The Value of Corporate Sustainability

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Is this you?
One Goal This Morning
Overview

• Introductions

• Shared Value & Corporate Sustainability

• Global Macro-Trends

• Examples of Corporate Sustainability Solutions

• Best Practices
Who I Am

• Formerly a Banker

• UC Berkeley Professor since 2002

• Now: Corporate Sustainability/ Investing in Women expertise

• Founded Center for Responsible Business (#1 by Financial Times)

• Global speaker, corporate consultant, executive education, & corporate boards
And a Proud Mom...
Who Are You?
Low Trust

Net Trust* in Institutions
Average of 22 Countries, ** 2014

Scientific/academic institutions

NGOs

UN

National companies

Press/media

Global companies

National government
Not Minding the Gap
Performance is Down

CSR Performance of Industry Sectors
Net,* Average of 11 Countries,** 2001–2013

- High-tech/computer
- Telecommunications
- Food
- Auto
- Beer
- Clothing/apparel
- Pharmaceuticals
- Electrical
- Alcoholic beverage
- Banks/finance
- Mining
- Chemical
- Oil/petroleum
- Tobacco

Graph showing the performance of various industry sectors from 2001 to 2013.
Addressing Most Urgent Issues?

- Water
- Climate Change
- Income Inequality/Poverty
- Food

Source: A GlobeScan/SustainAbility survey 2013
Bad Company News Leads
Public View on Business

Business is ruining the planet.
So Many Definitions
Capitalism

- The business of business is business
- Companies should be *self-interest maximizers*
- "The social responsibility of business is to make profit"

Milton Friedman
Sustainable Capitalism

“Who survives? Those most adaptable to change.”

- Charles Darwin
SUSTAINABLE DEVELOPMENT

“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs”

“The purpose of the corporation must be redefined as creating shared value, not just profit.”
YOU GET ME & MY DEFINITION
THIS YEAR...
Corporate Sustainability

A business strategy that:

Creates value

Protects value

for the company and for society.

It is about using the power of business
to improve the world.

K. McElhaney, Just Good Business, 2008
Corporate Sustainability

A business strategy that fits:

1. Business objectives of the company
   (increase profit, engage employees, win customers, enter new markets, etc.)

2. What a company does
   (sells consumer products, banking, makes food, builds computers, etc.)
Corporate Sustainability = Fit

Banks ≠ toys at Christmas

Banks = teaching people financial literacy

Technology companies ≠ feeding the hungry.

Technology companies = giving the underserved access to technology & teaching them to use it
Corporate Sustainability is not about how you **spend** the money you make.

It’s about how you **make** the money you spend.
Fails
Corporate Sustainability Is:

- A Brand Strategy
- A Risk Saving Strategy
- An Employee Hiring, Engagement & Retention Strategy
- A Community trust strategy
- A Product/ Process Innovation Strategy
- A Profitability/ Growth Strategy
- A Market Entrance Strategy
- A Reputation Improvement Strategy
- A Long Term Business Success Strategy
Global Macro Trends for Business
We Are Destroying the Planet

“'Yes, the planet got destroyed. But for a beautiful moment in time we created a lot of value for shareholders.’"
You Manage in a VUCA World

Volatile

Uncertain

Complex

Ambiguous
World’s 100 Biggest Economies (by GDP/Revenue)

51 Corporations

- Wal-Mart
- Apple
- Shell
- Exxon Mobil
- BP
- Samsung

49 Countries

- China
- United States
- Japan
- Germany
- UK
- Brazil

Companies Have More Money Than Countries
CEO’s Are Starting to Speak Out

“We have to develop new ways of doing business which ensure that our growth does not come at the expense of the world’s diminishing resources.”

Paul Polman, CEO Unilever,

"We do a lot of things for reasons besides profit motive; we want to leave the world better than we found it.”

Tim Cook, CEO Apple
We Put Profits Ahead of People & Planet
Population Growing & Ageing

9B people by 2050, same sized planet.
Higher Energy Demands

How do we supply 40% more energy responsibly & affordably?
Food & Water Challenges

How will we feed & hydrate 9 billion-people?
Climate Change is Real & Fast-Moving

Do we still have time?
Wealth Distribution & Income Gaps

Rich-Poor Gap Growing Fast
Leads to Social Unrest
0.7% of population holds 41% of wealth

Source: Outlook on the Global Agenda, 2015, weforum.org
Income equality

Percentage share of income held by*:

- **poorest 20%**
- **richest 20%**

**Gini index (100=perfect inequality)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Gini Index</th>
</tr>
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<tbody>
<tr>
<td>Colombia</td>
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</tr>
<tr>
<td>Thailand</td>
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<tr>
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<td>Morocco</td>
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<td>Serbia</td>
<td>28.2</td>
</tr>
<tr>
<td>Chile</td>
<td>22.6</td>
</tr>
</tbody>
</table>

Source: World Bank  
*Latest available year, 2005-09
Women Make Companies More Sustainable

Sustainability

- economic
- environment
- social
Companies with Women on their Board Give More $ to Charity

- In 2007, annual company contributions were **28 times higher** in companies with gender diverse boardrooms.

- Looking historically (1997-2007), companies with more women board directors donated significantly more funds. With each additional woman, annual philanthropic giving **increased by $2.3 million**.12
Companies with Women in Leadership Give More $ to Charity

FIGURE 2
*Fortune 500 Companies: 2007 Average Philanthropic Donations by Percent of Women Corporate Officers*

- **0% Women Corporate Officers**
  - $965,000

- **25% or More Women Corporate Officers**
  - $12.8 MILLION

- In 2007, annual company contributions were **13 times higher** in companies with gender-diverse leadership teams.

- Looking historically (1997-2007), companies with more women Corporate Officers donated significantly more funds. For every additional percent increase in the presence of women Corporate Officers, annual philanthropic giving increased by **$5.7 million**.
Improved Environmental Performance

Companies with more women on their board:

• Take proactive steps to manage & improve the energy efficiency of their operations

• Measure & reduce carbon emissions of their products throughout the value chain

• Proactively reduce the environmental impact of their packaging

• Invest in renewable power generation

McElhaney, 2013
Improved Social Performance

Companies with more women on their board:

• Make efforts to **improve access to healthcare** in developing countries & for under-served populations in developed markets

• Offer products with an **improved nutritional or healthier profile**

• Proactively manage **human capital development**

• Offer **transparent financial products**

McElhaney, 2013
Improved Governance Performance

Companies with more women on their board of directors are more likely to be companies that:

- Have programs, guidelines & clear policies to avoid corrupt business dealings; have strong partnerships with local communities; and have a high level of disclosure and transparency

- Avoid controversies such as accounting fraud, pricing fraud, criminal behavior among top executives, controversial customer practices and insider trading

McElhaney, 2013
Women = Fewer CEOs Taken to Jail
Corporate Sustainability Solutions
Water<Less™ Jeans Are Here
An entirely new way of making jeans—available in a variety of styles online and in stores.

SEE WATER<LESS™ JEANS

JUST LOOK FOR THE SIGN:

WHAT IS WATER<LESS™ DENIM?
Learn More
MAKING YOUR JEANS WITH RECYCLED WATER

MANUFACTURING
Using LS&Co.’s Recycled Water system, one of our supplier factories in China produced 100,000 pairs of Levi’s® women’s jeans while saving 12-million liters of water. That’s enough to fill almost five Olympic-sized swimming pools.

WATER TREATMENT
At all of the factories that make our products, water must be treated to meet LS&Co.’s strict global effluent standards.

WATER ENTERS FACTORY

JEANS UNDERGO MULTIPLE RECYCLED WATER TREATMENTS

WATER EXITS FACTORY
As a result of our strict water standards, at most factories that make our products, the water leaving is cleaner than when it went in.

RECYCLED WATER TREATMENT
Our Recycled Water program provides additional treatment, allowing the water to be used again and again in the manufacturing process.

INNOVATIONS LIKE THIS RECYCLED WATER SYSTEM ARE PART OF OUR EFFORTS TO REDUCE THE COMPANY’S IMPACT ON THE PLANET.
LS&Co. PLANS TO COLLABORATE WITH OTHER FACTORIES AROUND THE WORLD TO EXPAND THE NEW SYSTEM’S IMPACT AND SAVE EVEN MORE OF THIS VITAL NATURAL RESOURCE.

Source: Levi’s
LEVI STRAUSS & CO.
IMPROVING WORKER WELL-BEING

CORPORATE CODE OF CONDUCT FOR SOURCING

Global Sourcing and Operating Guidelines

Business Partner Terms of Engagement

Ethical Standards: We will seek to identify and utilize business partners who aspire as individuals and in the conduct of all their businesses to a set of ethical standards not incompatible with our own.

Legal Requirements: We expect our business partners to be law abiding as individuals and to comply with legal requirements relevant to the conduct of all their businesses.

Environmental Requirements: We will only do business with partners who share our commitment to the environment and who conduct their business in a way that is consistent with Levi Strauss & Co.’s Environmental Philosophy and Guiding Principles.

Community Involvement: We will favor business partners who share our commitment to improving community conditions.
To create zero waste

To be supplied 100% by renewable energy

To sell products that sustain people and the environment
PUMA & Biodegradable Shoes
InCycle

Biological Cycle for Products for Consumption

1. MADE WITH CARE IN A FACTORY
2. PURCHASED AT WORLDWIDE RETAIL STORES
3. USED AND ENJOYED BY YOU
4. BRING BACK BIN
5. DEPOSITED IN A PUMA BRING BACK BIN
6. BIODEGRADED DOWN INTO RICH NUTRIENTS
7. REGENERATED INTO VALUABLE RESOURCES

- 6 WEEKS
- 3 MONTHS
- 6 MONTHS
Nissan Leaf
1-1-1 Integrated Philanthropy

**Product:** Offering donated and discounted technologies to nonprofits and higher Ed

**Equity:** Providing grants inspired by our employees, technologies, and communities

**Time:** Promoting a culture of caring and helping employees give back

*Impact by the Numbers: 24,000 Nonprofit & Higher Ed customers, $80 million in grants donated and 840,000 volunteer hours served*
Buy One Give One
Entrepreneurial Solutions

RelayRides
Neighbor-to-Neighbor Carsharing

Colombia:
- Average daily commuting time in Bogota: 70 min
RelayRides offers a successful business model similar to the one developed by AirBnB...

How it works

Out of town for 1-2 weeks? Make money out of your idle car!

Sign up & verification
Using Facebook account

Reservations & payment
Choose a car, date & time. Enter credit card/license information

Insurance
Every RelayRides reservation is covered

Getting the keys
Meet the owner and get the keys. Or open the door with your cellphone and find the keys inside

Returning the car
Return the car to the same place where you picked it up & return keys to owner

Gas
Car will display details on replacing gas yourself or being auto-billed based on distance

Feedback
Review at the end of your trip

Rating: ★★★★★
Global protein consumption has been growing rapidly, and is expected to continue to grow as emerging markets adopt Western diets.

Source: Food and Agriculture Organization of the United Nations Statistics Division
Over 1,900 species of insects known to be edible to humans

Over 1,000 species of insects are known to be eaten in 80% of the world’s countries

About 2.5 billion people consume insects

But rare in the developed world

Solution | Entomophagy (Eat Bugs!)

- Cricket
- Grasshopper
- Caterpillar
- Cicada
- Beetle Grub
- Scorpion
- Tarantula
Solution | Leading the Insect Protein Revolution

- **HOPPER**: Grain-free granola made from cricket flour
- **SIX FOODS**: Chips made from beans, rice, and cricket flour
- **CRITTER BITTERS**: Cocktail bitters made with roasted crickets
- **EXO**: Protein bars made from cricket flour
- **NEXT MILLENNIUM FARMS**: Insect flours
Energy Efficient Buildings

- Buildings consume ~40% of global energy demand
- Improving energy efficiency in buildings is the largest opportunity (19% of total benefits), and has the highest ROI
- Commercial / industrial buildings can enhance efficiency by >30%
- Net zero energy buildings are feasible
Finally, Best Practices
• Start with CEO & Senior Leadership

• Develop a Sustainability Committee

• Connect with your business objectives

• Do what you do well

• Engage employees, suppliers, customers

• Measure impact & report

• Market & communicate

• Have fun!
Sustainability Brings Happiness
Did I Succeed?
The only thing necessary for the triumph of evil is for good men to do nothing.

- Edmond Burke
MY CHALLENGE TO YOU?
Please don’t leave here and do NOTHING.
GRACIAS

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