

HOW COMPANIES PROFIT BY SOLVING GLOBAL PROBLEMS... WHERE GOVERNMENTS CANNOT A BETTER WORLD, INC.

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ALICE KORNGOLD





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First published in 2014 by PALGRAVE MACMILLAN[®] in the United States—a division of St. Martin's Press LLC, 175 Fifth Avenue, New York, NY 10010.

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ISBN 978-1-137-32765-9 ISBN 978-1-137-33712-2 (eBook) DOI 10.1007/978-1-137-33712-2

Library of Congress Cataloging-in-Publication Data

Korngold, Alice.
A better world, Inc. : how companies profit by solving global problems—where governments cannot / Alice Korngold.
pages cm
ISBN 978-1-137-32765-9 (alk. paper)
1. Social responsibility of business. 2. Industries—Social aspects.

3. Social problems. 4. Social action. I. Title.

HD60.K66 2014 658.4'08—dc23

2013024608

A catalogue record of the book is available from the British Library.

Design by Newgen Knowledge Works (P) Ltd., Chennai, India.

First edition: January 2014

10 9 8 7 6 5 4 3 2 1

For my beloved family David Ethan and Ellie Gabe and Ben Margaret and Matt and, especially, Gerry

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PREFACE

I WAS INSPIRED TO WRITE THIS BOOK BY THE MANY PEOPLE AND ORGANIZATIONS who are dedicated to finding solutions to the world's most challenging social, environmental, and economic issues. Most obvious among them are the ones that lead and work in mission-driven nonprofit organizations (known as "non-governmental organizations" or "NGOs," outside of the United States). So many people who have founded, led, and worked in nonprofits are among my most beloved friends and respected colleagues.

This book puts the spotlight, however, on another, less obvious but critically important player. *A Better World, Inc.* showcases global corporations that are leveraging their formidable resources—often in partnership with NGOs—to help create a better world. Let's be clear: companies are not acting selflessly. Companies are in the business of maximizing profits. Yet many international corporations are learning that solving the world's most pernicious problems is the way to win in the global marketplace—as highly profitable, sustainable businesses.

The book has two purposes. First, to feature companies that are highly innovative in finding solutions to the world's most malignant difficulties as a means to build the corporations' long-term success and value. Second, and most importantly, to show that the most serious issues facing humanity and our planet can only be solved with businesses leading the way. While nonprofits have vital missions and excellent approaches to address social, environmental, and economic matters, NGOs lack the resources to scale for sufficient impact. Governments of some nations represent their people, sometimes effectively, yet they are limited by borders and may be unable to reach agreements among other governments. Only global corporations have the vast resources, international scope, global workforces, and incentives of the marketplace to truly bring about the changes that are necessary in order to achieve global peace and prosperity. Furthermore, as you will see in this book, there are corporate leaders and people who work at companies who are innovative problem solvers and motivated by both mission and markets to build a better world. The notion that companies are the only organizations that can solve the world's challenges might give pause: corporations are not democratically elected, and their ultimate purpose is profits, not mission. Moreover, many companies caused—and some continue to create—the challenges that the world seeks to remedy. This book is not meant to suggest that we yield the work of global problem solving to businesses. Instead, I am reflecting my observation that some companies are beginning to recognize that energy efficiency, poverty reduction, and access to healthcare, for example, are rich business opportunities, and they are becoming more effective in this role than NGOs and governments ever were or could be.

I also observe that the companies that are the most effective in finding ways to mitigate global warming, provide access to education, and protect human rights, for example, are doing so by collaborating with each other and with NGOs. They also engage with a broad range of stakeholders, including people in the communities where they have operations. These businesses also become transparent about how they conduct themselves, disclose their carbon emissions and labor standards to the broader public through new reporting formats, and engage with consumers via social media.

Companies are not doing these things because they are "nice," but because they are learning that this is the way to be profitable. Corporations understand that customers, employees, and investors expect accountability, transparency, and adherence to labor and environmental norms in order to be brand-worthy. As you will see, studies show that businesses that ignore labor groups, grassroots organizations, consumers, and civil society do so at their peril; costs of such corporate insularity and arrogance can reach billions of dollars annually per company, even affecting their bottom lines into the double digits. Additionally, customers get angry at companies that abuse their workers or spill oil on wildlife and beaches. Furthermore, investors are getting wiser, understanding that companies that do not take social and environmental factors into account are likely to be poor bets.

It has been a great adventure to research and create this book for the past several months. The book is the logical extension of the work that I have been doing for my entire life, and more specifically for the past 20 years. I am by nature practical, mission-oriented, and entrepreneurial. Beginning in childhood, I volunteered after school and during summers, and every job from college and graduate school onward has been mission-focused. In my work, I always had a clear sense of the objective, how it would be accomplished including generating the revenues and determining how it would be assessed, measured, documented, and reported.

Since 1979, my career has involved creating and building a series of three social enterprises (one was actually the division of a university)—establishing

for each a mission, developing a sustainable revenue model, building a great team, developing and implementing an outcome measurement model from day one, instilling the values of transparency and accountability in my team, and engaging businesses as key to the formula for achieving success in the mission. To me, that was just common sense.

Since the early 90s, my work has been focused on three areas: training and placing corporate executives on NGO/nonprofit boards to advance leadership development and effective community engagement, consulting to NGO/nonprofit boards to facilitate the achievement of greater organizational ambitions, and partnering NGOs and corporations for their mutual benefit in accomplishing social, environmental, and economic purposes.

As I've written this book, I've thought a great deal about my grandsons, Gabe and Ben, and the future we are creating for them. My wish is that other readers will consider the children and grandchildren of the world as well.

ACKNOWLEDGMENTS

I AM FORTUNATE TO BE SURROUNDED BY TEACHERS AND MENTORS EVERY DAY. Particularly because of the nature of my work, my life is filled with people of all ages, nationalities, and backgrounds, who work in businesses, NGOs, and universities advancing social, environmental, and economic development. I am endlessly amazed and inspired by their dedication and creativity in finding ways to make this world a better place. It would be impossible to name all of them, but I will do my best to acknowledge many who influenced and informed me in writing this book.

To begin with, thank you to those who generously contributed time and expertise by participating in interviews with me—sometimes multiple and long calls across long distances. Some graciously hosted me in person. Our discussions provided a rich source of learning, research, and delight throughout the past seven months. I am grateful for their bounty as well as their enthusiasm in this book. They include Dunstan Allison-Hope, Sarah Altschuller, Suhas Apte, Andreas Astrup, Brooke Avery, Tanya Barron, Jennifer Beard, Robert Wm Blum, MD, MPH, PhD, Talya Bosch, Richard Brooks, Dan Bross, Antony Bugg-Levine, Laurence Chandy, Ann Charles, Laura Clise, Elaine Cohen, Steve Cohen, Carlos Contreras, Maria Luisa Contursi, Aron Cramer, Deborah Cundy, Luella Chavez D'Angelo, Susan Davis, Paul Dickinson, Paul Ellingstad, Hikmet Ersek, Suzanne Fallender, John Harrington, Nicolas Hazard, Neil Hawkins, Mark Heffernan, Caroline Hempstead, Del Hudson, Fran Hughes, Kara Hurst, Nathan Hurst, Malika Idouaddi, Hannah Jones, Michael Joseph, Julia Taylor Kennedy, Jason Kibbey, Shari King, Gail Klintworth, Jennifer Layke, Chris Librie, Stanley Litow, Thomas Lingard, Naomi Mandelstein, Emmanuel Marchant, Suzanne McCarron, Racheal Meiers, Ahsiya Mencin, Bo Miller, Clara Miller, Tim Mohin, Marilyn Carlson Nelson, Clay Nesler, Jacqueline Novogratz, Allan Pamba, Harry Pastuszek, Deirdre Peterson, Oonagh Puglisi, Robert Rigby-Hall, Linda Rosen, Eric Roston, Paul Scott, Dov Seidman, Sarah Shillito, Robin Smalley, Carol Smolenski, Peter Sweatman, Julie Tanner, Emilio Tenuta, Mark Tercek,

Gina Tesla, Andrea Thomas, Pierre Victoria, Catherine Von Altheer, Jane Wales, Elaine Weidman-Grunewald, Jeannette Weisschuh, Deirdre White, Sir Andrew Witty, Yasmina Zaidman, and Gabi Zedlmayer.

Special appreciation goes to Aron Cramer, president and CEO of BSR. Our discussions about business coalitions, corporate-NGO partnerships, and stakeholder engagement—areas where BSR excels—were invaluable. Aron Cramer also provided background regarding BSR programs that are featured in this book and introductions to members of his team who were outstanding resources.

I want to thank Deirdre White, president and CEO of PYXERA Global for her keen insights and expertise, particularly related to two topic areas: international corporate volunteering and national content development. Deidre White also made important introductions including to corporations that are featured in case studies in *A Better World, Inc.*

Laura Clise, director of Sustainable Development for AREVA Inc., was a valuable resource particularly for the chapter on climate change and energy. Additionally, Laura Clise made introductions to several of the companies that are featured in case studies in *A Better World, Inc.* I am grateful for her expertise, enthusiasm, and generosity.

Thank you also to David and Christopher Mikkelsen, co-founders of Refugees United, for their support for this book and introductions as well.

Thank you especially to friends, colleagues, and loved ones who provided context on issues about which I was writing, either in interviews or in the course of our usual conversations—at seminars, online, over dinners, or just hanging out: David Addams, Debra Beck, Tamara Belinfanti, Donna Callejon, Donna Colonna, Susan Davis, Terril Gagnier, Holly Gregory, Andrew Green, Amos Guiora, Hagit Guiora, Fabiola Girardi, James Hagy, Fran Hauser, Carly Hoffmann, Madeline Kerner, Elena Korngold, Mari Kuraishi, Susan McPherson, Craig Medwick, Margaret Mo, Matthew Mo, Sherry Mueller, Semida Munteanu, Shai Reshef, Carolyn Powell, Teri Steele, Joan Youngman, Brian Walsh, Naomi Waibel, Bonnie Weill, and Douglas Weill.

Thank you also to Paul Besserie and Dana Gluck at the Brooklyn Museum. What could be more inspiring than visits to El Anatsui's exhibit, "Gravity and Grace," during the time I was writing this book.

Thank you to my friends and colleagues at the Clinton Global Initiative (CGI) whom I've had the pleasure to work with for the past six years while blogging on Fast Company about the partnership commitments made by corporations, NGOs, and funders year-round and at the CGI annual meetings.

Special appreciation to Shannon Newberry, who has moved on to Google, to Erika Gudmundson, who made introductions to some of the people who are featured in this book, and to Craig Minassian. Thank you also to Judit Arenas, James Robinson, and the outstanding team at APCO who provide communications support to CGI at the annual meetings. And to Jove Oliver who is involved in the CGI annual meetings as well. Through these individuals, I've met many of the people who are featured in *A Better World, Inc.*

Thank you to Noah Robischon, executive editor at Fast Company for the opportunity to blog on the topics of corporate social responsibility, leadership, and corporate governance for the past several years. And to Erin Schulte, senior editor—my editor—whose excellence and expertise I greatly appreciate. I'm quite sure that the momentum of blogging for Fast Company about CGI was an inspiration to me in writing this book.

Special gratitude to Melanie Meyer, my right hand person at Korngold Consulting and at my previous social enterprise as well. Melanie is to be credited with the firm's website, social media, board surveys, client service, and much more. An abundance of thank yous to Denise O'Brien—my colleague in shaping three social enterprises for 25 years—who has influenced me in so many ways.

Thank you to my editor, Laurie Harting, executive editor at Palgrave Macmillan. Because of you, there is *A Better World, Inc.* Our first conversation felt more like a third conversation. She got right to the essence of the book. Given her experience as an editor and in the substantive issues I proposed to write about, it was particularly meaningful that she chose this book, and I am forever grateful. Her comments to drafts along the way were encouraging, insightful, and valuable. Lauren LoPinto, Editorial Assistant, thank you for reviews and comments on drafts and guidance along the way.

And finally, my book agent, John Willig, where this all began. He "got me" from our first conversation. He also had the fine instinct to figure out the right match in introducing Palgrave Macmillan and me. Thank you for believing in me and for your wise counsel throughout the process. John made things that seemed complicated quite simple. He is a delight to work with.

Our home, while loving and fun, has always been a round-the-clock seminar since the time our two sons could speak—with us learning more from them and their friends than they from us. The conversations continue via the Internet whether or not we are together in person—sharing and sharply opining about the day's news—including friends who are also involved in the issues. Topics range from human rights to literature, global conflicts to climate change. We also often invoke the wisdom of Homer Simpson, Fletch, and so on.

My husband and I have been each other's mentors for more decades than I care to mention. Gerry read nearly every iteration of these chapters, often asking provocative questions to help me anticipate what people might want to know or understand better. As a professor, author, and former law school dean, his experience is quite relevant, as is his expertise in land rights. My older son is a physician-scientist. He is a purist, deeply concerned about climate change. In discussing this book, he questioned and prodded, providing thoughtful insights. He also shared authors and thinkers that he most appreciates.

David, a Bain & Company consulting alumnus, now consults to global corporations on sustainability in his position at BSR. David's input was valuable as I shaped the book proposal, in discussions of issues during the writing, and finally in reading the book manuscript a week before I submitted it to my editor. He posed provocative questions that inspired me to return to my laptop with additional thoughts. Primarily, he emboldened me to add more of my own voice to the manuscript.

The two greatest inspirations and motivations for me in writing this book are—without contest—my grandchildren, Gabe (8) and Ben (6). They have also been the most enthusiastic about the book, often asking me: "What page are you on, Oma?" The boys and I have had many discussions about the various topics in *A Better World, Inc.* Ben is animated by concern for people less fortunate than he. One evening at bedtime, Gabe listened thoughtfully as Ben was suggesting how I should organize the chapters. Then Gabe chimed in. "Well, Oma, we've been learning a lot about 'respect' in school. And actually, I think that's really what you're writing about. Respecting the environment and respecting other people." That left the three of us quiet and pensive. That seemed to say it all. CHAPTER 1

ONLY GLOBAL CORPORATIONS HAVE THE RESOURCES, GLOBAL REACH, AND SELF-INTEREST TO BUILD A BETTER WORLD What people can positively achieve is influenced by economic opportunities, political liberties, social powers, and the enabling conditions of good health, basic education, and the encouragement and cultivation of initiatives.¹

—Amartya Sen

THE WORLD FACES SOCIAL, ENVIRONMENTAL, AND ECONOMIC CHALLENGES that are projected to increase exponentially over the coming decades. Many of these issues, such as environmental degradation, climate change, access to healthcare, poverty, and human rights, are cross-border issues. National governments acting alone lack the authority and resources to provide adequate responses. The international community has too often failed to achieve binding and actionable agreements to deal with these global problems. For example, global climate change conferences have not resulted in implementable accords to address global warming. Conflicting interests between developed and developing nations, rich and poor countries, North and South, East and West, and various political ideologies interfere with agreements on many world issues. The NGO sector has made strides in advancing the human condition but lacks resources and scalability sufficient to make transformational progress.

In the face of these difficult challenges, some creative responses are emerging from the business sector. Unlike governments, businesses in the twentyfirst century cross national borders, spanning oceans and continents. Modern corporations respond to customers, employees, and investors across the globe in order to profit and thrive. Moreover, companies are learning that they must be attuned to the needs of the world's population in order to maximize profits. This book tells the story of a number of global corporations that have aligned their profit-making missions with efforts to build a better world. These companies have come to understand that they can enhance their bottom lines while improving global conditions, often through partnerships with NGOs and governments.

Every country on the globe encounters a variety of struggles. Poverty continues to plague over one billion people; the growing disparity between rich and poor is a top concern of global leaders as it threatens peace and prosperity. Climate change is causing extreme weather events that trigger human dislocation and geopolitical destabilization. The degradation of water, forests, and arable land threatens human existence. The failure to adequately educate the world's children, particularly in science, technology, engineering, and math, creates a disconnect between jobs and job-seekers, leaving too many people unemployed and a workforce without the skills to tackle global concerns. Millions of children and adults continue to die from preventable diseases and illnesses due to lack of access to healthcare, medicines, and vaccines. People suffer the loss of human rights across the globe: as victims of human trafficking, or as a result of labor abuses, violence over conflict minerals, and limits to free expression. All of these world problems bring suffering to people and their families. Companies have begun to realize that these global struggles also undermine economic progress and their businesses.

Future trends will magnify the challenges. The world population is on a trajectory to grow from seven billion today to nine billion within the next few decades. The majority of people around the globe will live in cities, particularly in developed countries. Three billion additional new consumers will enter the middle class, primarily from developing markets. These emerging middle-class consumers will seek more affluent lifestyles.² With today's global population already consuming resources equivalent to more than 1.5 Earths, we are on an unsustainable path to meet the demands of this growing population.

Furthermore, without any course corrections, we are on track to surpass the safety threshold of two degrees Celsius that scientists predict will unleash the worst effects of climate change. Extreme weather events will exacerbate human hardship, bringing about violence over scarce resources. This is a likely future by the time today's kindergartners become adults. Experts already see such patterns occurring in Syria and elsewhere in the world, as people are forced from their farms in the face of droughts, find no jobs in the cities, and resort to civil war in their frustration. Destabilizing conflicts in sensitive geopolitical areas could threaten peace and prosperity worldwide.

In the past, companies might have seemed an unlikely source for finding solutions to social, environmental, and economic challenges. Businesses and nonprofits sat at either end of a spectrum, often quite mistrustful of one another. Businesses distinctly stayed at one end, creating products and services for profit, while nonprofits clearly stayed at the other end, pursuing missions for the betterment of the world. Too often, elements of the corporate sector were responsible for creating the human rights abuses, environmental degradation, and economic injustices that continue to plague the world today. In the past, if a business wanted to "do good," it would make a financial contribution to a charity or give its employees a pat on the back for volunteering.

By the 1990s, some corporations became more strategic in their philanthropy, focusing their dollars on charities that related to their businesses. There were a number of drivers for this change. In a weak economy—marked by the stock market crash of 1987, a recession, and high oil prices—and facing increased global competition, companies became more attentive to how they were spending each of their dollars. Businesses began to notice that they had been dispensing charitable funds fairly idiosyncratically. They realized that these monies could be assets to be invested more strategically in strengthening the communities in which the company operated, while also building corporate goodwill. Perhaps most importantly, corporations saw that they could align their contributions with causes that would enhance their direct business interests, thereby boosting revenues, their brands, and their public image. Newspaper companies began giving to literacy organizations, for example; banks invested in small business development, and some phone companies supported crisis hotlines.

Eventually, even more purposeful companies recognized the value of integrating service—including volunteering, skills-based service, and nonprofit board participation—with philanthropy, in order to advance community relations, marketing, leadership development, and other forms of personal and professional development.³ One example is Clifford Chance, a leading global law firm. As described in *Fast Company*, the firm integrated NGO/ nonprofit board participation, pro bono service, volunteerism, and strategic philanthropy to maximize the firm's impact in strengthening communities, while developing leadership and fostering personal and professional development among its attorneys and employees.⁴

Additional examples are provided in *Leveraging Good Will: Strengthening Nonprofits by Engaging Businesses.*⁵ As companies recognized the benefits of community engagement, collaboration, and partnerships, as well as opportunities for social and environmental impact, these issues moved up to the C-suite, and took on names like "corporate social responsibility"⁶ and "sustainability."⁷

Around the turn of the twenty-first century, some leading businesses advanced to a new stage by embracing the concepts of social, environmental, and economic opportunity as part of their core corporate missions. These companies became motivated by two forces: they understood that they could thrive only if they operated in a healthy and sustainable environment with customers who had the economic capability and longevity to purchase their products. Additionally, these companies saw opportunity in developing and producing goods and services for a market that was increasingly demanding sustainable, socially responsible products. These global corporations, therefore, incorporated these values as a key part of their business philosophy and plans. Social issues were no longer a "feel good" or public relations adjunct to the company's core mission. In this way, these leading companies moved toward embracing the values held by the NGO sector. Not only have the missions of some businesses and nonprofits become somewhat aligned, their operational approaches have also coalesced. Leading companies have realized that they need a purposeful mission, a sustainable environment and supply chain, a healthy, educated, and economically empowered customer base, and a motivated workforce—values traditionally identified with the NGO sector—in order to thrive. Nonprofits have come to understand that they need to make a compelling case for significant resources, create robust business models, demonstrate replicability, see issues in terms of the "win-win," and build effective infrastructures—ideas historically touted by business—in order to achieve scale to address mighty global challenges.

This book will explore programs developed by a number of global corporations, often in partnership with each other, or with NGOs and governments, that provide visionary and innovative solutions to the challenges facing the world now and in the future. These companies believe that by improving social, environmental, and economic conditions, they will meet the interests of customers, employees, and investors, increase their profits, and become more sustainable. As a result, companies are engaging in economic development initiatives to reduce poverty and create opportunity: cutting carbon emissions in their own operations as well as supply chains, while developing energy efficient products and services for private and governmental customers; internalizing the costs of natural resources that they consume while producing and marketing environmentally responsible goods; investing in technology-based educational programs to prepare the next generation for twenty-first century jobs; offering access to healthcare, medicines, and vaccines-often enabled by mobile technology-to save lives and improve the quality of life for people in underserved regions; and developing programs to prevent human trafficking, labor abuses, violence over conflict minerals, and limits on free expression.

This book features specific approaches that some corporations are taking that appear to be effective or promising in addressing particular social, environmental, and economic challenges. A number of businesses have emerged as global leaders in corporate social responsibility, while others have demonstrated strength in certain programs but lag in other areas. Moreover, one must remember that some corporate actors have created and continue to perpetuate the social, environmental, and economic threats facing the world; only with such an understanding can we move forward together to find solutions. The purpose of this book is to look ahead by highlighting effective and promising corporate initiatives and to rally the business sector and its stakeholders to continue to think creatively and collaboratively about building a better world. This book is organized into chapters on economic development, climate change and energy, ecosystems, education, healthcare, and human rights. Chapter 2 focuses on economic development. It demonstrates that, although progress has been made in halving the rate of poverty in just over 20 years to 1.2 billion people, progress is at risk due to various factors: droughts, floods, and other extreme weather events that are driving people from farmlands into cities where there are not enough jobs; insufficient access to healthcare and education; negative attitudes toward girls and women; and corrupt governance in some countries.

Global poverty threatens all of society, not only those who are marginalized. Reports from leading institutions, including the International Monetary Fund⁸ and Brookings,⁹ indicate that poverty threatens global peace and prosperity. Moreover, wealth gaps—defined as severe income disparity—topped the list of the 50 greatest threats to the world according to the *Global Risks Report 2013*,¹⁰ a survey of over one thousand experts from industry, government, academia, and civil society. Chapter 2 argues that while governments alone have been unable to resolve this pernicious issue of poverty, global corporations are finding some innovative solutions through partnerships with NGOs and governments. Furthermore, companies are profiting by strengthening economies in developing countries, providing employment, facilitating the creation and expansion of small and medium businesses, and reversing poverty.

Chapter 3, which addresses climate change and energy, examines a variety of ways that companies are profiting by reducing carbon emissions, investing in greater use of renewable energy resources, and innovating and marketing energy-efficient goods and services. While governments have done a good deal of talking about climate change, the planet's temperature continues to rise. In the meantime, companies are moving forward with concrete action. Intel, for example, is shifting its operations to meet 100 percent of its electricity use in the United States in 2013 through green power. The company is driven to reduce costs, prepare itself for longer-term energy challenges, and burnish its brand among customers, employees, and investors. Other global corporations, such as Walmart, Unilever, and Nike, are creating sustainable products and materials that require less energy and natural resources in their supply chains, and throughout the lifecycles of their products: from raw materials to ultimate creation, production, use, and recycling. These companies are also enjoying cost savings, while decoupling business growth from scarce resources and appealing to stakeholders. Companies like Intel, Ericsson, and Johnson Controls are promoting and constructing "smart cities" and "smart buildings" to cut carbon emissions in entire communities of the world, thereby selling profitable services. These business approaches

promise to enrich companies' bottom lines while advancing the global agenda to mitigate climate change.

Chapter 4 explores ecosystems, including clean air, water, timber, and arable land, which are vital for human sustenance. Already hundreds of millions of people lack access to clean drinking water. Droughts and other extreme weather events, combined with population growth, will exacerbate demands for food and water. Governments have been ineffective in protecting forests, land, and water. Yet many businesses are finding that it is their interests to protect the natural resources on which their company's profitability and long-term health depend.

Some companies are transforming their approaches to source alternative materials for manufacturing, and redesigning their products, rather than relying on natural resources that will become more scarce. For example, Kimberly-Clark shifted its sourcing of fibers from endangered areas to certified forests. Unilever committed to source 100 percent of its agricultural raw materials sustainably by 2020 and reports that it is on track to that record. In this way, corporations are making their businesses more sustainable for the future while also increasing their brand value by addressing consumer and investor concerns about the environment.

Chapter 5 demonstrates that education—particularly in science, technology, engineering, and math (STEM)—is vital for people in the United States and worldwide to qualify for jobs in the twenty-first century. Education is the win-win that ensures a qualified workforce for companies while preparing people for employment and opportunities for a good life. Businesses also benefit when people earn incomes that allow them to consume those businesses' goods. Through its Catalyst program, Hewlett-Packard leverages its technology, expertise, and resources to stimulate international collaboration among innovators in science, technology, engineering, and math education to prepare students for twenty-first century problem-solving. Ericsson enables access to world-class information and educational resources for students and teachers in developing countries through low-cost mobile broadband and cloud computing. Companies are seeking to solve the global education crisis because it is in their own interests, and this benefits the world.

Chapter 6 addresses healthcare, another area where humanitarian concerns intersect with business interests. Developing countries suffer from high death rates due to preventable illnesses and diseases. Governments have not been able to provide sufficient access to care, medicines, and vaccines due to the legacy of colonialism, including wars and weak infrastructure, lack of national resources, and sometimes poor governance. In response to this health crisis, a number of companies are providing innovative solutions while also benefiting themselves. These companies are enhancing access to healthcare, medicines,