

# Social responsibility is entering the corporate world

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**B**USINESS EDUCATORS MAY BE IN FOR A SURPRISE. SOMETHING EXTRAORDINARY IS HAPPENING IN THE GLOBAL MARKETPLACE THAT DEFIES CLASSIC PRINCIPLES TAUGHT AT VIRTUALLY EVERY BUSINESS SCHOOL.

Superior product quality and competitive pricing may no longer rule as the most critical variables in the equation for business success. In the evolving global marketplace that I call "World Inc.," a third strategic factor is coming into play: social responsibility. By that, I mean making products and delivering services that generate profits but also help society address challenges such as climate change, energy security, health care and poverty.

This business trinity of quality, price and social response is emerging even as multinational corporations acquire unprecedented economic power. Consider these largely unreported facts:

Of the world's 100 largest economies, 51 are corporations, not nations, according to my research.

The top 300 multinationals own 25 percent of the world's total assets, according to a Carnegie Institute research project.

More than 40 percent of all world trade takes place among multinational corporations, according to figures from the Treasury Department and the World Bank.

A growing number of multinational business leaders are already demonstrating that tomorrow's most successful enterprises will be those willing to devote unprecedented time and effort to incorporate social responsibility into their business models. If the trend continues, it will change the way giant enterprises do business.

At first glance, social-response initiatives may appear to be superficial public-relations stunts. A closer look at the 300 largest firms in this new century reveals that most are really all about business opportunities, profit gains and expanding market share.

Take, for example, the culture shift occurring at General Electric Co. GE's "Ecomagination" campaign features a lovable dancing rain forest elephant that projects a friendly corporate face for chief executive officer Jeffrey Immelt, very different from the hard-edged, calculating one offered by his legendary predecessor, Jack Welch.

Actually, the change in strategy reflects GE's recognition of advances in markets for environmentally friendlier technologies such as wind power — one of the fastest-growing power sources in the world. It sees green technology for what it is: a great business opportunity. By 2010, the company plans to double its investment in such green solutions to \$1.5 billion, double revenue from products

included in the campaign from \$10 billion to \$20 billion annually, and reduce energy consumption by roughly 30 percent.

Then there's Toyota Motor Corp. Its efficient hybrid power train, which reduces emissions of traditional pollutants and greenhouse gases, once seen as a risky venture, is selling like hotcakes today. It's a feature on more than 1 million vehicles sold, making it no coincidence that Toyota has surpassed General Motors Corp. as the world's largest automaker.

But it's the actions of Wal-Mart Stores Inc., the world's largest — and perhaps most controversial — overall retailer, serving 150 million customers each week, that signals the true significance of this trend. In February, delivering the keynote lecture at the Prince of Wales' Business and Environment Program in London, Wal-Mart CEO H. Lee Scott unveiled "Sustainability 360," which he described as a company-wide commitment to sustainability. It went beyond its direct environmental footprint to engage everyone the company touches: associates, suppliers, communities and customers.

Like GE and others competing in World Inc., Wal-Mart is quick to recognize the opportunities that spring from sustainability. By requiring suppliers to reduce product packaging 5 percent by 2013, it expects to realize savings equal to removing 213,000 trucks from the road and saving about 324,000 tons of coal and 67 million gallons of diesel fuel per year. It will save millions more by making stores 30 percent more efficient by 2012, increasing fleet efficiency 25 percent by 2010, and reducing solid waste from its U.S. stores and Sam's Clubs 25 percent by 2008.

Perhaps the most telling fact in all this is that these giant companies are acting voluntarily. They are responding to market forces and recognized opportunities, not mandates from Congress and government regulators.

We may be on the verge of historic change in the business world. Entrepreneurs, business leaders and educators will all be watching to see how these companies, and others that follow them, build new profit centers by bringing socially responsible products and processes to the marketplace.

Each will be a model for future decision-makers. Whether they will be models for success or failure remains to be seen, but the initial signs are encouraging. Welcome to World Inc. ★

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*Bruce Piasecki is the author of six books on corporate strategy and the valuation of the modern firm. His latest book, **World Inc.**, is on globalization and corporate risk and opportunity.*

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