, bringing about violence over scarce resources. This is a likely future by the time today's kindergartners become adults. Experts already see such patterns occurring in Syria and elsewhere in the world, as people are forced from their farms in the face of droughts, find no jobs in the cities, and resort to civil war in their frustration. Destabilizing conflicts in sensitive geopolitical areas could threaten peace and prosperity worldwide.

In the past, companies might have seemed an unlikely source for finding solutions to social, environmental, and economic challenges. Businesses and nonprofits sat at either end of a spectrum, often quite mistrustful of one another. Businesses distinctly stayed at one end, creating products and services for profit, while nonprofits clearly stayed at the other end, pursuing missions for the betterment of the world. Too often, elements of the corporate sector were responsible for creating the human rights abuses, environmental degradation, and economic injustices that continue to plague the world today. In the past, if a business wanted to "do good," it would make a financial contribution to a charity or give its employees a pat on the back for volunteering.

By the 1990s, some corporations became more strategic in their philanthropy, focusing their dollars on charities that related to their businesses.

There were a number of drivers for this change. In a weak economy—marked by the stock market crash of 1987, a recession, and high oil prices—and facing increased global competition, companies became more attentive to how they were spending each of their dollars. Businesses began to notice that they had been dispensing charitable funds fairly idiosyncratically. They realized that these monies could be assets to be invested more strategically in strengthening the communities in which the company operated, while also building corporate goodwill. Perhaps most importantly, corporations saw that they could align their contributions with causes that would enhance their direct business interests, thereby boosting revenues, their brands, and their public image. Newspaper companies began giving to literacy organizations, for example; banks invested in small business development, and some phone companies supported crisis hotlines.

Eventually, even more purposeful companies recognized the value of integrating service—including volunteering, skills-based service, and nonprofit board participation—with philanthropy, in order to advance community relations, marketing, leadership development, and other forms of personal and professional development.[3] One example is Clifford Chance, a leading global law firm. As described in *Fast Company*, the firm integrated NGO/nonprofit board participation, pro bono service, volunteerism, and strategic philanthropy to maximize the firm's impact in strengthening communities, while developing leadership and fostering personal and professional development among its attorneys and employees.[4]

Additional examples are provided in *Leveraging Good Will: Strengthening Nonprofits by Engaging Businesses.*[5] As companies recognized the benefits of community engagement, collaboration, and partnerships, as well as opportunities for social and environmental impact, these issues moved up to the C-suite, and took on names like "corporate social responsibility"[6] and "sustainability."[7]

Around the turn of the twenty-first century, some leading businesses advanced to a new stage by embracing the concepts of social, environmental, and economic opportunity as part of their core corporate missions. These companies became motivated by two forces: they understood that they could thrive only if they operated in a healthy and sustainable environment with customers who had the economic capability and longevity to purchase their products. Additionally, these companies saw opportunity in developing and producing goods and services for a market that was increasingly demanding sustainable, socially responsible products. These global corporations, therefore, incorporated these values as a key part of their business philosophy and plans. Social issues were no longer a "feel good" or public relations adjunct to the company's core mission. In this way, these leading companies moved toward embracing the values held by the NGO sector.

Not only have the missions of some businesses and nonprofits become somewhat aligned, their operational approaches have also coalesced. Leading companies have realized that they need a purposeful mission, a sustainable environment and supply chain, a healthy, educated, and economically empowered customer base, and a motivated workforce—values traditionally identified with the NGO sector—in order to thrive. Nonprofits have come to understand that they need to make a compelling case for significant resources, create robust business models, demonstrate replicability, see issues in terms of the "win-win," and build effective infrastructures—ideas historically touted by business—in order to achieve scale to address mighty global challenges.

This book will explore programs developed by a number of global corporations, often in partnership with each other, or with NGOs and governments, that provide visionary and innovative solutions to the challenges facing the world now and in the future. These companies believe that by improving social, environmental, and economic conditions, they will meet the interests of customers, employees, and investors, increase their profits, and become more sustainable. As a result, companies are engaging in economic development initiatives to reduce poverty and create opportunity: cutting carbon emissions in their own operations as well as supply chains, while developing energy efficient products and services for private and governmental customers; internalizing the costs of natural resources that they consume while producing and marketing environmentally responsible goods; investing in technology-based educational programs to prepare the next generation for twenty-first century jobs; offering access to healthcare, medicines, and vaccines—often enabled by mobile technology—to save lives and improve the quality of life for people in underserved regions; and developing programs to prevent human trafficking, labor abuses, violence over conflict minerals, and limits on free expression.

This book features specific approaches that some corporations are taking that appear to be effective or promising in addressing particular social, environmental, and economic challenges. A number of businesses have emerged as global leaders in corporate social responsibility, while others have demonstrated strength in certain programs but lag in other areas. Moreover, one must remember that some corporate actors have created and continue to perpetuate the social, environmental, and economic threats facing the world; only with such an understanding can we move forward together to find solutions. The purpose of this book is to look ahead by highlighting effective and promising corporate initiatives and to rally the business sector and its stakeholders to continue to think creatively and collaboratively about building a better world.

This book is organized into chapters on economic development, climate change and energy, ecosystems, education, healthcare, and human rights. Chapter 2 focuses on economic development. It demonstrates that, although progress has been made in halving the rate of poverty in just over 20 years to 1.2 billion people, progress is at risk due to various factors: droughts, floods, and other extreme weather events that are driving people from farmlands into cities where there are not enough jobs; insufficient access to healthcare and education; negative attitudes toward girls and women; and corrupt governance in some countries.

Global poverty threatens all of society, not only those who are marginalized. Reports from leading institutions, including the International Monetary Fund[8] and Brookings,[9] indicate that poverty threatens global peace and prosperity. Moreover, wealth gaps—defined as severe income disparity—topped the list of the 50 greatest threats to the world according to the *Global Risks Report 2013*,[10] a survey of over one thousand experts from industry, government, academia, and civil society. Chapter 2 argues that while governments alone have been unable to resolve this pernicious issue of poverty, global corporations are finding some innovative solutions through partnerships with NGOs and governments. Furthermore, companies are profiting by strengthening economies in developing countries, providing employment, facilitating the creation and expansion of small and medium businesses, and reversing poverty.

Chapter 3, which addresses climate change and energy, examines a variety of ways that companies are profiting by reducing carbon emissions, investing in greater use of renewable energy resources, and innovating and marketing energy-efficient goods and services. While governments have done a good deal of talking about climate change, the planet's temperature continues to rise. In the meantime, companies are moving forward with concrete action. Intel, for example, is shifting its operations to meet 100 percent of its electricity use in the United States in 2013 through green power. The company is driven to reduce costs, prepare itself for longer-term energy challenges, and burnish its brand among customers, employees, and investors. Other global corporations, such as Walmart, Unilever, and Nike, are creating sustainable products and materials that require less energy and natural resources in their supply chains, and throughout the lifecycles of their products: from raw materials to ultimate creation, production, use, and recycling. These companies are also enjoying cost savings, while decoupling business growth from scarce resources and appealing to stakeholders. Companies like Intel, Ericsson, and Johnson Controls are promoting and constructing "smart cities" and "smart buildings" to cut carbon emissions in entire communities of the world, thereby selling profitable services. These business approaches promise to enrich companies' bottom lines while advancing the global agenda to mitigate climate change.

Chapter 4 explores ecosystems, including clean air, water, timber, and arable land, which are vital for human sustenance. Already hundreds of millions of people lack access to clean drinking water. Droughts and other extreme weather events, combined with population growth, will exacerbate demands for food and water. Governments have been ineffective in protecting forests, land, and water. Yet many businesses are finding that it is their interests to protect the natural resources on which their company's profitability and long-term health depend.

Some companies are transforming their approaches to source alternative materials for manufacturing, and redesigning their products, rather than relying on natural resources that will become more scarce. For example, Kimberly-Clark shifted its sourcing of fibers from endangered areas to certified forests. Unilever committed to source 100 percent of its agricultural raw materials sustainably by 2020 and reports that it is on track to that record. In this way, corporations are making their businesses more sustainable for the future while also increasing their brand value by addressing consumer and investor concerns about the environment.

Chapter 5 demonstrates that education—particularly in science, technology, engineering, and math (STEM)—is vital for people in the United States and worldwide to qualify for jobs in the twenty-first century. Education is the win-win that ensures a qualified workforce for companies while preparing people for employment and opportunities for a good life. Businesses also benefit when people earn incomes that allow them to consume those businesses' goods. Through its Catalyst program, Hewlett-Packard leverages its technology, expertise, and resources to stimulate international collaboration among innovators in science, technology, engineering, and math education to prepare students for twenty-first century problem-solving. Ericsson enables access to world-class information and educational resources for students and teachers in developing countries through low-cost mobile broadband and cloud computing. Companies are seeking to solve the global education crisis because it is in their own interests, and this benefits the world.

Chapter 6 addresses healthcare, another area where humanitarian concerns intersect with business interests. Developing countries suffer from high death rates due to preventable illnesses and diseases. Governments have not been able to provide sufficient access to care, medicines, and vaccines due to the legacy of colonialism, including wars and weak infrastructure, lack of national resources, and sometimes poor governance. In response to this health crisis, a number of companies are providing innovative solutions while also benefiting themselves. These companies are enhancing access to healthcare, medicines, and vaccines—including through mobile technology—by partnering with each other, and with NGOs and governments. Although some projects may begin as proof-of-concept pilot programs, they are designed to be expanded in order to lead to substantial sales, including for vaccines and medicines. For example, GSK and Vodafone are collaborating to increase the vaccination rate of children in Mozambique, using mobile phones to register new mothers and send reminders for appointments; this serves Vodafone's customers and may ultimately increase GSK's sales if the pilot is successfully replicated.

Moreover, many businesses recognize that it is in their interests to help develop robust and thriving communities for the well-being of their employees and consumers. For example, AstraZeneca partnered with Johns Hopkins University and two NGOs to combat noncommunicable diseases (NCDs) in young people through research, high-level advocacy, education, and health skills training.

Chapter 7 explores human rights abuses, including human trafficking, worker safety, and conflict minerals (which are mined in conditions of armed conflict). These human rights violations are reflected in products used and worn in everyday life throughout the world—including cellphones and other electronic equipment made from conflict minerals and clothing made in sweatshops in Asia. This chapter also addresses infringements of freedom of expression and privacy on the Internet—issues which affect people worldwide, including in the United States and other developed countries.

Humanitarian interests alone would seem to be sufficient to motivate companies to protect human rights. Yet the reality is that businesses are sensitive to matters that concern customers, employees, and investors—especially in an era when news of egregious abuses spreads quickly on the Internet. Additionally, companies are realizing that their reputations can rise or fall based on the positions they take on sensitive matters. The Global Coalition Against Human Trafficking, founded by several international corporations such as Coca-Cola, Delta Airlines, ExxonMobil, and Microsoft, mobilizes the power, resources, and thought leadership of the business community to end human trafficking.

Furthermore, a variety of multi-stakeholder groups involving the high technology industry are addressing conflict minerals. Moreover, companies have learned that violating human rights can cost a company billions of dollars in a single year, due to conflicts in labor markets and resistance from communities and other stakeholders that can delay permits, construction, and operations. Companies are learning that doing the right thing benefits their bottom lines by protecting[11] and building their brands, reducing financial risks, elevating employee morale, and attracting responsible investors.

Chapter 8 shows that the success of a company's sustainability strategy rests on its effectiveness in engaging with stakeholders, collaborating with other companies and NGOs, and ensuring effective board oversight of the company's social, environmental, and economic development agenda. Companies can effectively build trust with customers, communities, employees, and investors by involving them in an iterative conversation for global problem-solving. This chapter describes strategies for stakeholder engagement, along with best practices for establishing stakeholder advisory councils (SACs). A global corporation will create an SAC—a small group of highly qualified people with diverse backgrounds and expertise—to meet with the company's executives for candid discussions about corporate strategies and their implications for social and environmental impact. Additionally, forward-looking boards of directors recognize that sustainability drives innovation, growth, and profits, while mitigating risks. Sustainability is a governance matter. The boards of leading sustainability companies have "corporate responsibility committees"—or "sustainability committees"—to oversee the sustainability strategy and its performance and to discuss it with the board.

A number of international companies are seeing that solving global challenges can increase their profits and long-term sustainability. They are developing programs to advance the social, environmental, and economic condition of the world in ways that government cannot. There is much to celebrate and hope for as companies build a better world.

Here are a few definitions that will be helpful to readers. NGOs *refers to "non-governmental organizations," the term used for nonprofits in most parts of the world outside of the United States. In the United States, the term* nonprofit *is most commonly used. In this book, NGO is usually used to refer to international organizations that span multiple countries, nonprofit to refer to organizations that serve the United States only, and NGOs/nonprofits when referring to both types.*

The words sustainability *and* resilience *are used throughout the book. Sustainability here refers to the long-term viability of a natural resource, community, or business. Resilience refers to the ability of a structure or community to withstand and survive a trauma or attack, usually from an extreme weather event. Both terms are used in the context of threats due to climate change, the demands of a growing population, and scarcity of natural resources, as well as opportunities for businesses to innovate.*

Transparency *and* disclosure *are also terms and concepts that you will read about here. Transparency refers to the availability of information* *about companies, NGOs, and governments, and their activities and operations. There is a trend toward greater transparency, shifting away from previous decades when so much in government, business, and NGOs happened behind closed doors. With the advent of social media, and the democratization and immediacy of information exchange, barriers have been eliminated, so it has become increasingly difficult for institutions to keep secrets. Companies that make information about their social, environmental, and economic impacts easily available and understandable—also known as "disclosing"—look better to the public and their customers than companies that appear to be failing to "disclose." By disclosing, corporations are being more transparent and hence, seem more trustworthy. Legal obligations are also requiring a higher level of disclosure.*

Accountability, oversight, *and* board governance—*or* corporate governance—*are also important terms. Accountability refers to a company's responsibility to act with integrity with regard to its finances, employees, products, services, customers, and all communities it affects, and to give an honest report to all of its stakeholders accordingly. Oversight refers to legal and regulatory bodies that are responsible for ensuring that companies act with integrity and within the law. Board governance, or corporate governance, refers to the corporation's board of directors' legal and fiduciary responsibility to ensure that the corporation acts with integrity to fulfill its purposes.*

The term ESG refers to a company's "environmental, social, and [board] governance" practices. There is a growing understanding that environmental, social, and governance factors affect a company's value as well as the public.