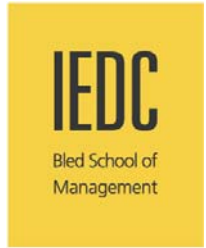


Profit at the Intersection of Business & Society: Sustainability as Strategic Opportunity



A School with a View



Dr. Nadya Zhexembayeva
IEDC-Bled School of Management &
UN Global Compact Slovenia

As a starting point



Business & Society?

Fashion or Value-Add?



Corporate Social Responsibility

Oil

Business Ethics

Triple-Bottom Line

Climate change

Philanthropy

Population

Sustainability

Corporate Citizenship

Subprime

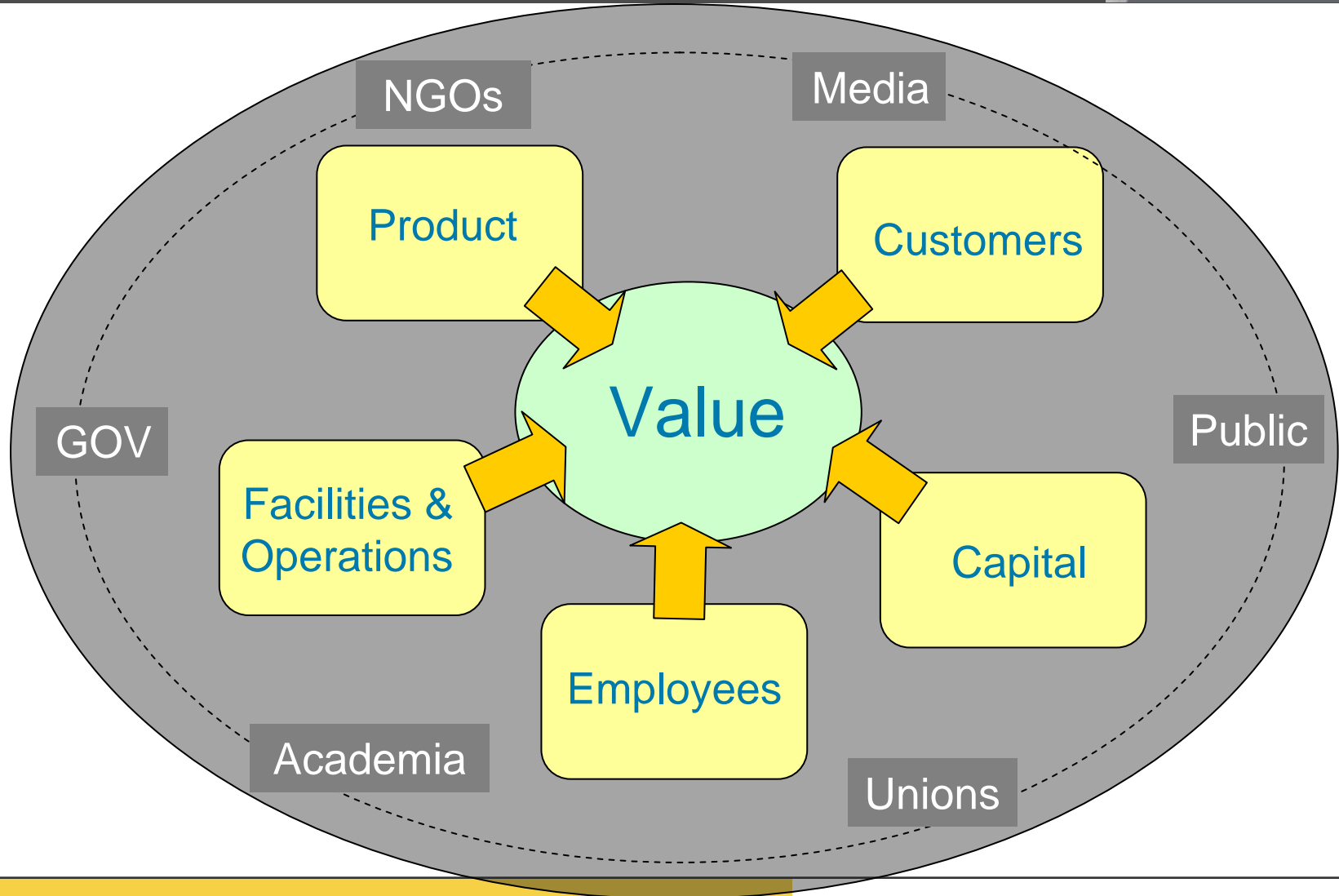
Compliance

mortgage crisis

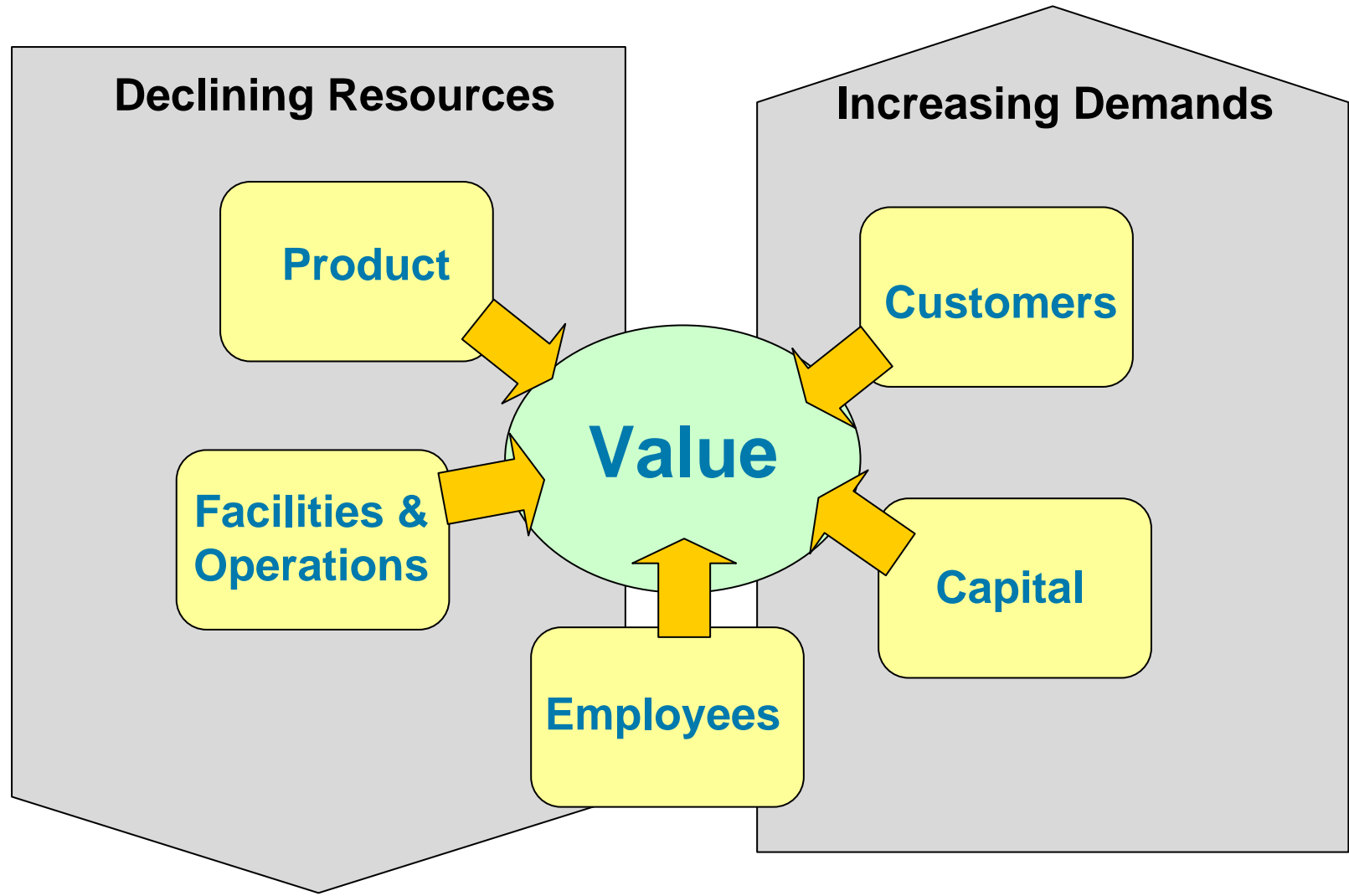
Green Business

Globalization

THE Value Shift



THE Value Shift



THE Value Shift



Declining Resources

- At current consumption levels, **oil** reserves are expected to last for about 40 years (BP Statistical Review & Alternatives)
- **Gold** reserves – under 40 years (CNN)
- Study over 20 years, 43 garden **crops** showed declines in: protein of – 6%, calcium: –16%, phosphorus: – 9%, iron: –15%, riboflavin: – 38%, and vitamin C: – 20% (Donald R. Davis, University of Texas)
- In the 19th century, 1 **species** became extinct every year, this rate jumped to 1,000/year in 1975, and to 40,000 /year by 2000 (Millennium Ecosystem Assessment). All commercial **fish** expected to be lost by 2048 (Stanford University)

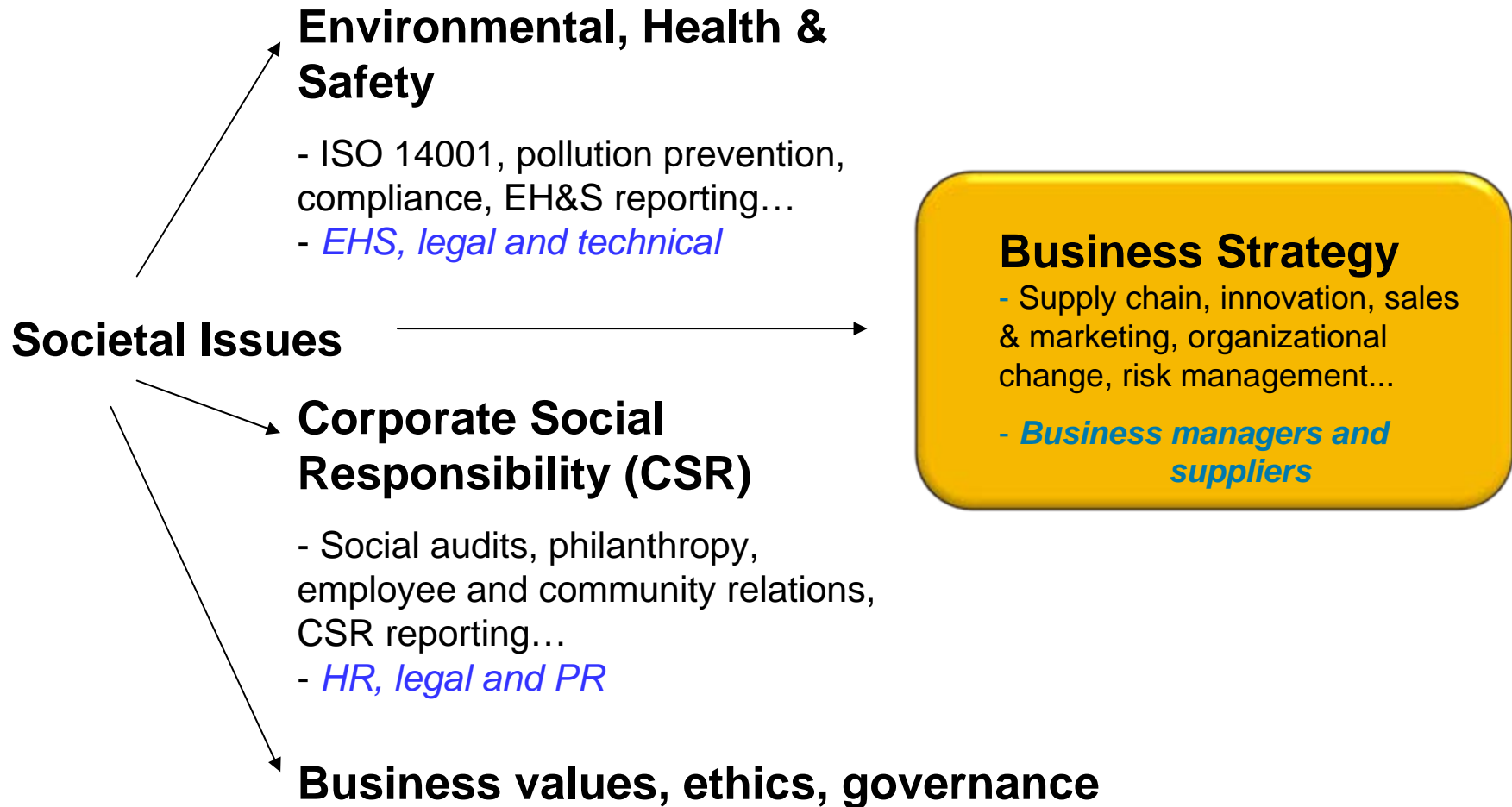
THE Value Shift



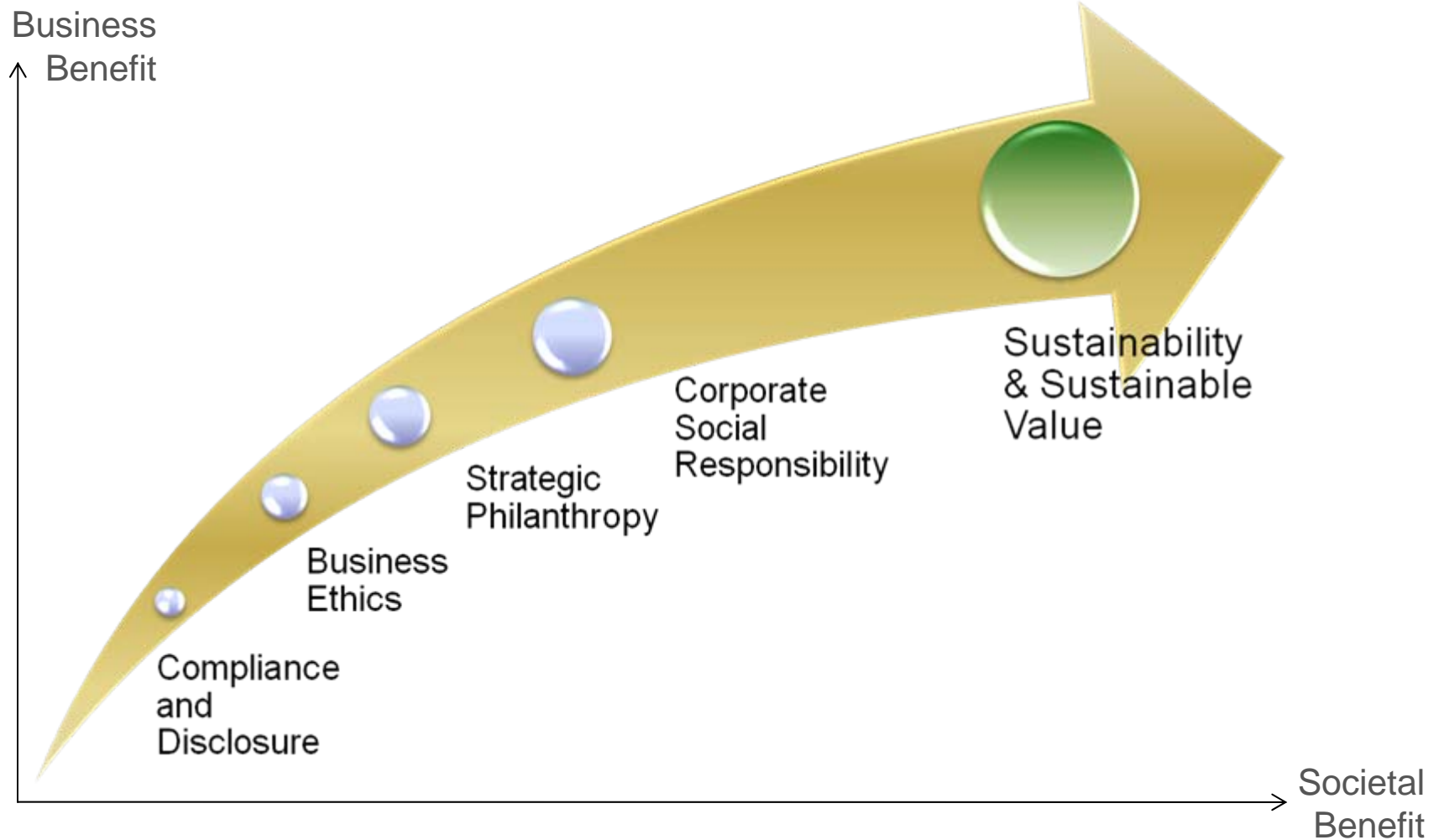
Increasing Demands

- The number of **non-profit organizations** dedicated to the social and environmental concerns worldwide has surpassed one million (Paul Hawken, *Blessed Unrest*)
- **Consumers** are putting pressure: market for LOHAS (life style of health and sustainability) in US alone has reached 35 million adult consumers, or \$206 billion. In UK, Ethical Consumerism is estimated at 35,49 billion pounds in 2007, 15% increase from 2006.
- **World population** expected to reach 8 billion within 10 years, 10 – 11 billion by 2050, most living on \$2 a day or less
- **Life expectancy** has gone up from 30-40 in early 20th century to the worldwide average of 66.12 (World Fact Book)

A Revolution in Business Strategy



A Revolution in Business Strategy



What is Sustainability?



- *“Meeting the needs of the present without compromising the ability of future generations to meet their own needs”*
Brundtland Commission, 1987
- *“A business approach to creating long-term shareholder value by embracing opportunities and risks deriving from economic, environmental, and social developments”*
The Dow Jones Sustainability Group Index, 2001
- *“A business imperative for success in the 21st century”*
CEOs of DuPont, G.E., Unilever, Toyota 2007

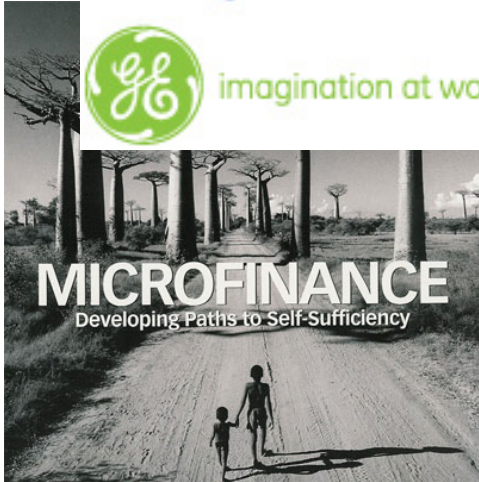
The New Global Reality



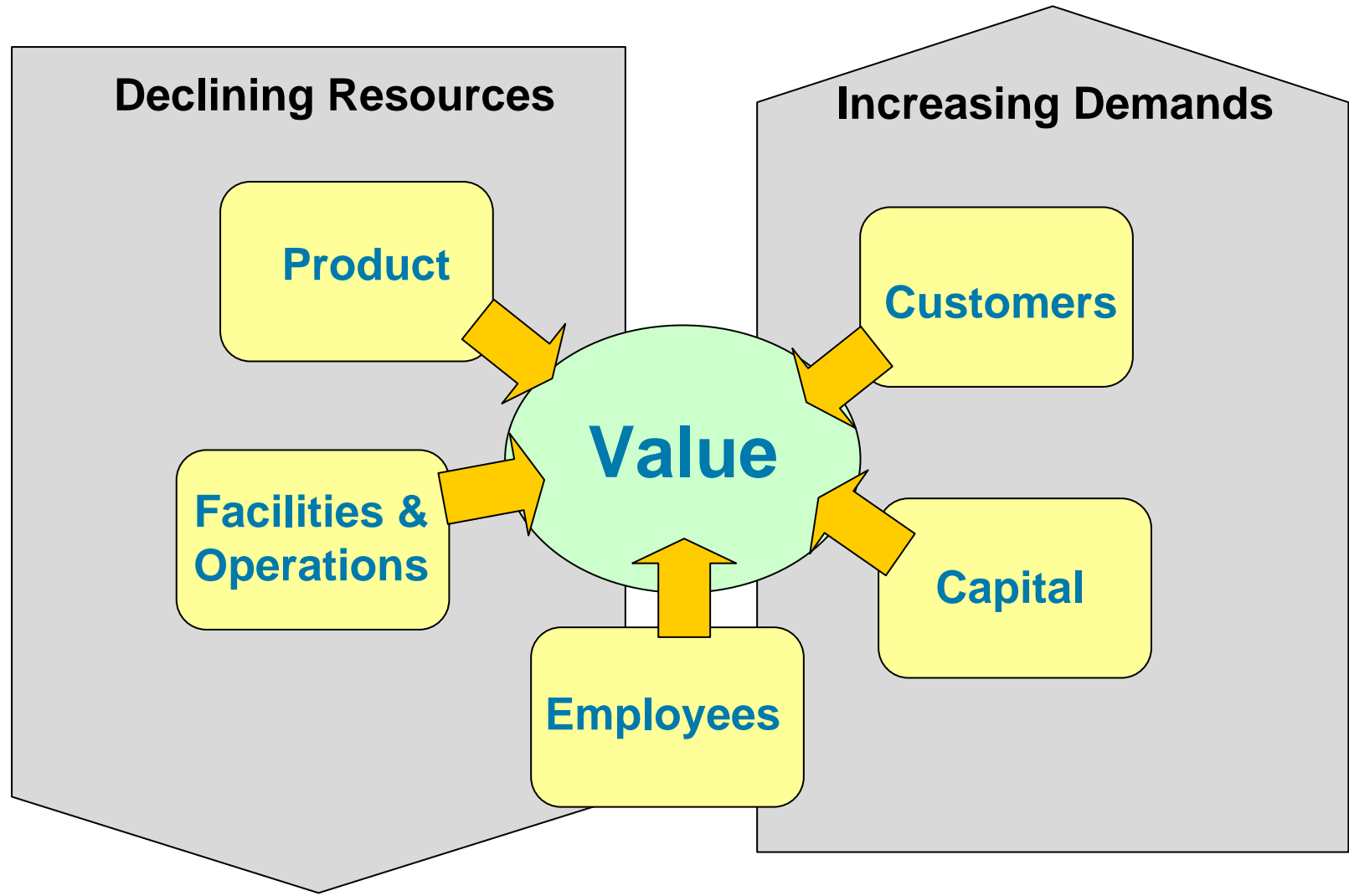
a product of
ecomagination



imagination at work



THE Value Shift



Co-operative Bank



- Good With Money
- In 1992 became the first UK high street bank to launch a customer-led Ethical Policy that sets out where it will and will not invest your money.
- Ethical Policy includes:
 - Human rights
 - Climate change
 - Arms trading
 - Animal welfare and many others



Co-operative Bank



Since the Bank launched its ethical policy in 1992 it has turned away over **£1 billion** in business - however, over the same period, the Bank's total commercial lending has grown from **£571 million** in 1992 to **£4.4 billion** in 2008 - an average of 14% a year.

hands up

our policy of not investing in businesses manufacturing or supplying arms to oppressive regimes is supported by 98% of our customers



plastic fantastic

our plastic drinks cups are recycled to produce the most incredible things - pencils, rulers, garden furniture



Co-operative Bank & Co-operative Financial Services



the power of good

96% of electricity used by us comes from renewable sources



the CIS Solar Tower

in Manchester, the UK's biggest solar project, will generate enough electricity every year to make 9 million cups of tea



Products:

- **Charity credit cards** for such organizations as Oxfam, Amnesty International and Christian Aid.
- **Basic bank account** “Cashminder” available to those who otherwise could be excluded from mainstream financial services.
- **CIS Sustainable Leaders Trust** - a screened fund that avoids investment in sectors such as aerospace and defence and tobacco.

Co-operative Bank & Co-operative Financial Services



Products:

- **Think credit cards:** Half an acre of Brazilian rainforest purchased and protected in your name when you transact on your credit card for the first time, plus a contribution of 25p will be made to [Cool Earth](#) for every £100 spent on the card.
- **Ecoinsurance:** the UK's first car insurance policy to help offset 20% of the damage your car's CO2 emissions cause to the environment. We all know that vehicle emissions are bad for the environment - but until there's a practical alternative to owning a car, there's ecoinsurance.

every penny counts

for every £100 spent on our credit and debit cards, we donate 1.25p to our Combat Climate Change campaign

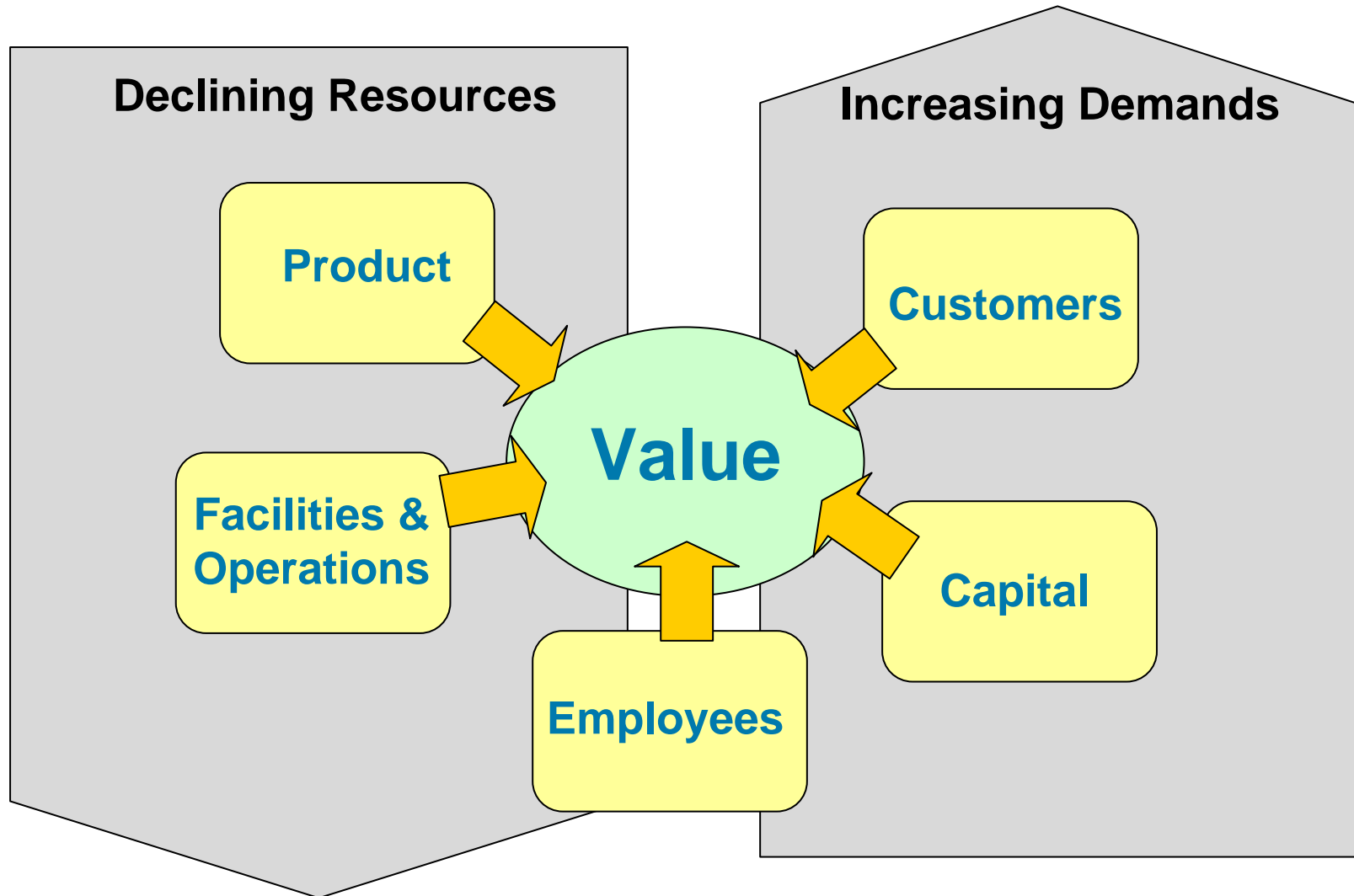


a bright idea

if every household swapped just two ordinary light bulbs for energy efficient ones, we'd save enough energy to power the UK's street lights



In Search of Sustainable Value



Wal-Mart



Example: Sustainability goals at



To be supplied 100% by renewable energy

- Stores 25% more efficient in 7 years
- Fleet 25% more efficient in 3 years

To create zero waste

- 25% reduction in solid waste in 3 years

To sell products that sustain our resources & environment

- 20% supply base aligned in 3 years

Source: speech by Wal-Mart CEO Lee Scott October 24, 2005 and company internal data

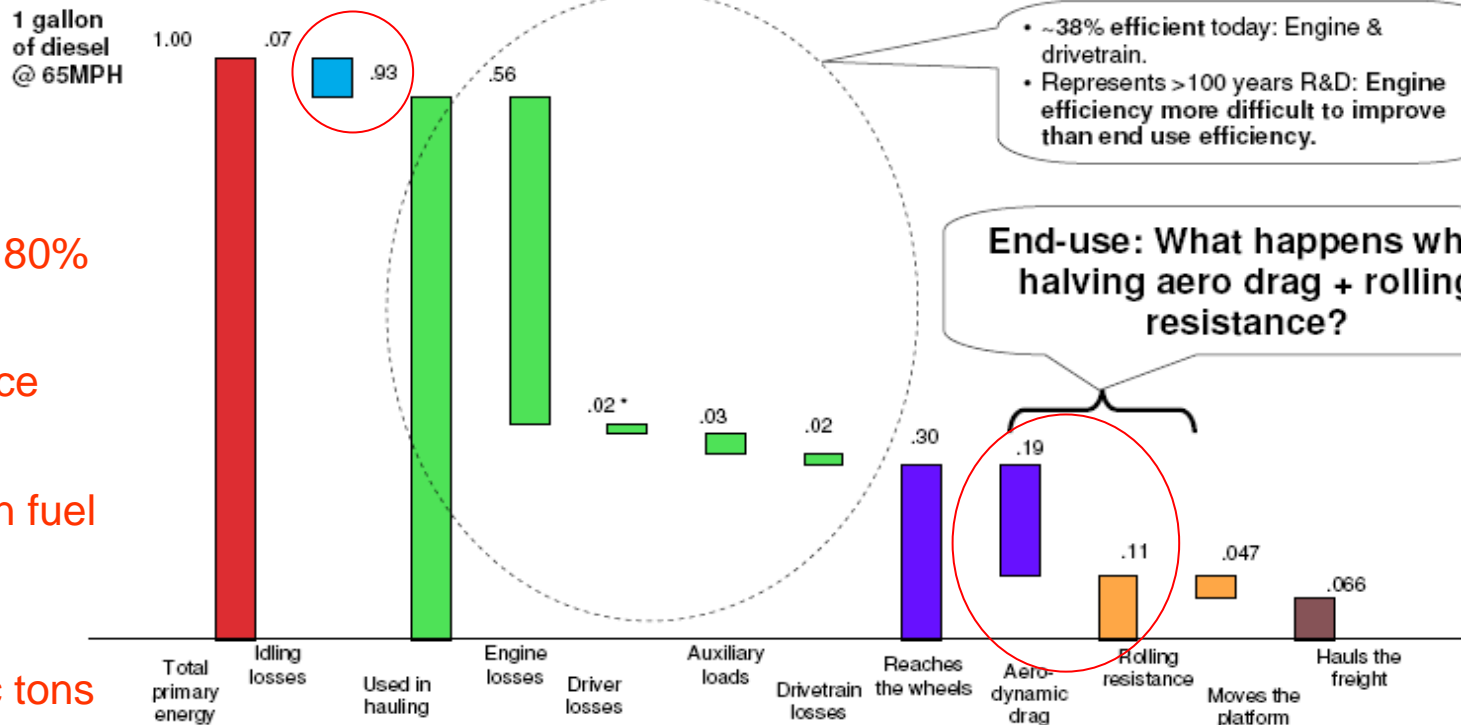
Fleet of Class 8 heavy trucks 25% more fuel efficient in 3 years



Wal-Mart Story: ENERGY



Fleet efficiency of Class 8 heavy trucks



Idling down by 80%

Aero drag and rolling resistance down by 50%

Total savings in fuel - 25%

APU savings - 100,000 Metric tons of CO2 and \$25 million in diesel

Wal-Mart Story: WASTE



Right-sizing

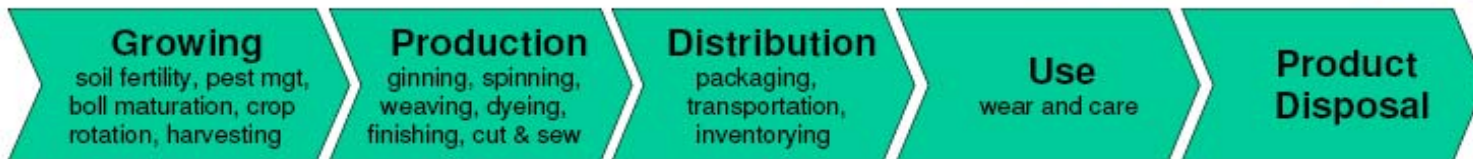


- 3,425 tons of corrugated materials
- 1,358 barrels of oil
- 5,190 trees
- 727 shipping containers
- \$3.5 million in transportation costs

Wal-Mart Story: PRODUCTS



Example of cotton apparel



Growing

soil fertility, pest mgt,
boll maturation, crop
rotation, harvesting

Pesticide use
Fertilizer use
Herbicide use
GMO seeds
Mono-crop
Irrigation
intensity

Production

ginning, spinning,
weaving, dyeing,
finishing, cut & sew

Fair labor
standards
Use of dyes
and finishing
chemicals that
may be
hazardous to
factory
workers

Distribution

packaging,
transportation,
inventorying

Energy use in
transportation
Waste in
packaging

Use

wear and care

Dry cleaning
chemicals
Risk of allergic
reactions to
chemicals in
cotton fabric
Hot or cold
machine
wash

Product Disposal

Landfill
Cotton by-
products
used in
animal feed

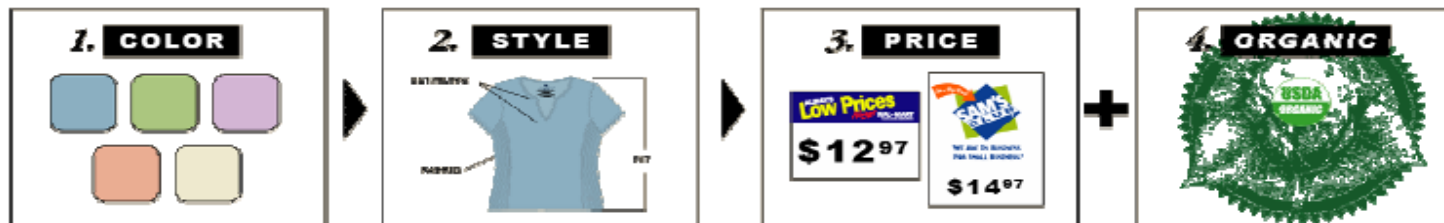
Wal-Mart Story: PRODUCTS



ORGANIC COTTON AT SAM'S CLUB

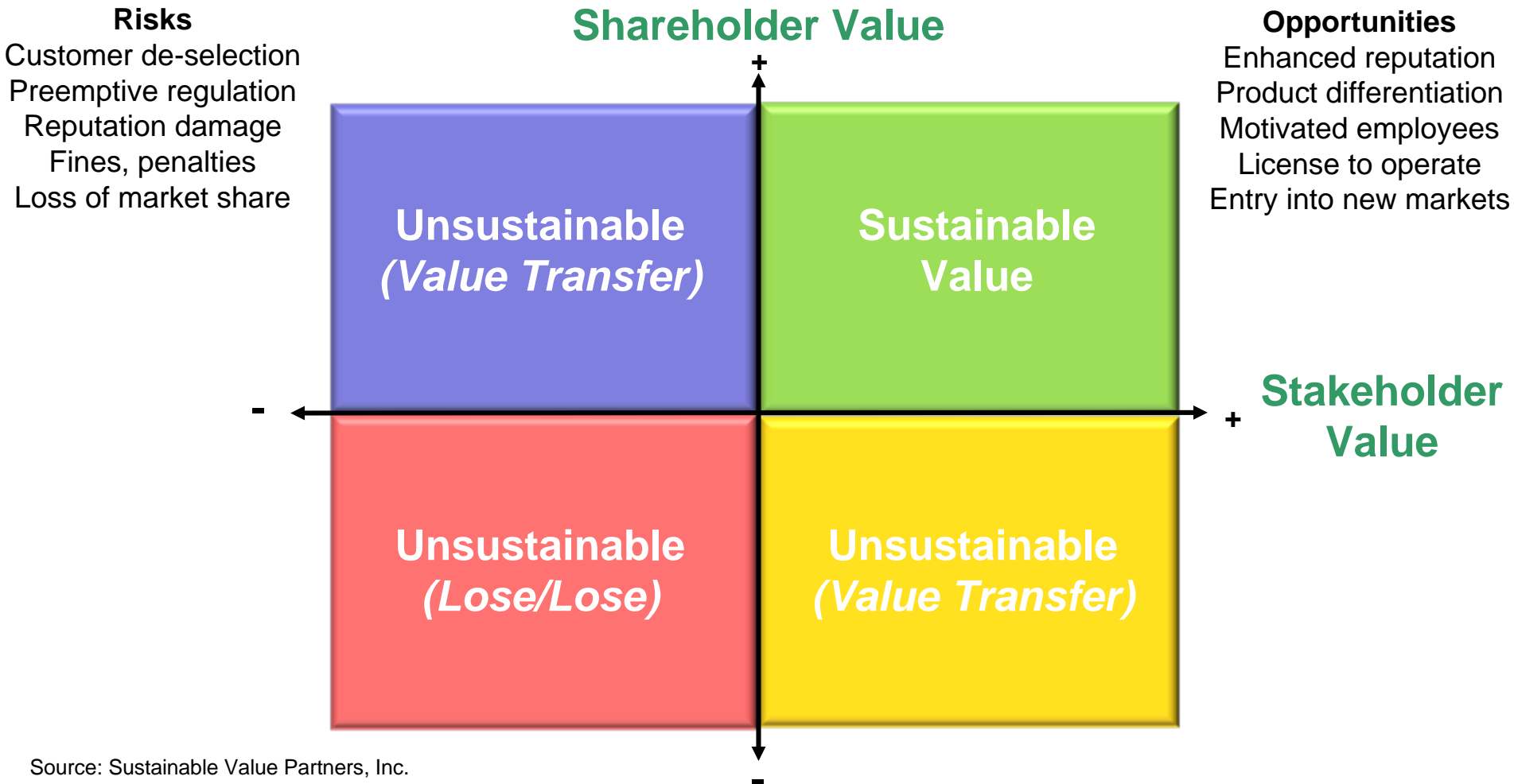
THE “WHY NOT ?” PURCHASE

Organic Cotton as a “Plus One”



In Spring 2005, initial sales of organic cotton items in the USA were as strong in the Midwest as they were on the coasts

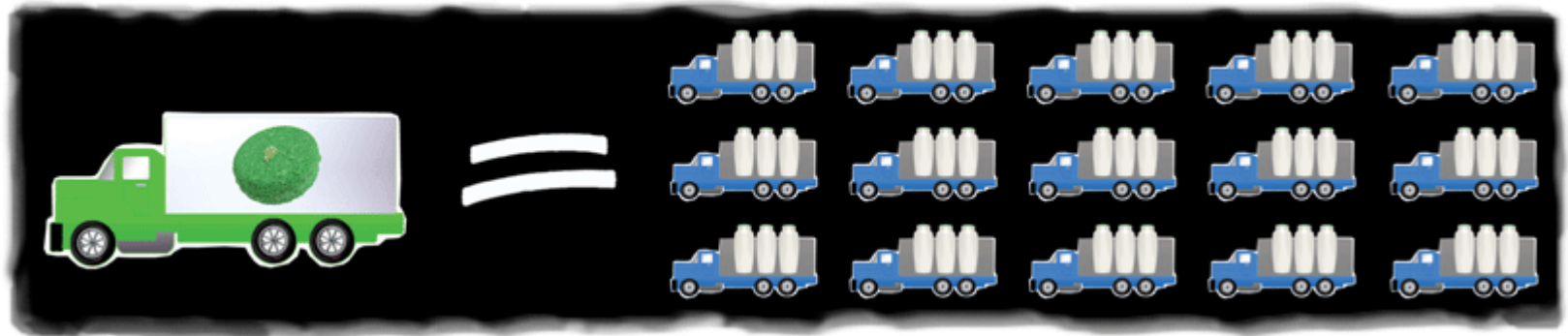
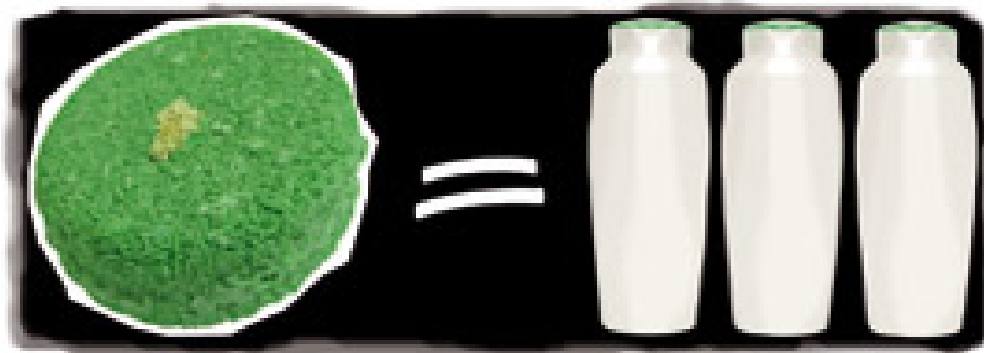
The Sustainable Value



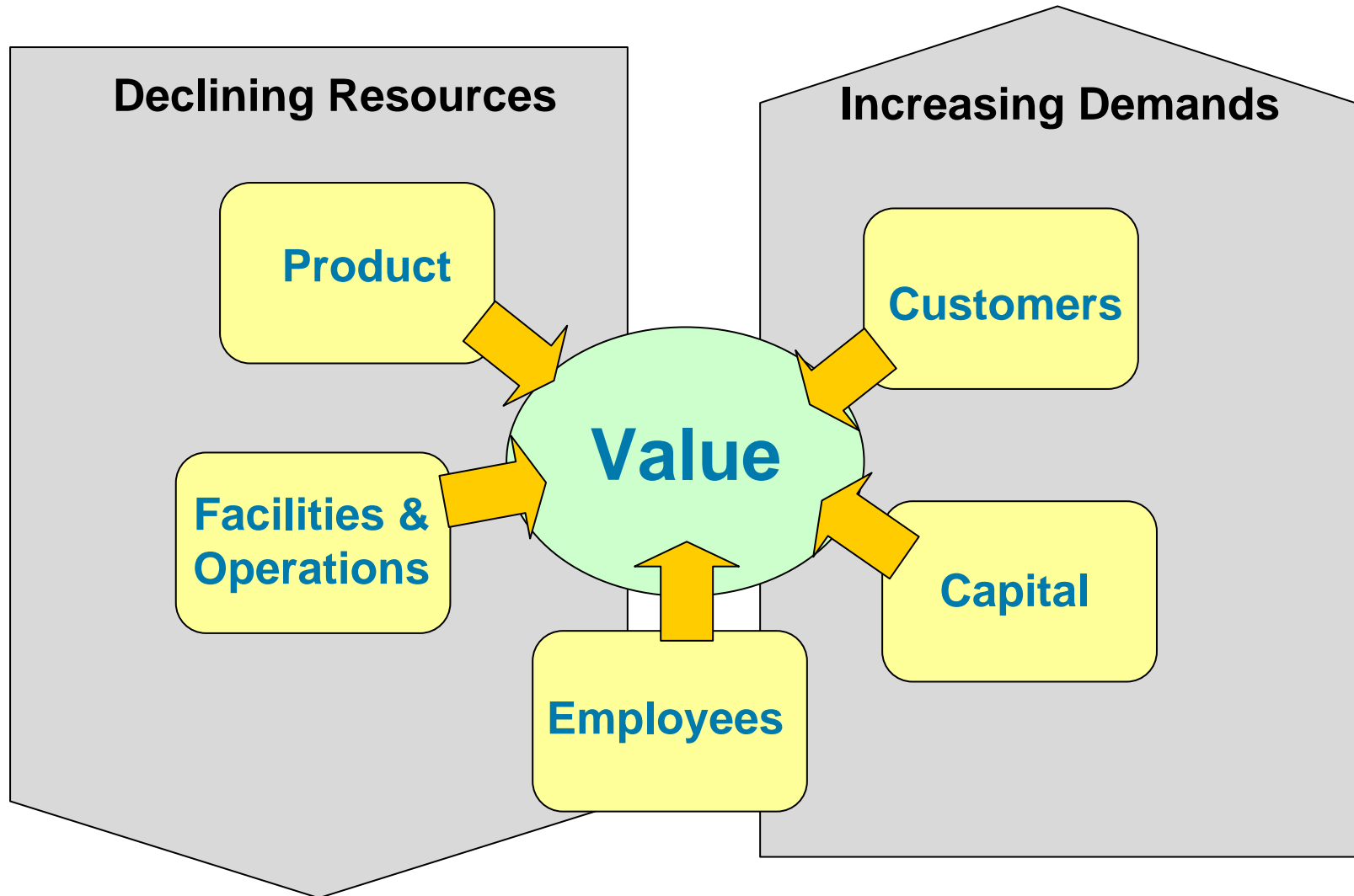
Sustainability = Innovation



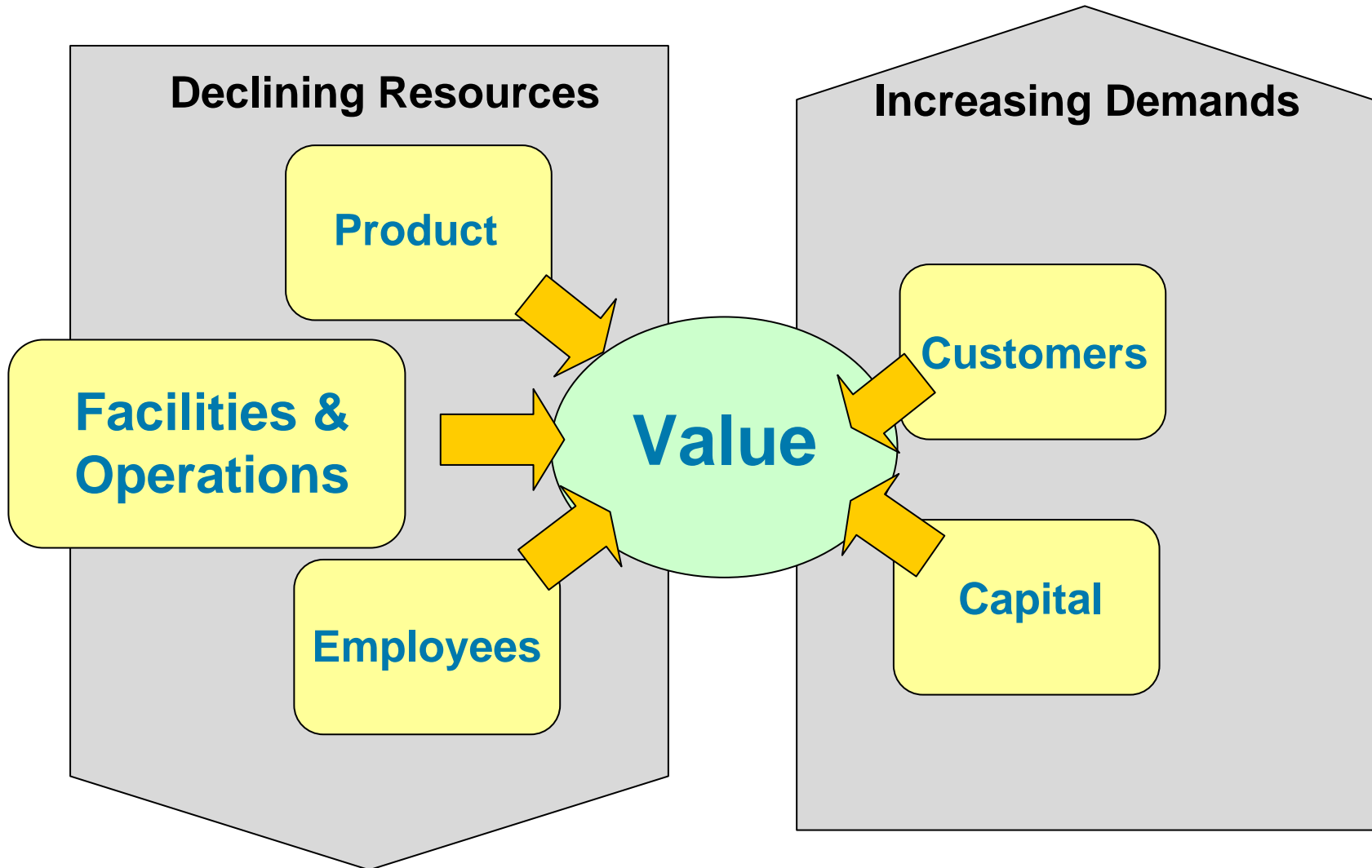
Sustainability = Innovation



In Search of Sustainable Value



In Search of Sustainable Value



West-Siberian Metal Combine

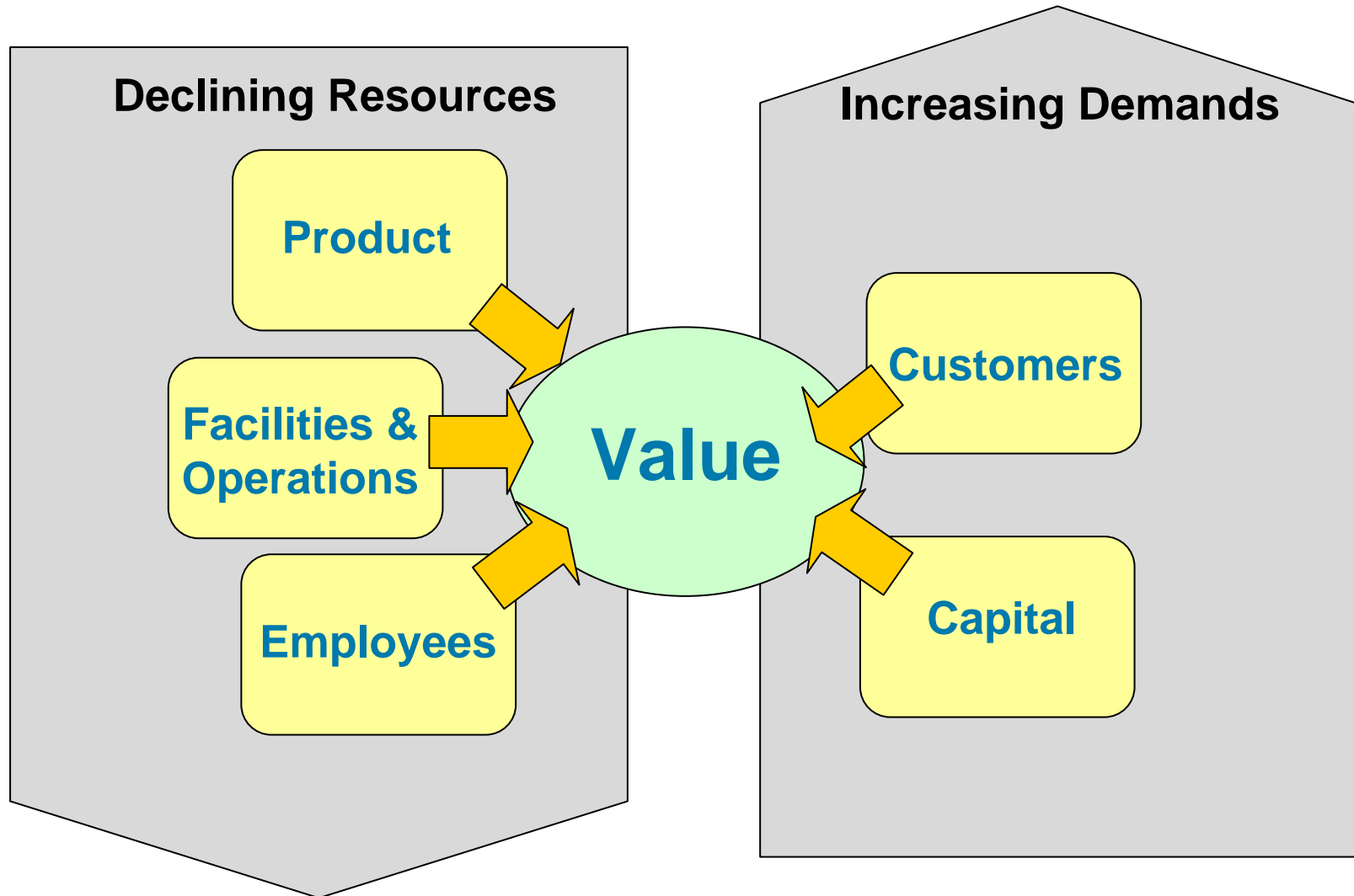


- Invented an ecologically clean process for utilization of used car tires as a source of energy for metal processing
- Pilot phase - 40 thousand tires
- Patented technology

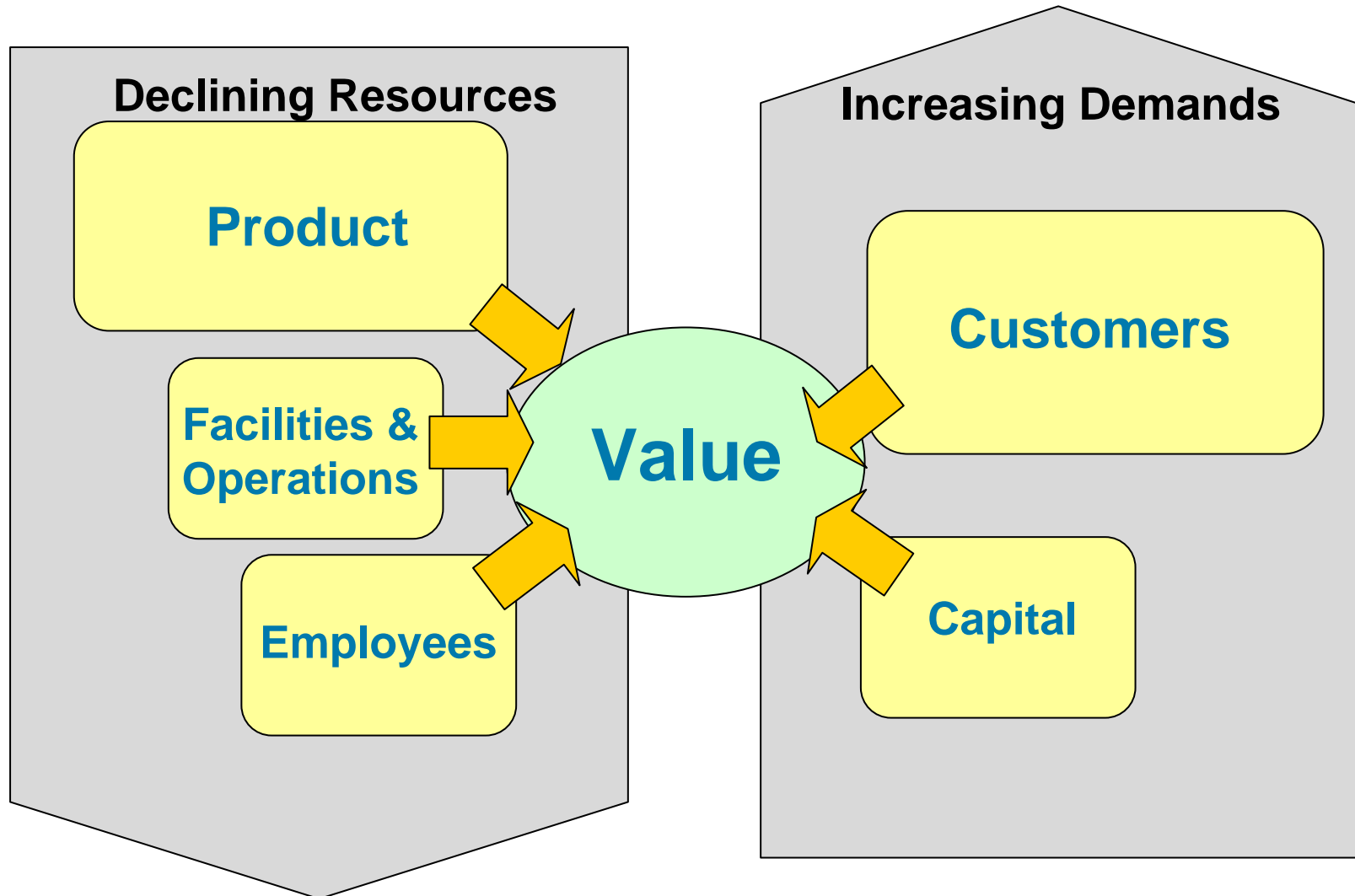


 **EVRAZ**

In Search of Sustainable Value



In Search of Sustainable Value



Trimo



- Social and environmental efforts started with traditional community development efforts such as an annual Environmental Day
- Went into R&D - new EcoSolar PV roof panel – an integrated photovoltaic system that combines a roof and a PV module – represents a unique product that offers environmental, economic, architectural, and aesthetic benefits



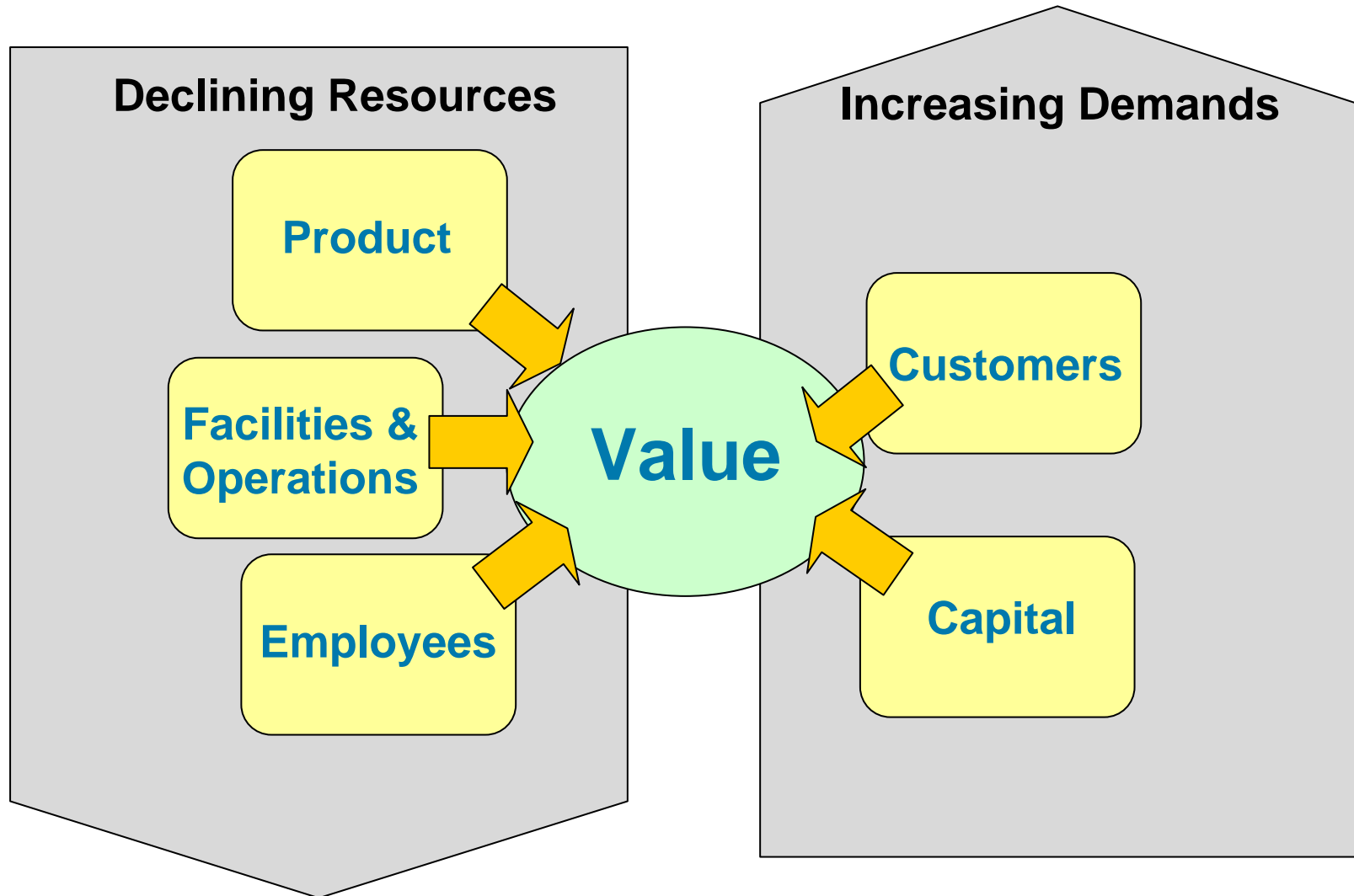
Peace Works



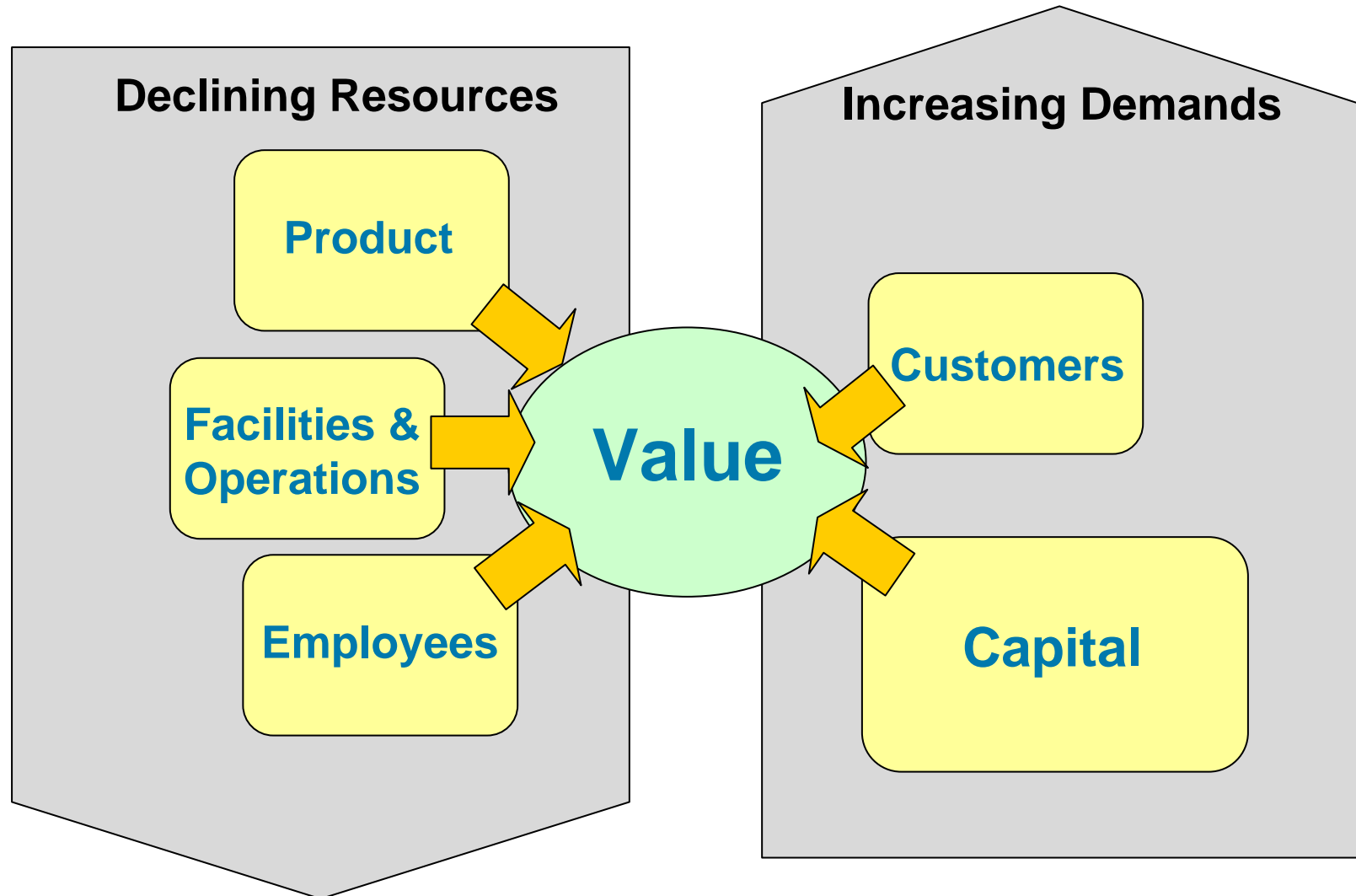
- A not-*only*-for-profit company
- “Cooperation never tasted so good”
- **Product innovation** – importing healthful food products that are produced by neighbors on opposing sides of political or armed conflicts, whose cooperative business ventures are facilitated by the company
- Doing business with with Israelis, Palestinian Australians, Turks, Indonesians and Sri Lank
- Selling to a conscious consumer - right positioning



In Search of Sustainable Value



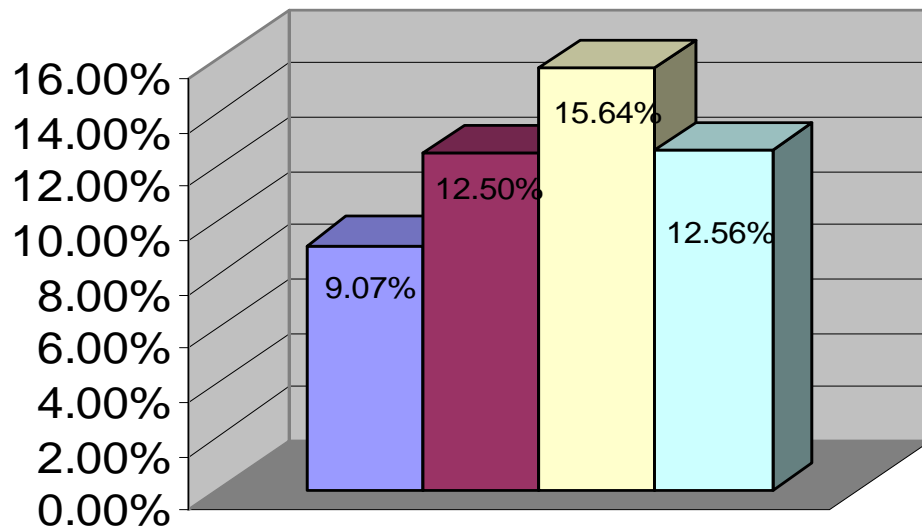
In Search of Sustainable Value



Socially Responsible Investment



Average Annual Returns For Period Ending 8/31/06

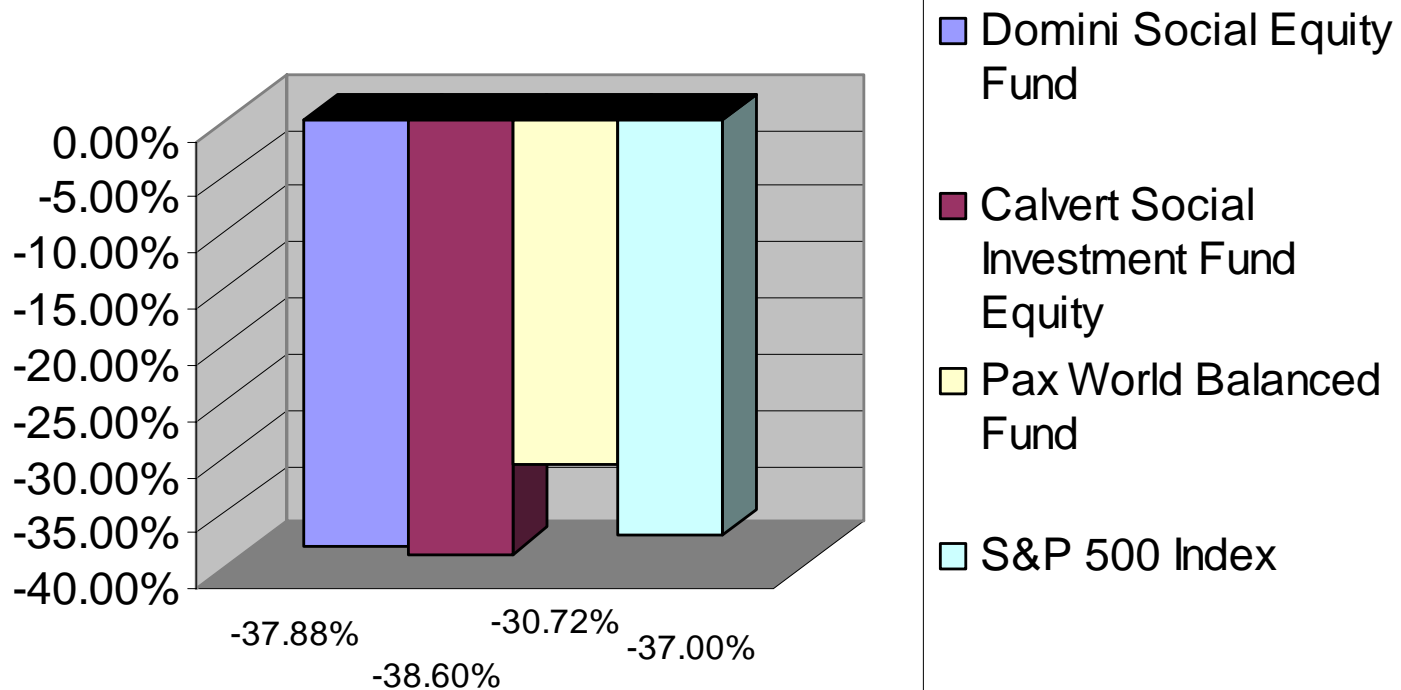


- Domini Social Equity Fund
- Calvert Social Investment Fund Equity
- Pax World Balanced Fund
- S&P 500 Index

Socially Responsible Investment



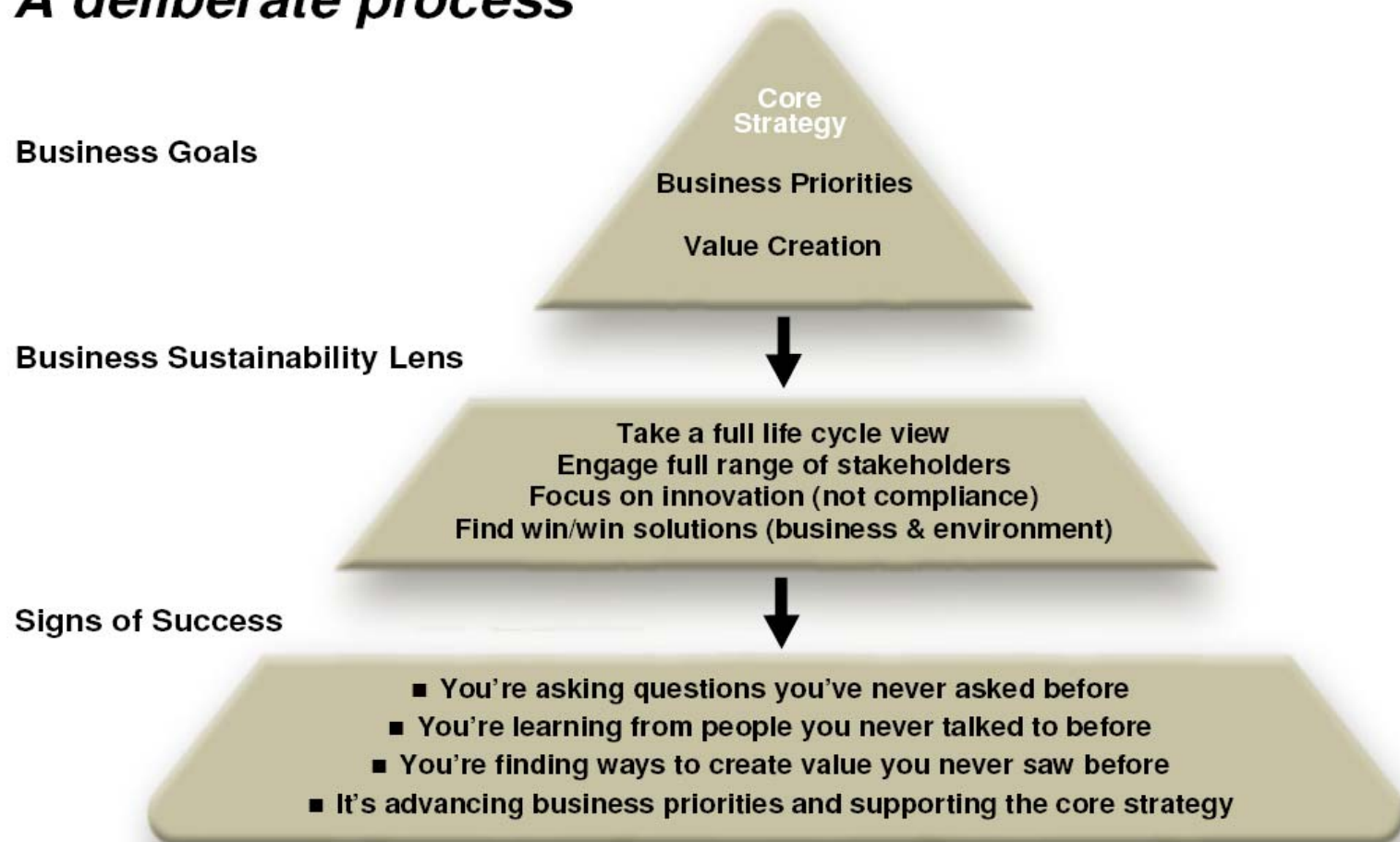
Average Annual Returns For Period Ending 12/31/08



Sustainable Value Creation



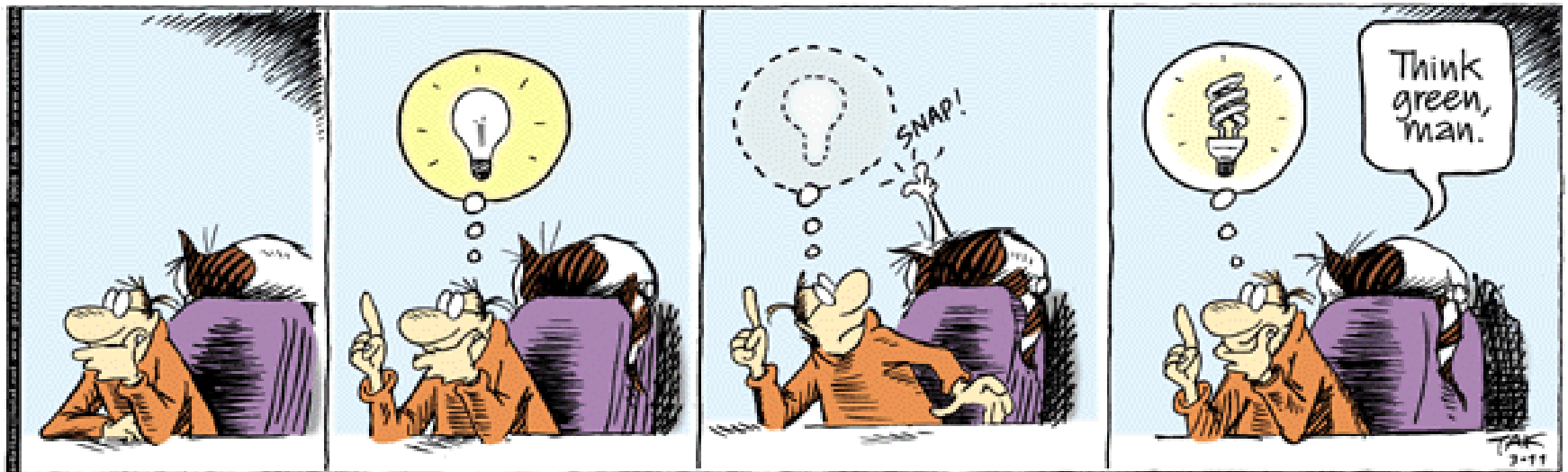
A deliberate process



As a means of concluding: Doing well by doing good



Sustainable Value creation is not about creating a new business strategy, but instead using social and environmental opportunities to enhance the existing strategic strengths – and, ultimately, performance - of your company



THANK YOU!!!



Nadya.Zhexembayeva@iedc.si