

WORLD TELEVISION

Nestlé Creating Shared Value Forum 2010

Session Two

Creating Shared Value:

Leveraging Business for Development

00.00.00

Sophia Tickell:

Okay so we're now going to enter our first panel discussion, this really is the scene setter for the rest of the day because it's looking at the overview of leveraging business for development.

0.00.12

I'm joined on my panel by Peter Brabeck who you've already had the pleasure of hearing in his introductory remarks, John Elkington who is the Co Founder and Director at SustainAbility and the Co Founder and Chairman of Volans Ventures, Jane Nelson from the Harvard Business School. We have Simon Zadek who is the Co Founder of AccountAbility and currently - Simon help me, Founder of AccountAbility but ...?

Simon Zadek:

Currently with Jane and the Kennedy School of Harvard.

00.00.45

Sophia Tickell:

Kennedy School. Michael Porter who is at the Harvard Business School. So we have some very eminent panellists and we're about to have a very interesting discussion about leveraging business for development. But as before we're going to start with a question to you. And the question that we have to introduce this session is; sustainability issues are now firmly embedded in corporate strategies, do you strongly disagree, strongly agree with this statement or are you somewhere in the middle. Would you kindly vote starting now.

Voting

00.01.32

Sophia Tickell:

So, Even Steven. So this is going to be an extremely good discussion, and just so you know we're actually going to come back to this question at the very end of the day to see whether the discussions have in any way changed people's minds? So as I say this is more of a conversation than it is a presentation.

I'm going to ask each of the panellists to make an introductory comment or two on both the question in hand, but also on the topic in hand which is obviously very inter related. And then what we're going to do is open it up to the floor and to the webcast as well and invite questions from outside the room.

00.02.16

So I'd like to start with you Michael, because you've been such an important architect of the Shared Value concept. For those of us who were lucky enough to have been at a dinner last night, one of the things that came out in the discussion was the question of how power relationships actually play in that debate about shared value. So the concept is a wonderful concept but you're often talking about an imbalance in terms of the relationship between a large corporation and say an agricultural producer.

So any thoughts on that particular questions.

00.02.50

Michael Porter:

Well - that's a very good question, but I think - for the audience we perhaps should start with actually what is the fundamental transformation that is going on here and needs to continue. And I think that transformation, as Peter said earlier, has to do with the role of business in tackling a whole variety of issues that have traditionally been seen as really more social or societal issues and not business issues.

00.03.17

And I think what we see going on now is really the beginning of hopefully the next chapter of how we understand the answer to that question. And of course I'm from the Harvard Business School and so I come at this mostly from the business perspective.

- 00.03.36 But I think what's happening now is really a redefinition of the boundaries of capitalism. A redefinition of what productive, effective, operating practices look like in corporations. A redefinition of how one thinks about designing products and getting those products to the market; with a much broader perspective of the impact and affect of a whole variety of social issues, let's take the environment.
- 00.04.04 We used to think that dealing with environment compliance issues was expensive; it inflicted cost on the firm. The more we've learned over the last several decades the more we've understood that actually good environmental performance is also good productivity performance; it reflects greater use of resources. There's not a conflict, there's actually an opportunity of business approaches the issue with innovation and with new operating practices to actually create shared value, better environmental performance but also better productivity in business.
- 00.04.39 In the area of development, we've had a tremendous learning process over the last ten years about procurement and how major corporations ought to buy agricultural products from small farmers. I mean the old model of beating them down and getting the lowest price, bargained through a middleman has been kind of unmasked as a failure, it's not productive, it doesn't allow a good quality and adequate security of supply. And so we're relearning what procurement should look like.
- 00.05.11 We're relearning questions like, where should we process agricultural goods? Should we process them back in the US or in Europe, or should we actually process them near the source to actually save logistical cost and create greater cost effectiveness?

00.05.26

So the whole notion of shared value is all about a transformation of really our understanding of how to operate businesses productively and effectively and how to serve customers in a much broader way. And I think Peter's reference to CK Prahalad is a wonderful example of that. But back to your question, in order to do this kind of - for business to operate in this way it's getting into territories and dealing - having to inevitably deal with a lot of framework issues, regulatory issues, knowledge issues that require, indeed demand, relationships and collaboration with other institutions and other sectors.

00.06.15

And as business gets more involved in what has histrionically been seen I think, inappropriately, as purely social issues; this issue of power and the imbalance of power can come up. So I think there's a lot of anxiety about the implications as this plays itself out.

00.06.37

But at the core here we're seeing something which is I think extraordinarily positive, both for business and for our ability now to attack some of these very stubborn challenges in society, because if we can get business doing this, not because they're being forced to, or because they're being asked to be responsible. If we can get business doing these things because business understands that this is actually good for business then I think we have an opportunity to make a very different kind of progress and a very different rate of progress.

00.07.13

Sophia Tickell:

Wonderful, thank you and picking up on this final point that you make Michael about the partnerships and the importance of partnerships, Jane your work for the last decades has been on this core theme in IBLF and now at the Kennedy School. How are you seeing the sort of partnership piece in relation to the

shared value framework playing out? What would you be looking for within that?

00.07.36

Jane Nelson:

Great, I think sort of at a number of levels partnership is absolutely critical to the delivery of shared value. I think within company's own businesses and value chains the need for partnering - you know to include low income small farmers and producers in your value chain, often you need to partner with their micro finance institution or an agriculture producers association, or with seed companies, or irrigation companies or banks to reach and have more sort of inclusive value chains and business models.

00.08.10

So I think we're seeing partnership definitely at the level of individual companies and value chains. But equally important, if not more importantly I think we're seeing a whole generation of sort of collaborative platforms emerging which I think go beyond our conception of partnerships between an individual company and an individual non-governmental organisation or government where you've got groups of companies working together, often competitors working together to overcome fundamental market failures or governance gaps in making markets work better.

00.08.42

So what are some obviously examples, if you look at global health and things like the Global Alliance for Vaccines and Immunisation where you had health companies working with governments, working with international agencies to improve the overall market for vaccines. And we've seen a number of global health partnerships. I think we're going to see more and more of those types of alliances in food security, in water, in climate change.

- 00.09.09 So I think we're seeing often between competitors, these sort of multi stakeholder alliances aimed at making sort of overall value chains and sort of commodity value chains work better, you know the International Cocoa Initiative, the Roundtable for Responsible Palm Oil, where no one company can do it on its own.
- 00.09.28 I think another area where we're seeing some very interesting collaborative platforms emerge, is actually at the country level in developing countries. Michael has become famous for his concept of competitive clusters; I think we're beginning to see development clusters emerging. And just a couple of weeks in Tanzania for example Unilever, Nestlé, Yara the fertiliser company, Monsanto the seed company, a couple of the banks, a few smallholder producer associations, the Tanzanian government came together to agree to work together on an agricultural corridor in Southern Tanzania. SABMiller convened a meeting the City of Dar Es Salaam with the municipality, with water and non-governmental organisations around a sort of city wide water initiative.
- 00.10.13 More on the social investment side, Accenture, Microsoft, Intel and Cisco with the City of Dar Es Salaam have launched a partnership on - information technology in schools. So I think we're seeing more and more both at sort of the global level these multi stakeholder alliances emerging around particular commodities or particular issues like climate change and water and I think we're going to see a lot more of them at the national or sub national level around, particular clusters where it's partly about overcoming market failures, but also addressing some of the governance gaps that make food security and water should a challenge.

00.10.51

Sophia Tickell:

A fascinating point Jane and actually I'd like to ask you Peter how you see - my first work in this space was actually in Columbia with BP and one of the big challenges there was BP would say - you know we don't want to become the cash cow. So the critical question would be how do you - what's the role of government in that kind of thing, how do you ensure that the government plays a critical role in that and is able to defend the public interest at the same time as being involved in those collaborations? How would you see that - the critical challenges there?

00.11.23

Peter Brabeck-Letmathe:

Well I think - I started saying the first of all private enterprise needs a permission to act, that comes from society, we should never forget this. Therefore we have a responsibility to it. And for me this responsibility is a threefold, it's a layer. The first layer is we have to comply with the laws of the countries and your business principles that you have laid out. This is the minimum of corporate social responsibility.

00.11.55

On top of it, as most of us - I say most because there are some institutions who don't think about the long term, they think about short term. But most of us who are running businesses we think about the long term. We want to have a sustainable business, we are running a company which is 145 years, we would like to be run for the next 145. Therefore the next level is sustainability. You have - whatever you do, you have to make sure that your business is sustainable in the long term. And on top of it comes then this creating shared value.

00.12.30

Those are the three layers which I think are very important, because it comes back to your question; governments - the first thing we have to ensure that we complying completely with the regulations of governments and your own principles.

- 00.12.42 Now the question really I think on this creating shared value is not so much about the concept, I think overall we find more and more people recognising that this is an interesting concept, as a matter of fact if you look at the shareholder report of 2009, I was extremely pleased in how many shareholder reports now you have corporate social - creating shared value already as a concept being reflected.
- 00.13.09 The big issue for business is how they implement it. How you go through the implementation. And there we were very thankful that we had Michael Porter and Michael Kramer (?) because we asked them from an outside perspective, tell me where do you think that a company like Nestlé with it's own specificity can optimise the creating of shared value?
- 00.13.35 That was not done by us, we had asked them to do it, they made an analysis of all our Latin American organisations and activities. They came back and said; look it seems to me when you are spending two billion on nutrition research that nutrition is an area where you specifically can add more value. That the rural development, because we're working with 600,000 farmers directly it's another area and water because it's very, very important for whatever you are doing. That is the way - how we crystallise those three areas where we are now concentrating and working on it. I think this is the important part.
- 00.14.11 The question about the partnership comes because the solution to those problems are very complex. And you cannot, you cannot solve those problems in today's world without partnership. And government should be part of this partnership frankly speaking. It has in many times avoided to have government in, but you know you can build the nicest rural schools in a place, if you afterwards don't have a teacher who

teachers, if you have not the recognition from government that this is a government recognised school you don't gain anything. You have to get government in.

00.14.49

And this I think frankly speaking is the biggest challenge that we have; because government is very happy to agree at the end of the day to come to the opening and then forget about your school and forget about the things that you have been doing there. So you're absolutely right, bring government in.

00.15.06

And the other thing I just wanted to say is if you look at creating shared value it really starts from inside and that makes it so different to the many other corporate social responsibility concepts. It is not what the CEO wants to declare a worthy cause to be supported. You see that's a huge difference. You take away from the management, from the CEO this discretionary power of saying, I want to support - I don't know Malaria in Africa, or I want to do this because I personally feel like this. That's the wrong part of it.

00.15.47

The difference with creating shared value is it comes from inside the organisation, it builds on the strengths of the organisation, it commits and afterwards your organisation into focused areas and then of course you have to align the people so that it becomes part of the DNA of the company.

00.16.05

Sophia Tickell:

Thank you very much and John you've been in this space for years now and you've watched the different waves of movements within the corporate responsibility and now shared value space. And I'd like to ask you two questions really, one of which - does this feel like something that is a game changer, is it from your perspective something that is radically different to what's gone in the past? And in particular the sort of

supplementary question is that I know that you operate very much in the space where there is an enormous amount of innovation coming out of social enterprise, where there are some very disruptive business models indeed. And how do you feel about the juxtaposition of the two?

00.16.47

John Elkington:

Well it's funny, I mean here we are in what used to be the Mermaid Theatre and the mermaid was a hybrid and it was a sort of part human part fish organism. I'm pleased I wasn't married to one.

00.17.00

But the point I'm going to make is that if you look at corporations as they've evolved over 145 years or however long it is, we tend to assume that now comes the time where we take the best of what social and environmental entrepreneurs are doing and graft it together with what these traditional companies have done. And yet if you go back in the history of almost all of these - major companies you will find that there was some form of social, very often an environmental purpose there right from the beginning.

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Now as you might imagine when I see sustainability half way up a pyramid, I get slightly spooked, I don't like things sitting on top of that. But creating shared value; I can see as a sort of driver for action, I can see it as a way of engaging business leaders.

00.17.50

So to your question, I think the fundamental problem that we have with social entrepreneurs and I spent the last ten years working with more and more of these people, I love them to pieces. But they have a fundamental problem and that is the problem of scale. You know they're doing glorious things, in many different parts of the world, but even with the best will in the world they're going to find it very difficult to bring the new

business models, the new technologies that are evolving to an appropriate scale.

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So I voted for - I think option two here, which is that I don't think these issues are yet remotely integrated in most companies. I think we've got a huge shift to go through. Do I think that the shared value concept, philosophy, methodology and so on is new, I think it's new at the branding level, I think because it focuses in the Nestlé case on areas like water, food and nutrition and rural development, it's specific and therefore I think that's quite powerful.

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But the real test, just in conclusion for me will be whether this does open up as Jane was saying into a business to business platform, that NGOs get very actively involved in it in many different ways. And most fundamentally of all, back to Jane's point about farmers, some of you may know the entrepreneur, Richard Jefferson of Gambia, a plant biotechnologist who's basically - well the first time I saw him I thought he was almost insane. He was talking about giving the tools of genetic engineering, plant genetic engineering to every farmer in the world. And I said, well what about Al Qaeda and one or two other people who'd quite like those technologies as well.

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But ultimately that's where this platform might extend to. I think ultimately every farmer; every community could potentially be involved. We can discuss genetic modification a little later on, but I think this has huge potential, but we're 1% down the track of delivering the ambition I think.

00.19.56

Sophia Tickell:

Thank you John and Simon, this whole debate began and has evolved really as a conversation between multinational corporations that are domiciled, or somehow registered in the

northern hemisphere. I know that you've recently come back from Brazil and China, the world has changed so radically even in the last five years and the majority of companies are actually seeing the growth markets in the BRIC or the emerging markets more broadly. How do you think that that is actually going to change and be - how is that going to play within this agenda?

00.20.30

Simon Zadek:

Thanks, I mean it's worth, even although many people have huge experience in this space, reminding ourselves kind of how recent we are into this 1.0 never mind the 2.0. You know the first code of conduct in sort of modern history was as recent as 1988, you know the first serious, triple bottom line, 1996 the first serious set of human rights policies adopted by companies, 1997 - I mean it's like yesterday, it's kind of - it's a sort of blink that we've been through in 15 years.

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And yet, an enormous amount has happened, we know a lot of that has been pretty good and we know that more of it won't do the job. And so we're kind of I think in a sense all sitting here going more is not enough, more of the same doesn't work. As someone remarked to me from the Marine Stewardship Council a while ago we've had this incredible growth in certification, we now cover 10% of the world's wild fish catch and if we continue this exponential growth, he continued the world's fish stocks would be completely wiped out within ten years.

00.21.52

You know, it was sort of same model doesn't work and so this issue of change becomes quite important. And I think Michael has rightly pointed to the - new value in internalisation, you know, however we want to cast that. And I think it's worthwhile looking at this story through the eyes of Brazil, of South Africa, of China and of India and I'm sure of elsewhere. And there are

other folks in the room that can possibly do this better than me, but let me give you a couple of kind of blink insights.

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Last week I was in Beijing running an event with the Chinese Academy of Social Sciences, which is a sort of soft route into a series of policies spaces in the state council on the subject of China trade and investment in Africa, which in many ways along with water and climate are sort of the perfect storms. You know you can solve that, you understand an awful lot of things.

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And the good news was undoubtedly, that particularly larger Chinese companies are hugely ambitious to get - actually the agenda right that perhaps in different language we would describe and align with.

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The bad news is that they see most of the initiatives that we might talk about in the next day as part of the problem not part of the solution. And in particular they see most of our understandings of what effective partnerships and collaboration look like as profoundly problematic for newcomers trying to enter in the market. Not as cynics in the west would say because they want to bribe themselves into markets that they couldn't otherwise get into. I think that's a very dangerous kind of down road route to take. But because actually many of the initiatives that we have set up, Extractive Industry Transparency Initiative, the Equator Principles and many others that some of you will know are forms of cartels and do affect competitive conditions within markets and not always only within the intended boundaries that they are designed for, i.e. to improve social and environmental outcomes.

00.24.06

And so we've created a legacy not only of individual company experience and leadership, but a legacy of hundreds of collaborative platforms that tick - have begun to shape and

influence markets in significant ways and cross, are a major problem for emerging economic powers, both at the public policy level, the Chinese Government, Brazilian Government, South African Government, Indian Government and so on and at the business strategy level where entry conditions are proving problematic because of the things that we've constructed.

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You know, is this a catastrophe? It's a catastrophe if we don't understand it and respond to it. It's a catastrophe if we think that the mountain will come to Mohammed, you know if we sit there waiting for China Petroleum to join the Extractive Industry Transparency Initiative, just wishing that if we shouted louder they would understand. This is an absurd way of understanding the historical moment we are in.

00:25:13

Simon Zadek:

So the platforms that we are building are seen as part of the problem may well be in some ways, as well as being based on misconceptions and lack of experience of newcomers into international markets. But as the incumbents, however fragile we are, we need to respond. We need to respond by understanding that often the problems are not the standards that we're setting, but who owns these clubs, who dominates them.

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You know, frankly, China Petroleum is not going to join a club that is dominated by four or five major Western oil companies. It just isn't going to happen. And so there is a re-shaping process of some of our most cherished designs that is needed if we wish to really internationalise this game. If we don't - and then, Sophia, I'll come to a stop - almost all of the platforms we're designing that have scale - to John's point - will be history. They will not work.

00:26:14

And I put it as black and white as that, not because anything is really as black and white as that, but because continuously looking through the eyes of emerging economies, particularly the larger power houses that have huge ambition, you know, hard-wired and fire-charged in the midst of this global recession, are increasingly irritated at the way in which we are framing this. And we have the opportunity to change it.

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So answer is - China is not the problem, but clearly a major part of the solution. The little vessels that we've set sail that we call collaborative platforms are important experiments, but will perish unless they evolve. And evolving means that they become international clubs rather than Western clubs, and then we have a chance for the creating shared value model, as we talk about it here, to have real meaning and scale in the future.

00:27:13

Sophia Tickell:

Thank you. And I suppose there was no better example of that sort of reconfiguration than the recent Copenhagen climate talks where it just - the world was transformed. So, Jane.

00:27:22

Jane Nelson:

But I think adding to that, I think there are some examples where the Chinese are at the table and the Copenhagen communiqué, which the Cambridge Centre for Sustainability Leadership helped pull together, was a good example where you are starting to see Western companies and Chinese companies and Indian and Brazilian companies coming to the table together on international policy agenda. So we've got a long way to go, but I absolutely agree with Simon - it needs to be a more inclusive approach than it's been before. But it's not to say that the collaborative platforms aren't an important way forward. And I think we are seeing the Chinese coming to the table, and influencing more and more of them.

00:28:04

Simon Zadek:

This is a sort of one-minute expert, and I don't think we should over-focus on China, but it does offer us some interesting insights. You know, corporate responsibility in its modern form in the west was born out of an era of globalisation, privatisation and a need to understand how to get, if you like, social and environmental value out of a growing marketisation of many things that were previously outside of market forces.

00:28:36

That means that we spent 15 years trying to squeeze the most out of more or less an Anglo Saxon model of ownership. And we all know how tough that squeezing has been at times, and how amazing successes and unexpected successes we've all achieved. Well actually, you know, a third of all economic assets in China are owned by state-owned enterprises. There are 1.5 million of them. And their starting point is different when they think about shared value. They're not asking how to satisfy private investors in all instances, although clearly there are many private companies as well. They're thinking about the subject of ownership which is a topic that we have abandoned within the corporate responsibility space in the West largely.

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And we see, whether we look at China or whether we look at what is more or less - probably Michael knows these numbers better than I do - \$2 to \$3 trillion worth of sovereign wealth funds today, another 2\$ trillion that will be added over the next five to ten years, including major ones that will emerge in Latin America, notably Brazil, and also now in Africa.

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We're seeing a shift in the ownership of assets, and in particular a heavy swing towards state ownership in a number of different ways.

And we need to think about what that means for shared value because it is cast differently through that lens.

Sophia Tickell:

Peter, did you want to respond?

00:30:12

Peter Brabeck-Letmathe:

Yes. I was just thinking, listening to Simon, there was a very interesting event in Davos this year. One of the Latin American leaders, when he was asked what was the most important thing of Davos 2010, he said - I will tell you straight away. For 40 years we have been coming to Davos to listen to the voice of the Europeans and the Americans, to tell us what we have to do. That's the first time we are not listening to them any more. We're listening to the Brazilians; we're listening to the Chinese; we're listening to the Indians who were there. We couldn't care less what the Europeans are telling us.

00:30:50

And I think this has a very important meaning, as we were pointing out. We have what I would call a corporate social responsibility colonialism established over the last couple of years. We decide in London what is good for the rest of the world. We decide that we are going to help them to overcome the sense that people are fed up with this. They want to be an equal partner when we are discussing about this collaborative platform. So when we are discussing about standard setting, very interesting if you listen today, the Obama government and the Chinese government just decided that the standard setting for many technical issues will be done between the United States and China, and now Europe is being left out, okay.

00:31:36

So I think there is a fundamental change happening just now in this relationship between what we had in the past, where we decided in Europe or in the UK in or in London, what is good for those people, and those people saying - enough of that, okay.

Let me partner -- I want to participate, I want to be part of the standard setting; I want to be part of this collaborative platform. That's a huge change.

00:32:01

Sophia Tickell:

Okay, well I'd like to open it up to the floor. And just on this final point: we're describing a sort of reconfiguration of power, basically, within the world. I was looking at the work of John Beddington, who is the current Chief Scientific Adviser to the UK government. He made a statement at a talk that I went to the other day where he was saying that the challenge for global agriculture is to grow more food on not much more land, using less water, fertiliser and pesticides than we've historically done, against a background of great climate instability, which will lead to greater unpredictability.

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So I suppose my question, thrown open to the floor and absolutely don't want to preclude any questions that you have generated by the panel discussions so far, is basically - is that reconfiguration sufficient and convening urgently enough to basically face the challenge that we have in front of us?

00:33:03

So I'd like to invite any questions from the audience at this point. What I'll do is take a number, and then invite any of the panellists to respond. So if you would like a particular panellist to answer, please specify; but otherwise assume that basically it will be up to the panellists to decide whether they'd like to comment.

00:33:23

So I wonder whether we could we have some lights on the audience so that we can see? Perfect. So there's one there at the very back, and then a gentleman here.

00:33:35

Female Q:

We're an investor in Nestlé and other global food companies. What we're hearing from companies as investors is that, on the one hand sustainability is a value driver and a source of competitive advantage, and on the other hand that they're working with competitors to overcome sustainability challenges. And my question is really for Peter and also for Michael, and it's - should Nestlé be working with Unilever and Kraft on sustainability, or should it actually be going it alone a bit more to benefit from product opportunities it identifies, and being the outright sustainability leader? And really my question is - can you co-operate and compete on sustainability?

00:34:19

Sophia Tickell:

We'll hold that question now. A gentleman here at the front?

00:34:29

Male Q:

Thank you. I think the challenge of John Beddington spelled out is very much at the heart of the whole situation in the world, with a billion people going hungry, with the situation we all know about climate change. We need to get the social contract between the private sector, business, governments and the international organisations reinstated. Regretfully, I must add a negative note to this wonderful positive discussion. I think we are at the moment where the lack of trust between the public at large, not only with business - whether it be BP or the banking crisis or whatever - but with governments, with governments everywhere. The negativism that is everywhere makes it very difficult to think it's that just a matter of the pyramid that we're creating, shared value is at the top of it.

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So the question is - how do we reinstate that trust in order that the social contract between the private sector, business and government actually be made to work. And that's what I would hope the panel will address.

00:35:39

Sophia Tickell:

Thank you. We have one more question here, and then one there; and then I'll invite you two to respond to those. So there's a gentleman here, and then a young lady up on the left.

00:35:51

Anthony Kleanthous, WWF:

We at WWF convene these partnerships between business and civil society and policy makers, and we've done a lot of research particularly into the area of food. And whenever we look at the question from a systemic point of view, what we find is that technological advances and efficiency, i.e. kind of fine-tuning the system as it is to become more eco-efficient isn't going to get us to a sustainable system; and that we also need to look at the question of consumption.

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And it's a very difficult question for business, because it either involves selling less of what you're trying to sell or it involves moving into new business sectors. And I'm just wondering, given the financial and legal environment that businesses have to operate in, how are we going to crack this problem of trying to extract more economic value from less stuff?

00:36:55

Sophia Tickell:

Perfect. And one final question, and then we'll invite the panel to respond.

00:37:01

Female Q, from Sustainability:

So creating shared values is a concept that's resonated with a lot of people in the sustainable business community. But its real power will come when it's used as a forward-looking, decision-making tool that shapes business strategy. So a couple of questions under that umbrella.

00:37:20

How should business deal with cases where value for business and value for society don't necessarily overlap, especially in the near term. And second, what ways would you propose of measuring creating shared value, considering that traditional business management metrics are necessarily designed to measure value created by and for just one organisation?

00:37:40

Sophia Tickell:

Wonderful, thank you. Very good questions. So the first is about - should Nestlé go it alone? That's to Peter and Michael. And I think the other questions around - how do we address the issue of trust? How do we address the issue of consumption and growth? And what happens in the event of conflict of interest to metrics? - Are for anybody. So, perhaps, Michael, would you like to start?

00:38:01

Michael Porter:

Well, thank you. Gosh, these questions are hard, and that's too bad, but that's where we are. We have to move it. First of all I think we've immediately gravitated the discussion to the macro level, and we're talking about partnerships and collaboration, and that's great, and important and fundamental. But ultimately at the core of what this is all about is very micro. It's about an individual company in its business, in its operations, widening its understanding of how to be productive, and how to develop products and develop markets and develop customers. And I think at the core, that's what the concept of shared value is all about. It's fundamentally a micro concept.

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Now in order to do that, in order to make these transformations and how you deal with your agricultural supply base, and how you utilise water and other resources, to achieve these, I think, massive productivity opportunities that we have in water use and agricultural productivity and so forth, immediately then you soon

confront some framework conditions. You confront lack of institutions; you confront weaknesses in human resources; you confront limitations in capital access. And it's when you get into those framework conditions and those rules of the game, that's when you confront the need for collaboration.

00:39:45

So my answer is that businesses have to compete, but they also have to collaborate. They have to compete in their business, but they cannot tackle these framework issues alone, and that's not efficient or effective. And I think we have to understand that this is not just all about intergalactic collaborations. At the core of this we're talking about a transformation in how business is done.

00:40:10

Somebody mentioned social entrepreneurs. Social entrepreneurs today have really exposed that the corporate world is asleep; the corporate world has missed a lot of opportunities to develop new products and new business models. And luckily we have some innovative, young social entrepreneurs who are out here, teaching us that you can actually create an enormous market opportunity if you look at the market in a different way.

00:40:38

So I think that the social entrepreneurship is really a validation of the potential for shared value, but we have to get the major corporations and the medium sized corporations to rethink and redefine how they do business.

00:40:57

So, you know, should Nestlé go it alone? Yes, Nestlé should go it alone on trying to improve the way its factories run; and to try to improve its products to make them more nutritionally friendly; and in terms of how it actually purchases milk or other agricultural commodities and works with its supply chain; yes, Nestlé should go it alone. But on framework areas I think

Nestlé's going to need to collaborate, and I think is starting to collaborate. But of course, we should let Nestlé speak about that.

00:41:29

Sophia Tickell:

And Peter, thinking about it from the question as from an investor perspective, so it's really - how do we read what Nestlé is doing? You know, is this something that's going to add value to the company or is it - somebody described it not as pre-competitive but post competitive, yesterday, which I thought was a wonderful way of looking at it actually. But how do you see the answer to this question?

00:41:48

Peter Brabeck-Letmathe:

Well first of all I would like to point out one small point on what Michael just said. At the root of this way of looking at your corporate social responsibility, it's first of all your company, and the specificity of your company. This decides where you have the areas where you can optimise the creation of shared value, both for your shareholders and for society. That's very important.

00:42:15

Now once you have done that, and let's take the examples we have decided, water being one of them. In order to solve the problem of water, which is a huge problem we might discuss during perhaps a day on this subject, we cannot do that alone; there is no way about it. So in this specific area we have to create collaborative platforms which are very big. It started with the UN; it started with creating the CEO Water Mandate under the UN leadership. And that was not enough; it was too broad. We then created a Water Resource Group, 2030, where we worked on concrete examples how we can do. Now we are working with certain governments of the world in order to implement those things.

00:42:57

Of course we cannot do that alone, but before we started to the collaborative platforms, we decided internally - what are the areas where we can really optimise the creation of shared value? That's the important point. And then you have some other companies - and it was mentioned Unilever. Well, if I was in Unilever, I'm almost sure that palm oil would be one of my first priorities because they are the biggest consumers of palm oil. We are not; we are 7.7% of palm oil, but we are very important in the milk. So every company has to find out where it has its territory, where it can optimise it, and then afterwards see whether it needs partners - whether it's NGOs, whether it's governmental, whether it's even competitors - in order to do better in this area.

00:43:45

Sophia Tickell:

So Jane, moving on to the next question possibly around trust, and the issue not only of trust of companies and, you know - what are the kind of preconditions for actually moving on some of this stuff? And clearly trust is a very critical one. Any thoughts on that?

00:44:02

Jane Nelson:

Yes, I think there are three main things, particularly on the corporate side, in rebuilding trust. And one is the growing field of reporting on these issues and sort of third party verification of reporting. I think the growth we're seeing in stakeholder advisory panels - Nestlé has one; more and more companies have external advisory panels on issues that are material to their business, which is I think another form of accountability that is actually now becoming more structured than it's been in the past.

00:44:39

And then thirdly I think some of these new collaborative initiatives are another way in themselves of rebuilding trust. It's going to take a long time, but I think the more that your business and NGOs and government can work together on some of the most difficult issues that we're facing, but bring the public in, bring low income producers in, etc., into these collaborations, that will also help at least some of the steps forward in rebuilding trust.

00:45:09

But I think the accountability for actions and transparency of impacts and results are the two cores of that, whether it's business or government.

00:45:19

Sophia Tickell:

Fantastic. Simon, I'd like to move on to the other questions as well so that we can take some more from the floor. So this question about consumption and growth is absolutely critical going forward. So your points on trust as well, but anything that you have on that critical issue. There is now a body of literature that's emerging which is basically saying that we cannot have a growth business model any more; we simply do not have the resources on the planet to sustain that business model; that we've got to rethink the whole basic underpinning premise. So some thoughts on that would be incredibly helpful.

But, Simon, did you want to come in on the trust question first?

00:45:54

Simon Zadek:

Well, the trust one's easy. Consumption one's a nightmare, so I'll start with trust and score, and then the consumption one I can politely fail in.

00:46:02

So to be slightly more picky, I'm not sure why we should trust companies. In fact, I'm not sure why we should trust institutions.

We trust people. And I would go along with your point, Jane, which is - what we need to understand is: what are the forms of governance and accountability that will allow us as businesses to stay in business - Peter, the point that you made last night over dinner in some of your opening comments.

00:46:31

So the lens of trust is a sort of cosy lens, and it sort of defeats the object in some ways. And I would say that, because - particularly for publicly listed companies - the models of corporate governance have become so hard-wired and hard to move, one of the most interesting things that's happening in the sustainability space are these many soft governance models that are beginning to emerge, which both ease and bring new knowledge and expertise into the decision making process - so that's the internal piece, Peter - but also reshape some of the aspects of the social contract with external stakeholders.

00:47:14

So I think this soft governance space, given how difficult it is to move the hard-wired governance piece, is an important part of that equation. And I would just say - just personally - I don't need to trust companies per se. But that's just maybe quibbling with words.

00:47:30

Sophia Tickell:

Simon, before you leave that very provocative comment, is trust not intricately linked to branding? And is trust not quantifiable and absolutely a critical driving force in terms of how a company's perceived in the outside world?

Simon Zadek:

I'm sure it is.

Sophia Tickell:

Would you buy a product of a company that you didn't trust?

00:47:48

- Simon Zadek: I think we do it all the time; I mean, night and day. I don't know how many products I consume involuntarily between the time I get up in the morning and the time I go to sleep at night; but I can't tell you that I know 90% of the companies, let alone trust them. So we're involuntarily consuming from companies we've never heard of all of the time.
- 00:48:07 And of course there are picks, and for some companies - particularly companies like Nestlé that are very focused on intimate aspects of our lives like nutrition or children, the issue of trust has a different aspect to it. But because I'm a little bit old now, I also know that many of the companies that I trusted in the corporate responsibility space 15 years ago wither don't exist or have done quite awful things over the period. So we've got to watch it a little bit.
- 00:48:36 And that really isn't intended as a cynical view at all, Sophia, it's just kind of take perspective to avoid cynicism. You know, it's a smarter move than to think that we can move into a romantic period of engagement. I don't think that's the right way of thinking about change.
- 00:48:58 On the consumption side, the gentleman - sorry I've forgotten your name - from WWF - I apologise. I think we can get a lot more out of accelerating closed loop operations. And I think before we have to - which we may have to focus on the "don't stick so much in your mouth" problem, the sort of end of pipeline consumption issue - I think we can think in a much more innovative way about how to close the loop on some of the critical natural resource scarcity issues that exist within most value chains.
- 00:49:39 And I would say - and I'd be very keen to hear Peter's take on this as well as others - that in the same way that we have been

focusing for 10 years or more on how to push social and environmental issues into the heart of both operational and corporate strategy processes and decisions, we have a huge challenge to push public policy into a more innovative mode.

00:50:08

And in fact, in many respects that explains why we have all these voluntary collaborative initiatives, because we have not been able to move the boundary of how public policy is formed. But to Peter's point again, I think it's right that the micro is the core - what Michael was saying. But I think Peter is right that most of the micro is stuck in backward looking markets until we shift some of the policy architecture that shapes the price signals that allow investments to be made. And our single biggest problem at the moment is a lack of policy innovation, and we can't - we're finding it so hard to do that. And the iconic cases are obviously Doha and Copenhagen - and let's not all burst out crying pre-emptively - but there are thousands of cases at every level. And so creating this intermediate structure of voluntary initiatives and standards can help, but then I suspect we will be frustrated if those aren't tripping greater innovation in the real public policy space where, at times, regulatory enforcement will be needed to be able to go to scale.

00:51:27

So I don't think that goes to the traditional view about sustainable consumption, where we can talk about reutilisation of services and all of that stuff; but I think even that the core closed loop agenda requires us to move very differently in shaping how public policy makers function and understand the nature of corporate innovation.

00:51:55

Sophia Tickell:

I'm going to ask John to come in here as an environmentalist by birth, if you like. I mean the environmental agenda has changed very radically. Would you agree with this, that you can basically

solve the problems within a closed loop system, or do we need something more radical?

00:52:16

John Elkington:

Let me just try and start with the trust issue, because some people assume that trust is sort of a given, and it's sort of more or less like the sea - it operates slight tides, but it's the same level. And it doesn't. There are periods in our history where trust levels just collapse, and one of those characteristic moments of trust collapse is when the economy goes into one of its meltdown phases. No, you don't have to be a supporter of Kondratiev and Schumpeter to believe that there are long wave economic cycles and that we're well advanced into one of those great downturn moments. So we focused on the shift to China and various other things. But there is a profound shift I think going on, not just in our technologies and our business models, but our economic models. And people get uncertain; they get destabilised; they get disoriented and that creates preconditions of trust.

00:53:08

Now sustainability - we've worked for 20 years on reporting which Jane mentioned. And one absolutely critical reason we picked on reporting all of that time ago was simply the sense that, if we wanted sustainability, then the old 20th century economic models would have to be basically broken down and replaced. And if you were going to do that, trust and social capital would be almost like a lubricant, or you needed that in order to make some of these changes possible.

00:53:41

I'd like just, if I may, to quickly shift to Anthony Kleanthous, his question, from WWF. Like at least one other person in this room, yesterday morning I was at a meeting of WWF's Council of Ambassadors and I was very struck in the conversation by

something that happened around their operation across the Asian region. And I hope I won't breach confidences in saying this, but the question that came up around - should you co-operate or should you compete? - NGOs face this issue profoundly as well.

00:54:17

This is the world that increasingly we all operate in, and it's no accident that you now have language in the business literature like co-opetition, which is basically saying - we've got to work this spectrum; we've got to be able to alternate back and forth. And this is one of the fundamental skills of whatever sort of institution. But we've got to remember who we are and we've got to declare what our values and our priorities are, if we want to maintain and hopefully build trust.

00:54:45

And just the final point, we've talked a little bit about sort of open source models. Peter mentioned earlier on the Nestlé principles, and almost this open invitation to the rest of the world to say - just look at what we're doing and if we're doing things wrong tell our ombudsman or whatever. I think that's a very - well it's a potentially powerful mechanism for building trust, but only if we all use it and in an effective way. So we're beginning to see the dynamics, the pathways, opening out. But the question is whether we as citizens and as voters and consumers - to Simon's point, you know the number of 90% companies we don't know - only if we get engaged will this actually work to our best interests.

00:55:34

Sophia Tickell:

And we had one more question around the issue of what happens in the event of conflict of interest. Does any of the panel care to take that on as the starting point?

00:55:42

John Elkington:

Well can I just very quickly say that one of the things that reporting companies did relatively early on, where they reported successfully and engaged the outside world, was to declare the dilemmas that they face. And were often quite surprised because they didn't get their heads bitten off. People thought - well, that's an interesting dilemma; thank you for sharing with us, we'll pile in. Now that's not guaranteed to work and I can think of one or two cases where people did get their - at least their arms bitten off. But I think in the right conditions disclosing the dilemma and then inviting joint working on it can be a useful way of proceeding.

00:56:19

Sophia Tickell:

Just to sort of take it a step further - if we take one of the most controversial issues on the table at the moment, which is the issue about the buying and selling of land, and particularly in subSaharan Africa. There are large tracks of land being bought up by countries and companies, basically to provide food security in other parts of the world. Now there may well be a conflict of interest between the people who currently work that land and what a government conceives to be in the national interest.

00:56:47

And how do we play in that space? I mean what are the sort of most appropriate mechanisms? So it's a stark example but it's an example which I believe is going to be one of those that plays out in one of the most controversial ways. And frankly, I would not want to be the driver of that truck that is carrying out the food from that particular area of land and taking it to the port. I mean, how do you approach that as a company, Peter, perhaps? From a Nestlé perspective it would be interesting to hear what you

perceive to be the most appropriate way to address a dilemma of that nature.

00:57:22

Peter Brabeck-Letmathe:

Well there is no doubt that this question about land grabbing is something that needs to be discussed and needs to be resolved. But frankly speaking, I think it needs to be discussed and resolved on an international level between governments. I don't think that this is necessarily the area for private enterprise because you mentioned just the case of subSaharan.

00:57:45

Well in a completely different manner any urbanisation, any infrastructure, it's exactly the same thing; you don't have to go so far. I mean, if you have been like we have been for example in China, when I look where before there was arable land and today there is huge cities of tens of millions of people, that was all arable land. It's just the same thing happened there.

00:58:14

And you mentioned before something which is quite interesting. I mean, you said we have this issue on agricultural output. It's absolutely true. Every single second we have two people more to feed, and every single second we have 0.2 hectare of arable land less. And the less is because it goes basically to urbanisation and to erosion, yeah. And that's a real dilemma. Here you have a real dilemma, which brings of course the other question about growth.

00:58:46

Can we continue a growth model? My answer's very simple. The day a society, whether it's a public society or whether it is a company, stops to grow, it starts to die. And you will not find investors who want to invest in the company who starts to die.

00:59:06

And I think also one of the messages to European politicians is exactly this one. What they are doing today is trying to regulate the future of Europe, for example, instead of assuring that Europe can grow. You will not find the solution of our economic problem of today by over-regulating us to death. You will only find them if you incentivise in order to grow again.

00:59:31

So I think growth is absolutely, absolutely vital. You cannot have a future without growth. The aspect is not whether the growing or the growth, the aspect is in a resource efficient manner. And if I think about food, where more than 45% of all food is being lost between the farmer and the consumer, I mean, just by using this we would have a great step forward for better resource efficiency and we can talk about water, but we will do that later on.

01:00:01

Sophia Tickell:

Wonderful. And it is worth noticing once there's an enormous amount of food waste at the consumer level as well. I'd like to take a couple more questions. We've had two questions in from outside the room which I'll read out as well. So if we just take some questions from the floor. This is probably the last round of questions just because we don't have very much time. So I'm going to take four questions from the plenary now - these two questions, which is going to mean that I'm going to have to ask the panellists to be extremely concise in your responses because we have a lot of interest here. So, we have a lady at the very back there.

01:00:46

Harriet Lamb, Fairtrade Foundation: We're very pleased to be working at the micro level with Kit Kat and cocoa farmers in Côte d'Ivoire. And it is difficult and it is a

long term process. And I think we can all understand that sustainability is an investment. So it costs more, it takes longer, but it's an investment. And in our experience the closer companies are to their consumers and farmers, the more they can understand that. But the risk is then - do shareholders and investors understand that is an investment, and are they ready to take that long term view? And what can we do to help enable that to happen very pragmatically and quickly?

01:00:23

Sophia Tickell:

Thank you, a very concise question. A gentleman here down at the front. Thank you.

01:00:34

Gib Bulloch, Accenture

Development Partnerships:

I like John's metaphor of the mermaid as the sort of hybrid organisation. I think it's a good metaphor. And I also share John's view that the hybrids, the social enterprises, will struggle to scale. I think we need to change the existing ready-scaled organisations -, the Nestlés of this world - and get them to change; put the mermaid if you like at the bow of the ship, to extend your metaphor there.

01:01:59

My question is where will that change come from? Is it going to be top down or is it going to be bottom up? My concern with the former is that the leaders who have made successful careers on the business paradigms of the last few decades will be probably the last people or the least well equipped to make the change that's necessary for the next.

01:02:19

Sophia Tickell:

Thank you, Gib. A gentleman there and then a gentleman there, and then I'm afraid we're going to have to - I'll read out the ones that have come through on the internet.

01:02:27

Steve Graf, OECD:

Thank you. Groucho Marx said that - I would never want to join a club that would have me as a member. And I want to sort of expand a little bit on Simon's point because I think this is a very important issue that we face, is that there's a real tension on one side between these clubs that we've set up that have set out various forms of norms or standards or compliance on one hand. And that forms what the strength of those organisations or clubs are. And the tension lies between that, the importance of that, and increased membership. And when you increase the membership, you sometimes need to water those things down. So what I guess I'd like to push Simon a little bit on is how do you achieve, you know, that increased membership while maintaining some level of standard in norms and compliance that are the power beneath those at the end of the day?

01:03:23

Sophia Tickell:

Great. And then the final question here, this gentleman here in the centre. If we could have the mic there please.

01:03:33

Male Q, Rainforest Alliance:

A lot of the market failures that we see in the process of delivering that shared value to the places where you're sourcing, for example, the agricultural commodities that Sophia mentioned, are about actually moving the technology and the knowledge and the accessibility of inputs to the people who are going to create the products that you want to buy. There's a lot of Nestlé country managers in the room, and I was just interested what role you see and how you intend to operationalise through that structure a lot of the work that needs

to link improved technology, improved knowledge, to the actual producers.

01:04:19

Sophia Tickell:

Great. Thank you very much. And then a couple of questions from outside the room. The first comes from Jeremy Braun from Benefit Identity in Germany who says - Nestlé says the idea of creating shared value is open for all companies to apply. Did you recognise a positive development within the last year? And are there are companies who take Nestlé as an example, and regard CSR as less than a PR instrument and more as a management strategy?

01:04:47

And then the final question is from Davide Sicolo from Edelman in Milan. Could we define CSV as the new deal of the global economy after the wild capitalism age? Thank you for those questions from outside. I'd like to suggest that we bundle the questions actually. I think the first question is around investors, will they understand, can investors - how do investors come to understand the long term? And in some ways it goes back to the question about ownership that Simon raised at the beginning.

01:05:17

Then there's a question around - where's the change going to come from? And a supplementary question which is around the operationalisation of change.

01:05:26

And then the question around the use of technology and how that becomes applied. And I'd like to just - I'm terribly sorry about this because I know that there's so much more to say - but if panellists could be as brief as possible in responding then I think we'll be able to hear you all, and I'll be able to hand over to

Maria on time. So where would we like to start with? Perhaps we'll start with the question from outside, which is - have you at Nestlé actually perceived people, companies responding and seeing your example as more than PR and as a management strategy as opposed to PR?

01:06:10

Peter Brabeck-Letmathe:

Yeah, I would say - and I mentioned before - just take the shareholder reports of the last year and they will see that there were several companies - I have not read all shareholder reports, but I have read some of them, and there were several who are starting to take this idea about Creating Shared Value as part of their strategy. So it seems to me that this is something which is starting to get traction.

01:06:34

Michael Porter:

Let me just pick up there. I think business is not slow, once something is perceived as working, once something is perceived as creating value. And so I actually am very optimistic about the pace at which the business community could actually fairly rapidly start implementing many of these ideas.

01:06:57

You know, it's fascinating that at Harvard Business School today about a third of our class is going into social enterprise. And this is unprecedented for us. And I think that reflects a fundamental shift in values and aspirations among our younger generation of hopefully leaders. And I think that those same values and those aspirations are also held by the members of our class that go into business. And I think that if we can sort of help companies understand that there are more effective ways of operating the company and building their products, I think these changes I

think can sweep very rapidly. So I think there's going to be an opportunity for a lot of bottom up change.

01:07:50

The shareholders are going to be sceptical and maybe even cynical, but what I find is that shareholders will come around as soon as they see results. If Nestlé starts to show them businesses and transformations and productivity gains, they are going to come around. But I do believe there is another very deep issue here which we can't cover in this session certainly, which has to do with - how aligned are the capital markets and the real economy today? And I think the answer is they're not, for a whole variety of reasons we can talk about.

01:08:30

So I think we do need financial reform, which for me the most important purpose of which would be to create a better alignment, and to start to link then the time horizons and get the financial markets really focused on their fundamental role in society which is providing capital for profitable, high value investment opportunities in the real economy. And I think we've lost a lot of that linkage that perhaps was tighter 20 or 30 years ago.

Sophia Tickell:

Thank you Michael. Jane.

01:09:02

Jane Nelson:

Yeah I think in terms of where the change is going to come from I agree, we're going to see more and more bottom up change certainly from the generation of managers coming into business now. Social entrepreneurs within companies, social entrepreneurs beginning to partner more with companies. However I think it's very difficult, particularly for the large companies to really drive change without serious leadership

from the top. And not only you know from the C-suite but I think from boards of directors. And the fact that we're seeing you know more boards of directors setting up dedicated committees looking at these issues is hopefully a hopeful sign as well.

01:09:37

I think another aspect of where the change is going to come from, we're going to see more and more and we already are seeing innovation and change coming from emerging market companies, and the subsidiaries of multinational companies in China and India and some of the emerging markets. So sort of blow back innovation coming from country managers and R&D departments based in developing countries I think is going to be another source of driving change.

01:10:01

A quick comment on the investor side. In addition to the investors, I think stock exchanges and sort of stock exchange listing requirements on the one hand, you know the increase in competition between stock exchanges, but we are seeing you know some stock exchanges beginning to integrate some of these issues into their listing requirements. And that will be another way I think to concentrate corporate attention on these issues.

01:10:22

Sophia Tickell:

And just back to the previous response that you made, Jane. In terms of this question about the sort of basic standards and principles within any club, does that change process that you described enable that? Or how would you respond to this concern to ensure that a more inclusive club comes to some sort of basic standard, agreed standard?

01:10:44

Jane Nelson:

You know and I think the point Simon and our colleague from the OECD has made, is that there is the danger, particularly the norm setting standard clubs as opposed to the sort of resource mobilisation clubs like some of the global health initiatives, I think are very inclusive and they want more and more and they're inviting more and more people to come to the table. I think the norm and standard setting clubs it is more of a challenge and I think you know sort of Simon has already covered that, unless there's a much greater openness to listening to and engaging the big emerging markets and the big companies from those emerging markets, those sort of norm setting voluntary initiatives are going to get marginalised over the long term. But equally you know governments and organisations like the OECD, the G20 increasingly are going to be important as well.

Sophia Tickell:

John?

01:11:33

John Elkington:

Well with the greatest respect I sometimes feel that we're all a bit like drunks, alcoholics, stumbling around in the street. You remember the story about you know the person looking under the streetlight for the keys, the lost keys, and people say is that where you lost them? No but that's where the light is. And I think very often we look at big companies because they have high reputations, big profiles, brands and the rest of it to protect.

01:11:55

And I think that's not very often where the change is going to come from. Yes a WalMart, you know you get the pressure between NGOs, the future meets the present, WalMart starts to adapt or Marks and Spencer or whoever it happens to be, might be Nestlé, might be Unilever. But very often in these periods of history the change comes from the edge of the system, the bits

that the system hasn't been able to in effect suppress. Or where people can just try new experiments. And I often think about the Wright brothers on the sand dunes at Kitty Hawk, you know just trying something, no one was paying attention, but they created the modern aerospace industry, or at least the precursors of it.

01:12:35

And I think we're at one of those points. And I think we've all got to get out more and it's lovely to be here at the Mermaid, but I really do encourage us all to go out and meet some of these social and environmental entrepreneurs, some of the people who are doing new things, try to understand how we can help and how we can as Gib says, bring them to scale. But I think the shared value piece is a useful plank in that collective platform that we're going to have to build.

Sophia Tickell:

And Simon, any thoughts?

01:13:05

Simon Zadek:

Very quick. Psychological tests suggest that adults need to hear things seven times before they hear it. So I'll repeat what Michael said. You know, there isn't an alignment between financial markets and a real economy. Discuss. It's like keep it in mind; repeat it to yourself for the other five times.

01:13:28

To Jane's point, I'm seeing some of the most innovative practices within global companies coming from emerging economy subsidiaries and units. And it's creating huge disruption because those are locations of change that historically have not influenced global strategy and it's not clear what to do. You know I'm working with a large global ICT company in China that's an American company, but the ICT unit in China understands a global strategy that could come out of China. And the global head in the US is like out to lunch training

teachers. You know they just don't get it at all. And I'm seeing that repeatedly and I think it raises lots of opportunities and challenges for the Accentures and, you know for all of us to try and work out what you do about that.

01:14:20

And then finally to the OECD question, probably a third of my work is how do you move gold standard standards initiatives into open tent models that allows more players without them imploding? By shifting the standard, the governance model and the basis of membership, and by implication shifting the brand and reputation of the initiative. We're seeing the entire generation, sort of first generation of voluntary sustainability standards, going through exactly this challenge - exactly this challenge. And they're all going through a sort of challenge transformation in recognition that the gold standard model isn't going to work in its first generation form, but that a sort of easy come, easy go model equally is not going to work. And there's a real learning happening as to how to shift into a second generation.

01:15:23

And then kind of final is you know one bunch of folks that I'm working with in China who should know you know reasonably inform me that China is simultaneously developing 10,000 new standards, most of which are for export. And so we have to understand again, it's not specifically about China, that standards are clearly going to become a huge contestation space, particularly you know with tariff barriers largely down now, and the tension between avant-garde voluntary standards and a new generation of statutory standards coming out from emerging economies, you know will be a huge challenge to square.

01:16:12

Sophia Tickell:

Wonderful. Now I'm going to close the session with putting the panel on the spot actually because I do love this question about the wild capitalist age. So I'm going to ask you all to just give an answer which coincides with the options that you were given for the question on the panel, strongly disagree, disagree, neither agree nor disagree, agree or strongly agree, on the statement, we can define CSV as the new deal of the global economy after the wild capitalist age. So you don't have to vote because the voting system is not actually set up for this, but I would like to just ask you to perhaps close the session with a response to that question. So let's start with Peter.

Laughter

01:17:05

Peter Brabeck-Letmathe:

Frankly speaking, I think this is too sophisticated for me, frankly speaking. I cannot follow that. What I can say is that it provoked at our board of directors a very deep discussion about our articles of association of the company. Because this conflict that was pointed out between shareholders' interest and this approach, this apparent conflict which, when you discuss it long enough, is not the real conflict, that's the beauty of this creating shared value that it is not a conflict, of course provokes discussion. And what we did, we changed the articles of association of our company in the purpose part. And we included in the articles of association that Nestlé strives for long term, sustainable, value growth. And we gave this to our shareholders for a vote in the channel assembly.

01:18:08

And that has changed enormously, because now if somebody wants to invest at Nestlé, he knows or she knows exactly what she's investing into. And if somebody wants to have a short term speculative investment, don't expect that the management

will act like this. And this allows me to continue to say - we are not going to show quarterly profits and if shareholders protest I say look, look at our article of association, the purpose of this company, we are running this company with a long term perspective. That's what had produced internally the confrontation with Creating Shared Value.

Sophia Tickell: Wonderful. So I've put that down as a number four, agree.

Peter Brabeck-Letmathe: Agree.

01:18:51

Sophia Tickell: And I'm afraid I'm not going to allow the other panellists to give long answers. I do believe that it was entirely appropriate to offer that view. But in the interests of time and finishing when we said that we were going to, Simon.

Simon Zadek: Is it just an answer that you want?

Sophia Tickell: Yes it is, I'm afraid.

Simon Zadek: Oh my goodness.

Sophia Tickell: Plenty of time for discussion later.

01:19:08

Simon Zadek: Okay an answer with a sentence. So you know definitely agree requires that one separates CSV to the Nestlé brand. Open source means open source.

Sophia Tickell: Fantastic. John.

01:19:23

John Elkington:

I think I go in the don't know category as yet because if you look back at the new deal it wasn't just one thing. Historians and all of us look back now and we think there was this great big clod of policy that suddenly dropped in and financing with it. It didn't happen like that, it was a mess. And there was some branding done and some political leadership and so on. And I think that's where we are. And I think we have to keep the level of experimentation going and boost it. We've got to scrutinise very carefully what happens, what works and what doesn't, and share that; be pretty transparent so that we all learn. I think it has the potential but I would say at the moment I'm in the don't know category. Hopeful.

Sophia Tickell:

Thank you. Jane.

01:20:00

Jane Nelson:

I would sort of separate out the micro level and the macro level and then I agree at the micro level with the leaders, it's definitely beginning to happen. But we're going, and back to Michael's point, still seeing this disconnect as not playing out yet in the, you know, the level of markets and at the macro level. But one hopes it will move there.

Sophia Tickell:

Fantastic. And Michael.

01:20:21

Michael Porter:

I agree. I think we have to see capitalism in a long term perspective. You know going way back there was tailorsisation, time and motion studies, specialisation of labour. We discovered the large vertically integrated firm which was the dominant form for many decades. Then we've done outsourcing and globalisation and I see this Creating Shared Value as kind of the next stage of evolution in the sophistication of the capitalist model.

01:20:50

And because it's internalising very important considerations that we've left out. We've not understood that we're doing things unproductively if we don't embody a broader set of factors. And we're doing things that may work for a while but they don't work in the long term. So I find this - to me the key question is can we get this very deeply embedded in the way business people think about value creation in their world? And if we can then I'm confident we'll make some progress. And then I think hopefully other institutions will be willing to collaborate with business.

01:21:27

But I think trust in business and legitimacy of business is at a low that I have never experienced in my professional career. And I think we have to give purpose to what we're doing in business and hopefully this will create a sense of purpose on the part of the employees, on the part of the leadership and hopefully that purpose will actually benefit society.

01:21:55

Sophia Tickell:

Well thank you very much. I'm rather relieved that you guys do not have the option for multiple responses when you come to your little voting pads. But I do very, very much appreciate the panel's contributions and thank you all for your very interesting questions. I'd like to ask you to join me in thanking the panel.

Applause

01:22:20

Sophia Tickell:

And very quickly too to hand over to Maria. Thank you very much everybody.

END

