

CSR & CSV within Strategic Problem Solving



Pepsi & Indra Nooyi

"I don't think I could have gotten here without a strategy consultant background because it taught me inductive thinking. It taught me how to think of the problem in micro-terms but also to zoom out and put the problem in the context of the broader environment and then zoom back in to solve the problem."

- Indra Nooyi

A Riddle

When referring to Corporate Social Responsibility, what is the OTHER kind of “C.E.O.?”

Chief Ethics Officer

Business Trivia

What percentage of Fortune 500 companies have a Chief Ethics Officer?

85%

Source: Ethics & Compliance Officers Association

Chief Ethics Officer

- Developing and distributing codes of ethics.
- Developing training programs
- Monitor and comply too government regulations.
- Measure and audit ethical conduct.
- Administering punishments for violation of ethical codes of conduct.

Source: Ethics & Compliance Officers Association

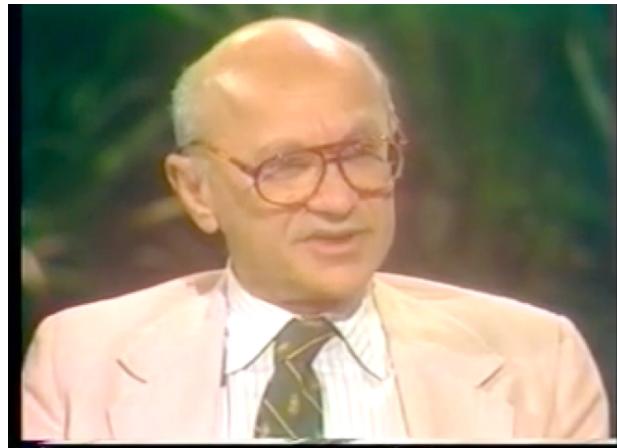
Yesteryear's Prevailing View...

"...there is one and only one social responsibility of business -- to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."

- Milton Friedman 1970



Milton Friedman



What is Corporate Social Responsibility?

"Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."

The World Business Council for Sustainable Development

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The World Business Council for Sustainable Development

The Pyramid of CSR

RESPONSIBILITIES

Economic

Be profitable

► The foundation upon which all others rest

The Pyramid of CSR

RESPONSIBILITIES



The Pyramid of CSR

RESPONSIBILITIES





**But we're rational businesspeople...
what's the case?**

Three Arguments for Corporate Social Responsibility:

- ✓ Moral
- ✓ Rational
- ✓ Economic

A moral argument for CSR

“CSR broadly represents the relationship between a company and the principles expected by the wider society within which it operates.

It assumes businesses recognize that ‘for profit’ entities do not exist in a vacuum, and that a large part of their success comes as much from actions that are congruent with societal values as from factors internal to the company.”

Strategic Corporate Social Responsibility: Stakeholders in a Global Environment - William B. Werther and David B. Chandler

A rational / economic argument for CSR

“CSR is a rational argument for businesses seeking to maximize their performance by minimizing restrictions on operations.

In today’s globalizing world, where individuals and activist organizations feel empowered to enact change, CSR represents a means of anticipating and reflecting societal concerns to minimize operational and financial limitations on business.”

Strategic Corporate Social Responsibility: Stakeholders in a Global Environment - William B. Werther and David B. Chandler



“At today’s prices, if we improve our fleet fuel mileage by just one mile per gallon, we can save over 52 million dollars a year. We will increase our fleet efficiency by 25% over the next 3 years and double it within 10 years. If implemented across our entire fleet by 2015, this would amount to savings of more than \$310 million a year.”

Lee Scott, October, 2005.

http://walmartwatch.com/img/documents/21st_Century_Leadership.pdf

Patagonia and... Wal-Mart?



Patagonia founder Yvon Chouinard

A Stakeholder Model



- Organizational:
 - Employees
 - Managers
 - Stockholders
 - Unions
- Economic:
 - Customers
 - Competitors
 - Creditors
 - Distributors
 - Suppliers
- Societal:
 - Government/Regulators
 - Communities
 - Nonprofits & NGOs
 - Environment

Porter's CSV



CSR → CSV

- | | |
|--|---|
| <ul style="list-style-type: none"> ➤ Value: doing good ➤ Citizenship, philanthropy, sustainability ➤ Discretionary or in response to external pressure ➤ Separate from profit maximization ➤ Agenda is determined by external reporting and personal preferences ➤ Impact limited by corporate footprint and CSR budget <p>Example: Fair trade purchasing</p> | <ul style="list-style-type: none"> ➤ Value: economic and societal benefits relative to cost ➤ Joint company and community value creation ➤ Integral to competing ➤ Integral to profit maximization ➤ Agenda is company specific and internally generated ➤ Realigns the entire company budget <p>Example: Transforming procurement to increase quality and yield</p> |
|--|---|

In both cases, compliance with laws and ethical standards and reducing harm from corporate activities are assumed.

Think about: Where does CSV affect your company?

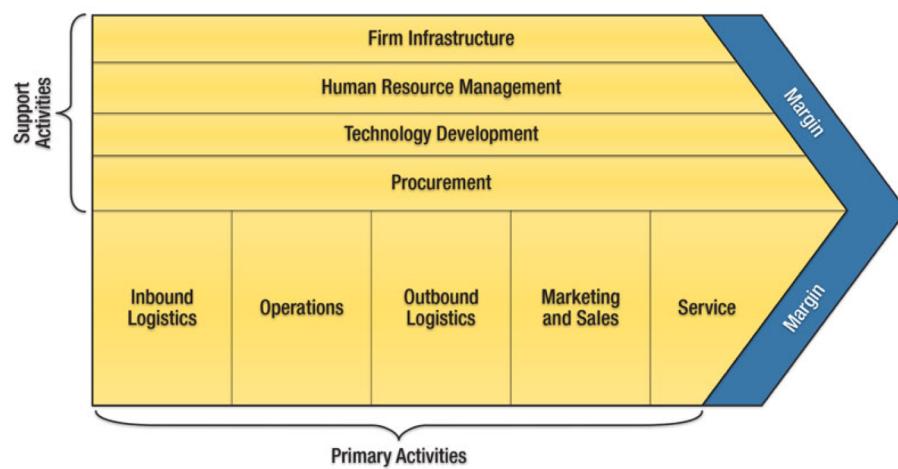


Exhibit 4

Exhibit 4 PepsiCo's Performance by Segment, 2008–2012 (in US\$ millions. PepsiCo's fiscal year ended in late December)

Segment	2011		2010		2009		2008	
	Revenue	Operating Profit						
Frito-Lay North America	13,322	3,625	12,573	3,376	12,421	3,105	12,507	2,959
Quaker Foods North America	2,656	803	2,656	741	2,687	781	1,902	582
Latin America Foods	7,156	1,126	6,315	1,004	5,703	904	5,895	897
PepsiCo Americas Beverages	22,418	3,452	20,401	3,592	10,116	2,172	10,937	2,026
Europe	13,560	1,427	9,602	1,205	7,028	948	6,891	910
Asia, Middle East, and Africa	7,392	896	6,291	708	5,277	700	5,119	592
Corporate	-	-	-	-	(566)	-	-	(1,007)
Total	66,504	11,329	57,838	10,626	43,232	8,044	43,251	6,959

Source: Capital IQ, accessed May 2013.

	2011				2008			
	Rev	Profit	Margin	% business	Rev	Profit	Margin	% business
Frito-lay NA	13322	3625	27%	20%	12507	2959	24%	29%
Quaker NA	2656	803	30%	4%	1902	582	31%	4%
Latin Am Foods	7156	1126	16%	11%	5895	897	15%	14%
America Bev	22418	3452	15%	34%	10937	2026	19%	25%
Europe	13560	1427	11%	20%	6891	910	13%	16%
Asia, ME, Africa	7392	896	12%	11%	5119	592	12%	12%
	66504		checksum	100%	43251		checksum	100%

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In your Groups... Create an SCEQ for the case.

SITUATION

- Where are we now vs. where do we want to be?

COMPLICATIONS

- What are the hurdles that may prevent us from getting to where we want to be?

ENABLERS

What do we possess that can help us to get where we want to be?

CORE QUESTION

- Hence, what is the core question that needs to be answered?

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Why PepsiCo's Indra Nooyi Will Be Hard To Replace



Stephanie Denning Contributor

Careers

I write about strategy and leadership.



1. “Always have a clear, compelling vision for what you want to accomplish.”
2. “Focus on the short-term and the long-term.”
3. “Bring people along with you.”
4. “Be good listeners.”
5. “Be lifelong students.”

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