

Powerful Social Responsibility



Agenda

- Interest in social responsibility
- The greatest untapped resource
- A new Moore's Law
- Questions
- Conclusion



Interest in social & environmental responsibility has had very strong growth

10x

2004-2009

1x



Formal SR has seen even stronger growth,
such as CRO's *100 Best Corporate Citizens*

65x

2004-2009

1x



Consumers and customers care about social responsibility – and believe business should

Eighty-six percent of consumers believe profitable businesses can address social issues

- Waggoner Edstrom Worldwide, September 2009



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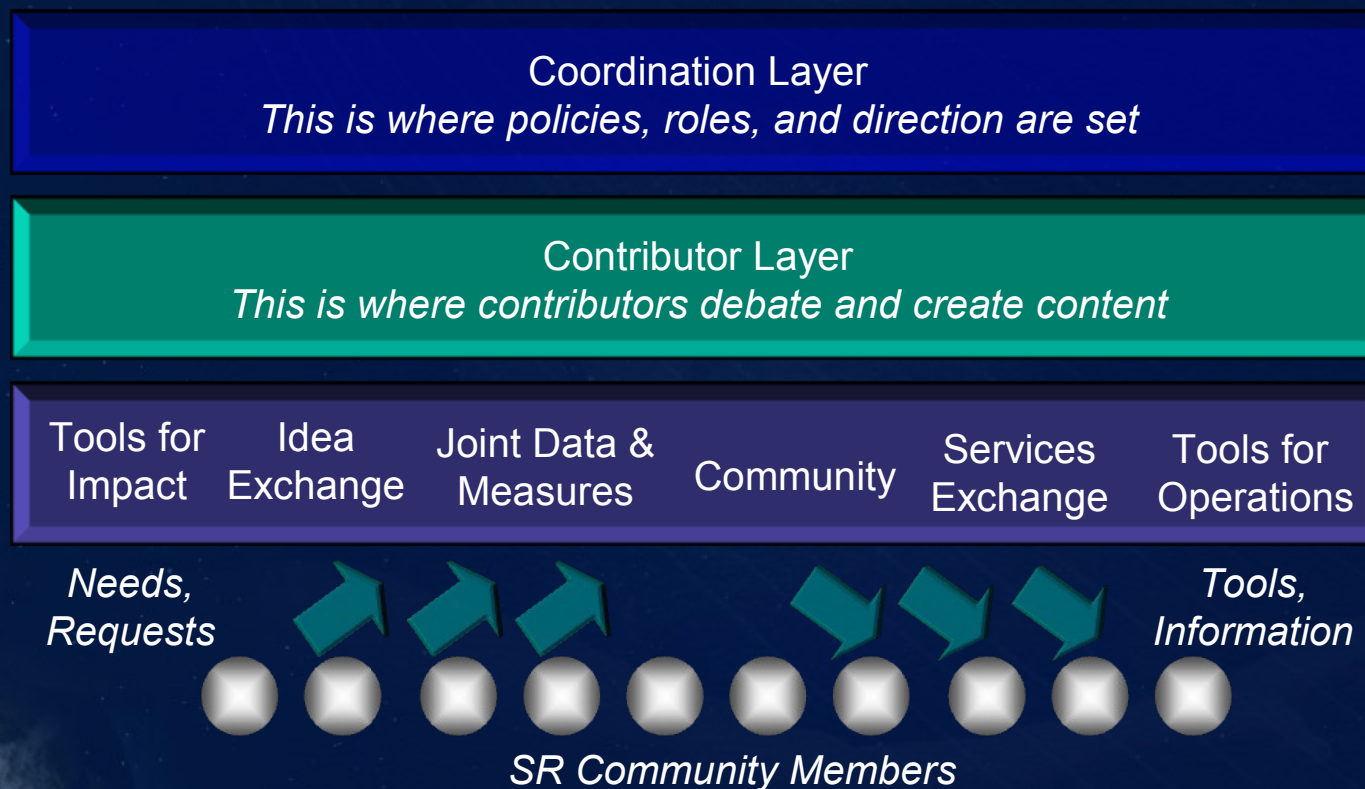


Companies already have inside of them
informal social responsibility communities

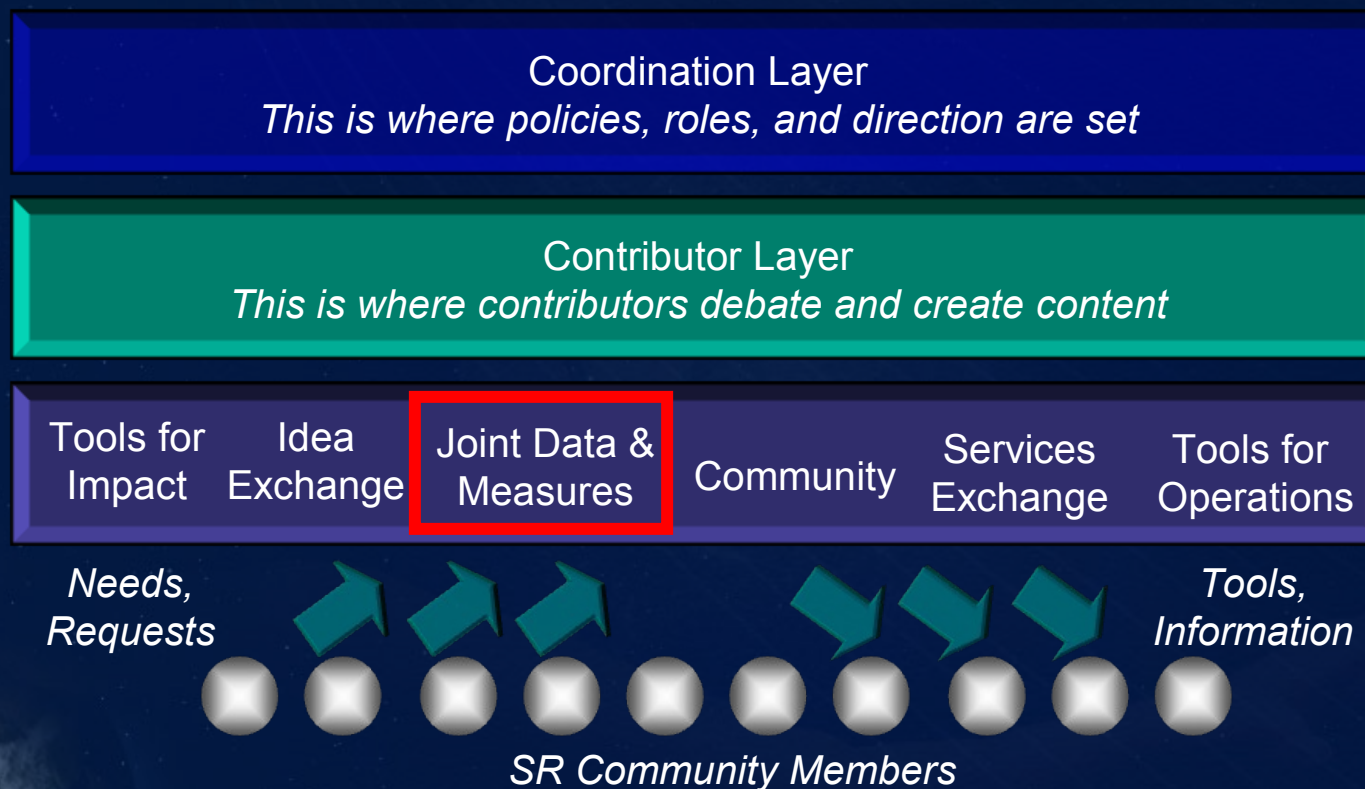
Where you have people who care, you
have social responsibility activity. But
how much do you know about and
support it?



Designing community infrastructure



Designing community infrastructure



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Companies that effectively use measurements to manage do 2.4x better

Companies with world-class enterprise performance management generate **2.4 times** the three-year equity market returns of typical companies in their industry.

A key metric is linking planning with some economic value measure.

- *Hackett Group*

Companies that do well at SR know how important measurement is to management...

The only way to understand
[responsibility] success is to measure it

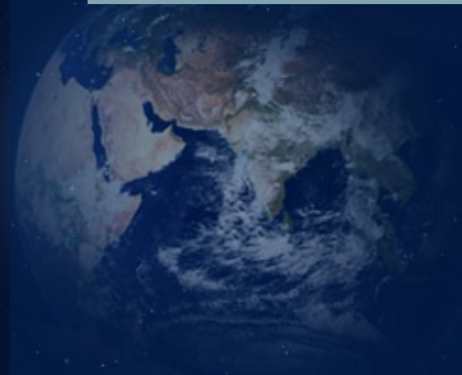
- *President, Better World Telecom*



...and to improvement as well

You can only improve what you can measure – what you can all agree how to measure.

- *VP, Juniper Networks*



Social responsibility needs need the benefit of measurement – but isn't there yet

Measuring and publicizing social performance is a potentially powerful way to influence corporate behavior—assuming that the ratings are consistently measured and accurately reflect corporate social impact. Unfortunately, **neither condition holds true** in the current profusion of CSR checklists.

- Michael Porter and Mark Kramer, *Harvard Business Review*

This is why interest in responsibility measurement has skyrocketed

170x

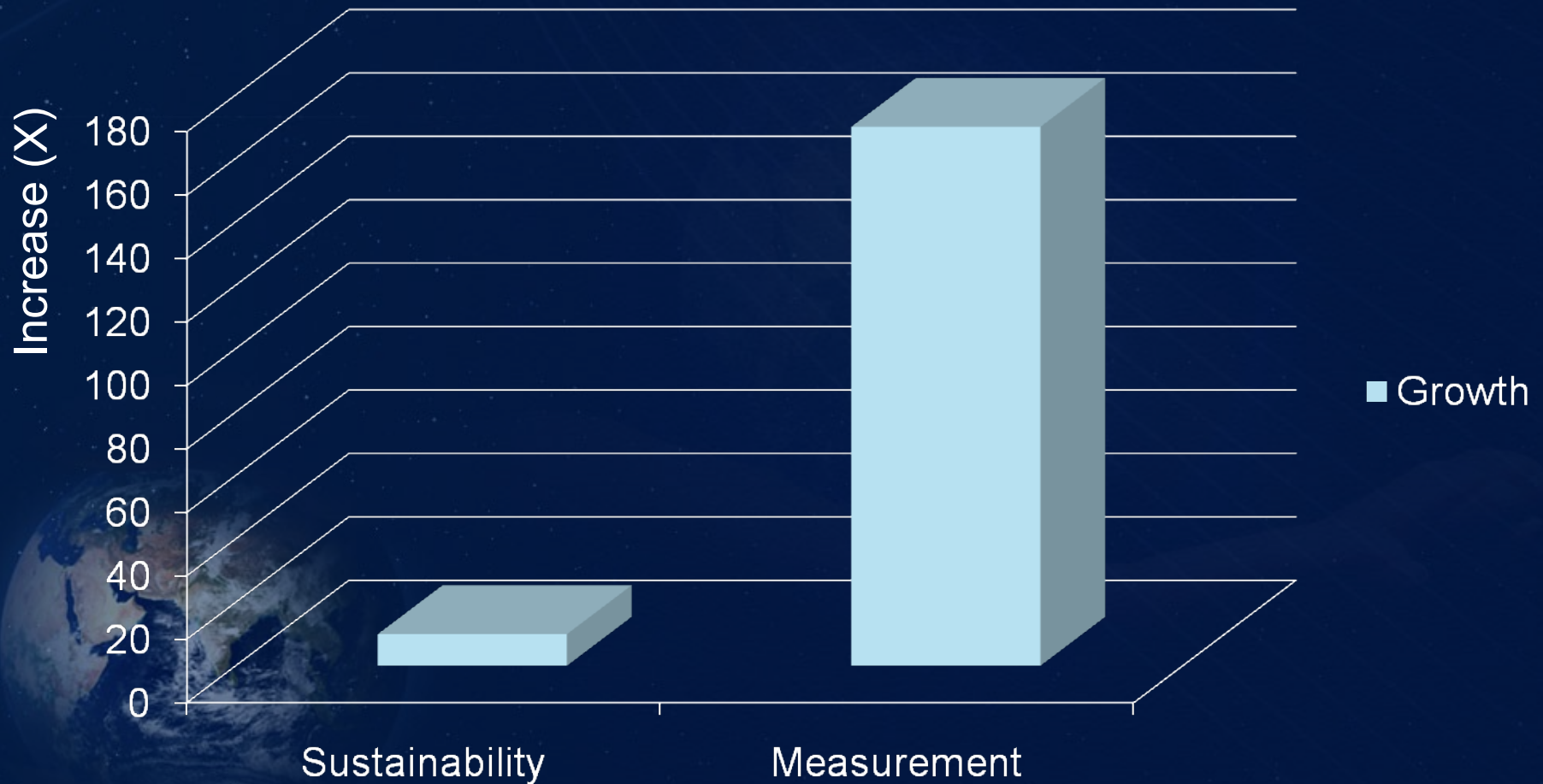
2004-2009

1x



Growth of measurement interest compared to sustainability interest growth

Growth 2004-2009



Responsibility needs equal measurement discipline as the rest of the business

While many companies may still think of global warming as a corporate social responsibility issue, business leaders need to approach it in the same hardheaded manner as any other strategic threat or opportunity.

- *Michael Porter and Forest Rienhardt, Harvard Business Review*

In well-run companies, measurement underlies two key processes

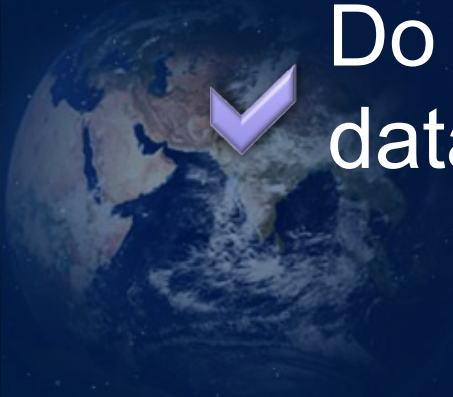
- To stakeholders
- To the market
- To customers
- To influencers

ImProve

- Sharpen discussion
- Enable experimentation
- Support tools
- Link to continuous improvement

Where are we in terms of sustainability data?

- ✓ What percent collect carbon data frequently?
- ✓ What percent collect energy information from suppliers?
- ✓ Do companies that collect more data do better at sustainability?



If we know metrics matter, what is stopping us from doing better?

✓ Competing metrics

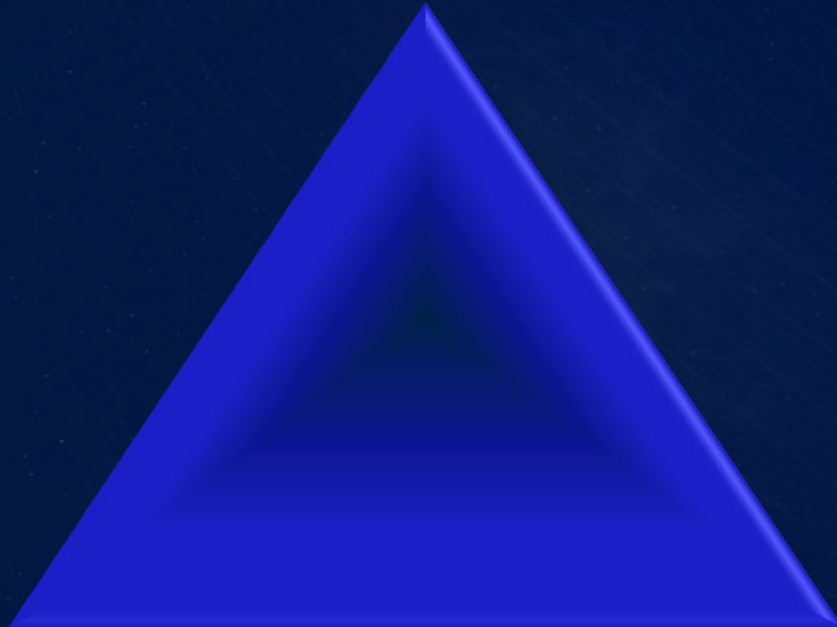
✓ Difficulty

✓ Incompleteness or absence



How will we overcome these issues?

Standardization



Systems

Establishing & Refining
New Metrics



Establishing & refining operating metrics

- Conceptually simple but difficult to execute:
Example: Embodied carbon for servers
- Resolution methods include:
 - Breadth of experience
 - Relationships across disciplines and organizations
 - Intellectual horsepower



Establishing & refining operating metrics (continued)

- Conceptually simple but difficult to execute:
Example: Morale effects of responsibility
- Resolution methods include:
 - Data excavation
 - Proxy development
 - Triangulation



Triangulated components have separate noise patterns, counteracting each other's



Your thoughts: Converting responsibility metrics to financial ones

- ✓ An industry quantifying climate change cost for 20 years?
- ✓ The biggest financial benefit for a telecom greening its data centers?
- ✓ Financial categories of sustainability impact that are basically ignored?



Converting responsibility to financial metrics

- Main challenges in converting responsibility to financial value:
 - Stopping too soon
 - No apparent market
 - Uncertainty

- Resolution :
 - Valuing co-factors
 - Market or partner discovery
 - Real options

Examples of calculating the value of responsibility

- Savings: 3M's PPP
- Top performers: Top national bank
- Cost avoidance: Green data center consolidation
- Risk reduction: Panasonic lead-free plasma TVs
- Agility preparation: Shell strategic planning for carbon trading
- Reputation enhancement: Wal-Mart, McDonalds, BP

Calculating the value of sustainability (continued)

- Core brand development: Whole Foods, Better World Telecom
- Enhancing corporate control defenses: Duke vs. TXU
- Product / division / market extension: Clorox (Burt's Bees, GreenWorks), Unilever (Hindustan Lever)
- Creativity and engagement: Unilever



Raising our game

If you think about the “plan, do, check, act” cycle of corporate management, reporting provides the check: Here are our goals; here’s the system we’ve put in place. Now let’s see how we’re progressing and where we need to readjust.

- *Director of Strategy, Global Reporting Initiative*

Measurement converts skeptics – inside and outside of the organization

I was a skeptic of green.
Then they developed measurements.

- AMR High Tech & Electronics Lead Researcher



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You've already started. Now accelerate efforts with infrastructure & measures

People can and will bring more of themselves to work when they're making the world a better place.

They'll make the world better, faster, more profitably when they can prove and improve their efforts.

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