

Wal-Mart, Marco Polo, and the Bridge to World Inc

By Bruce Piasecki

Something extraordinary is happening in the global marketplace. A growing number of multinational corporations are competing on the basis of a new business trinity. Price and quality continue to be major discriminators setting competitors apart from one another, of course. Social responsibility—and a stream of automotive, computing and home products that embed social values of efficiency—are rapidly emerging as a third strategic factor in this age of climate change and growing multinationals.

This extraordinary change is so grand, and so sudden, that it reminds one of the opening passage of *The Adventures of Marco Polo*, where the travel-weary adventurer returns home after more than a dozen years away—and no one at his home first recognizes him. It is not until Marco Polo rips open his clothes—allowing the jewels and coins of his travel to spill out onto the floor of his home—that he is embraced again by his family and friends.

A similar stunning entry is happening now at many multinational corporations boardrooms and stock meetings, as they take on unprecedented economic power, a power larger than that of the days of Marco Polo. Consider these largely unreported facts about corporate growth in this turn to our new century:

- Of the world's 100 largest economies, 51 are corporations, not nations.
- The top 300 multinationals own 25 percent of the world's total assets.
- More than 40 percent of all world trade takes place among multinational corporations.

Clearly, in short order, we have globalized in a fashion never imagined by the merchants of Venice, or those London-based financiers of old. But are these new globalizing forces in society the only thing that has flattened this world? Can it be the price of energy and the weight of climate change that is forcing such an about face?

After researching this matter for the last eight year in writing *World Inc*, I now believe that tomorrow's most successful enterprises will be those that devote as much time and effort incorporating social responsibility into their business models and leading products as they do now for price and quality. The trinity of price, quality and social response is changing the way these giants do business.

For example, a culture shift is occurring behind General Electric's "Ecomagination" campaign, featuring the lovable dancing rainforest elephant. CEO Jeffrey Immelt is projecting a corporate face that is very different from the calculating one offered by his predecessor, Jack Welch. Do we now expect GE to knock on our door with the wonder of a Marco Polo anew? Will they give us a dashboard about how efficient our home can and should be? When? Expect these by Earth Day next year, a few sources indicate.

Then there's Toyota. Its forward-looking hybrid power train, once seen as a risky venture, is today a feature on more than 1 million vehicles. It's no coincidence that Toyota recently surpassed General Motors as the world's largest auto maker. Dupont, the chemical giant, has created an executive-level Chief Sustainability Officer answering to its CEO. Home Depot, the world's largest home improvement retailer, is promoting sustainability with its Eco Options program which encourages customers to select environmentally friendly products. Are there now many new age Marco Polo's revealing their chest at the door? Or is this another form of barbarians at the gate, or what John Elkington so aptly terms "Cannabils with Forks"?

In my mind, it is the actions of Wal-Mart, the world's largest 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 going beyond its direct environmental footprint to engage everyone the company touches: associates, suppliers, communities and customers. It will take time to assess the full "jewel-length" of this claim, but the gold abounds as it shifts heavy burdens to many suppliers to get with this World Inc framework, or perish.

Don't misread any of these initiatives. Titans like GE, Toyota, Dupont, Home Depot and Wal-Mart are still all about making money and capturing market share. Their social response initiatives build upon their corporate successes. They are intended to increase revenues and profits. But like Marco Polo, they are bringing in new trade routes in their paths of globe-spanning adventure and growth.

In GE's case, the change in strategy reflects advances in markets for environmentally friendlier technologies like wind power—one of the fastest-growing power sources in the world. It recognizes green technology as 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 to \$20 billion annually and reduce energy consumption by roughly 30 percent.

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

Perhaps the most encouraging fact in all this is that these giant companies are acting voluntarily, reminiscent again of the range of wondering found in Marco Polo. Sure, they are responding to market forces and perceived opportunities, not mandates from Congress and government regulators. What matters most is the sheer adventure of all of this.

Entrepreneurs, business leaders and educators will all be watching to see how these companies, and others that follow them, fare in 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. This World Inc framework has only begun to be built.

*Bruce Piasecki is the author of *World Inc*, published in April 2007 by Sourcebooks. The author of five prior books on corporate strategy and business valuation, including *Simon and Schuster's book of the year*, *In Search of Environmental Excellence*, Piasecki is President and Founder of the consulting firm AHC Group (www.ahcgroup.com). Visit www.worldincbook.com for a global blog on these matters.*