

International Sustainability Leadership Symposium

‘Creating value from values: challenges and opportunities for business in international markets’

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There has been an unprecedented growth in public, media and corporate concern about corporate values and winning reputation amongst employees, consumers, regulators and stakeholder groups. 200 and the Seattle riots, the economic downturn, 9/11 and the outburst of corporate greed were all contributors to media and public cynicism that undermined the self-confidence of business leaders and the globalization model.

From my observations of working with business in international markets on corporate responsibility and development issues for over 15 years it is clearer now that at any time before that companies and their CEOs are looking to how to create value from values. Certainly in the western and OECD world of public companies. The risks of getting it wrong, which many company do, is disapproval, criticism and even vilification by activists, analysts, media, employees, consumer activists and governments.

The fundamental question are – can this really be measured, does it really add value, are the efforts superficial PR exercises or do they have real depth and integrity (which many do), and can this be sustainable as a feature of valuation of a company. As a development organization working with national and global corporations in emerging markets and developing countries, IBLF is less interested in motive and measurement, than in mobilisation of business to engage in critical development challenges that they can impact with business skills and resources in their international markets.

IBLF attempted to sum up the drivers, particularly for the financial sector, in a report we produced in a series for the World Economic Forum “Values and Value” (2004); these were:

- Increase in active ownership

- Growing influence of SRI
- New legal and listing requirements
- New international norms and conventions
- Ongoing ethical and governance crisis in the capital raising chain
- More sophisticated activist campaigns
- Voluntary financial and reporting frameworks

Surveys concurred that the issue was being taken seriously and in a to SAM Sustainable Asset Management survey 2003 for our earlier WEF/IBLF GCCI report we reported a growing consensus on the business case:

- Protecting and enhancing reputation, brand equity and trust
- Attracting, motivating and retaining talent
- Managing and mitigating risk
- Improving operational and cost efficiency
- Ensuring license to operate
- Developing new business opportunities
- Building stable and prosperous operating environments.

We also know that intangibles do matter:

“Together with other intangibles such as customer relationships and technology, brands account for an ever-growing proportion of corporate value: 48% according to PWC research on the American M&A market in 2003.”

“Interbrand, a consulting firm, in 2004 ranked the Coca-Cola name as the world’s most expensive at US\$67 billion.”

Additional pressures to spread this thinking are coming from labour market competition, sub-contracting and supply chain relationships, PR needs, and the growing importance of values as a form of communicating management quality (survey demonstrated a link between non-financial risks and shareholder value) and proactively managing public affairs issues.

Rhetoric or reality ?

There are many challenges to this move to obtain value from values:

- The relentless effect of 24/7 pressures and increasingly transaction based behaviour of companies and senior executives;
- mixed messages that confuse PR goals with raw short-term financial goals;
- leadership failure in companies where CEOs simply don't buy into the value;
- the free-rider problem when competing with companies from countries where values have less profile and corporate behaviour is opaque.

These all contain threats to credibility on values.

In particular for IBLF are the challenges of international operations in countries where sound corporate behaviour is neither encouraged nor rewarded.

Within the 'CSR movement' another challenge is emerging where the goals of political correctness appear to take on greater meaning than the goals of making a positive impact. Values of today and tomorrow should surely demand that companies give as much importance to stating and supporting 'what they are for' in terms of economic inclusions and development, as 'what they are against' in terms of business norms.

September 5, 2005

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