BOARD OF BOARDS
CEO Conference

LONDON
MAY 2010

GLOBAL LEADERS:
SOLVING SOCIAL PROBLEMS THROUGH BUSINESS STRATEGY

Executive Report

COMMITTEE
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CORPORATE
PHILANTHROPY

Jonathan Mills, Larry Hirst, Harry Fitzgibbons

CECP's first international Board of Boards

Henrietta Holsman Fore

Michael Hastings

Jim Rogers

Terry McGraw

The Board of Boards CEO Conference in London was the second in a series of three global leaders convenings held in 2010. The first event was held in New York in February and the third will be held in Abu Dhabi on November 11.

Above: Edward Stourton (moderator), Andrew Witty, Peter Brabeck-Letmathe
Cover: Peter Brabeck-Letmathe, Andrew Witty (photo courtesy of Bloomberg)

Attendees of the 2010 Board of Boards Conference, London:

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Intel Corporation

Graham Baxter
International Business Leaders Forum

Olive Boles
International Business Leaders Forum

Peter Brabeck-Letmathe
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Gaurav Burman
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Jan Dauman, Ph.D.
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Bruce Dundas
Harry Winston

Andrew Dunnett
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Harry Fitzgibbons
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Larry Hirst
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Adrian Hodges
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Stephen Howard
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Karim Khoja
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Smile Foundation

Wayne Leamon
Macquarie Group Limited

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Bruno Roche
Mars, Inc.

James E. Rogers
Duke Energy Corporation

Andrew Self
FedEx Corporation

Kevin D. Sneader
McKinsey & Company

Edward Stourton
BBC News

Jane E. Tozer
John Lewis Partnership

Burgess Winter
Magma Copper Co.

Andrew P. Witty
GlaxoSmithKline plc

David R. Young, Ph.D.
Oxford Analytica Ltd.

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The mission of the Committee Encouraging Corporate Philanthropy is to lead the business community in raising the level and quality of corporate giving. CECP's 175 members have access to a proprietary online benchmarking tool, networking programs, research, and opportunities for best-practice sharing. Membership is by invitation.

2010 BOARD OF BOARDS CEO CONFERENCE
London, United Kingdom

Following a dinner at the House of Lords which included remarks by Philip Green, CEO of United Utilities Group PLC, the Committee Encouraging Corporate Philanthropy hosted its second global leaders conference of the year on the theme *Solving Social Problems through Business Strategy*.

The closed-door event challenged an international cohort to consider the emerging concept of sustainable value creation, a business practice in which companies select and commit themselves to solving social issues that simultaneously support the firm in creating and maintaining a distinct competitive advantage.

With this Executive Report, CECP shares highlights from this important conversation, as well as the results of interactive audience poll questions. More information and footage from the 2010 Board of Boards conference series can be found online at CorporatePhilanthropy.org.

EXECUTIVE SUMMARY

The conference was launched with an overview of four potential scenarios for business in 2020 taken from CECP's forthcoming thought leadership report titled *Shaping the Future: Solving Social Problems through Business Strategy*. Based on research and interviews led by McKinsey & Company, the scenarios ranged from an ideal of "sustainable value creation" in which both business and society thrive, to the worrisome "vicious circle" in which public mistrust of business and a reactive stance from companies on social issues inhibit global progress.

With this context established, Andrew Witty and Peter Brabeck-Letmathe led their peers in an interactive conversation that included live audience polling moderated by BBC Radio 4 presenter Edward Stourton.

The conversation took forward several themes initiated at the February 2010 New York City conference. London attendees discussed the mechanics of making collective action across sectors viable, how to steer investors toward a long-term mindset, and the important role of the CEO as an ambassador for sustainability, both for the company and society.

TAKEAWAYS

- Corporate leadership on social issues is appropriate when the company has a credible stake in the outcome.
- Action on social issues cannot be appended to existing business strategy; rather, it must be considered simultaneously and interwoven into larger business goals.
- The tension between delivering returns to investors while 'doing the right thing' for society dissipates when corporate CEOs spend their time on social issues tied directly to the bottom line.
- Companies must educate investors regarding the firm's long-range sustainability goals to minimize quarterly pressures that work against sustainable value creation.

NEXT STEPS

- Maintain strict discipline, focusing the company's social engagement predominately on issues with a connection to the larger mission of the business.
- When collaborating, seek alliances with partners who can assist the company in either mitigating risk or seizing new opportunities.
- Consider publicizing commitments on aggressive social goals, creating a public-relations incentive that mobilizes action within the firm.

FIGURE 1

What role would you like corporate CEOs to play in addressing social problems important to their business?

Thinking Ahead to Oncoming Obstacles

What Does it Mean?

Unlike the 51% of attendees at the February 2010 New York Board of Boards conference, who cited an unpredictable policy landscape as the trend in the next decade that is cause for greatest concern, attendees at the London meeting were evenly divided in their response, as shown in Figure 2.

Subsequent discussion highlighted the interconnectedness among oncoming challenges. For example, scarcity of an important natural resource (such as water) would likely trigger social unrest, declining trust in business, and increasingly restrictive government regulation.

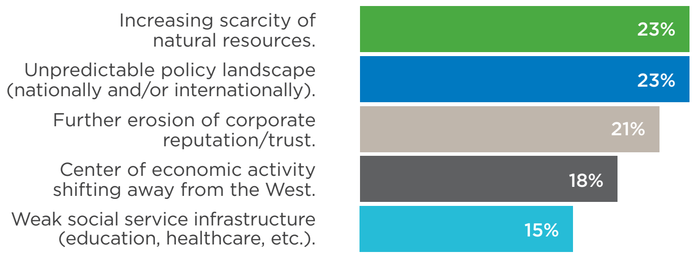
Opportunities

Eighty-one percent of London attendees strongly agreed that companies are increasingly held responsible for the actions of others in their value chains.

This pressure to take a holistic approach to corporate accountability was viewed as an opportunity to create and enforce pro-social codes of conduct across suppliers and vendors.

FIGURE 2

Over the next 10 years, which one of the following is most likely to keep a corporate CEO awake at night?



"If you can't get alignment on values with potential partners, you have to be prepared to walk away from otherwise attractive opportunities."

– Andrew Witty

Overcoming Barriers to Action

What Does it Mean?

Rather than blame the pressure to deliver quarterly returns or an inability to commit to long-range problem solving, the poll results in Figure 3 show the complexity of social issues, a lack of organizational structure, and difficulty in collaborating effectively as the greatest barriers to action cited by attendees. Frequent turnover among government administrations was added to the list of hurdles.

Further discussion uncovered the obstacle of a longstanding "trust deficit" toward companies. While attendees noted that in some areas stakeholder opinion toward business had warmed, attendees perceived an overall lack of faith in business from external stakeholders.

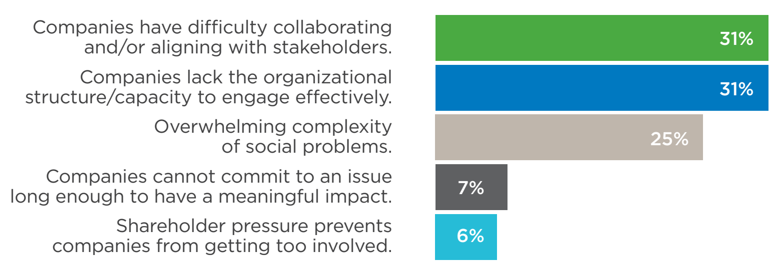
Opportunities

Given the substantial resources required to create organizational structures and partnerships, attendees cited a need to select social issues directly linked to creating a competitive advantage.

Doing so enables CEOs to blend action on social issues into their overall advocacy for the business objectives of the company, supporting a sustainable value creation approach.

FIGURE 3

What is the biggest barrier that companies face today in preparing to address oncoming social problems that are important to business?



Investing in Partnerships

What Does it Mean?

Discussing the need to create partnerships to tackle social issues, attendees noted the different "rhythms and agendas" of partners from other sectors, which improve results but add significant complexity.

When asked which group was most important to collaborate with, "governments" and "companies within the same industry/supply chain" were the top answers, as shown in Figure 4.

Government partnerships were viewed as a form of risk-mitigation centered on designing mutually-agreeable regulation. Working with similar companies was seen as an opportunity to develop new products and technologies and to bring solutions to scale.

Opportunities

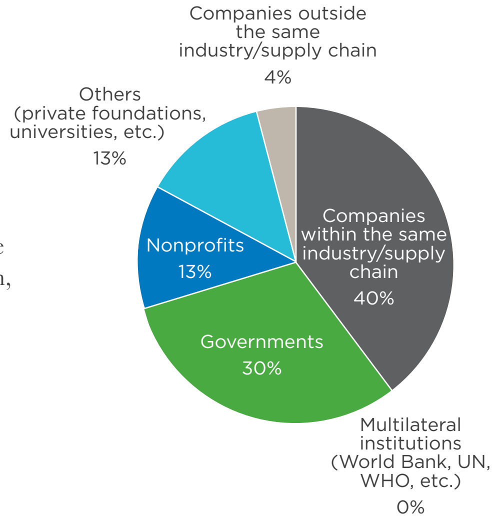
There was wide agreement that collaboration is difficult, and that some attrition of partners can be expected as projects evolve over time.

Attendees cited the need for both funding and project management, advised seeking natural alliances, and discussed the need for patience and a long-range perspective.

When relevant, companies should be prepared to be the first to take action, providing an important "proof of concept" on solutions that inspire others to take part.

FIGURE 4

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



"Companies should take a leadership role on issues where they can create shared value, value for both the shareholder and society at large."

– Peter Brabeck-Letmathe

Taking Steps to Prepare for 2020

What Does it Mean?

From the opening moments of the meeting, attendees were aligned on the need to embed social engagement strategy into corporate strategy and organizational structures. This agreement is reflected in the poll results shown in Figure 5. The themes of collaboration and measurement surfaced in the attitude of attendees as well.

The conversation then focused on the need to arrive at absolute clarity regarding the projects on which the company could expect to be successful. Maintaining a disciplined focus on social issues that directly affect the business was seen as essential.

Opportunities

One attendee shared his company's policy of declaring aggressive, highly-publicized goals on social targets, with the full expectation that the media would hold the firm accountable.

This practice simultaneously assures transparency and provides an incentive to achieve tough business and social goals.

FIGURE 5

Which one of the following actions could a corporate CEO initiate today to best prepare his/her company to address the social problems that will affect the business in 2020?