

Globalisation & New Social & Ethical Accountabilities

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Sustainable Development

Corporate Power

- 51 of the top 100 world economies are companies
- Top 200's sales = 1/4 world's economic activity
- 40,000 corporations transcend national boundaries
- GM > Denmark GDP; Shell > Norway GDP
- Many global corporations employ more people than national state populations
- Corporations are the world's major institutions

Source: US Institute for Policy Studies

Why does a company exist?

- Shareholder
- Stakeholders
- Contribute & enhance society

Implicit promise free markets

- Deliver freedom, dignity, justice & equality

instead

Market liberalisation failed to correct inequality
potential to aggravate inequality

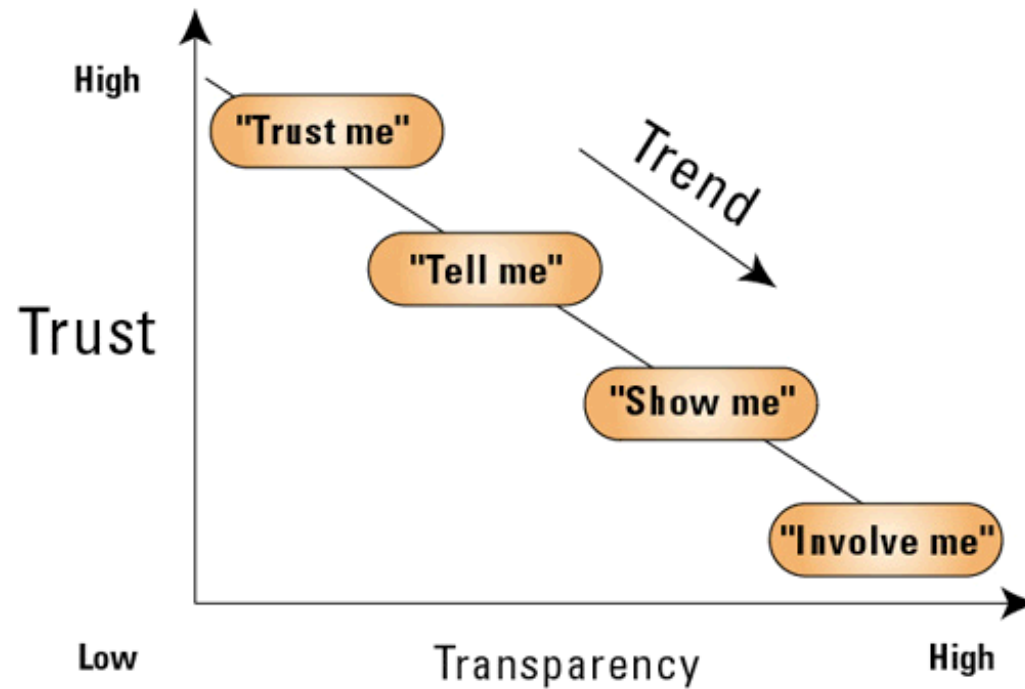
Social change drivers

- Environmental movement
- Fear of globalisation business; retreat of the state
- Rise global pressure groups & community & consumer militancy
- CNN world
- Changing social values – business values/ethics, transparency & inclusiveness priorities
- Quality of life vs. standard of living
- Public cynicism re. wealth distribution

Need to Worry?

- 1999 Sweeny research showed 90% Australians choose companies demonstrate high corporate ethics
- 1998 Danger Research business responsibility to the community major 58%; some 32%, minor 10%
- 1999 survey Australian employees found 66% marginally committed / totally uncommitted to their organisation's stated values

The emerging "Show Me" world



As trust diminishes, the demand for transparency in the form of assurance mechanisms increases

Drivers of change - globalisation whose rules?

- Emergence of voluntary global standards guiding manufacturing, sourcing, employing & environmental accountabilities
- Shareholder activism demanding governance accountability
- Rise of ethical investors & impt. Corporate reputation
- Recognition of corporate social footprint

Socially/Ethical responsible investing

- < \$2 trillion invested socially responsible funds
- 1 in every US\$8 under professional management part of a socially responsible portfolio
- Social investment indexes consistently outperform S & P's 500
- Increasing shareholder advocacy used to encourage social accountability

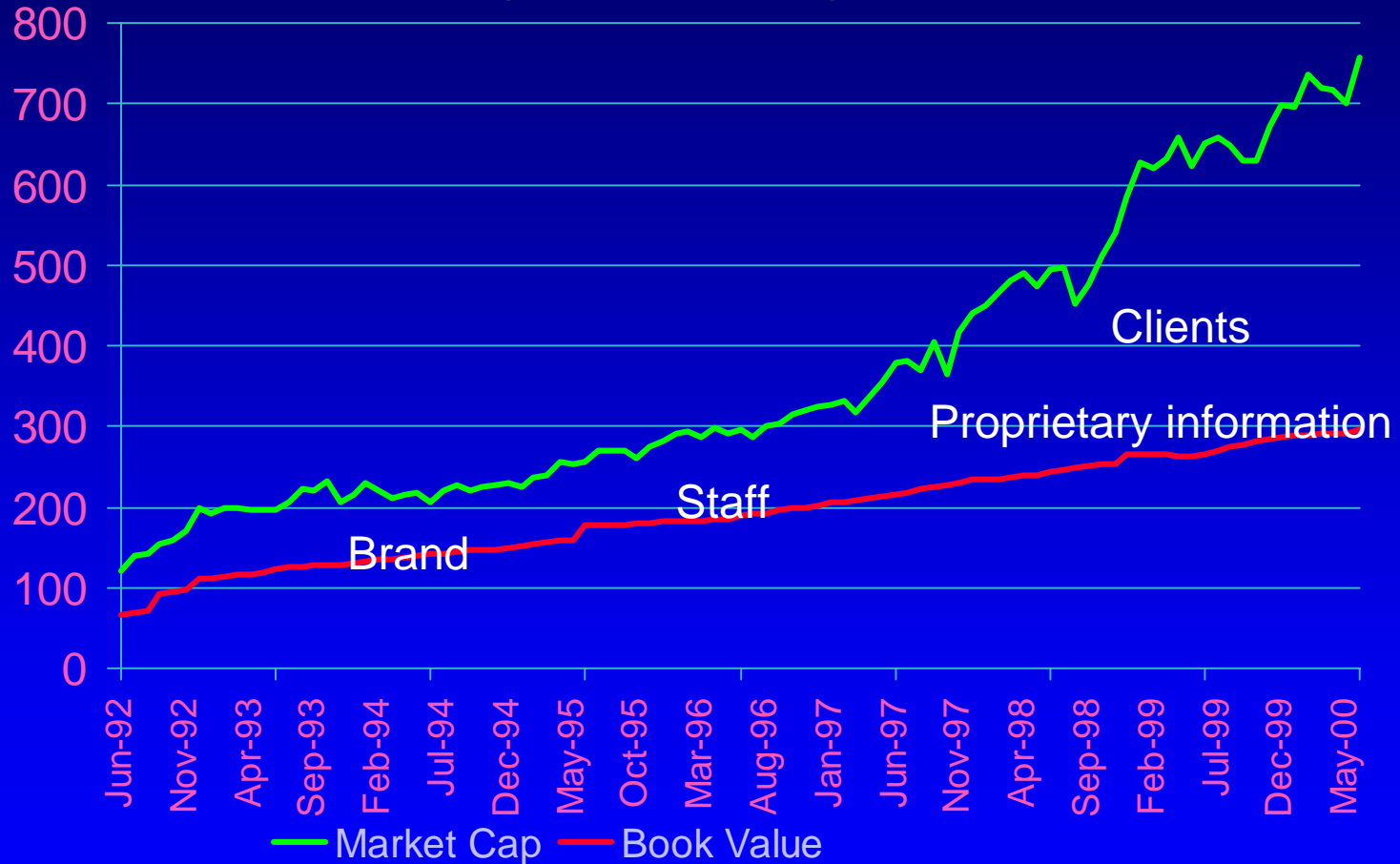
Dual Currencies in Organisations



- Bottomline \$ performance
- Corporate image & intangibles

Macquarie Bank Graph

Investing in ethics is good business



New sources of creditability

- Build trust with internal & external stakeholders - winning hearts & minds
- Re-establish connection between economic & social progress
- Walk the talk - measure whether values lived
- Recognise new KPI's in corporate governance
- Respond to society's evolving expectations in the social, ethical & environmental areas

Triple Bottom Line

Sustainable development = responsibility & accountability for

- Financial performance
- Environmental performance
- Corporate social performance

Sunlight Test

- Would I be prepared to read about it in the newspapers?
- Would peers approve?
- Could I tell Mum?

Who is doing it in Australia?

Lend Lease

Toyota

Ansett

St George

Woolworths

BP

Shell

WMC

Blackmores

Levi Strauss

Myer

PlacerDome

3M

NRMA

BHP

Rio Tinto

AMP

BodyShop

Merck & Co

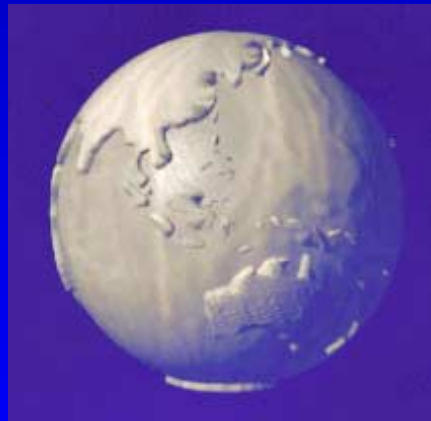
Johnson & Johnson

Ethics = Sustainable Capitalism

- Invest in creating social & economical capital
- Sharing responsibility without losing profitability
- Driving innovation to win investment, supplier, employer & neighbour of choice status
- Engaging society's hearts & minds & showing a human face
- Raising ethical floor beneath the global marketplace

Leadership in 21st Century?

- Challenge for business leaders is to avoid creating the illusion of values and an integrity-based organisation & instead build the real thing



Ethical challenges

- Accept you have a choice
- Identify your vision of principles-based capitalism
- Change from the inside out
- Walk the talk
- Engage hearts & minds
- Be prepared to stand up & be counted!

Profits with principles

- Choosing to enhance societies as integral to human progress as well as economic success
- Goal of raising the ethical floor below the global marketplace
- Vision of sustainable capitalism with a human face

New story for Success

- Business as ecosystems
- Employee learning & transformation
- Connecting with stakeholders
- Profits with principles
- Business as Art of Warfare
- Employee climb greasy pole
- Competing win/lose
- It's a jungle
- Bottomline pre-eminent