

Broadening the Vision for the Corporate-Community Partnership: Solving Social Problems through Business Strategy

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Session Goals

- Share findings from research conducted by CECF and McKinsey, which showcases an emerging new model of corporate engagement on solving social problems: Sustainable Value Creation.
- From a senior executive and practitioner vantage point, examine how some corporations are putting theory into practice—creating holistic strategies for impacting social issues.
- Candidly discuss the implications and mechanics of incorporating these ideas, touching on topics such as: impact measurement, self-dealing, pitfalls to avoid, and the role of collaboration.

Committee Encouraging Corporate Philanthropy

Who We Are

- The only international forum of business CEOs and chairpersons with an agenda exclusively focused on corporate philanthropy.

What We Believe

- Philanthropy is a long-term investment
- Executive leadership is essential
- Corporations have unique resources

Who is Engaged

- Over 175 CEOs and Chairpersons
- Companies from each industry sector
- Companies represent over 40% of all corporate giving in the United States

What We Do

- Global Leaders conferences
 - CEOs
 - Corporate Giving Professionals
- Peer Benchmarking
- Excellence Awards
- Research and Thought Leadership
- Media Opportunities



“At CECP, we strive to engage a community of like-minded executives to advance both the social and business value of corporate philanthropy.”

- Terry McGraw, CECP Chairman

Ten years ago, would you have imagined?



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



Warren Buffet and Bill Gates lead the world in philanthropy



Investments in renewable energy technologies overtake investments in fossil fuel technologies



Greenpeace partners with multiple multinational corporations

CECP's Latest Research

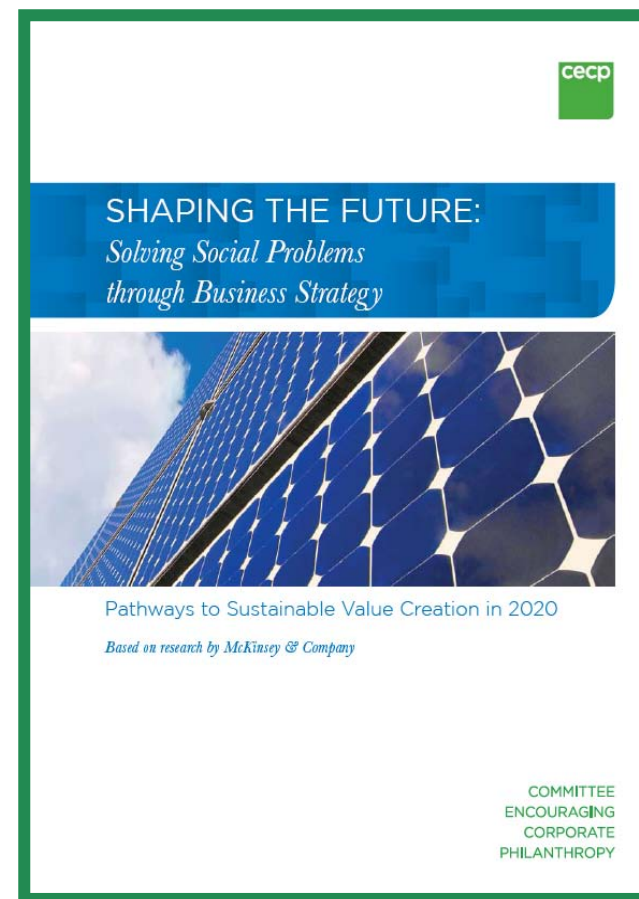
Shaping the Future: Pathways to 2020

Research 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 the profitability and societal impact?

Information Sources

- In-depth interviews with leading corporate CEOs
- Live event polling at CEO conferences
- Original research conducted by McKinsey economists
- Interviews with thought leaders from the nonprofit, academic, and government communities.



McKinsey: Five Forces Shaping the Next Decade

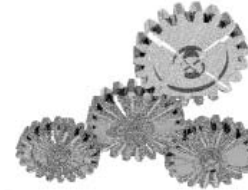
The Great Rebalancing

- Emerging markets gaining larger share of global GDP
- Growth of a multi-polar 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



Implications of Global Forces

Global forces ...

The Great Rebalancing



Pricing the Planet



The Global Grid



The Productivity Imperative



The Market State



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

The rise of emerging markets

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

Spread and influence of information technology

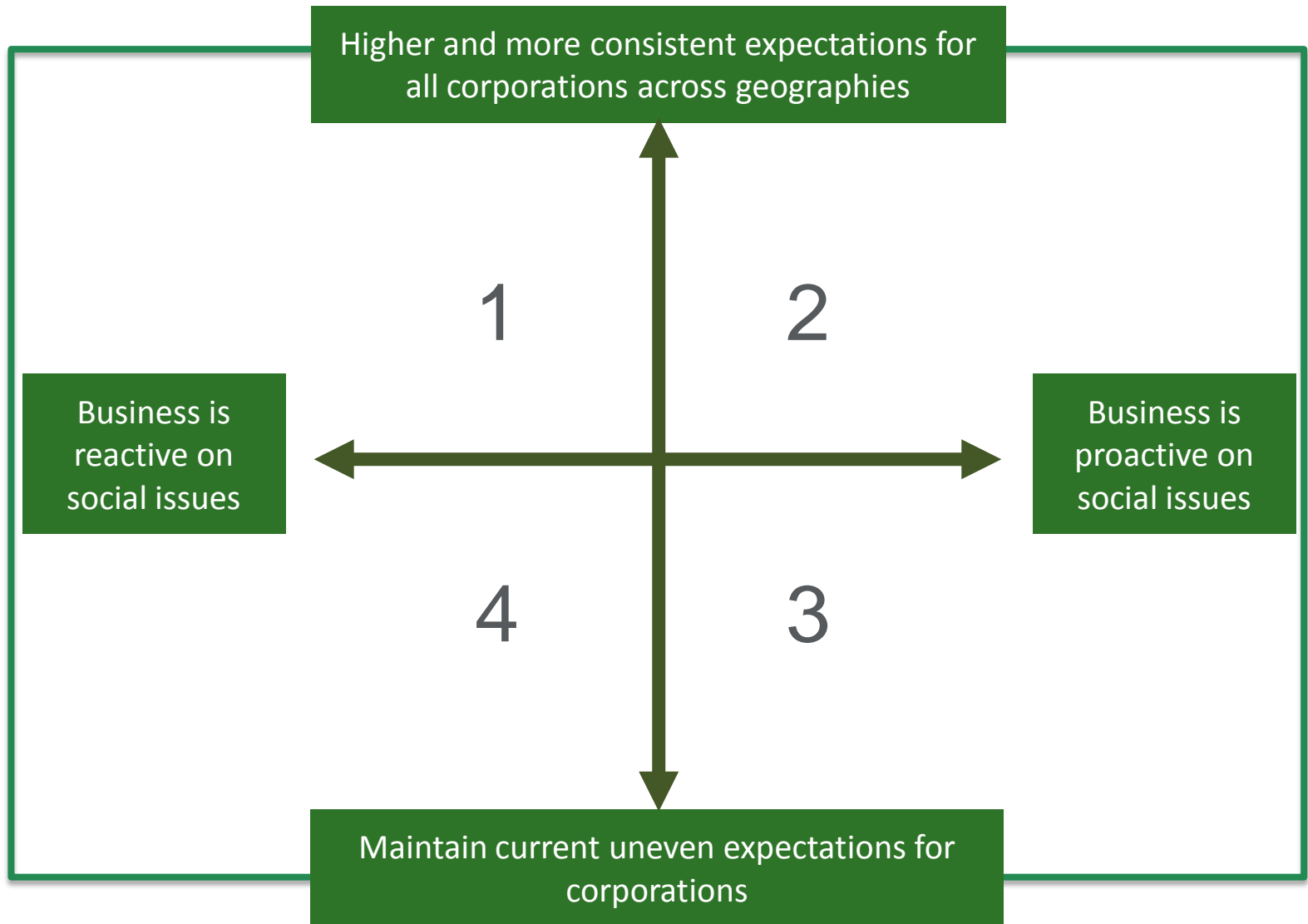
Talent shortage

New role for governments

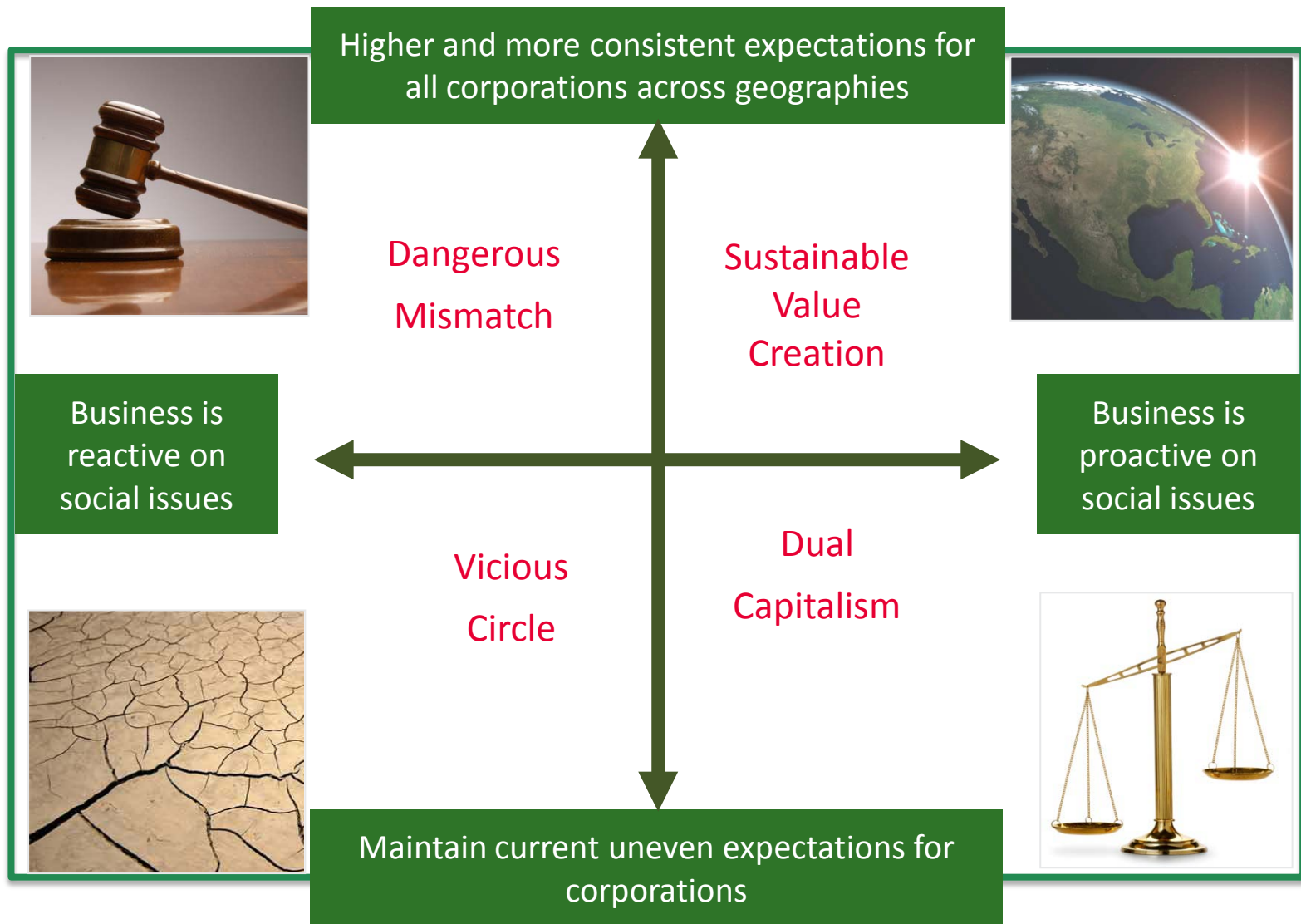
Towards a fundamentally different operating environment, where

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

Four Visions of Business and Society: 2020



Business' Actions and Society's Expectations



Source: McKinsey & Company

Worst Scenario: Vicious Circle



- 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

Best Scenario: Sustainable Value Creation



- 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

Audience Poll Question: Where are we heading?

Which scenario do you think we are headed for now?

A Scenario 1: **Sustainable value creation**

.....

B Scenario 2: **Dual capitalism**

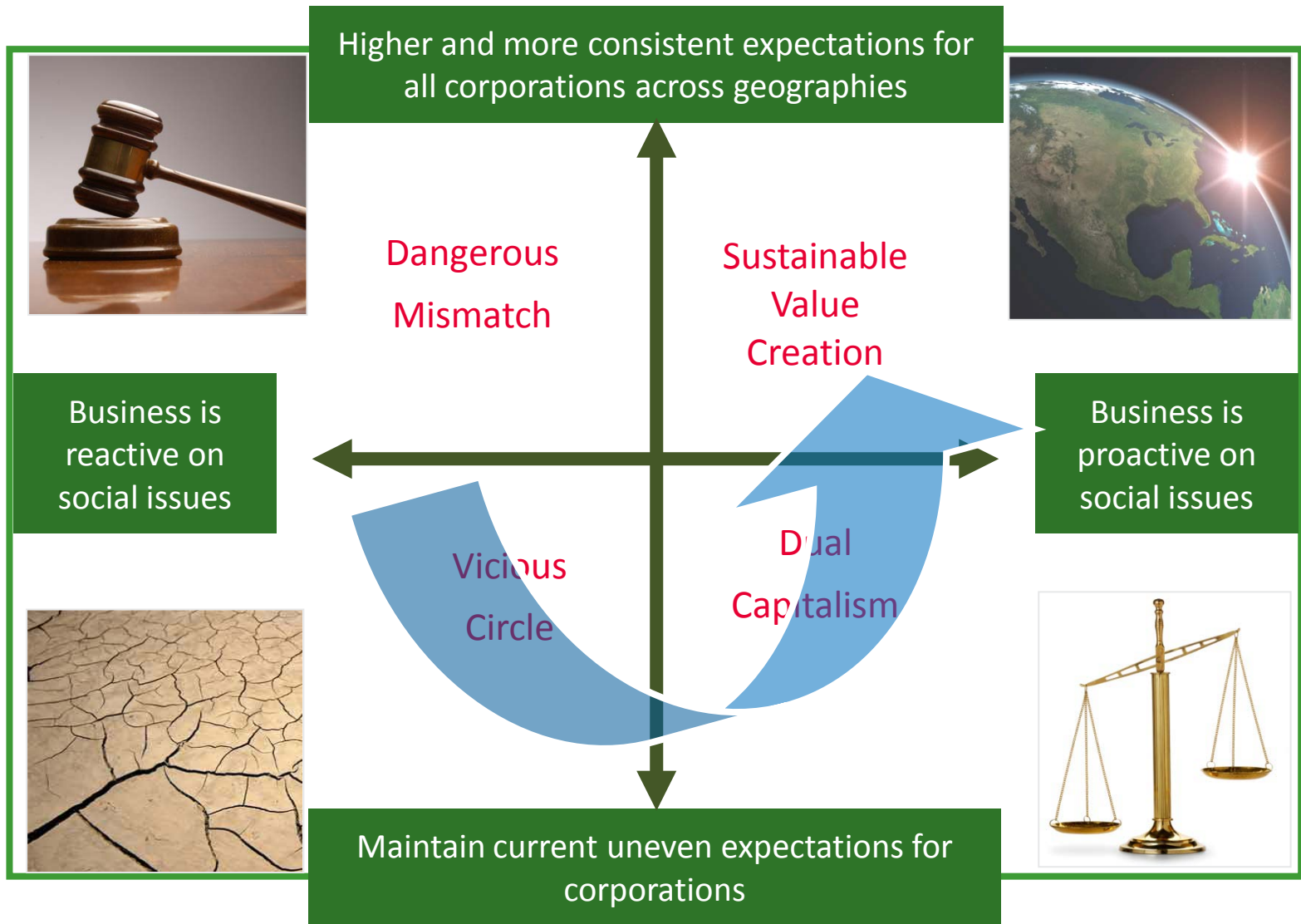
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C Scenario 3: **A dangerous mismatch**

.....

D Scenario 4: **The vicious circle**

Business' Action and Society's Expectations



Source: McKinsey & Company

CEO Interviews: What Role to Play?



“We’re big, we’re powerful, we have scale, we can make a difference not only in every community that we’re in, but the world”

—**Jim Skinner, Vice Chairman and CEO, McDonald’s**



GENERAL MILLS

“Done right, social engagement is incorporated into the mission of the company.”

—**Ken Powell, Chairman and CEO, General Mills**

WAL★MART

“More will be expected from market leaders and globally successful companies. Conversely, those that are most involved will also be more successful. This may be an upward spiral in which the more successful the company, the more will be expected of them, and the more successful they will be.”

—**Mike Duke, President and CEO, Wal-Mart**

Audience Poll Question: Challenges to Action

What is the biggest barrier your company faces today in preparing to address the oncoming social problems that are important to your business?

- A** Overwhelming complexity of social problems
- B** Difficulty collaborating and/or aligning with our company's stakeholders
- C** We lack the organizational structure/capacity to engage effectively
- D** We cannot commit to an issue long enough to have a meaningful impact
- E** Shareholder pressure prevents us from getting too involved

CEO Poll Question: Challenges to Action

What is the biggest barrier your company faces today in preparing to address the oncoming social problems that are important to your business?

Overwhelming complexity of social problems 47%

Difficulty collaborating and/or aligning with our company's stakeholders 34%

We lack the organizational structure/capacity to engage effectively 16%

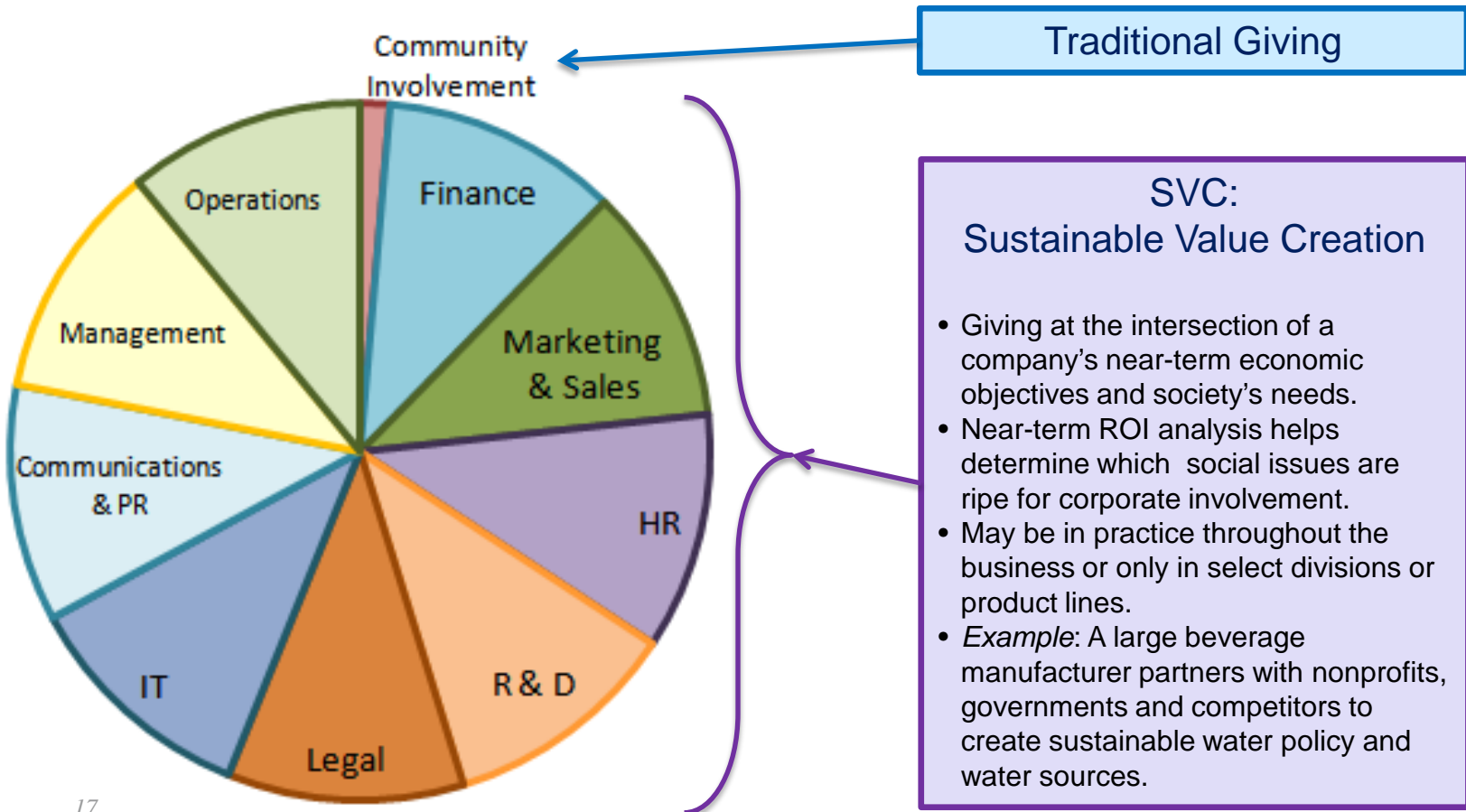
We cannot commit to an issue long enough to have a meaningful impact 3%

Shareholder pressure prevents us from getting too involved 0%



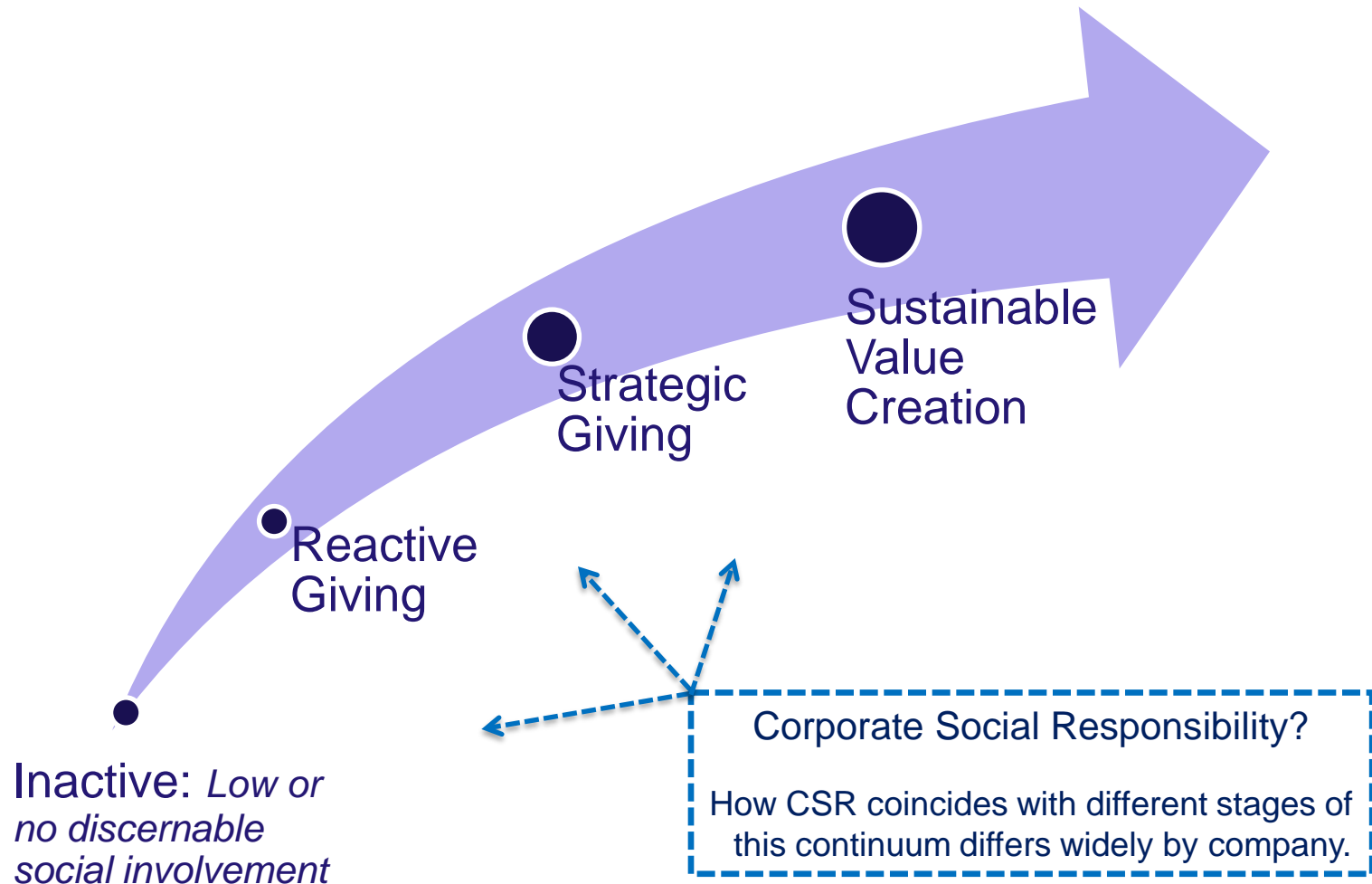
Leveraging Other Areas of the Business

Some large companies are blending social objectives into other areas of the business, blurring the boundaries of corporate philanthropy.



A Continuum of Corporate Involvement

Most practitioners believe that companies move from “inactive” to “Sustainable Value Creation” in stages, learning from each stage and creating buy-in. While some might skip over certain phases, CECP believes this is rare.



Current Examples of the SVC Mindset



Nestlé is the world's largest milk company, making high-quality supply crucial... but they need to collaborate with government and NGO partners. Nestlé provides:

- Collection, storage and transportation
- Training by agronomists and field technicians
- A range of quality control systems and financial support through microfinance loans
- Local employment opportunities



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



CEO Poll Question: What Role to Play

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

Drive the solution: take leadership and ownership over getting results

50%



Be part of the solution: collaborate in problem-solving without seeking a leadership role

42%



Fund the solution: primarily contribute cash / resources

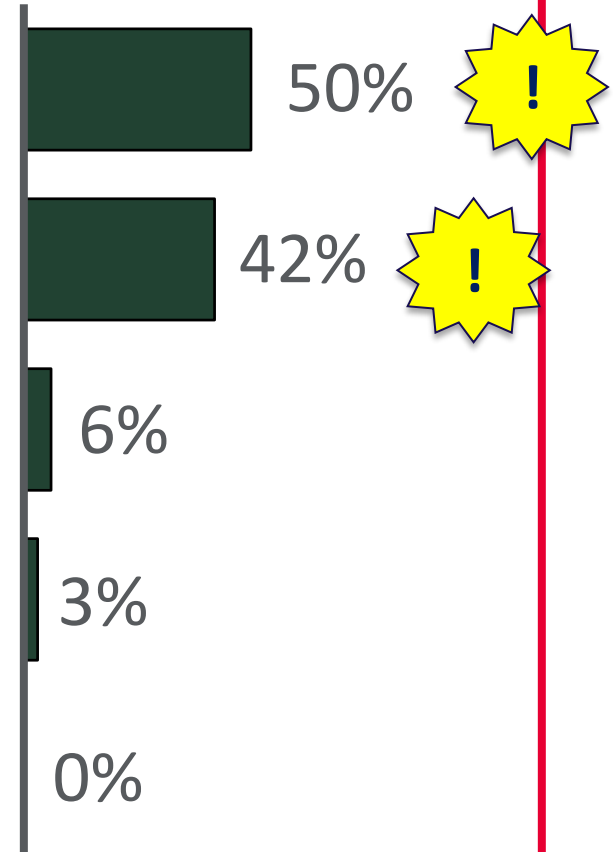
6%

Invest pragmatically: only address a social problem if it connects directly to shareholder value

3%

Do not engage: business should have a negligible role in solving social problems

0%



The Importance of Choosing the Right Issue

Society's expectations

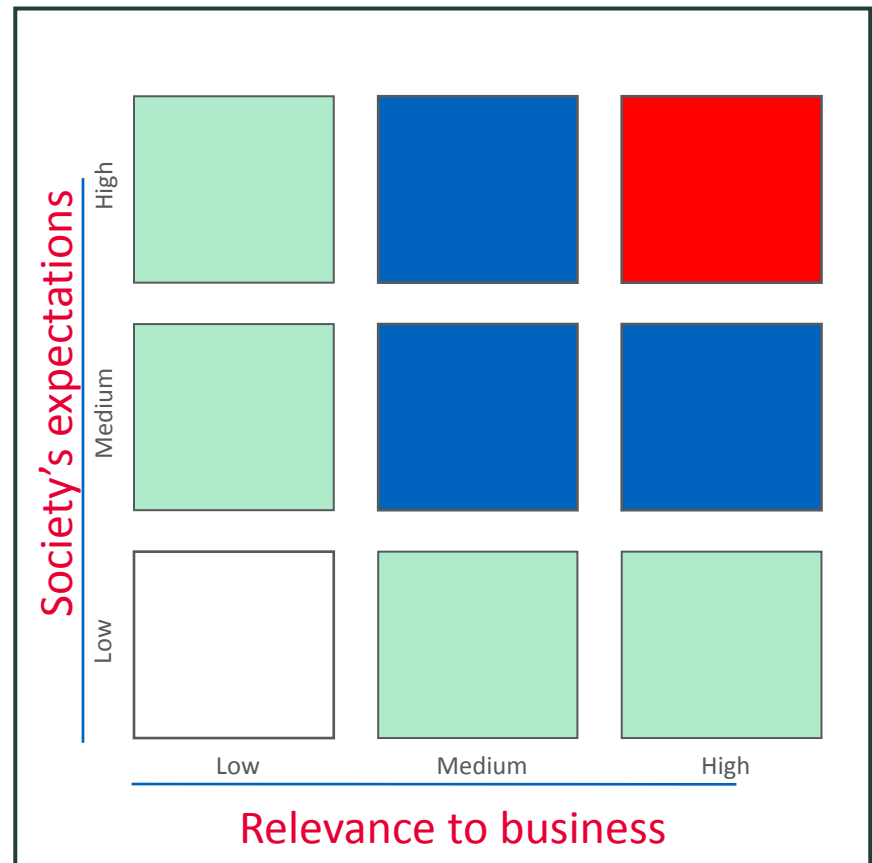
- Perception of the severity of the issue to current or future generations
- Perception of company's capacity to affect the issue
- Perception of company's responsibility for the issue
- Potential to push for regulatory change
- Potential for consumer/employee backlash
- Willingness of stakeholders to collaborate

Relevance to business

- Evidence of gravity or magnitude of issue on the company, now or in the near future
- Core competency of the business to address the issue
- Legitimacy of the company as a leader on addressing the issue
- Potential for new business opportunities
- Resonance of issue with company values and core competencies

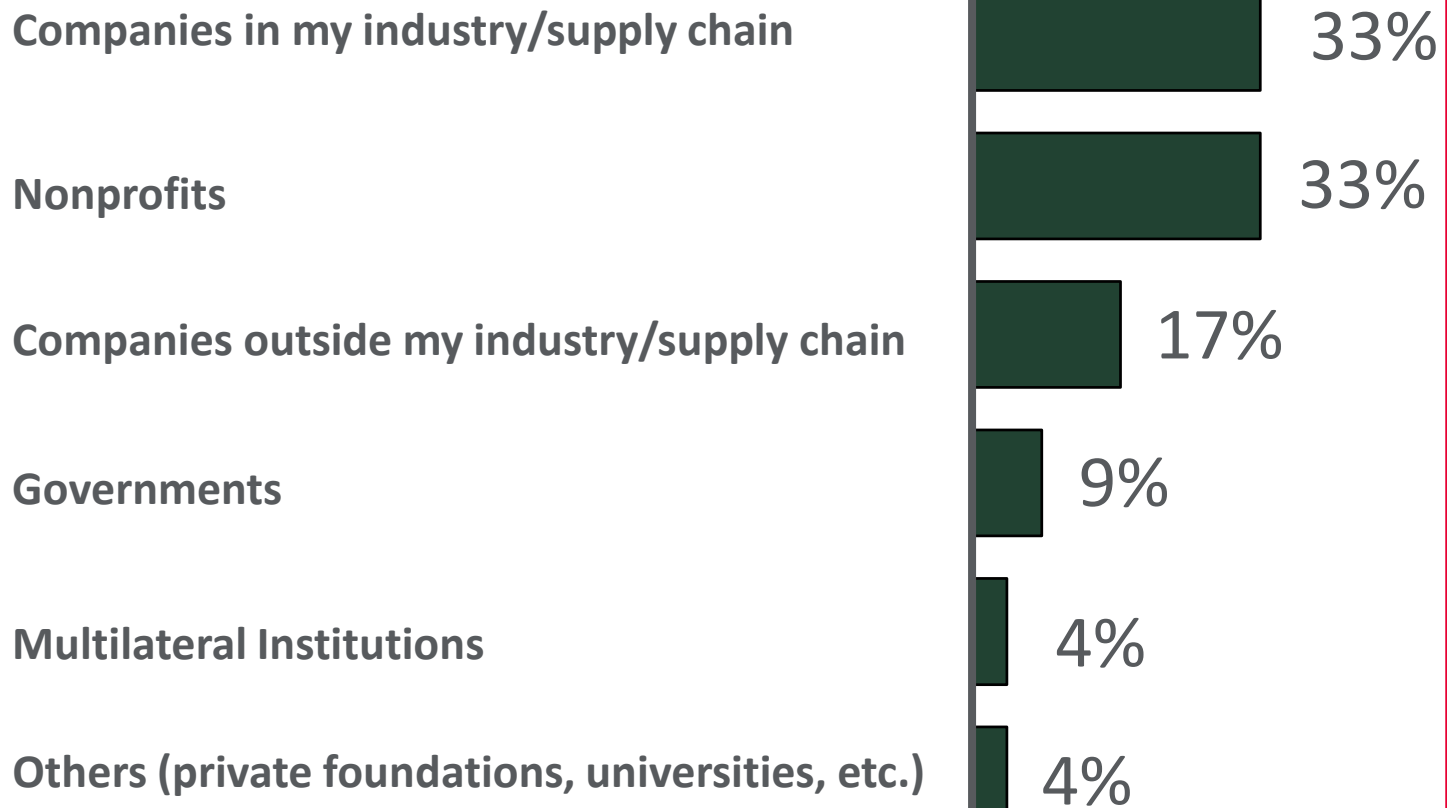
Should we engage in the issue?

- Lead
- Take action
- Light touch
- Irrelevant



CEO Poll Question: Choosing Partners

Who is it most important for your company to collaborate with in solving social problems important to your business?



Companies and NGOs: Examples of Unique Assets

Companies

Tangible Assets

- Cash
- Products
- Facilities
- Technology and logistics infrastructure
- Leadership development frameworks

Intangible Assets

- Can absorb risks and conduct pilot projects
- Can influence those in supply chain
- Expertise in negotiation, project management, legal issues, communications, etc.

NGOs

Tangible Assets

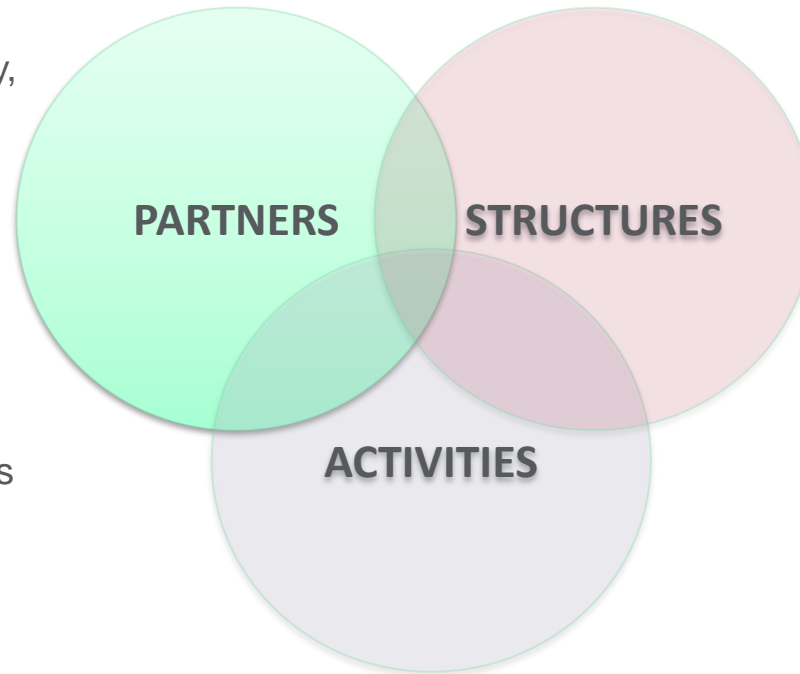
- Local offices
- Service infrastructure
- Trained staff
- Volunteers

Intangible Assets

- Subject-matter expertise
- Credibility
- Knowledge of community needs and customs
- Relationships with relevant leaders
- Ability to mobilize others
- Access to media

New Collaborative Models for Innovation

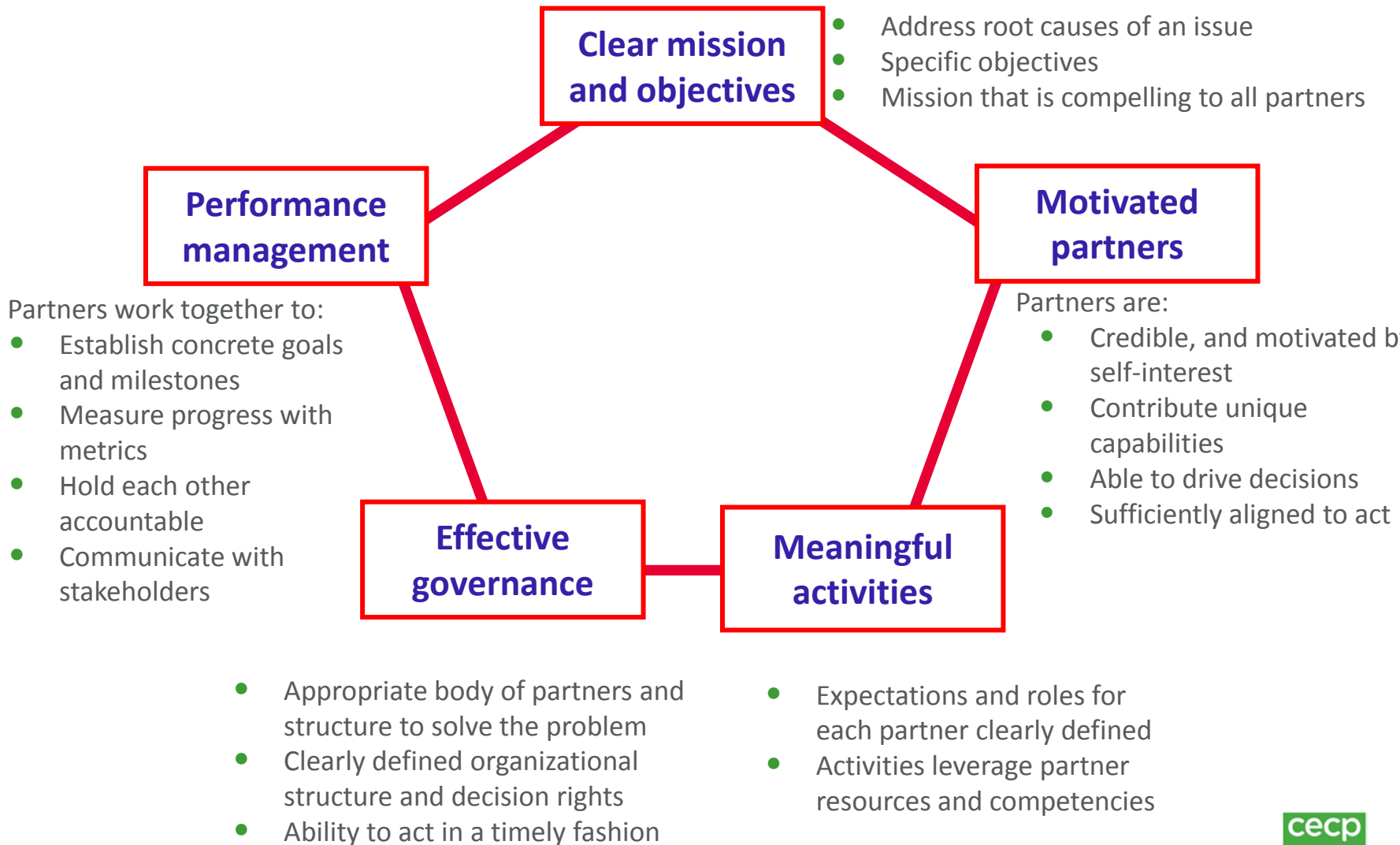
- Industry, cross-industry, or sub-industry groups
- Foundations (community, family, private)
- NGOs
- Think Tanks
- Governments
- Multilateral banks
- Sovereign wealth funds
- Universities
- Convening Bodies (CGI, Davos)



- Cross-industry partnerships
- Public-private partnerships
- Purchasing consortia
- Joint ventures
- Open-source consortia
- Venture capital models
- Voluntary conferences
- Research collaborations
- Networks

- Pool financial resources
- Co-develop products/services
- Co-invest in infrastructure
- Create consortia for sharing knowledge
- Create or adopt voluntary industry standards
- Advocate for regulation and policy change
- Educate public
- Influence key stakeholders

McKinsey: Keys to High-Performing Partnerships



Putting Ideas into Practice

David Etzwiler

Vice President of Community Affairs
Foundation Executive Director
Medtronic



Marilyn Carlson Nelson

Chair of the Board
Carlson



Tools and Resources

Reports and Articles

- CECP's *Shaping the Future*
- Nestlé's *Creating Shared Value Report*
- HBR *Philanthropy's New Agenda*
- US News *Bottom Line on Corporate Giving* (November Issue)



Videos

- *CECP YouTube Channel*
 - Michael Porter
 - Peter Brabeck-Letmathe
 - Kevin Sneader, Director, McKinsey

Other Sources

- FSG Social Impact Advisors