



# Aspen ISIB Business Leaders Dialogue

July 26-29, 2001  
Aspen, CO



[www.aspenisib.org](http://www.aspenisib.org)



### ***Aspen ISIB's Mission***

**T**o increase the supply of business leaders who understand—and seek to balance—the complex relationship between business success and social and environmental progress.

### ***Our Vision***

**B**usinesses committed to addressing complex global problems—led by executives who possess the skills, values, and long-term view required to consider the social impact of business decisions and who employ social innovation as a key element of business strategy.

Aspen ISIB thanks all the Business Leaders Dialogue participants, and especially our facilitators Adam Kahane and Betty Sue Flowers, for their extensive contributions to this report.

## Introduction

In July 2001, The Aspen Institute's Initiative for Social Innovation through Business (Aspen ISIB) convened a group of 24 international leaders of corporations, business schools, and multinational organizations for its third annual Business Leaders Dialogue—a series of candid conversations on the role of global corporations in the 21st century.

Questions related to wealth creation and income disparity framed this year's Dialogue. The powerful yet starkly uneven impacts of globalization, coupled with the rise in the power and influence of the private sector, are urgent calls for innovative thinking about the role of the global corporation in society—and the role of its leaders. Aspen ISIB's Business Leaders Dialogue connects remarkable people and invites them to reflect on what the changing context and role of the global corporation means to them as business leaders and citizens. In order to encourage frank and open discussions, the Dialogue is off the record. Aspen ISIB prepared this report to capture the spirit and wide-ranging nature of the discussions, but quotes and specific examples are attributed only where Aspen ISIB obtained specific permission to do so.

This year's Dialogue built on the 2000 Dialogue, in which participants identified 10+ leverage points for action related to their shared concerns about the changing role of the corporation in society<sup>1</sup> (see box). This year's Dialogue opened with returning participants sharing what they and their organizations had accomplished in relation to these leverage points. Jim Schiro, for example, stated that the conversations of the 2000 Dialogue were important inputs to PricewaterhouseCoopers' internal efforts to define sustainability for the firm. Shell and United Nations Development Programme (UNDP) launched several new partnerships that were the "direct result" of their leaders meeting at the 2000 Dialogue.

## Key Issues

In the central work of the Dialogue, participants offered case studies of personal or organizational challenges connected to wealth creation and the global community. The challenges varied from the global to the local—from lack of transparency in Angola to curriculum reform in business schools. Discussions and problem solving sessions centered on four key issues:

1. **Minimum Basic Standards:** Participants explored the relationship between global capitalism, global poverty and working conditions—as illustrated by one participant's moving story of a poor working mother in Honduras and her attempts to care for her daughter. Increasingly, the public is demanding that global corporations respond to the struggles of those who are not benefiting from globalization.
2. **Primacy of Shareholder Value:** Participants wrestled with the implications of the primacy of shareholder value, questioning the relationship between a firm's goal of increasing shareholder value and its responsiveness to wider societal needs. One participant echoed the concerns of many when he said: "All I am asked about by Wall Street is shareholder value. In most of my conversations with corporate leaders nobody ever asks us how we treat our workers, or if we are socially responsible." Other participants, however, saw hope in a longer-term view being taken by institutional investors. Many "shareholders" in today's world of huge pension funds *do* ask about worker treatment and many other social issues because answers give important insight into the probable sustainability and future profitability of their investments.
3. **Institutional Breakdown:** Participants spoke passionately of the breakdown of national governmental institutions worldwide, the resulting weakness in legislative/judicial environments and the decline in the provision of basic services such as education and health care. One participant noted that the deterioration of schooling on a global scale finds 50% of children in less developed countries under the age of 16 out of school—and thus outside the "going concern" of society.
4. **The Role of Business Education:** Research and teaching in business schools sends a powerful message about the role of the private sector in regard to wealth creation and the global community. Participants, including business school Deans, noted that the critical issues discussed at the Dialogue are not currently part of mainstream business education. Few Deans are hearing the call for related research and teaching in a consistent or credible way; instead, corporate recruiting practices and funding priorities do not encourage schools that seek to integrate social impact management into core teaching and research.

<p style="text-align: center;"><b>10+ Leverage Points</b> <b>Business Leaders Dialogue 2000</b></p> <ol style="list-style-type: none"><li>1. Make the business case.</li><li>2. Enroll the storytellers.</li><li>3. Engage the researchers.</li><li>4. Develop upcoming leaders.</li><li>5. Get the incentives right.</li><li>6. Measure management.</li><li>7. Mobilize shareholder power.</li><li>8. Pay attention to the customer.</li><li>9. Encourage collaborative processes.</li><li>10. Mobilize champions at the top.</li></ol> <p>10+ Don't forget character, values, and other important, non-business dimensions of the human spirit.</p>
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1. For the Executive Summary of the 2000 Dialogue, please contact Aspen ISIB or visit [www.aspenisib.org](http://www.aspenisib.org).

## A Working Model

Throughout the discussions, the limits on, opportunities for and roles of business and government were important themes. Participants considered the reality that, as one participant expressed it, "market forces can erode social capital faster than remedies can be put in place." Dialogue participants explored the continuously evolving role of the corporation in society and the dynamic relationship between shareholder returns and the needs of society at large—and used a framework developed by a group of Dialogue participants to do so.<sup>2</sup> The framework defines three roles business leaders can play in relation to creating business success and social and environmental progress:

1. **Good Corporate Citizens** obey the "rules of the game" (laws, regulations and norms) and operate with integrity and transparency. The actions of good corporate citizens, where the rules of the game are well defined, are compatible with shareholder value.
2. **Social Innovators** explore ways in which adding value to society also increases shareholder value. At first, going beyond merely being good corporate citizens may look as if it has no relation to the bottom line—but for the innovative leader, there is often a strategic advantage in being the first mover in a particular area in which to do good is also to do well. Offering above-average or expanded benefits to employees, for example, is an advantage in attracting and retaining talent. Similarly, the first drug company to innovate in the provision of drugs to needy patients builds brand and reputation among consumers.
3. **Heroes—or Martyrs**—respond to social needs, but risk jeopardizing shareholder value. Choosing to expose corrupt practices by the rulers of a country might result in losing rights to operate in that country, for example. Or supporting a tax policy that benefits society but removes a benefit from all the companies in one's particular industry may lower profits.

## Fundamental Questions

Using the framework, participants began to respond to two central questions underlying much of the discussions:

### *Is maximizing shareholder returns fundamentally at odds with practicing "corporate social responsibility"?*

Perhaps not for "good corporate citizens" and "social innovators." But good corporate citizens and social innovators are more encouraged to act in certain environments. The more robust the "rules of the game," the truer it is that "what's good for General Motors is good for the country." In countries or circumstances where the rules of the game are instead thin or non-existent, whether by a lack of norms, laws and regulations, or a lack of enforcement of the same, societies as a whole suffer, even if shareholders prosper. For example, corporations who act responsibly in countries with weak labor and environmental rules may find themselves in the "martyr" role in relation to the competition. On the other hand, in an age of increasing transparency, the old policy of "when in Rome, do as the Romans do" may backfire as customers and shareholders use home-based yardsticks to measure corporate behavior abroad.

Yet it is possible for ordinary people to do extraordinary things—and for business leaders to instigate change. The same corporation above, acting responsibly in a country with weak labor and environmental regulations, could become a "hero" instead of a "martyr"—if its actions motivate competitors to follow suit, thus establishing a new norm for business behavior.

### *Can the needs of society be met through the wealth creation provided by global capitalism?*

No, not yet—as the foundation for the alignment between shareholder value and social wealth is almost entirely lacking. The global rules of the game for business are dangerously nascent. We've globalized the private sector, but we have not globalized the values and institutions of global governance. This situation runs the risk of eroding the rules of the game in individual countries, even in developed economies.

The framework defined at the Dialogue moves beyond the appealing but simplistic notion that corporations will become sensitized to social and environmental issues when business leaders see a compelling business case for taking action. The framework in fact defines a category of action where corporations cannot and will not work alone to achieve social progress. Yet rather than foreclose business as an actor, this framework illustrates the need and potential for multiple stakeholders—including businesses—to agitate and collaborate for change.

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2. This framework has been further developed and is being written up for publication by Dialogue participant Roger Martin, Dean of the Rotman School of Management at the University of Toronto. Please contact Aspen ISIB for further information.

## ***Conclusion***

As participants considered the above questions, and reflected on the broader patterns of the role of the corporation, they drew a number of conclusions:

- 1) Much of the anti-globalization sentiment is directed not against the global economy as a whole but against institutions that set the global rules—or neglect them. Many perceive these institutions to be inadequate, opaque, or non-representative.
- 2) Ordinary people currently have limited access to global rules of the game and thus have little or no power to influence the rules of global capitalism. In contrast, corporations and large institutional investors are perceived to have inordinate influence on global rule making.
- 3) Social innovators, as leaders in corporate social responsibility, can change the structure of the business environment through innovation and progressive definitions of "enlightened self interest." But their active engagement is not enough to sustain an optimum business environment over the long-term. The future health of business depends on working with governments and NGOs to strengthen the rules of the game and to help identify and test large-scale responses to social needs that are inherently unprofitable under current conditions.
- 4) A healthy, prosperous society—and the health of global capitalism—depends on the power of citizens to change the rules of the game within and across countries to benefit society as a whole.

In sharing their case studies and describing activities in which they are currently engaged, participants made many connections among themselves. Participants also identified "personal platforms" for taking action on their immediate challenges and in pursuit of shared goals and collaboration. As one participant reminded the group, "We are not just business executives, but also family members and citizens. The best business case for social innovation through business is that we're all part of the whole."

## ***Postscript—September 11, 2001***

As we finalize this report, the terrorist attacks in the U.S. have just occurred and the U.S. and global response is unfolding. In seeking to understand these tragedies, we are drawn back to some overarching themes of the July Dialogue.

Corporate leaders often argue that business has no business providing social goods; whether one is ultimately deemed a "hero" or a "martyr" is too uncertain. That role is best left to government or civil society. Indeed, we are currently seeing a public discourse emphasizing the governmental and military responses to the attacks. But Dialogue participants were clear: in the long-term, government is not the only "hero," especially in a world of weak nation states. Business can and does produce remarkable change in what is frequently regarded as government space. Cross-sector collaborations can achieve stunning results—for example, extensive dialogues and cooperation between NGOs, government leaders and industry in emerging economies have delivered progress on child labor standards. The private sector is recognizing that it is frequently the most visible face of the international community, and as such carries with it significant influence on public policy. In this current crisis, business leaders have a possibly unprecedented challenge—and opportunity—to balance business success and social progress.

Dialogue participants also voiced their deep-seated concerns about the increasing alienation felt by many vis-à-vis the practices and culture propagated by globalization. They felt strongly that businesses must attend to this alienation or risk facing the desperate actions of the many citizens who feel powerless to make change. The events of September 11 put these concerns in sharp focus and urge us all to seek ways to mitigate the alienation felt by those not directly benefiting from globalization.

The terrorist attacks and aftermath unequivocally illustrate the interconnectedness and interdependence among people, sectors, markets and nations. In the post-September 11 world, Aspen ISIB believes that gathering an international group of leaders in business, government and NGOs to talk about the role of the corporation in the context of wider society seems even more urgent.

## ***Participants—Aspen ISIB Business Leaders Dialogue 2001***

### ***Wealth Creation and the Global Community: The Role of Corporations in the 21st Century***

#### ***Co-Chairs***

**Mark Moody-Stuart**, Recently Retired Chairman, Royal Dutch/Shell Group, United Kingdom  
**James Schiro**, CEO, PricewaterhouseCoopers, U.S.A.

#### ***Participants***

**Fola Adeola**, Managing Director & CEO, Guaranty Trust Bank plc, Nigeria  
**Carol Bellamy**, Executive Director, United Nations Children's Fund (UNICEF), U.S.A.  
**Jonathan Coles**, President, Institute of Superior Studies of Administration, Venezuela  
**William Dale Crist**, President, California Public Employees' Retirement System (CalPERS), U.S.A.  
**Michael Daniels**, Sector Vice President, SAIC & former Chairman, Network Solutions, Inc., U.S.A.  
**Debra Dunn**, Vice President, Strategy and Corporate Operations, Hewlett Packard Company, U.S.A.  
**Peter C. Goldmark, Jr.**, Chairman & CEO, International Herald Tribune, S.A.S., France  
**Eduardo Gonzalez**, Chief Executive Officer, Bancafé, Guatemala  
**Rajat Gupta**, Managing Director, McKinsey & Company, U.S.A.  
**Gabriel Hawawini**, Dean, INSEAD, France  
**Jody Heymann**, Founder & Director, Project on Global Working Families at Harvard University, U.S.A.  
**Tamela Hultman**, Co-founder and Chief Strategy Officer, AllAfrica Global Media, U.S.A.  
**David Langstaff**, President & CEO, Veridian Corporation, U.S.A.  
**Kenneth Lay**, Chairman, Enron Corp., U.S.A.  
**John Manzoni**, U.S. Regional Vice President, BP America Inc., U.S.A.  
**Roger Martin**, Dean, Joseph L. Rotman School of Management, University of Toronto, Canada  
**Nandan Nilekani**, Managing Director, Chief Operating Officer and President, Infosys Technologies Ltd., India  
**Olara Otunnu**, Under Secretary General, United Nations, U.S.A.  
**John Ruggie**, Professor of International Affairs, John F. Kennedy School of Government, Harvard University, and former Assistant Secretary General, United Nations, U.S.A.  
**Judith Samuelson**, Executive Director, Aspen ISIB, U.S.A.  
**Peter Senge**, Founder & Chair, Society for Organizational Learning, U.S.A.  
**Damon Silvers**, Associate General Counsel, AFL-CIO, U.S.A.

#### ***Facilitation Team***

**Adam Kahane**, Founding Partner, Generon Consulting  
**Betty Sue Flowers**, Professor, University of Texas at Austin  
**Mary Corrigan**, Associate, Generon Consulting and Graphic Recorder

## ***Participants—Aspen ISIB Business Leaders Dialogues 1999 & 2000***

#### ***Co-Chairs***

**Percy Barnevik**, Chairman, Investor AB, Sweden (1999)  
**Peter Kann**, Chairman & CEO, Dow Jones & Company and Publisher, Wall Street Journal, U.S.A. (1999)  
**Mark Moody-Stuart**, Chairman, Royal Dutch/Shell Group, United Kingdom (2000 & 2001)  
**James Schiro**, CEO, PricewaterhouseCoopers, U.S.A. (2000 & 2001)

#### ***Participants-Aspen ISIB Business Leaders Dialogues 1999 & 2000***

**J. Robert Beyster**, Chairman & CEO, SAIC, U.S.A.  
**Ronnie C. Chan**, Chairman, Hang Lung Development Co., Ltd., Hong Kong  
**Brizio Biondi-Morra**, President, INCAE, Costa Rica  
**Jermyn Brooks**, Global Managing Partner, PricewaterhouseCoopers, United Kingdom  
**Martha Brooks**, Vice President & General Manager, Truck & Bus Engine Business, Cummins Engine Company, Inc., U.S.A.

## ***Participants-Aspen ISIB Business Leaders Dialogues 1999 & 2000, continued***

**John Bryson**, Chairman & CEO, Edison International, U.S.A.

**Roberto Civita**, Director Presidente, Abril S/A, Brazil

**William Crist**, President, California Public Employment Retirement System (CalPERS), U.S.A.

**Michael Daniels**, Chairman, Network Solutions, Inc., U.S.A.

**Lic. Alejandro Junco de la Vega**, President & Publisher, Periodico REFORMA, Mexico

**Mohamed T. El-Ashry**, CEO & Chairman, Global Environment Facility, U.S.A.

**Orit Gadiesh**, Chairman, Bain & Co., U.S.A.

**Ronald Gault**, Managing Director, J.P. Morgan, South Africa

**Allen Hammond**, Senior Scientist/Director of Strategic Analysis, World Resources Institute, U.S.A.

**Henrietta Holsman Fore**, Chairman & CEO, Holsman International (Aspen Institute Trustee), U.S.A.

**Elmer Johnson**, President, The Aspen Institute, U.S.A.

**Robert Joss**, Dean, Stanford University Graduate School of Business, U.S.A.

**Yoriko Kawaguchi**, Managing Director, Sontory Limited, Japan

**Maria Livanos Cattai**, Secretary General, International Chamber of Commerce, France

**Mark Malloch Brown**, Administrator, United Nations Development Programme, U.S.A.

**Jake Mascotte**, President & CEO, Blue Cross Blue Shield of Kansas City (Aspen Institute Trustee), U.S.A.

**Ann McLaughlin**, Chairman, The Aspen Institute; Former U.S. Secretary of Labor, U.S.A.

**Marc Oken**, Executive Vice President, Bank of America, U.S.A.

**James O'Toole**, Research Professor, University of Southern California, U.S.A.

**Olara Otunnu**, Under Secretary General, United Nations (Aspen Institute Trustee), U.S.A.

**R.K. Pachauri**, Director, Tata Energy Research Institute, India

**Helene Ploix**, Chairman & CEO, Pechel Industries, France

**Donald Rumsfeld**, Trustee, RAND Corporation, U.S.A.

**Judith Samuelson**, Executive Director, Aspen ISIB, U.S.A.

**Jaime Serra**, Partner, SAI Consultores, S.C., Mexico

**Bjorn Stigson**, President, World Business Council for Sustainable Development, Switzerland

**Marina Whitman**, Professor, University of Michigan Business School, U.S.A.

**Carolyn Woo**, Dean, Notre Dame Business School, U.S.A.

**Ambassador Linda Tsao Yang**, Director, Pacific Pension Institute, U.S.A.

**Alice Young**, Chair, Asia Pacific Practice, Kaye, Scholer, Fierman, Hays & Handler, LLP, (Aspen Institute Trustee), U.S.A.



*Participants, observers and Aspen ISIB staff at the Business Leaders Dialogue 2001.*



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