Triple Bottom Line: Pathway to a 21st Century Business Paradigm

Seventeenth Annual JRD Tata Oration on Business Ethics

9 January 2008, Jamshedpur, India

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Introduction

I am greatly honored to be invited here to deliver the 17th annual JRD Tata Oration on Business Ethics. JRD Tata was a remarkable human being. It's truly a privilege to be able to speak with you this evening on a subject that was so important to this great man. I would also like to say a special thank you to my hosts – Fr. Casimir Raj, Fr. E. Abraham and the staff at XLRI for your gracious hospitality during my stay in India.

Back in 1980, when I was 26 years old – about the age of many of you here today – I read a book that had a tremendous impact on my life. It was the Third Wave – by Alvin Toffler.[1]

In the book, Alvin Toffler talked about the major societal transitions – from an agrarian society, which he called the First Wave – to an industrial society – which he called the Second Wave – and finally to the Third Wave – a post industrial society.

The book was inspirational to me, because for the first time, I could begin to visualize the impact that technology would have on the way we would work and live in the future.

Toffler's vision helped me begin to understand how computers would enhance our lives in the future – making us more productive and creative.

So, it is not surprising that three years later, in 1983, I found myself working for Bill Gates at Microsoft.

In my various jobs at Microsoft, I would continually hear Bill's voice – about how our products would help people reach their full creative potential.

As I think back on the last 28 years, I realize how eerily accurate were Toffler's predictions about how technology would be a major catalyst for change. For example, Toffler talked about a collective social memory. Through the invention of what he called "new media", he envisioned that the Third Wave Society would have total recall of virtually everything. He predicted that this information would become organized and would become available to us all. All we would need to do would be to ask a question and we could find the answer.

As I prepared for this talk, I was curious as to what ancient Indian traditions taught about environmental and social responsibility. So, I accessed the collective social memory – which we now call "Google" – to see what I could learn. I found a long list of Vedic, Buddhist and Jain traditions teaching us to respect and honor our earth and the people who live on it. For example, Mahavir Jain said: "One who neglects or disregards the existence of earth, air, fire, water and vegetation, disregards his own existence which is entwined with them"[2].

Another topic also caught my interest. Back in November, as Indians all over the world were celebrating the festival of Diwali, an Indian friend told me – this is what your speech is really about – the victory of good over evil within every human being.

I again checked the collective social memory and learned about the many levels of meaning behind your festival of lights. I learned of the many stories of the origin of Diwali – as a harvest festival by some accounts, or as a victorious return from exile, by others.

This research made me even more curious. How is Diwali celebrated? What are the customs? What are the traditions?

To learn more, I asked myself: what would my 16 year old daughter do if she wanted to learn about Diwali?

And so, I logged onto You Tube!

My initial search led me to the various cultural celebrations of Diwali in the United States. But, I wanted to learn more – especially about the customs in India.

So I refined my search criteria by specifying Delhi. And I saw videos of the lights, the firecrackers…….and the traffic!

Business Paradigms

Perhaps no single voice has been as influential in shaping the philosophy of 20th century business as Milton Friedman. A free market capitalist, Friedman warned that business not distract itself with the well-being of society, but instead should focus on its core responsibility – to maximize its profits.[3]

While it's true that this approach has propelled significant economic growth in the 20th century, it also has several serious negative effects.

One bad consequence is the short term myopia that occurs when this philosophy is put into practice. The pressure of making quarterly earnings targets often confounds the judgment of corporate leaders, who lose sight of longer term considerations.

A second problem is with the philosophy itself. Leaders often become seduced by the power of money, and are lured into the moral point-of-view that greed is actually good.

A contrarian voice, albeit less pronounced, has been the voice of what I'll call Traditional Corporate Social Responsibility (CSR). This voice urges businesses to contribute to the well being of society. However, this has often been translated into arbitrary and unfocused programs of corporate philanthropy that have little to do with a company's core strategy.

The result has been sub-optimization at both levels. Advocates of Friedman's view often follow misguided policies that strive for optimal profits through the exploitation of other stakeholders. Meanwhile, traditional CSR zealots have funneled money to increase social welfare without making a clear connection to long term strategic advantage.

At the dawn of the 21st Century a fundamentally new way of thinking about business – a new business paradigm – is emerging. This paradigm is best articulated by Stuart Hart[4].   He asserts a collision between three worlds – the money economy, traditional economies, and nature's economy. From this tension, he proposes a new synthesis –which brings together the best of the Friedman approach as well as the spirit of the traditional CSR approach.   This paradigm rejects that businesses must make either-or tradeoffs – either generate profits *or* benefit society. Instead, it conceptualizes business as *interdependent* with society. The sustainability paradigm means that both that business and society benefit over the long term. There is research to suggest that this is possible[5] – although it far from a sure thing.

So, how do we bring about this new business paradigm? We do it by both creating new companies, and by transforming existing companies.

Let me first give you a couple of examples of exciting new companies that have sprung up over the last several years.

Roshini International Bio-Energy Corporation (RIBEC) has begun to pioneer the production of bio-diesel fuel through the plantation and harvesting of the Pongamia tree in the arid area of Andhra Pradesh. This benefits farmers, because it boosts their productivity enormously. It is also good for the environment. This is a totally carbon neutral solution that transforms dry lands into green belts. And, it is economically good. It is profitable and scalable.

CoOptions Technologies Limited offers a financial services arbitrage solution – allowing Primary Agricultural Cooperative Societies (PACS) and their farmer customers significantly lower cost of capital by taking advantage of the 18% lending requirement for public and private sector banks in India (much of which had previously gone unused). It does so by capturing and digitizing the credit history of the farmers, as well as creating an automated lending platform that can be efficiently distributed. The result is a significant reduction in the cost of capital – again making farmers significantly more prosperous.

What about existing companies? To achieve the potential of the sustainability paradigm, companies will need 21st Century leadership, 21st Century technology, 21st Century governmental institutions, and the discipline of the Triple Bottom Line.

Triple Bottom Line

The term "Triple Bottom Line" is widely credited to John Elkington, head of the consulting firm SustainAbility, who first coined the phrase in 1994. Elkington was referring to three dimensions of accounting – economic, environmental, and social.

However, in preparation for today's talk, I looked again at the book, The Third Wave, by Alvin Toffler. In 1980, Toffler wrote this: "Instead of the single 'bottom line' on which most executives have been taught to fixate, the Third Wave Corporation requires attention to multiple bottom lines – social, environmental, informational, political, and ethical bottom lines – all of them interconnected".

A number of different terms express the same concept, such as: "Sustainability Reporting" (a term used by the Global Reporting Initiative); "CSR Reporting" (a term widely used in Japan); "Corporate Responsibility Reporting" (a term used by KPMG); and "Corporate Citizenship Reporting (a term used by General Electric among others).

I did a Google search on these terms, and found that – at least as of now – the term "Triple Bottom Line" is the most frequently appearing, with 683,000 hits. "Sustainability Reporting" got 306,000 hits, "CSR Reporting" got 73,100 hits, Corporate Responsibility Reporting" got 26,500 hits, and "Corporate Citizenship Reporting" only 904.[6]

For the remainder of this talk, I will refer to the Triple Bottom Line concept as "Sustainability Reporting" – the term used by the Global Reporting Initiative.

The Global Reporting Initiative (GRI) is quickly becoming the international standard bearer for this type of reporting. The initiative was started in 1997, as an offshoot of CERES (a United States based coalition of investors, stakeholders and companies). In 2001, it was established as an independent organization. I might add that an executive from Tata Group, Kishor Chaukar, currently serves on the Board of Directors of the Global Reporting Initiative – signifying Tata's leadership in this practice.

One of the main functions of the Global Reporting Initiative is to issue guidelines for Sustainability Reporting, and in November 2006, it issued "G3" – the 3rd generation of guidelines.

GRI's Sustainability Guidelines contain a 44 page summary document, supplemented with numerous protocols and sector specific guidelines. The Guidelines include principles to govern reporting decisions, as well as the specific content that should be in the report. Included in a report should be an analysis of the company's strategy within a sustainability context, disclosures with respect to firm governance, as well as specific economic, social, and environmental performance indicators.

It's important to note that the discipline of Sustainability Reporting is more than just producing a report. Instead, Sustainability Reporting is an organizational learning process that can dramatically advance a company's sustainability initiatives.

Key Enablers

I will now describe five key enablers, which if properly managed, can drive an organization towards optimizing its sustainability strategy.

The first is through alignment of time horizons. As I mentioned before, a key problem with the Milton Friedman approach is that businesses become short term myopic. The discipline of Sustainability Reporting reinforces an important link between the short term and the long term. The G3 Guidelines encourage setting clear goals for all sustainability initiatives. Annual reporting fosters external visibility of these goals and promotes accountability for achieving stated outcomes. This helps prevent short term profit pressures from overshadowing progress on longer term environmental and social objectives.

A second enabler is through the facilitation of stakeholder dialog. Research has shown that companies have serious gaps in engaging stakeholders in meaningful exchanges[7]. The G3 Guidelines explicitly call for an inclusive approach towards stakeholder engagement. The increased transparency results in enhanced collaboration which increases the level of trust between the company and its stakeholders. Out of this, new ideas might emerge – ideas that neither party may have thought about independently.

Building on these first two, a third enabler is the creative internal process that can occur when a company engages in the discipline of Sustainability Reporting. As externally committed goals are translated into internal corporate goals, organizations mobilize to achieve them. Stakeholder engagement brings new, creative ideas into the mix, and strategies are created to meet the goals. This triggers a whole host of additional processes: creating organizational structures; building skills; creating tracking, monitoring and incentive systems, etc.

Creativity and innovation can also be enhanced through external benchmarking activities. As more organizations produce Sustainability Reports, companies will have a wider palate from which to select innovative techniques for achieving sustainability objectives. This fosters the adoption of industry-wide best practices.

The Toxic Releases Inventory provides an interesting study of how these creative processes can work.[8] It is a glowing example of the old adage: “What goes measured gets done”. This inventory, which appears in an obscure section of the Superfund Amendments and Reauthorization Act – passed by the United States Congress in 1988 – requires US manufacturing firms to report annual use, storage, transport and disposal of toxic chemicals to the EPA. This is virtually an honor system -- there is hardly any checking or enforcement by the EPA.

The results are nothing short of remarkable. Within 10 years of enactment, toxic emissions in the United States were reduced by more than 60%. Furthermore, there were measurable and significant financial benefits. Rather than simply treating the toxic waste, companies creatively re-engineered their manufacturing processes to reduce toxic waste in the first place.

Another interesting dynamic took place. The “worst offenders” were black-listed by environmental groups. This cacophony of pressure caused many additional companies to take action.

The combination of significant waste reduction as well as positive economic outcomes for the firms made this one of the most successful pieces of environmental legislation ever passed.

The momentum of the G3 Guidelines is another enabler. Over the past nine years, the GRI guidelines have undergone three generations of development and tuning. G3, the most recent guidelines, issued in November 2006 have achieved a threshold of comprehensiveness and usability. These guidelines are a useful tool for companies embarking on the process. Furthermore, GRI has increased its organizational outreach and support – and more consultants are coming up to speed to support the Sustainability Reporting process.

The Global Reporting Initiative now predicts that 1,750 organizations will file Sustainability Reports that conform to GRI guidelines in 2008; up by a factor of three from just three years earlier. One illustration of this growing momentum is the fact that Sweden just announced last month, that G3 compliant Sustainability Reporting will be mandatory for all 65 government owned companies beginning in 2009.

As Sustainability Reporting continues to gain momentum, laggards will feel increased pressure -- further accelerating the growth.

A final positive enabler is through what David Vogel calls Markets for Virtue[9]. Vogel argues that certain markets positively reward virtuous corporate behavior independent of their economic impact. For example, companies included in the Dow Jones Sustainability Indexes (DJSI) or FTSE4Good Indexes are screened based on corporate citizenship criteria. It has been estimated that the market for socially responsible investing could be as much as $2.3 trillion in the United States[10] and €1 trillion in Europe[11] – roughly 10-15% of the total investment marketplace. Through disclosure in Sustainability Reports, socially responsible endeavors gain prominence, allowing an organization to compete in this distinct market segment.

Another marketplace is the market for talent. Companies with positive social and environmental records can compete more successfully for those individuals who favor this type of employer. For example, a recent study of MBA students found that they would be willing to settle for 14% less cash compensation in order to work for a company with a positive social and environmental reputation.[12]

Of course, the corporate reputation is also a factor among customers for many products. For example, one study in India found that 94% of the Indian respondents said that they were more likely favor companies with a reputation for ethical business practices when purchasing a product.[13]

Challenges

Companies embarking on sustainability initiatives face certain challenges that may impede their progress towards the aims we have discussed. I'd like to talk about three potential obstacles – things companies need to be careful of, or else they might become entrapped in the quicksand of good intentions.

The first challenge pertains to systemic thinking. The G3 Guidelines suggest that companies frame their performance within an overall sustainability context – that is how it affects conditions within the larger ecosystem: locally, regionally, or globally. Often this involves looking either backward into the supply chain, or forward into how customers are using the products being produced.

Several companies do an excellent job of this. For example, Unilever, in its Sustainability Reporting recognizes the limited supply of clean water in many of the countries that it operates. Thus, instead of simply reporting its own consumption of water, it includes the water consumption of its suppliers and of its customers. It makes the commitment to keep its aggregate water consumption (including suppliers and customers) constant – even as it aspires to grow its operations in these regions.

Another example is the home furnishing retailer, IKEA. IKEA did a comprehensive study of their customer's travel patterns[14]. They found that two thirds of the total systemic emission of greenhouse gases was due to customer travel to the stores. Thus, they embarked on a sustainability initiative to locate their stores convenient to mass transportation – and to encourage their customers to use mass transportation instead of their cars. They have convenient and energy efficient delivery, so customers don't have to carry their purchases on trains or buses. And, in their annual Sustainability Report, they track the percentage of customers using mass transportation – and how this has changed over time.

A final example is in automobiles. Here, I wish the manufacturers would do a better job of explicitly discussing their system-wide impact in their sustainability reports. For example, the lifetime greenhouse gas emissions from the vehicles themselves far overshadow the greenhouse gas emissions to produce the vehicle. However, nowhere in the 143 page sustainability report does General Motors spell this out directly. You have to do a number of additional calculations to learn that each vehicle General Motors produces will discharge over ***thirty seven*** times the amount of greenhouse gases during its life than General Motors discharged in the production of the vehicle[15].

The need to look systemically is even greater in countries such as India, where car manufacturers must look at the effects of new cars on the transportation infrastructure – roads, highways, congestion effects, etc.

The G3 Guidelines do provide some guidance on determining the “boundaries” of reporting. However, in my opinion, these guidelines are inadequate to adequately address the situations I have noted. Thus, further evolution of these guidelines is necessary to comprehensively account for the systemic effects inherent in a company’s operation.

A second challenge has to do with alignment between sustainability initiatives and corporate strategy. If companies are not careful, certain aspects of the G3 guidelines may work against the desired results. For example, one of the G3 reporting principles is Comparability – the ability to compare performance indicators across all companies, or companies in a given industry. Companies who let these generic performance indicators be there sole guide do so at their own peril. In addition to common metrics, companies should adopt key performance metrics that directly pertain to their specific business strategy.

There are two ways companies can align their sustainability initiatives with their business strategy. I’ll call one “adaptive” the other “transformational”. Companies that use the adaptive approach hold their basic business strategy relatively fixed, and adopt sustainability approaches that fit directly within this strategy. In a moment, we’ll see how Wal-Mart falls into this category. In a transformational approach, companies engage in a creative exchange with their stakeholders out of which may emerge innovative new directions that alter or modify the strategic approach. We’ll soon see that this is the path taken by General Electric as they embarked on a comprehensive journey toward a higher level of corporate citizenship.

The third challenge is building talent. Earlier, I mentioned Creative Internal Processes as a potential enabler that will help organizations achieve a sustainable business paradigm. The flip side of this is the challenge that organizations have in building the talent to foster these creative processes. Studies point the lack of organizational skills as a key stumbling block in implementing sustainability initiatives[16]. If organizations are to move beyond the "hype factor" and turn their sustainability reporting process into a dynamic organizational learning experience, they must substantially increase their organizational capabilities. They must align their talent strategy with their sustainability strategy. They must recruit talent that has the values and vision consistent with a sustainability paradigm and must integrate the talent into a workable organizational structure. They must engage in training and development. And they must create the right incentive systems that align with their strategies. These are significant challenges, indeed.

Case Studies

To embellish on some of the concepts I've presented, I'd like to present two case studies: General Electric and Wal-Mart.

General Electric[17] is one of the largest companies in the world, with revenues of over $163 Billion. It employees over 319,000 people, and is recognized by Fortune Magazine as the world's most admired company.

Let me share a little bit of corporate history. In 2001, Jeff Immelt took over as CEO from Jack Welch. In 2002, there was a shareholder initiative that would have required GE to disclose its greenhouse gas emissions. While it failed, still, it received a surprising 20% of shareholder votes. In 2003, Immelt surprised investors, when, at the company's Annual Meeting, he announced that GE would begin to voluntarily disclose carbon emissions. In 2004, this first disclosure took place.

In 2005, GE launched an ambitious new program – Ecoimagination. It also published its first Corporate Citizenship Report (read Sustainability Report) that year. Finally, in 2007, GE published its 3rd Corporate Citizenship Report.

GE's Citizenship reporting has continually improved over the past several years. For example, the report now incorporates the new G3 Guidelines. It now reviews commitments made in the previous report, and discusses the progress made during the year in achieving these milestones. Furthermore, it articulates a new set of commitments moving forward. Also, an independent, external review process has been added. Instead of using an outside auditing firm, GE appoints an independent Stakeholder Report Review Panel to review the report. The panel is now in its second year, and GE reports on the changes it has made from the panel's previous recommendations.

GE is pursuing a powerful transformational strategy – using its stakeholder engagement process to guide its future direction. Let me give you two examples.

First, let's look at GE's approach of expanding into emerging markets. In 2000, GE received $10B in revenue from emerging markets – or 8% of total revenues. By 2006, this has blossomed to $29B – or 18% of total. By 2010, GE hopes that emerging market revenue will increase to $50B – or approximately 22% of total revenue. To accomplish this, GE has carefully listened to the needs of its emerging market stakeholders, and has embarked on a whole host of product innovations, including clean water, renewable energy, and portable health care delivery systems. Rather than relying on a central R&D capability, GE has shifted to an off-shoring strategy – pushing its R&D out into the local countries where it intends for the products to be used. This shift has allowed GE to be more adaptive to local needs and usage patterns. Furthermore, GE has changed its sales and distribution policies to be more respectful of local customs. Also, as a part of the external stakeholder panel review, GE created a comprehensive statement of principles on Human Rights – which it is translating into local policies and operating procedures. Finally, GE has initiated programs to help make local governments become more effective by strengthening the "rule of law". GE believes that by strengthening local legal processes it will create favorable conditions for long term business development as well as the advancement of society.

The stakeholder engagement process can take some interesting twists and turns – as we learn from GE's $20 Billion energy business. While there are some exciting new renewable energy innovations stemming from its Ecoimagination initiative, a significant portion GE's current energy revenues come from selling coal fired power plants to electric utilities. As you know, coal fired plants – especially those not equipped with expensive new gasification capture technology – are among the worst carbon polluters. Early in Immelt's tenure, GE's power utility customers began voicing concern with GE's new aggressive position toward disclosing and curtailing carbon emissions. Even some of Immelt's top lieutenants did not agree with the CEO's direction. Things got even stickier when Immelt decided to become a founding member of USCAP (United States Climate Action Partnership), an industry group seeking U.S. government action to limit greenhouse gas emissions. These limits would directly hurt the short term financial bottom line of GE's top customers. Throughout this 5 year journey, Immelt has done a masterful job of engaging key industry leaders in dialog – allowing GE to take a leadership role in working toward much needed change.

A second case example is Wal-Mart[18]. With $345 Billion in revenue and 1.9 Million employees it is the largest company in the world.

Wal-Mart burst onto to the corporate responsibility scene when, in October 2005, in the aftermath of Hurricane Katrina, CEO Lee Scott announced his vision of 21st Century leadership. He committed to three key objectives: (1) to be supplied by 100% renewable energy; (2) to eliminate all waste; and (3) to sell products that sustain natural resources and the environment. In February 2007, he announced a strategy to go along with the vision – Sustainability 360. However, several months later there was a change in top leadership of the company's sustainability initiative. Then on November 15, 2007, the company released its first Sustainability Report.

To understand Wal-Mart's sustainability strategy, you need to first understand its value chain. Wal-Mart buys from over 60,000 suppliers, which supply its big-box retail stores, where over 176 Million customers shop every year. The key to the value equation is simple. Low cost purchasing from its suppliers means low prices for consumers. Thus, the essence of Wal-Mart's value proposition is to drive costs out of its supply chain so that it can continue to drive down consumer prices.

Wal-Mart's Supply Chain Initiative -- which is the essence of its Sustainability 360 project – creates a set of seven Sustainable Value Networks to work with suppliers. These Sustainable Value Networks are organized into product categories, such as jewelry, seafood, chemicals, etc. In addition there is one global packaging initiative that addresses packaging waste throughout Wal-Mart's entire supplier network.

The goals of these SVN's are to produce environmentally friendly products; create environmentally friendly manufacturing processes; and to ensure that all suppliers respect basic human rights in their companies. To accomplish this, Wal-Mart has created an elaborate supplier scorecard system – where it recognizes and rewards environmentally positive behavior, and punishes behavior which is less environmentally friendly.

Essentially, Wal-Mart has adapted its corporate strategy to meet sustainability objectives. Wal-Mart welds enormous power over its suppliers. To further its Every Day Low Cost strategy, it is using its leverage over its supplier network to continue to squeeze cost out of the system – all the while improving its system-wide environmental footprint.

As I mentioned, Wal-Mart recently published its first sustainability report. But, while there is a lot of good news, there is also a lot of room to improve. First, it would be good to see Wal-Mart move in the direction of the G3 Guidelines, as this would add significant rigor to the process. For example, some kind of independent review process rather than simply saying that management has reviewed the report and blessed it. Also, Wal-Mart should address the issue of funding of political candidates. Despite its pro-environment public persona, behind the scenes, the record shows that Wal-Mart gives the bulk of its political contributions to candidates who oppose environmental reforms.[19] The company would also do well to establish specific goals for its initiatives – similar to the way GE did. And, finally, the Sustainability Report should be revamped to achieve better balance – especially with respect to the impact of its store location strategy. Of particular note, unlike IKEA, the Wal-Mart sustainability report does not fully address the systemic energy footprint of customers traveling to shop at Wal-Mart stores.

Despite these criticisms of Wal-Mart, its important to note that the initiatives at both GE and Wal-Mart are significant steps in the right direction. Furthermore, when fully materialized both companies are likely to have ripple effects far beyond their company boundaries. GE is poised to influence the energy policy of the United States Government, the design of power plants, better health care and clean water in developing countries, more renewable energy alternatives, and improved governmental effectiveness in developing countries. Furthermore, there will be a second order ripple effect as GE's best practices (as visible through their Sustainability Report) are emulated by other companies.

Wal-Mart, on the other hand, is poised to have a profound effect on its 60,000 suppliers – improving the environmental and social impact of their processes and products. Furthermore, the second order effects will ripple throughout the suppliers' industries.

In short – both companies continue to prosper economically. But, in addition, they are both poised to deliver positive environmental and social outcomes as well.

Personal Vision and Moral Imagination

As we stand here today at the beginning of 2008, I can say that much has been done to advance the vision of sustainability as a business paradigm. However, as I said, the future is not predetermined. It will take the collective efforts of a global society to truly realize the changes that I have discussed.

At the beginning of my talk, I reflected on the past 28 years for me – and how Alvin Toffler's book -- *The Third Wave* -- was an inspiration for me. And, so, it is my hope to inspire each and every one of you to take action. The upside is enormous. If we are successful, then we could achieve, in the next 28 years, a global civilization that has an abundance of resources. Poverty could be dramatically reduced. And the earth's resources can be replenished, and the damage that we've already done can begin to be repaired.

But, if we fail to take action – I'm afraid that this will result in tragedy.   If we fail to dramatically reduce our greenhouse gas emissions, we will transform this planet in ways that will make life for subsequent generations far worse than for it is for ourselves.   If we fail to take action, hundreds of millions of people in India and other places around the world will continue to live in poverty.

In the end, it will be up to us. We will each express ourselves through what I call our Ethical Voice – the unique expression of a moral point of view via actions (or inactions). And, I believe that this is the true spirit of Diwali – and, indeed, the spirit of JRD Tata, whose memory I am honored to celebrate here this evening.

Each of us must find that inner light – and we must shine it for the good of our global society – and for the benefit of future generations.

As I said earlier, to drive us toward this sustainable business paradigm we require 21st century leaders, 21st century technology, 21st century governmental institutions, as well as the discipline of the Triple Bottom Line.

So, what actions are required?

For all of us, as citizens, we must require our governments to become truly 21st century governments. The United States must stop dancing around this greenhouse gas problem and take definitive action. Citizens of the United States must urge the United States Congress to pass the appropriate legislation to make this happen.   And, we must all urge leaders in the United States, China, and India to get together to find a workable global solution.

For leaders at Tata and other companies, it is my hope that you will go back to your jobs and think about how your work can achieve both economic benefits for your company – as well as society benefits. Those of you at Tata have a distinct advantage here. Sustainability embodies the very fabric of your company's values. Many of you have been involved with Sustainability Reporting for quite a while. It is my hope that you will think how Tata can continue to raise the bar. You are clearly a role model for other companies. How will you continue to lead the way to make sustainability central to business throughout India and throughout the world?

For those of you on the faculty at XLRI and other institutions: Perhaps there is a research idea that has struck a chord for you. There is plenty to do. The growing momentum of Sustainability Reporting – and the increased sophistication that organizations are bringing to this practice will provide a fertile ground for research.

For those of you who are students: There are enormous opportunities ahead! You've already seen a preview of what is possible. In a short couple of years, cell phone and other technologies have allowed India to accelerate its development faster than anyone could have ever dreamed.

But, my friends, that is just the beginning.

New technologies are emerging every day that will allow people to escape poverty, to eat better, to live healthier, and to use our precious resources more wisely.

Some of you may be entrepreneurial. You may wish to choose one of the excellent start-ups working in concert with sustainability principles. Some of you may want to play a role in actually advancing the state of the art of Sustainability Reporting itself. I understand that a number of consulting firms are hiring! Some of you may want to go to work for larger companies that endorse values consistent with what we've discussed.

Each of you should ask yourselves the question: What is your vision for the next 28 years of your life? In the year 2036, what do you want to look back and say about your life?

How will you incorporate the spirit of Diwali – and find that inner light to guide you in all that you will do to make this world a better place?

Thank you very much.

Notes:

[1] Alvin Toffler, *The Third Wave* (New York, New York: William Morrow and Company, 1980).

[2] H. E. Laxmi Mal Singhvi, "Environmental Wisdom in Ancient India", Available at: http://ecomall.com/greenshopping/eastgreen.htm. Last accessed, December 30, 2007

[3] Milton Friedman, "The Social Responsibility of Business is to increase its profits," *The New York Times Magazine*, September 13, 1970.

[4] Stuart L. Hart, *Capitalism at the Crossroads: Aligning business, earth, and humanity*. (Upper Saddle River, New Jersey: Wharton School Publishing, 2007).

[5] Marc Orlitzky, Frank L. Schmidt, Sara L Rynes, "Corporate Social and Financial Performance: A Meta-analysis", *Organization Studies*, 24(3):2003, pp. 403-441

[6] Google search performed December 5, 2007

[7] From American Management Association Webcast, September 11, 2007. Sustainability: An evolving business paradigm. Available at http://www.amanet.org/editorial/webcast/2007/sustainability.htm. Last accessed December 24, 2007

[8]Andrew King, Michael Lenox, "Exploring the Locus of Profitable Pollution Reduction," *Management Science*, 48(2):2002, pp. 289-299

[9] David Vogel, *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility*, (Washington, D.C.: The Brookings Institution, 2006)

[10] Socially Responsible Investment Forum: http://www.socialinvest.org/resources/sriguide/srifacts.cfm. Last accessed, December 24, 2007

[11] European Social Investment Forum: http://www.eurosif.org/media/files/008_eurosif_pr_sri_study_2006. Last accessed December 24, 2007

[12] Vogel, op. cit. p56.

[13] Tata Motor Website. http://www.tatamotors.com/CSR-0607/page-02.php. Last accessed December 24, 2007

[14] The Greenhouse Gas Protocol. A Corporate Accounting and Reporting Standard. p. 31. Available at: http://www.ghgprotocol.org/. Last accessed December 24, 2007

[15] General Motors emissions are calculated as follows: In 2005, GM produced approximately 9.2 million vehicles world-wide. Assume that each vehicle emits 371 grams per mile (based on averages from GM's US Vehicles). Then assume (conservatively) an average vehicle lifetime of 128,500 miles (based on US Department of Transportation estimates). This translates into aggregate lifetime emissions for vehicles produced in 2005 of 438.59 Metric Tons. Divide this by the 11.68 M Metric Tons consumed by GM in 2005. This reveals a factor of 37.55 times.

[16] McKinsey & Company, Shaping the New Rules of Competition: UN Global Compact Participant Mirror, July 2007. Available at: www.unglobalcompact.org/docs/summit2007/mckinsey_embargoed_until020707.pdf

[17]See GE website. See also, Kathryn Kranhold, "GE's Environment Push Hits Business Realities", *The Wall Street Journal*, September 14, 2007

[18] See Wal-Mart's Corporate Web Site. http://www.wal-martstores.com

[19] It's Not Easy Being Green: The Truth about Wal-Mart's Environmental Makeover, September 2007. Available at: http://walmartwatch.com/img/blog/enviro_white_paper.pdf