

## Interview

**Dr. Bruce Piasecki**

by Demetri Chriss for *Express*  
(translated from the Greek)

A few days ago, and for the first time in its history, Toyota's sales exceeded those of General Motors, having found buyers for 2.348 million of its vehicles in the first trimester of 2007, compared to the 2.26 million of GM.

It is the first time in 76 years that the American giant is driven out of the first place of the global car industry, while everything shows that worse things lie ahead for the once powerful "General" of automobiles, as the Global Master Plan of Toyota, recently leaked to the international media, targets the acquisition of 15% of the global car market by 2010 — something that would render almost impossible the comeback of GM to the top. International analysts attribute the success of Toyota not only to the better quality of its automobiles but also to the fact that it managed to predict and respond promptly to the emerging trends of the market.

At the end of the 90s, based on predictions that in years to come consumers would pay increasing attention to the social and environmental impact of their purchases, Toyota decided to undertake a leading part in the development of hybrid technology for its automobiles. Today, less than a decade later, the results of this decision have surpassed even the most optimistic forecasts of the company's Board of Directors, as the waiting lists for its hybrid models in the US are continuously growing.

Dr. Bruce Piasecki, one of the most distinguished consultants on issues related to energy, sustainable development and business administration in the USA, was one of the architects of the Global Master Plan of Toyota and of the "green" turn that followed. As special advisor of the top management of the Japanese giant for the period 1999-2002, he played a pivotal role in the final formulation of the 10-year strategic plan of the company. Notably, Piasecki's access to top secret studies and Toyota's planning led him and the rest of the executives of the consulting company "American Hazard Control Group" that he founded in 1981, to sign a confidentiality agreement for 5 years, which was in force up until a few months ago.

Liberated from the legal constraints that the aforementioned agreement imposed on him, Piasecki now reports extensively on his cooperation with Toyota, in his sixth book, entitled *World Inc.*, which was published in the USA in mid-April. The sales of the book (soon to be available in Greek) have already made it one of the most popular manuals of business strategy in 2007, while it is expected to outnumber his previous best-seller entitled *In Search of Environmental Excellence*.

In addition to his rich authorial work and his cooperation with Toyota, Piasecki has also worked as a special advisor for over 40 multinational companies, including BP, Hewlett-Packard and DuPont. In his exclusive interview to EXPRESS, Piasecki refers to the pressing need to integrate social

responsibility to the capitalist system, as it evolves into a new form of entrepreneurship that he calls “Social Response Capitalism”, and to the huge economic benefits that are there for the socially “sensitive” capitalists who will successfully respond to the challenges of the modern age.

*New technologies and the need to handle the growing environmental crisis have greatly affected business all over the globe. What advice would you give to businessmen striving to adapt in the new situation?*

My basic assertion is that the most successful businesses of the new economy, irrespective of their size, have managed to integrate a new added value into their products: the value of social awareness. Today’s protagonists in the global economy have understood that the competitiveness of products and services now depends on three basic factors which I like to compare to the “holy trinity of entrepreneurship”. If price is the “god” of this trinity and quality is the “son”, then the “holy ghost” is the response of businesses to modern social needs, such as the protection of the environment, energy saving etc. This “holy trinity” is also the basis of the evolution of capitalism into what I call “Social Response Capitalism” (SRC).

*In your book you mention that, by 2015, SRC will have been established as the most popular form of capitalist behaviour. What is the reason for the rapid dissemination of this relatively new phenomenon?*

I believe that businesses wishing to benefit from emerging international conditions should adopt SRC by 2015 at the latest, because, by then — if not sooner — it will be impossible to ignore some very important developments that are already occurring today. These include the increase of Earth’s population, the decrease of traditional energy reserves, and the fact that the vast majority of the largest economies in the planet will be companies and not state bodies as we know them today. Already, since 2006, the list with the 100 largest economies in the planet included 51 companies and 49 states. To better understand how quickly the big winners will come up, along with the big losers of the new economy, I just mention that  $\frac{2}{3}$  of the companies that were on the Fortune 500 list in 1981 do not exist today!

*The rise and fall of many members of the “old guard” of the Fortune 500 that you mention was also accompanied by the gigantic growth of the largest multinational companies, which are already in a position to exercise more serious influence than most states and international organisations. What will be the consequences of this development on the balance of economic and political power?*

Twenty-two centuries ago, one of your greatest thinkers, Archimedes, had said “give me a place to stand on and I can move the Earth with a lever”. Today the lever that moves the earth-shattering changes in global economy is private initiative and the huge wealth produced by it. Undoubtedly there is an alteration in the balance of powers between the political and economic status quo and, in years to come, more and more powers will pass from governments and politicians to private hands and the Boards of multinational companies.

*So, are we going through the age of transition from national sovereignty to business and capital sovereignty?*

I'm absolutely certain of that. In my opinion the moment has come to review the "old testament" of capitalism, "the wealth of nations", as we now pass to the age of the wealth of private individuals and multinationals. A sign of the huge changes occurring today is the inability of governments and local administrations to respond to social needs. At the same time we observe that more and more often private initiative is the one that gives immediate and effective solutions to the big social problems, overriding or totally ignoring legislation and public welfare institutions.

*In your new book, World Inc., there is a clear distinction between old and new capitalists that adhere to the principles of SRC. Is there a displacement of power at this level as well?*

It's true that today we witness a big battle between traditional capitalists, that is "dinosaurs" like Enron and Worldcom, and new businesses that adopt the SRC principles. In my book I focus especially on the rising power of companies that play a leading part in this movement, as their managements have understood the value of offering better products for a better world without the need for national legislation or international organisations to "impose" social consciousness.

*One of the companies that have totally accepted the SRC principles, managing at the same time to achieve record profits and unique development, is Toyota, for which you worked as a strategic advisor in the period 1999–2002. To what extent is SRC responsible for the displacement of General Motors from the top of the global automobile industry after 76 whole years?*

Toyota is an example to follow as to how companies can successfully respond to the social and environmental pressures of our time, and achieve (or even supersede) their financial targets. Toyota managed to incorporate the principles of environmental sustainability into the productive procedure, when it chose to proceed to social response product development, to which I refer extensively in *World Inc.* In my view, what is really unbelievable in Toyota's achievement is that, without even once using the word "environment" in its strategic planning, it succeeded to achieve a huge resource saving, the optimization of its productive procedure and the dramatic decrease of the environmental impact caused by its activities.

*Therefore Toyota's "turning green", which started in the end of the 90s and in which you actively participated as a strategic advisor, is something a lot bigger than a smart PR campaign, as some people claim?*

Good PR was never among the principal goals of Toyota. Just to be clear, the company has no problem whatsoever with good public relations, but its strategy is based almost exclusively on understanding and predicting the needs of consumers, combined with the careful building of markets that will be able to absorb its products for a long time.

Just like any good business, Toyota is primarily interested in making profit — the difference between Toyota and its competitors is that it does not see its response to social and environmental needs as "philanthropy", as a way to distract attention from the increase in its profits — but as one of the basic ingredients of its success. In other words, products like the hybrid

“Prius” are not seen within the company as an expensive “sacrifice” in the altar of environmental sustainability but as a basic pillar of the company’s long-term development.

*When you had first presented the concept of SRC to the Board of Directors of Toyota at the end of the 90s, you came up against intense reactions from its more conservative members, especially due to the fashion of big 4x4 vehicles that was prevalent in the American market at the time?*

Although results from the implementation of SRC principles by Toyota are obvious today, the truth is that ten years ago this decision was quite risky for the company, and success could not have been taken for granted. Toyota’s success was based on the fact that it dared to adopt a new method of business strategy elaboration, leaving behind the traditional way in which most Boards make their decisions: in closed meetings of top executives that are totally isolated from the social conditions forming the market dynamics.

*It is impressive that, in the past years and while most of Toyota’s competitors — such as GM and Daimler Chrysler — have spent a lot of energy in a continuous search for strategic partnerships aimed at cutting down expenses and returning to profits, Toyota is the only automobile industry that has managed, based on its own resources, to increase its profits and acquire a growing market share.*

It’s true that Toyota has not entered the game of mergers and strategic partnerships, which seem to be easy solutions to the grave problems confronted by all its competitors. Instead it remains focused on designing and offering products that respond to the changing needs of society. A big part of Toyota’s success is due to the gradual appearance of a new family of 10 cars that incorporate the Hybrid Synergy Drive technology. This allowed it to gain the largest market share for hybrid cars, which last year was over 3% on the total of new vehicles worldwide.

*Besides Toyota, your company has been a strategic advisor for dozens of multinational companies, such as Hewlett Packard and BP. The vast majority of these have more or less adopted the basic principles of SRC that you profess. You must be very convincing in your presentations...*

A big part of the work we do in AHC concerns the correct positioning of our customers’ products in the midst of rapidly evolving economic and social conditions in the global market. In my presentations to the Boards of Directors I like to draw a picture of the international economy as a huge funnel, made of three basic factors: market conditions, features and advantages of products that are wanted in the market, and anticipated social developments. Then, in the middle of this funnel I put the products of the specific company and I ask the managers a number of questions, such as “which of your products may be characterized pioneering?”, “which are likely to be adopted by the company’s competitors?”, “to what extent are company products developed and accepted by the market?”. I believe that the adoption and use of this diagram by the companies I work with gives them a strategic advantage in today’s business environment, which is formed within an often suffocating regulatory framework, the social and environmental awareness of consumers, and the rapidly changing “wants” of the market.

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