

# BRUNSWICK REVIEW

A JOURNAL OF COMMUNICATIONS AND CORPORATE RELATIONS • ISSUE SIX • SUMMER 2012

## THE POWER OF ELEVEN

*The 11 Conversations you can't afford to miss*

### SO WHERE'S THE HEAT?

*Cynthia Carroll, Keith Weed, Warren East,  
Adrian Cheng, Bob Zoellick and Dambisa Moyo  
on why business has to get out  
and get talking*

## THE DEMOCRATIC REPUBLIC OF BURBERRY

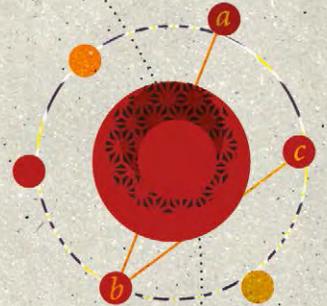
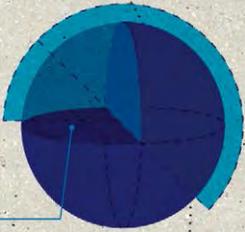
*Angela Ahrendts on the democracy of luxury*

### PFIZER

*Moving beyond "getting it past legal"*

Plus **WYNTON MARSALIS: MANDATE TO SWING**

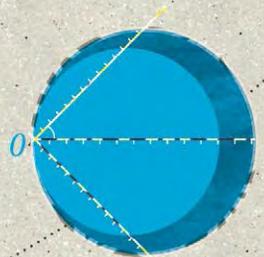
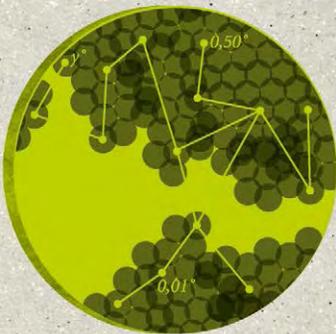
**CHURCHILL'S MULTIMEDIA CAREER**



COMMUNITIES

ENVIRONMENT & RESOURCES

HEALTH



POPULATION

EDUCATION & SKILLS

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## BRUNSWICK

Brunswick is a corporate relations and communications consultancy. We provide informed advice at a senior level to businesses and other organizations around the world, helping them to address critical communications challenges that may affect their valuation, reputation or ability to achieve their ambitions.

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One of the real privileges of my role is that every week I have the opportunity to sit with leaders from a variety of businesses around the world and listen to them explain to me what's on their radar screen. They are seeing more incoming signals all the time: new risks, disruptive technologies, changing regulations, faster media cycles, interconnected audiences – and they are coming from more, and sometimes unexpected, places. An incoming signal can arise anywhere on the screen and move to the center very fast.

These profound forces change the world of communications as well. Indeed, they are partly driven by how dramatically communications itself is changing today.

Last month, we gathered Brunswick people from our offices all over the world to understand the implications of this new landscape. We agreed that the scale of the challenge that everyone is dealing with is fundamentally different from what we've known previously. At any time, one of our partners might receive a call from a client headquartered in, say, Frankfurt, alerting us to a problem that has just shown up in their Johannesburg operations, perhaps picked up by a global NGO, which may be complicated by a policy issue in Washington, DC. The reality is that all our clients operate in these fast-moving, complex environments.

A lot of the dominant thinking in communications today was formulated by the recently glamorized “Mad Men” of Madison Avenue. The language of “key messages” and “target audiences” came from this wonderfully creative time, which was itself a period of vibrant social change.

But building better relationships in a world of greater connectivity and transparency will require more than better press releases, sharper advertising, or smarter presentations. It will be about a better definition of the core purpose and real value of businesses. In this new world, businesses will need to articulate far more powerfully how they are part of the solution rather

than part of the problem. That starts by explaining their relevance to the critical issues of our time.

Much of this edition of the *Brunswick Review* is given to a series of articles that launches a new way of looking at how business can engage with society. We're calling it The 11 Conversations. We believe that these key conversations – which range from Health to Education, from Consumer Culture to Climate Change – reflect the central debates taking place right now. These conversations are happening between more people, more often, and in much more dynamic ways than at any point in history.

Every company I have ever worked with is relevant to one or more of these big conversations. Explaining the positive and transformative role that corporates can play through these conversations is a significant opportunity for the business community globally.

In this edition, we have featured leaders who have already found a voice within each one of these conversations. For example, in Energy & Climate Change, Warren East, CEO of ARM, explains the contribution that smart chips can make in the drive for energy efficiency. In the Communities conversation, Anglo American CEO, Cynthia Carroll, focuses on how engaging with local communities has become a strategic imperative for mining companies.

We're also delighted to have the insights of Angela Ahrendts, CEO of Burberry, about working in a world that has become both more socially conscious and more socially connected. We also hear valuable perspectives from Amy Schulman and Sally Susman on how the partnership that they have built between their legal and communications functions helps Pfizer speak with a clear voice to the outside world.

I find all of this hugely exciting and inspiring, as it will be at the cutting edge of how tomorrow's companies work more effectively. I hope you find this a particularly stimulating edition and thank you as always for your time and attention.

ALAN PARKER — *Chairman, Brunswick Group*

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# 11

# The Eleven Conversations

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It is said that there are only seven plots in drama. We think there are 11 big conversations about the challenges facing the world today – and that corporates need to join these conversations

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BY LUCY PARKER  
AND JON MILLER,  
BRUNSWICK, LONDON

## The Age of Conversation

It is often said we live in the Information Age – although it might more properly be called the Age of Conversation. Take an average day in 2012. More than 2m blog posts are written – which would be enough to fill *Time* magazine for 770 years. Meanwhile, 526m people check Facebook every day and upload 300m photos. On top of this, each day there are 3.2bn comments and “likes” on Facebook. That’s a whole lot of liking going on. And on YouTube, 86,400 hours of video are uploaded, and 14m people like, share, and comment on these videos. It is a continuous cycle: post, comment, upload, view, like, respond, share.

Our modern world is an ever-expanding mass of burgeoning conversations: TED Talks, Do Lectures, RSA Animate, MIT World, SXSW, PopTech, the Skoll World Forum, the World Economic Forum, Google Zeitgeist, Clinton Global Initiative, *Fortune*’s Most Powerful Women Summit, *The Times* CEO Summit, *The Wall Street Journal* CEO Council ... hardly a week goes by without a high-level global summit, platform, conference or forum. What on earth is everyone talking about?

## Where’s the heat?

In spite of the noise, it is possible to pick out some big themes. We have looked at the agendas taken on by the global NGOs, and by global institutions such as the United Nations and the World Bank. We analyzed the talking points of government departments and leading multinational companies. It struck us that there is a finite number of themes. Just as journalist and author Christopher Booker once said that there are only seven basic dramatic plots, so we think that there are 11 big conversations – ranging from Population to Education & Skills.

In this issue of the *Brunswick Review*, we look at each of these conversations. We begin by asking: what are people actually talking about when they discuss Health, or Security, or Human Rights? Where are the points of contention in the big debates about, say, Population or Communities?

In other words, where’s the heat in these conversations today? At any one time, there are areas of real friction. Where the heat is may change over time, but the big conversations stay the same.



### Joining the conversations

By the very nature of what they do, the activities of every big corporate inevitably make them relevant to one or more of the world's big conversations. The most forward-looking of today's business leaders get that. They are proactive in joining the conversations – because they know that the knowledge and expertise embedded within their business puts them in a position to make a contribution.

In this issue, we look at some of the leading companies that are joining the conversations. For example, in Environment & Resources, Keith Weed, Unilever's Chief Marketing and Communication Officer, tells us about the company's ambitious plans to grow its business while halving its environmental impact.

In the Energy & Climate Change conversation, Warren East, CEO of ARM, talks about how the company came to dominate the design of smartphone chips through a relentless pursuit of energy efficiency. In Communications, author Don Tapscott talks about how companies are responding to the

new age of transparency. Time and again we see that when companies engage, it isn't just good for society, it's good for business.

When it comes to tackling the world's big challenges, business has a unique contribution to make. That is the view of Bob Zoellick, who gives us his reflections as the outgoing President of the World Bank. Economist Dambisa Moyo, author of *How The West Was Lost*, tells us why she thinks that corporates are a positive force in the global economy.

We live in a world that has become hostile to corporates. Levels of trust in business continue to fall. However, we think a change is coming. In this issue, we look at how some leading companies are engaging with society in a constructive new way.

#### References used on the following pages:

*Advertising Age, Amnesty International, Article 19, BBC, Bloomberg, British Medical Journal, CIA, CNET, Financial Times, Forbes, General Electric, GlaxoSmithKline, Google, IBM, IDC, International Energy Agency, International Labor Rights Forum, International Labour Organization, International Maritime Organization, International Organization for Migration, MBA Online, OECD, Rolls-Royce, Sunlight Foundation, The Economist, The Guardian,*

*The Huffington Post, The Telegraph, The Wall Street Journal, Transition Network, United Nations, USA Today, US Office of Management and Budget, Vodafone, World Bank, World Health Organization, World Nuclear Association, World Trade Organization, WWF*

*Photographs in this section by [www.philsills.com](http://www.philsills.com)*

*Lucy Parker and Jon Miller are Brunswick Partners, helping businesses to promote the positive contribution they can make to society.*

Over the following pages, we meet some of the more forward-looking businesses, and look at the contribution they are making to the big debates taking place within The 11 Conversations 



# 11

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# ENVIRONMENT & RESOURCES

Many of us are barely aware of the fragility of the resources we depend upon for our survival. Even the basics, such as water, can no longer be taken for granted. The fact that there are more of us on the planet means the strain on our resources has increased. According to the WWF, our demands on the natural world have doubled since the 1960s. There is a wide disparity in the needs of countries. The WWF estimates that if every human being enjoyed the average US lifestyle, we would need the resources of four Earths to regenerate humanity's annual demand on nature. Furthermore, within the next two decades, an additional 3bn people are forecast to be added to the global middle class, ready to spend, acquire more goods, and increase our need for resources.

Advances in technology can produce more outputs for given inputs, but this requires investment. It's one of the biggest challenges we face: we need to think long term, and balance a narrow, localized view of the world against a recognition that we all share the same planet.

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## Where's the heat?

- / Resource scarcity
- / Extraction
- / Pollution
- / Waste
- / Biodiversity
- / Food security

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### / Resource scarcity

There are more of us making greater demands. We do not just need more core commodities, such as steel or copper, but more scarce resources too, such as the rare earth metal cerium, used in flat-screen TVs. Prices are already climbing steeply.

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### / Extraction

Our search for resources takes us to increasingly remote and inaccessible places – which pushes up the social, environmental and financial cost. There's a lively debate about how to minimize the impact, or whether we should extract at all.

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### / Pollution

More industry, more manufacturing, more transport – all this means more pollution. Mining and industrial production, for example, generate hundreds of millions of tonnes of toxic waste each year – often polluting rivers and ground water. Air pollution causes more than 3m deaths a year worldwide.

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### / Waste

Throwing away “stuff” does not make sense as resource scarcity bites. Waste can become a source of value and a spur to innovation. China is the world's largest importer of waste, taking material from the US, processing it and shipping it back.

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### / Biodiversity

Ecosystems can be destroyed when land is used for building, agriculture and accessing resources. Most alarming is the continued destruction of rainforests around the world: where there were once 16m sq. km, today there are fewer than 9m sq. km. 



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## / Food security

More than 20 per cent of food along the global value chain is wasted. In developing markets food security is still very much a pressing issue; production is often small-scale, lacking investment and infrastructure. Meanwhile, global trade in food means that while for many food is plentiful, in a crisis no country is self-sufficient.

### What's the context?

*Advertising Age* listed the word “sustainability” as one of the world’s “jargoniest jargon” words – alongside “monetize,” “360,” and “the new normal.” The magazine says, “It has come to be a squishy, feel-good catch-all for doing the right thing.” Whether you love or loathe the word, sustainability has become a hot topic because of growing concern about environment and resources. It is one of the biggest conversations in the world today: how can business be more sustainable?

Often, sustainability seems to be opposed to business growth; reducing your “environmental footprint” seems to imply you should reduce your “business footprint.” For some industries, this poses an even more direct challenge: what is the role for big energy companies in a low-carbon world? Forward-looking companies see it differently. They talk about sustainable growth: managing long-term business continuity, water supplies, raw material costs and waste reduction. For many, sustainable growth is about stimulating innovation in products and processes and refocusing their business activities to meet the new challenges.



Resources come out of people’s minds more than out of the ground or air. Minds matter economically as much as, or more than, hands or mouths

— JULIAN SIMON, ECONOMIST

After a century of cheap resources, few institutions, in either the private or the public sector, have made resource productivity a priority

— MOBILIZING FOR A RESOURCE REVOLUTION, MCKINSEY

Access to reliable supplies of clean water is a matter of human security. It’s also a matter of national security

— HILLARY CLINTON  
ON WORLD WATER DAY



**KEITH WEED**  
*Chief Marketing and  
Communication Officer, Unilever*

Unilever’s “Sustainable Living Plan” is aimed at tackling some of the most pressing problems facing society and raises the bar for companies seeking to get involved in the big issues. The scheme set out the bold ambition to double the size of the company by 2020 while reducing its environmental footprint. The measurable goals include helping more than 1bn people improve their health and wellbeing, halving the environmental impact of Unilever products, and sourcing all of the company’s raw materials sustainably. *Keith Weed, Unilever’s Chief Marketing and Communication Officer, tells Brunswick’s Lucy Parker how businesses can make a difference.*

**Can businesses keep growing in a world that is becoming increasingly resource constrained?**

As a global population we’re consuming both renewable and non-renewable resources at a rate that can’t be replenished. Some people talk about how we have to consume less and scale down our lifestyles. But I’ve not seen any evidence of mankind’s ability to do that. Of the 2.5bn more people arriving in the coming decades, 90 per cent are going to be in the developing and emerging markets. They’re going to strive to improve their lifestyles from one generation to the next. So it’s more realistic to recognize that consumption will increase and we need to work out how to deliver *sustainable consumption*. I’d argue that if we can take on these big challenges it will inspire more fundamental innovation in our products.

**In Unilever, are there any real examples yet of innovative products developed in response to today’s big social challenges?**

Yes. To highlight one: drinkable water is a scarce resource in many parts of the world and a growing population is making this worse. Water-borne diseases are still responsible for

80 per cent of disease in developing and emerging markets. In India more than 90 per cent of people have to boil water to get rid of viruses and bacteria. Then they have to store it and it gets re-contaminated, so it's not a perfect system. We launched a water purifier called Pureit to tackle the problem. Because it works as a system of filters, it doesn't require any pressurized water or electricity, and you can simply scoop water out of a river and create clean drinking water. It's providing safe, affordable water for millions of people, so that's an instance of an innovative product driving business growth while addressing a fundamental challenge.

**Are you saying that businesses won't be able to deliver long-term economic growth without recognizing the need for sustainable resource strategies?**

Yes, I am, exactly. If we don't decouple economic growth from its negative environmental and social impact, it will create its own problems. I was speaking at the Advertising Association's conference on the future of the advertising industry and started off talking about sustainability. You could see a lot of people thinking, "What's this got to do with the future of advertising?" My answer is that the population is 7bn people today – there will be 2.5bn more by 2050. How can the advertising industry, which calls people "consumers," imagine that it won't be condemned as one of the forces that help drive consumption? To use a cliché: if you're not part of the solution, you're part of the problem. So one of the first things I'd put on the agenda for the advertising industry is how we create demand for more sustainable solutions.

**Many people are skeptical about the commitment of business to the issue of sustainability. How has Unilever responded to that challenge?**

I think what we've done organizationally is quite different. I'm the Chief Marketing Officer and in most companies that title means you're all about consumer-demand generation. But I'm also in charge of sustainability and communications, so sustainability isn't the little department in the corner, it's part of our fundamental business. We've created a global function and made it a priority – because we believe this all needs to be joined up.

**What's the specific role multinational companies have in creating sustainable solutions?**

What the multinationals can do is scale some of the solutions. To return to Pureit: it's become national in India, serving 35m people. We're launching in Brazil, Mexico, Indonesia, Sri

Lanka, Bangladesh, and more will follow – we're trying to reach 500m people. It would be tough, say, for NGOs to take on that big a task.

**Much of your potential to shift to sustainable production is outside your own operations and relies on the supply chain. How difficult is that to achieve?**

We did an enormous piece of work to map our total environmental footprint. Strikingly, one of the things we learned was that our own factories and offices only produce 6 per cent of the overall environmental impact of our business. Around 25 per cent sits in our supply chain, so we just couldn't ignore tackling sustainable sourcing. For example, we're the world's largest purchaser of tea – 12 per cent of the world's supply. All our tea bags for Europe are sourced sustainably now. By 2015 we want all our tea bags globally included and by 2020 all the loose tea as well. We have 38,000 smallholder farmers producing tea. We work with the Rainforest Alliance to certify the smallholder farms we work with. For the farmers, it means the security of an ongoing buyer, but we have to recognize that scaling this up is a massive task.

**Doesn't this vision risk potential conflict with shareholders?**

Shareholders *per se* are not an inhibitor to any of this. They know and we know that the only economically sustainable growth is consumer demand-led; putting that first creates a successful business. But it's true that with a business of our size and scale – every day 2bn people use our products – measuring our progress on a 12-week window is unrealistic. So we said we'd move to half-year reporting. Some people asked, "Won't you alienate some shareholders?" To which our response was, "Not the ones who are going to work with us for the long term to build a sustainable business for the future."

**But if your focus is serving consumer demand-led growth, isn't there a problem that consumers won't lead you towards sustainable production?**

You're right, if you just ask focus groups of consumers what they want now, they will likely describe what you are already offering. But let's talk about one of the most successful brands in the world: Apple. Their business is based on what the world *could* be like. They imagine that and then the consumers come to them. I'd argue what we're trying to do is get to the future first. We have a vision of the future – I think it's a compelling vision and we want to help consumers get there. ☺

4

If we all lived the average US lifestyle, we would need the resources of four Earths to regenerate humanity's annual demand on nature

x2

The price of copper has more than doubled since 2009, which has led to a big increase in theft, everywhere from railroads to church roofs

900m

Almost 900m people worldwide lack clean water and more than 2.6bn people do not have access to basic sanitation

2,500

It takes up to 2,500 liters of water to make a cotton T-shirt



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# HEALTH

Health is one of the great arenas of human progress, from the eradication of smallpox to the development of prosthetic hands that are nimble enough to type. But this all comes at a cost. Treatments are more sophisticated, diagnostic techniques are getting better and populations are growing – all of which puts a huge burden on healthcare systems.

In many countries patients have become better informed and more demanding, while access to healthcare has become a challenge around the world. Life expectancy varies wildly: if you're born in Japan you can reasonably expect to see your ninth decade; in Angola, about two in 10 people don't make it past the age of five. An Angolan woman is nearly 100 times more likely to die in childbirth than her Japanese counterpart. But health is more than just the absence of disease; the World Health Organization defines it as “complete physical, mental, and social wellbeing.” Mental health is rising up the agenda. Around the world, 121m people are now diagnosed with depression – four times more than those with HIV.

Changing lifestyles mean people don't exercise enough, they eat too much junk food and they get stressed. These issues are starting to appear in rapidly-growing countries as they get wealthier, leading to an “epidemic” of diseases such as diabetes and heart disease.

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## Where's the heat?

- / Communicable diseases
- / Non-communicable diseases
- / Medicine
- / Healthcare systems
- / Nutrition
- / Workplace health



Health is a state of complete physical, mental, and social wellbeing and not merely the absence of disease or infirmity

— WORLD HEALTH ORGANIZATION  
DEFINITION OF HEALTH

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Every minister is a health minister

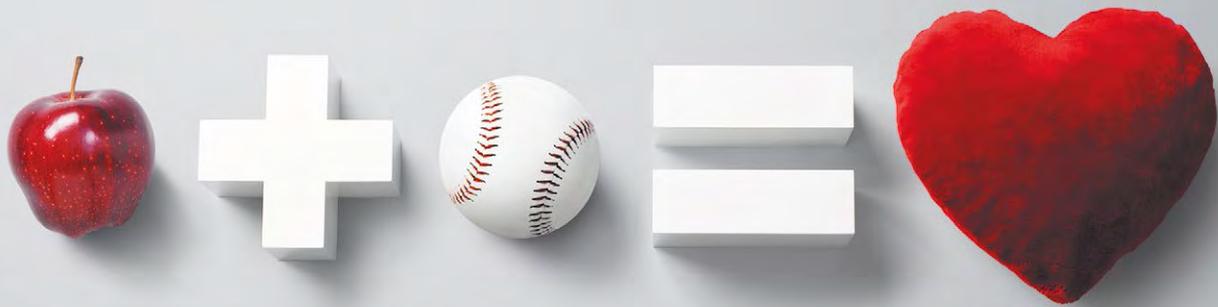
— SIR MICHAEL MARMOT,  
PRESIDENT OF THE BRITISH  
MEDICAL ASSOCIATION

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Under pressure from powerful corporations, the rich world is insisting on stringent patent protection. Vital drugs will be priced out of reach of poor people

— OXFAM'S “MAKE TRADE FAIR”  
CAMPAIGN





**/ Communicable diseases**

Our track record at dealing with infectious diseases is good: from cholera to HIV/AIDS, progress is being made. However, growing urbanization creates the conditions for disease to spread and drug resistance is increasing for malaria and tuberculosis.

**/ Non-communicable diseases**

“Lifestyle” diseases are now the biggest global killers – diabetes, heart problems, and some cancers. These diseases are skyrocketing in rapidly-growing economies: India has the most diabetics, and Mexico has the world’s highest level of obesity. Tobacco use claims more than 1m lives a year in China alone.

**/ Medicine**

As the medical industry conquers more illnesses, some ask whether we are going too far in pathologizing complaints. For example, Attention Deficit Hyperactivity Disorder (ADHD) is not a disease, but 3m US children are medicated for it. At the same time, millions of people are still excluded from the medicines or treatments they need.

**/ Healthcare systems**

With rising costs, how best to organize healthcare is a subject of intense debate in every country. The latest World Health Organization report estimates that between 20 per cent and 40 per cent of global health spending is wasted.

**/ Nutrition**

As millions of people in low-income countries suffer from under-nourishment, millions of others elsewhere consume excessive amounts of food, often of an over-processed variety. The role that business can play in redressing this imbalance is a live conversation.

**/ Workplace health**

In developing countries, basic safety is a priority in the workplace. In the developed world, stress-related illnesses are the top concern. Across the world, employers are increasingly aware that it can be cheaper to address employee wellbeing than to ignore it. 

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## What's the context?

It isn't just healthcare and pharmaceutical companies that get involved with conversations about health. Google's Flu Trends analyses search data to predict pandemics by tracking flu activity around the world in near real time. Since 1999, Vodafone's "mHealth" initiatives have explored ways that mobile technologies can support healthcare. Companies in many sectors use their expertise to help achieve health goals.

In the developed world, growing concerns about obesity have led food and beverage businesses to join the conversation: companies such as PepsiCo, Kraft and Kellogg have launched the Healthy Weight Commitment Foundation, which pledges to take 1.5 trillion calories out of the US diet by the end of 2015.

The role of pharmaceutical companies is one of the big topics in the health debate. Many were heavily criticized at the height of the HIV/AIDS epidemic for enforcing patents on lifesaving treatments. However, most now recognize that they are in a unique position to make a positive impact, especially in the developing world.

"Merck's Gift" saw billions of river blindness drugs distributed across Africa. Going even further, GSK substantially cut drug pricing in developing countries. GSK is now reinvesting a percentage of profits into charities that are training healthcare workers and building clinics in poor countries. This is how pharmaceutical companies are adapting their business models in real time, to widen access to life-saving treatments and participate in the conversation.

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# 121m

Depression affects 121m people worldwide, almost four times as many as those living with HIV/AIDS

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# x3

Spending on cancer care in the US has increased from \$27bn to \$90bn per year over the past two decades

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# 20%-40%

The WHO estimates that between 20 per cent and 40 per cent of global health spending is wasted

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**LISE KINGO**

*Executive Vice-President & Chief of Staffs,  
Novo Nordisk*



**ALAN MOSES**

*Global Chief Medical Officer,  
Novo Nordisk*

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**Around the world, diabetes is spreading at an alarming rate. Lise Kingo and Alan Moses from Denmark-based Novo Nordisk, one of the world's oldest and largest developers of diabetes treatments, tell Brunswick's Gwynne Oosterbaan why prevention is better than cure – even if it means having fewer future customers.**

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**Novo Nordisk generates 80 per cent of its sales from diabetes drugs, but is also investing in prevention and even research for a cure. Are you worried about putting yourself out of business?**

*Alan Moses: That would be a great problem to have, but unfortunately with the rapid spread*

of diabetes, it's unlikely. Diabetes is one of the most widespread diseases today, affecting 366m people – largely, but not exclusively, due to our globalizing and modernizing society. Thanks to rapid growth and the rise of urban living, people simply do not burn the calories they did 30 years ago. We're seeing this globally, but emerging markets have some of the highest rates of diabetes. The risk for diabetes varies by ethnicity, and the risks change based on weight. For example, in India and China, someone with diabetes may have a body mass index (BMI) of 21, versus 27 or higher in the US.

The world has a rare opportunity – because of the social drivers of diabetes – to curb its growth. These are strategies that do not require medical intervention. For a company with 80 per cent of its business in diabetes, Novo Nordisk can hardly sit on the sidelines. So yes, we invest in a cure. In the event that society and medicine could turn the tide against diabetes, we would love to worry about the future of our business.

**Are there ethical dilemmas for the company here? How does Novo Nordisk view the balance between business performance, which is linked with the prevalence of diabetes, and social responsibility?**

*Lise Kingo:* It's not an either/or question. Our emphasis on social responsibility started when Novo Nordisk was founded in 1923, when Nobel Prize-winning scientist, August Krogh, and his wife – herself a physician, with Type 2 diabetes – traveled to Toronto in search of a treatment for diabetes. They got a license to manufacture insulin, brought it back to Denmark, and formed the company which today is Novo Nordisk.

Almost 90 years later, we still see our relationship with patients in the same way. The people who use our medicine place the ultimate trust in us, especially since for most people with diabetes it is a daily, even hourly, preoccupation once they're on insulin. We are also very aware of our broader social impact. The bulk of our efforts revolve around helping people who live with diabetes.

**You fund various educational programs directly and with partners – why do you feel it is incumbent upon Novo Nordisk to fund efforts to prevent or cure diabetes?**

*AM:* Physicians and the public sector can't keep up with the spread of diabetes. Medical schools in the US don't provide adequate coursework in diabetes and continuing medical education is down, so Novo Nordisk prioritizes education and training. Since we have a wealth of knowledge and experience

in diabetes, we see this as an extension of our work and a critical part of our contribution.

There are three stages where Novo Nordisk supports prevention efforts. First, we help prevent the onset of the disease. If we could move the needle at all, we could positively impact outcomes for many millions of people. We invest in our own diabetes education program in the US and a key component of this is working with large employers, like Boeing and Disney, to train their staff in ways to prevent diabetes through exercise and a healthy diet.

But when a patient is diagnosed, our hard work is just starting. We understand patients and how difficult it is to manage this disease. So, second, we work with groups, like the YMCA and UnitedHealthcare, to sponsor patient support groups. Our diabetes educators liaise with physicians to train their staff to help guide patients with the disease. Finally, we are very involved in helping patients prevent complications associated with the disease, such as blindness, kidney failure, and even amputations, which rack up the lion's share of the costs and the negative health impacts that arise as diabetes progresses.

**Novo Nordisk is considered a financial bright spot in the pharma industry, with 39 quarters of uninterrupted growth, but do shareholders get worried about these other efforts?**

*LK:* Our shareholders understand our full set of motivations. We are very clear and upfront about what we call our "triple bottom line," which means that we formally measure our impact on society and the environment, in addition to our financials.

Shareholders and analysts are increasingly sophisticated and appreciate that how we conduct ourselves is as important as the returns we generate. They see our investments in diabetes awareness and prevention, together with reducing our environmental footprint, not only in terms of maintaining our license to operate, but also as a cost saving that helps the business.

At all our production plants in Denmark, for example, the power comes from a large wind farm in the North Sea, off the coast of Denmark. This has eliminated carbon emissions and benefited our financial bottom line. Our \$20m investment into energy savings has already saved us \$24m, and savings will continue at the rate of \$8m annually.

**What are the primary causes of the spread of diabetes? How much of the disease can be attributed to pure "lifestyle" choices?**

*AM:* Today's diabetes pandemic is the result of three things. One is an individual's genetic predisposition. The other two are functions of our globalizing and modernizing society itself. Food production and food availability have increased around the globe; meanwhile we have taken away the need for individuals to actually move around, to exert effort and burn calories.

But there are still mysteries to solve about diabetes. For example, there are people with normal BMIs who look "thin" and are diagnosed with Type 2 diabetes. They are exceptions to the rule, and we don't understand why. Research suggests that one's nutrition before birth plays a role. There's more to discover about the drivers and dynamics of the disease.

Type 1 diabetes – which is an immune system problem – is also on the rise, and we don't understand all the factors behind this. One persuasive hypothesis underlines the decrease in infections thanks to vaccines and improved living conditions so that the body's immune system is not challenged in the way it was 50 years ago.

Our new research center in Seattle is looking at this, as well as cutting-edge strategies to tackle Type 1.

**Given that countries like China and India have some of the highest prevalence of diabetes, what is Novo Nordisk's view of the conversation about health equity and access to medicine? How has the global health revolution in the last decade – which focused on access to HIV and malaria drugs – shaped your activities on a global stage?**

*LK:* Novo Nordisk, like the rest of the pharmaceutical industry, experienced a major wake-up call about 10 years ago at the height of the public debate on HIV drug pricing. We have spent the last 10 years putting diabetes on the global political agenda and developing a comprehensive access program that continues to grow.

First, we cut the price of human insulin in the world's least developed countries and capped it at 20 per cent of the average price in the Western world. We set up the World Diabetes Foundation in 2002, with an initial \$200m commitment for the first 15 years, which supports every aspect of improving diabetes care in the world's poorest countries – from training to improved treatment to policymaking.

We are also researching the barriers to access – we identified points in the distribution chain where the price to the user has increased because of taxes or additional fees. ↗

We have a special program to train healthcare professionals to treat children with diabetes in resource-poor countries. To date, 1,100 healthcare professionals have received training and more than 5,300 children are receiving treatment in the established clinics. We are working with governments across the globe to help them identify all the players in the diabetes ecosystem and understand how small investments they can make now will pay off over time. We aim to do much more – our access journey is really just beginning.

**How is Novo Nordisk working to better understand the challenges of living with diabetes?**

LK: Diabetes is sometimes called a silent killer, because many people are affected by it and don't know it. Society doesn't fully appreciate the challenges associated with that and people think, just take insulin, and that's it. Novo Nordisk understands that this assumption comes from a lack of understanding and dearth of convincing data. So we commissioned studies to document in a rigorous way what it's like to live with diabetes, and not just the medical aspects.

We launched Diabetes Attitudes, Wishes, and Needs in 2001, also known as DAWN – a first-of-its-kind study that explored the wider non-medical aspects of diabetes management. Initially, more than 9,000 people with diabetes and their healthcare providers worldwide were involved. The second phase of the study, DAWN2, spans a two-year period starting in 2011 and will collect both narratives and anecdotes from patients, healthcare providers, patient associations and policymakers. The questionnaires are designed to focus on the unmet needs of people with diabetes.

DAWN surveys are being undertaken in 18 different countries; an estimated 16,200 people will participate in three surveys targeting about 9,000 patients, 2,160 family members of people with diabetes, and 5,040 healthcare professionals, respectively. We believe this massive psychosocial study will really improve how society understands diabetes. We'll take lessons from this initiative into training programs, to improve care across the world and find local ways to address challenges of the self-management and mental health of diabetes patients. We hope that this is another contribution that Novo Nordisk can make. 🎯

*Gwynne Oosterbaan is a Director in Brunswick's New York office and specializes in corporate reputation and media relations, with a background in international affairs.*



## EDUCATION & SKILLS

Across the globe and over the centuries, education has always been highly valued. For the individual, education can have a massive transformative effect. In fact, education is a right, recognized in the United Nations 1948 Universal Declaration of Human Rights.

Education operates at the highest level by inspiring and shaping a nation. It encourages shared values across a population and thus helps develop social cohesion. It also brings hard economic benefits: a skilled workforce does wonders for increasing national competitiveness. UNESCO reports that differences in average skill levels among OECD countries corresponded with a 55 per cent difference in economic growth over a 34-year period. For an individual, getting a degree can double earning power.

Getting people into and through the system, and making sure they acquire the skills they need to succeed in life, remains a challenge across the world.

### Where's the heat?

- / Basic skills
- / Participation
- / Funding
- / Education systems
- / Curriculum
- / Competitive skills



# 55%

A study found that differences in average skill levels among OECD countries corresponded with a 55 per cent difference in economic growth over a 34-year period

# 6m

China is producing 6m graduates a year, six times more than a decade ago

## / Basic skills

Certain core skills are necessary to function in modern society, such as how to manage money, use a computer, work with others, have good ideas, and turn up to work on time. What’s the best way to equip people with these skills? It is an ongoing debate.

## / Participation

In developing countries, it is a struggle to keep children in secondary education because it can be tempting to earn money instead. In developed countries, the proportion of young adults in university has increased 25 percentage points since 1995 to 59 per cent today.

## / Funding

Educating a nation does not come cheap. In most countries, it represents a sizeable proportion of public spending. For example, Norway spent an average of about \$15,000 per student, per year in 2007, whereas Mexico spent \$2,000 per student in the same year.

## / Education systems

Schools have been around for thousands of years but it’s still not clear how best to organize education. Simply pouring in money is not the answer and is no longer an option; the debate is intensifying.

## / Curriculum

Some argue that school should make us fully rounded individuals and citizens. Others complain that traditional education is too academic and want more vocational training. Finding the middle ground is one of the big conversations in education. Should the curriculum be imparting knowledge or building capabilities?

## / Competitive skills

In today’s globalized economy jobs can go anywhere. China is producing 6m graduates a year – six times more than a decade ago. Being highly educated is not enough – it is the application of cutting-edge skills that drives innovation and creates jobs.

## What’s the context?

A few years ago, a viral video called “Shift Happens” clocked up a few million hits on YouTube. Among the many startling factoids was the following: “The Top 10 most in-demand jobs in 2010 didn’t exist in 2004. We are currently preparing students for jobs that don’t exist yet, using technologies that haven’t been invented, in order to solve problems we don’t even know are problems yet.”

It’s something that many businesses are grappling with: as the pace of innovation continues to grow, the skills base that companies need continues to shift. Many businesses address this by developing closer links to universities. Rolls-Royce, for example, has a global network of University Technology Centres – established to draw on cutting-edge thinking to stimulate innovation.

At the other end of the skill spectrum, Douglas Coupland famously popularized the term McJob to describe “a low-pay, low-prestige, low-dignity, low-benefit, no-future job.” McDonald’s has responded to this by supporting its staff in getting basic qualifications, even going so far as to get several hundred McDonald’s outlets accredited as exam centers. Skills development is relevant for every business.



Learning happens in the minds and souls, not in the databases of multiple-choice tests

— SIR KEN ROBINSON, EDUCATOR

If you go to one of these tough schools, your chance of going to a four-year college is even less than your chance of going to jail

— BILL GATES ON US PUBLIC EDUCATION

Our schools should be the engine of social mobility

— MICHAEL GOVE, UK SECRETARY OF STATE FOR EDUCATION





**AMY CHRISTEN**

*Vice-President of Corporate Affairs, Cisco*

**In the modern world, ICT skills have become as essential to a full education as reading, writing and arithmetic. At Cisco, Amy Christen, a Stanford MBA graduate and 15-year company veteran, heads up Cisco Networking Academy, an educational outreach program that has grown deep roots for the company in communities across the world. She explained to Brunswick's Oliver Phillips Cisco's motivations behind creating "the world's largest classroom."**

**What was the origin and purpose of Networking Academy?**

Since 1997, Cisco Networking Academy has grown from a small-scale program, designed to help schools get the most out of their networking equipment, into Cisco's largest corporate social responsibility program, with courses taught in 165 countries to nearly 4m students who have participated to date.

Students complete hands-on learning activities and network simulations to develop practical skills that will help them fill a growing need globally for networking professionals.

**How difficult was it to convince the powers that be that making the investment was worth it and relevant to your core business?**

Many countries regard the ICT skills gap as their biggest impediment to global competitiveness. Cisco decided to take on the challenge of helping them close that gap for several reasons:

First, there's a huge gap in terms of the number of technologists we need and the numbers that are coming out of school.

Second, creating this program was something that we uniquely could do.

Third, it was something that was also good for our business. It has produced more students who understand what to do with networks, and has also demonstrated what networking can do.

**What accounts for its rapid growth over the last decade and a half?**

You need networking skills everywhere in the world to be competitive in today's economy. The Academy just grew a lot faster than we anticipated, and growth in recent years has been larger in developing countries. Networking Academy has actually given us a foothold in some countries before they have become markets for Cisco. I believe we have offices in 80 countries now; we have Networking Academies in 165 countries. So, in the developing world, we're often benefiting the community before we're there as a commercial entity. Some 55 per cent of our students are in the developing world. And we only have about 17 per cent in the US.

**What has surprised you about the scale and reach of the program over the years?**

Once I went to visit the Deputy Prime Minister of Slovakia. They are trying to build a very strong, Silicon Valley-type of capability in Central and Eastern Europe. To his right was the guy who runs the network for their schools and all their education. I introduced myself and said, "I'm Amy. I work with Cisco. I don't know if you're familiar with it but I'm here to talk about Networking Academy. He says, 'Oh, are you kidding? That guy standing right next to you was my professor. He taught me through the Academy program. That's how I got started in ICT.'"

It takes longevity for that to happen. But that's clearly the result of being able to invest in building talent early. Then you have a unique and trusted relationship with people who have a direct impact on the future growth of their country.

**A striking aspect, particularly in the Middle East, is the proportion of women in the program – Egypt 43 per cent; Saudi Arabia 37 per cent; Oman 55 per cent; and so on. How do you view Networking Academy's role in this? Is it mirroring society or helping to shape it?**

Well, we definitely are trying to shape it and gender has always been one of the focus areas in Networking Academy. We have a global participation rate of 20 per cent for females. In ICT, in general, we believe that diversity really helps drive innovation and success. The surprising thing to me was how much more effective we've been at that in the Middle East than in other areas: the highest participation for women right now is in the Middle East, the lowest is in northern Europe.

There are reasons why, I think, in the Middle East women are very interested in

finding a career where your value is based on your knowledge and your skills: you can do networking from a remote location; you don't have to socially interact, and that gives them degrees of freedom that other careers might not. So, I think we are helping to shape society, but I think it's also an opportunity that's particularly appealing to women.

**How much bigger do you think Networking Academy could get?**

I think right now, we're filling a gap in schools because the curriculum isn't available any other way. So, as long as that gap is there, I think it could continue to grow.

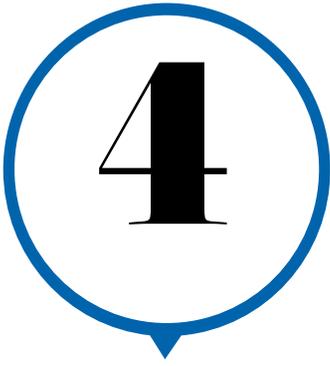
But size is not what really matters. To me, it's much more about the impact on students' lives, and the positive influence we have in transforming education wherever we go. And having people understand that education no longer needs to be the 18th century model that tries to pour knowledge into a kid's brain. It's much more about providing the opportunity to learn and then coaching the students to pursue their passion. That's going to make the big difference in the society of the future.

We have also had a really amazing adoption by a Facebook community – we currently have more than 330,000 "likes." This was all spontaneous and they are helping each other learn, helping each other through school, helping each other find jobs. It's where I think corporate social responsibility needs to go – to a place where there's a lot of shared value. That's what makes it sustainable and why Cisco can keep investing in it; because it is benefiting all of us.

**What makes you believe the Academy is making an impact?**

Let me share a story. I went to visit an Academy that was at a technology-oriented high school in a challenged economic area. It was interesting because I was talking to some of the girl students there and everybody's always surprised that there's a woman running this program – a lot of people think that technology is all guys. So I asked the girls, "Why did you take this class?" And they said, "Because all of our friends told us we had to take this class. It's the best class." I said, "Why do they say that?" And they said, "Because it's the only class that teaches us how to think. The rest just teach us a bunch of facts." That is the big impact that we can have. 🌟

*Oliver Phillips leads Brunswick's corporate responsibility and sustainability practice in the US. He specializes in communication strategies addressing environmental and social challenges that impact corporate reputation.*



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# COMMUNITIES

Man is a social animal, hardwired to want to join groups. It is at the community level that most people experience everyday connections. Community is about local impact: while policymakers are concerned with the big international trends, individual day-to-day concerns surface at the community level. At a time when there is much public commentary about globalization, there is a flipside concern about keeping communities resilient.

Many factors are at play. More and more, mobile populations mean that multiculturalism has become a big issue around the world, redefining local communities. The shape of the family and the structure of households are changing, as are patterns of economic activity and jobs. Governments are encouraging new types of community-based solutions, experimenting with new commissioning and financing models, and introducing different types of organizations to the “public service” mix. People have recognized the necessity of investing in communities to make them work. We all benefit by keeping the fabric of society functional and resilient. Meanwhile, for many people, online networks are dramatically reframing the idea of community, empowering people to join together wherever they live in the world on the basis of shared interest.

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## Where’s the heat?

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- / Multiculturalism
- / Unemployment
- / Public/private structures
- / Social enterprise
- / Community financing
- / Volunteering

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### / Multiculturalism

Across the world, different cultures rub shoulders in our big cities. The big debate is the age-old one of assimilation versus amalgamation: whether it is better to absorb new arrivals into the existing culture, or to allow various cultures to live in their own way side by side. At the moment, fears of extremism lend weight to the former view.

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### / Unemployment

This can be deeply toxic and corrosive, causing communities to collapse. It is not just about money, but the lack of opportunities and the erosion of a community’s aspiration. Tackling the issue requires innovative approaches involving both government and business.

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### / Public/private structures

Asking private companies to deliver public services can be controversial. They need to overcome the suspicion that profit will come before fully delivering the service. In the UK, at least a third of public services are already provided by private and other non-government sectors.

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### / Social enterprise

At the heart of social enterprise is making a positive impact on communities. It is an area of great creativity and innovation and includes looking for positive ways businesses can address social problems.

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### / Community financing

Innovative funding approaches, such as microcredit, help the less empowered to get their ideas off the ground – though some argue that this can become just



another way for vulnerable individuals to fall into a poverty trap.

#### / Volunteering

In the US, 26.5 per cent of people say they volunteer; in the UK, 40 per cent. The challenge is often getting them active: organizations report they have many unused volunteer hours, suggesting that red tape and limited resources can get in the way.

#### What's the context?

Local communities have become a force to be reckoned with. They have become well organized and better connected than ever before. Communications technologies make it easier and cheaper for communities to take concerted action. Thousands of civil society networks have sprung up around the world, enabling local communities to share information and experiences.

Increasingly, local communities are supported by better resourced and more focused global NGOs.

All of this means that, whereas in the past shareholder value dominated the agenda at the expense of these communities, in today's environment, companies cannot afford to ignore the expectations of local stakeholders – especially the people in whose communities their operations are based. 

# 28%

A study found that the average daily saving in US prisons operating private partnerships was 28 per cent

# 80m

Microfinance is believed to have helped around 80m women in the poorest areas of the world

Many companies have already felt the sting of community activism at a grassroots level. In parts of the US, for example, local communities have organized opposition to the opening of “big box” stores such as Walmart. In the UK, locals have protested against the opening of coffee chains such as Starbucks on their high streets. So a number of large retail brands had to become sophisticated at engaging people at a local level, to avoid being rejected by the communities they wish to enter.

Increasingly, large companies deal with communities across the world – and this raises the stakes. Sometimes, mismanaging issues with the local community can damage relations with a host government, putting at risk a company’s license to operate. In extreme cases, there have been violent incidents. Social media tools mean that an egregious local story can very quickly become a damaging global issue – with negative effects on a company’s reputation.

Good relationships with local communities are especially important for the extractive industries – mining, oil and gas. Getting it wrong can be very costly: an analysis of delays associated with a sample of 190 of the world’s largest oil and gas projects found that only 21 per cent were due to technical risk, while 73 per cent of project delays were for non-technical reasons, such as community resistance. As the search for scarce resources intensifies, it will become more important to satisfy global demand in ways that benefit local communities.



You know, there is no such thing as society. There are individual men and women, and there are families

— MARGARET THATCHER, FORMER BRITISH PRIME MINISTER

Americans are right that the bonds of our communities have withered, and we are right to fear that this transformation has very real costs

— ROBERT PUTNAM, HARVARD PUBLIC POLICY PROFESSOR



CYNTHIA CARROLL  
CEO, Anglo American

**Local communities around the world are becoming increasingly organized and empowered by new media – and have greater expectations than ever about what inward investment should bring to their lives. Even a small community can influence the progress of a big project. In the mining industry, it is absolutely imperative that companies get local communities on board. The care of the environment and the safety of mineworkers can be make-or-break issues for mining projects. Cynthia Carroll of Anglo American, a geologist by training, made headlines soon after she became CEO in 2007 by dealing head on with safety issues. Here she tells Brunswick’s Lucy Parker how companies must create outcomes that work for everyone.**

**What is different about the way local communities interact with big mining companies, such as Anglo American, compared with 10 years ago?**

Communities are better informed. They have clear expectations; they understand their issues and the company’s issues, and how to support their interests better than they used to. They know how to make their views heard. Even the term “local community” now has a different meaning. It is playing into the local-global dimension, because today “local” communities can communicate with each other all over the world. For example, whatever happens in the

communities where we operate in South Africa, you can be sure that stakeholders in Alaska will know about it. And people look over the fence to see how other communities are dealing with the same concerns that they have.

**So what's different about the way Anglo American interacts with local communities?**

It has become a valuable competitive advantage for Anglo American. For example, what we are doing in Barro Alto, in Brazil, really illustrates what is involved. In that community, dairy farming is vital so we have been working with CARE International, the non-governmental organization, to help increase the milk and honey yields of local farmers. We have introduced technical expertise to improve milking rotation, hygiene and farm management techniques. That is just one aspect of a \$5m social investment we have committed to that community so far.

**What's the most important thing that host communities can get out of having you there?**

Backing enterprise development is one of the most powerful ways of creating lasting benefits for host communities. Zimele is a program that's been active in South Africa for 20 years – it's a Zulu word that means to be independent, to stand on one's own two feet. Zimele's Community Fund gives an average of two loans a day to local entrepreneurs. But it is not just the money. We provide training in business planning and accountancy to embryonic businesses that have skills and ideas, but no assets or credit record that would help them get financing from traditional lending organizations. We know the model works because we're seeing a 90 per cent loan recovery rate. In 2011, those small businesses employed nearly 20,000 people, with a turnover of almost \$80m, while globally our enterprise-development initiatives support close to 50,000 jobs. The cost of creating and sustaining a job via Zimele is \$3,400, compared to a national average in South Africa of \$50,000.

**How do you set up your activities so that everyone involved reaps the benefits?**

This might sound strange because we're a mining company rather than an infrastructure company, but we often build infrastructure for our operations – such as roads and water supplies – and we choose to do that in a way that also creates benefits for local people. The water reclamation plant we designed and built at eMalahleni in South Africa to clean mine water now treats up to 30m liters of water every day and supplies 12 per cent of the water for the local municipality. The waste from that plant also produces 200 tonnes of gypsum a day, which we use to make bricks for the home building project we are committed to. These details are a reminder that in our dealings with communities, companies should do as we do elsewhere in our businesses – be innovative and creative.

**Is there still a place for the traditional areas of Corporate Social Responsibility, such as health and education?**

Yes – but, for me, this goes to the heart of understanding Corporate Responsibility as going beyond philanthropy. Ten years ago, in South Africa, we were the first big employer to announce the provision of free anti-retroviral treatment to HIV-positive employees. Today we have the largest workplace VCT (voluntary counselling and testing) treatment program in the world, with more than 11,000 HIV-positive employees on health support programs. And in South Africa, where the incidence is at its highest, working with the unions, we've achieved more than 90 per cent participation in testing, and in 2011 more than 110,000 of our people in the country were tested for HIV. That program costs us about \$18m a year, and we are spending another \$12m on other healthcare initiatives, but we're beginning to see this pay for itself through reduced absenteeism and the fact that we're able to keep skilled people healthy and at work. Everyone in the business is truly proud of what we do there. It is saving lives – and the livelihoods of families.

**What happens when the mine closes? Isn't there a danger that those communities will have become completely dependent on you?**

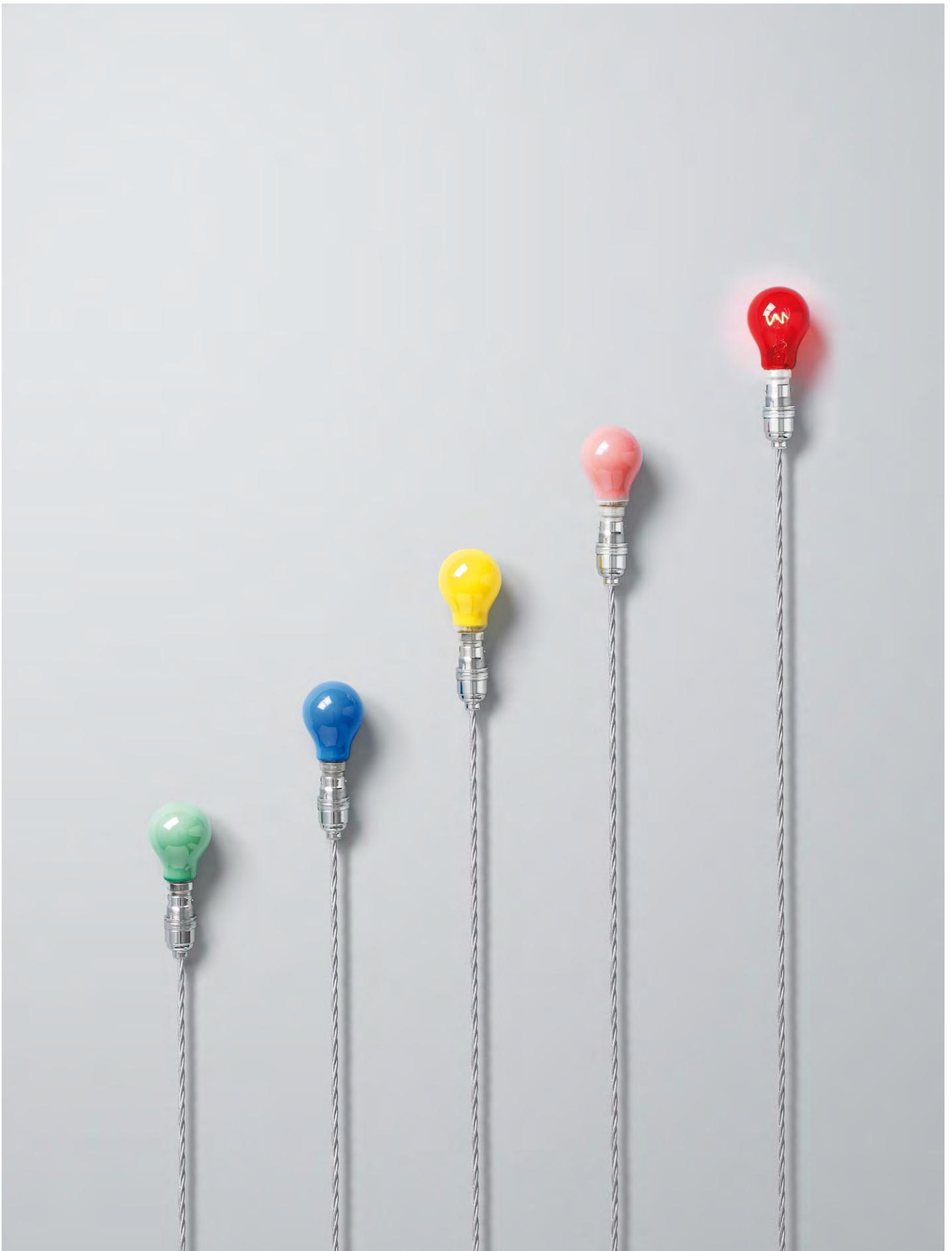
Because we are so aware that a mine can become the core of a whole community for decades, right from the outset we plan how to make the community self-sustaining. Giving people portable skills is a big part of that: the SENAI partnership in Brazil is one instance where we are investing in vocational qualifications in trade skills – such as plumbing, carpentry, bricklaying, welding and electrical skills – which are useful in the community and applicable beyond the mining industry. So the community can become economically independent.

**In the past, mining companies haven't exactly been known for how well they treat the communities they work in. Have things changed?**

I would say that, as an industry, we have not always been thoughtful enough about the social and political dynamics created by our activities. But over the last 10 or 15 years a leadership group has emerged in the mining industry that has been successful at re-engaging with wider society. We have become much more proactive and systematic in Anglo American about how to leverage our core business to create better outcomes for everybody involved. Our host communities have to want us there. It is an essential element of securing and retaining our license to operate.

**And will expectations that communities have of any contribution from the mining industry continue to increase?**

There's no advantage today in not being proactive and transparent. Communities are proactive. NGOs want to be involved and everyone is linked around the world. What we are doing is highly visible and we need to be engaged. It has become the norm and people expect more from us all the time. Companies that think they can afford not to engage are deluding themselves. I am a fervent believer that mining is an industry with the power to exert significant positive change. We have to work together as an industry to raise standards across the board. 🌐





# ENERGY & CLIMATE CHANGE

Rising living standards have resulted in a dramatic increase in demand for energy. Since the industrial revolution, total global commercial energy use has increased a hundredfold. Demand growth will continue in the future, but from different parts of the world. China has already overtaken the US as the world's biggest energy consumer, increasing demand at a relentless pace: only 10 years ago, its total energy consumption was just half that of the US. Most energy still comes from fossil fuels: oil, gas and coal. The pressure on oil supplies continues to increase, while greenhouse gas emissions climb. Meanwhile, rising global temperatures threaten to alter the planet's climate, with potentially damaging consequences for fragile ecosystems in many regions of the world.

## Where's the heat?

- / Fossil fuels
- / Alternative energy
- / Carbon emissions
- / Nuclear power
- / Energy security
- / Smart grids
- / Transport

### / Fossil fuels

Four-fifths of our energy comes from fossil fuels – a finite resource. Estimates of how long existing resources may last range from 40 to 120 years, depending on how quickly we can change the rate and composition of our energy consumption.

### / Alternative energy

Non-hydro renewable energy delivers around 3 per cent of the global electricity supply. Last year, China led the world in terms of wind turbine installation and solar panel manufacturing. Developing economically workable alternative energy is one of the world's big challenges.

### / Carbon emissions

Reducing emissions is widely considered to be critical. Consumers can now calculate their carbon footprint for many activities and are increasing pressure on companies to be carbon neutral.

### / Nuclear power

Nuclear power generates about 13 per cent of the world's electricity. Since Japan's Fukushima disaster, the debate about the industry's safety has reignited and some countries – Germany, for example – have turned away from nuclear power. The industry's future is uncertain.

### / Energy security

Natural disasters, political instability, conflict, terrorism, and restrictions over access can all threaten energy security. Many countries are heavily dependent on others for their energy supplies, as illustrated by Europe's plight when Russian gas supplies were halted. 

# x5

China accounts for most of the world's new nuclear capacity, forecast to grow fivefold by 2020

# x100

Since the industrial revolution, total global commercial energy use has increased a hundredfold

## / Smart grids

Electricity infrastructure with embedded intelligence can ensure a more reliable, safe and efficient supply. One estimate sees smart grid spending growing by about 17 per cent a year to \$46bn in 2015.

## / Transport

Energy and climate change concerns have focused interest on low-carbon transport: vehicles powered by electricity, biofuels or hydrogen. Greater energy efficiency increases the value of public transport and has intensified the road-versus-rail debate.

## What's the context?

With the economic pressures many countries are facing, increasingly there is seen to be a trade-off between focusing on the environment and the economy. On this basis, companies that make "green" choices are seen as dragging down their profitability; being environmentally conscious means holding back economic growth. The conversation about energy and climate change is heavily balanced towards this zero-sum argument, casting big business as the bad guy who sacrifices the planet for the sake of short-term growth.

But for a number of companies, energy efficiency has become a "north star" for their innovation. "Smart grids," for example, are a central part of IBM's

Smarter Planet strategy. IBM has convened a network of utility companies around the world, covering almost 150m customers. Together, they are developing ways to optimize the flow of energy across grids.

Another example is GE's "ecomagination" – an R&D initiative with a substantial focus on energy efficiency, exploring new technologies in hybrid vehicles, fuel cells, lighter and stronger durable materials, and more efficient lighting. Their newly released 40-watt Energy Smart LED bulb provides a 77 per cent energy saving, while lasting more than 25 times as long.

Rolls-Royce is a world-leading manufacturer of engines for aircraft and ships – a growing source of fuel consumption and carbon emissions. Ships are relatively unnoticed culprits in the CO<sub>2</sub> story, with emissions projected to rise to 1.4bn tonnes annually by 2030. Rolls-Royce has designed a ship engine that runs on liquefied natural gas, cutting CO<sub>2</sub> emissions by up to 30 per cent, compared to one that runs on diesel.

As usual, there is a flip side – the Jevons Paradox: as efficiency increases, prices fall and demand rises. In other words, the argument goes, new efficient technologies may actually push up energy use. There are no easy solutions, but many companies are taking up the challenge.



I have a feeling that climate change may be an issue as severe as a war. It may be necessary to put democracy on hold for a while

— JAMES LOVELOCK,  
ENVIRONMENTALIST

[Climate change is] undoubtedly one of the chief concerns facing the world today

— BJORN LOMBERG, FORMER  
CLIMATE CHANGE SKEPTIC





**WARREN EAST**  
CEO, ARM

**“When we talk about energy efficiency we mean the maximum output of energy for the minimum input.”**

**Warren East, CEO of ARM, explains where we need to look for energy efficiencies**

**Efficiency of generation:**

Solar panels, for example, are notoriously inefficient – single digit percentages of efficiency. The sun may be an infinite source of energy, but the space occupied by solar panels, the energy consumed in manufacturing them and in the infrastructure required to connect them to the grid, increase their inefficiency. If we can use technology to double their efficiency, say from 7 per cent to 14 per cent, it would mean we would have halved the cost of the space, the manufacturing and the infrastructure – and halved the environmental impact of that system.

**In traditional energy:** In a coal-fired or nuclear power station, the efficiency of the generation process is heavily influenced by the efficiency of the turbine. If we can double the efficiency by putting a smart system around it, then – again – we can halve the number of power stations that need to be built.

**Efficiency of transmission:**

Transmission is often the forgotten part of the story. Typically, energy is generated remotely from where it is used. So it needs to be transmitted to where it will be used, but transmission is hugely inefficient – a lot of the energy simply falls out of the wires on the way. For each kilowatt of usage you need to generate three kilowatts.

**Efficiency of usage:** Changing the design of an electric motor to include a smart electronic system – such as a smart microprocessor – has the potential to double the efficiency of that motor. And electric motors are huge consumers of energy.

**ARM is the world’s largest designer of chips for smartphones. Warren East, CEO for the last 11 years and an engineer by training, tells Brunswick’s Sarah West about looking beyond Moore’s Law in the microprocessing industry. Progress is no longer so much about doubling processing power every two years, but more and more about delivering exponential improvements in energy efficiency. ARM’s products are at the heart of that effort; microprocessing technology is essential for the development of things like “smart grids” to increase energy efficiency, which is a large part of most governments’ plans to reduce greenhouse gas emissions by using less energy in homes and industry.**

**Energy efficiency is a huge concern in today’s world: what is ARM to energy efficiency?**

ARM microprocessors are in almost everyone’s mobile phone. When we make our microprocessor twice as efficient, we’re doubling the battery life of your mobile. That’s been the driving force of ARM since the start. The original ARM microprocessor was designed for Acorn computers, with low-cost manufacturing in mind. A consequence of that was that it consumed less energy, making it ideal for mobile phones – and we’ve gone on improving the technology continually since then.

**Would you say that energy efficiency has been the guiding star for innovation at ARM, since the beginning?**

Absolutely, yes. That is why we’ve concentrated on mobile phones, because it’s a very obvious area where energy efficiency is absolutely important. If you look at data consumed on the devices, we would say that over the next decade we’re looking at an increase of between 30 and 100 times in the amount of data, but crucially we’re only looking at a twofold improvement in the energy capacity of a

battery. That means we have to be 15 to 50 times more efficient in the work we do. That’s what we focus on.

**Is it possible to keep improving the energy efficiency of microprocessors?**

It’s getting harder to deliver those improvements. The tremendous advancements in the past have been driven largely by Moore’s Law, stating that computer power and the number of transistors on a chip approximately doubles every two years. But in the future, to achieve the same relative benefit, the actual design of the microprocessor is going to have to be a lot smarter.

**Is that possible?**

We continuously have to innovate. Last October we launched our “big.LITTLE” microprocessors – where you have the same level of computer performance that is enjoyed in a state-of-the-art smartphone, for 20 per cent of the energy consumed. So it is possible, but harder.

**Given that your chips are already in almost all the mobile phones on the planet, what else could ARM technology be applied to?**

An area we’re focusing on now is getting ARM’s technology into network infrastructure. Everyone gets excited about the new digital services available on their smartphones, tablets, computers and so on – and how they’re going to connect to the internet and smart TVs. But the reality is that all these bits of equipment mean roughly a twentyfold increase in data traffic over the next five years or so, but increasing the energy consumed by these networks by a factor of 20 is clearly nonsense. So this connected, limitless digital world we’re all anticipating just won’t happen unless we change something fundamental in the infrastructure. At ARM we are working on energy-efficient technology that can help to answer this problem.

**So that’s another market opportunity for you?**

Yes. It’s not as exciting to most people as a mobile phone or a tablet, but it’s just as important. The analogy I use is the road network. In the 1950s, road networks revolutionized the way we travel, and that infrastructure evolved over the years. But people love their cars, not the road – just as people love their iPads and not the networks it is connected to, although it’s crucial.

**It’s easy to forget about the invisible technology we’re all connected to ...**

Absolutely. If you think about the digitally-connected world we all live in, there’s a huge demand for servers: large computers that sit in the “cloud,” serving up content and enabling operators to deliver services. Those things 

are huge consumers of energy – and energy is consumed in cooling them as well. You hear about companies like Google locating their data services in Iceland to keep them somewhere cool: it's a big issue for them. We think that we can remove three-quarters of the energy consumed by servers, thereby reducing the amount of power needed by a factor of four – which is all good news.

**Do you think ARM's biggest contribution to the energy challenge is yet to come?**

Yes. In terms of overall energy use, mobile phones and computers don't use that much energy. We could make all the mobile phones in the world 10 times more efficient and it wouldn't make a whole lot of difference to mankind's contribution to climate change. It's a bit larger when you count the infrastructure and so on, but it's still relatively small compared with the world's larger-scale energy challenges. So the opportunity has to be in applying our technology more broadly.

**Where would you look to make the biggest contribution?**

Electric motors. These are huge consumers of energy in the world we live in, and therefore the benefit of changing the current generation of electric motors to smarter ones using microprocessor technology is obvious. I'm talking about motors like those used in your washing machine or winding up the window in your car, through to those powering elevators in skyscrapers. Motors account for around 50 per cent of our overall electrical energy use in the world. Of course, it doesn't have to be ARM technology, but if we can double the efficiency of the electric motor, then we will be making a very big, positive environmental impact.

**So you're saying a product can have a positive impact for society at large and be good for business. But there's another debate at the moment about whether businesses are a positive or negative force in society. What's your view on that?**

I think it's irrelevant. Normally, when people ask that question, they mean business is bad because some businesses exploit people to make others better off. We are talking about businesses making products that make life better and do some good for society. Remember that whenever anybody creates a product that makes life better for society, there is usually a business behind it. 🍷

*Sarah West is a Partner in Brunswick's London office. She advises on corporate brand positioning and reputation.*



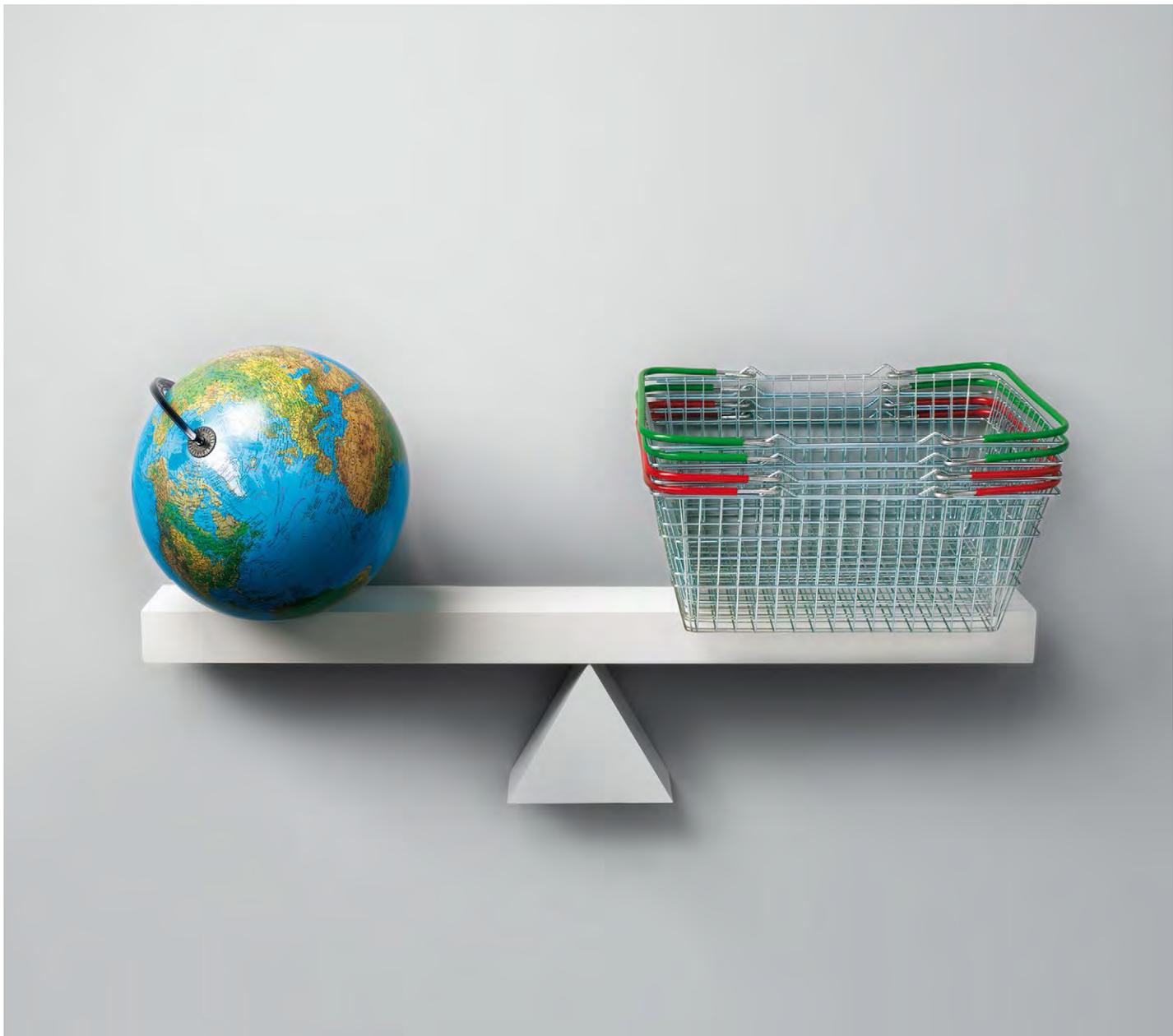
# CONSUMER CULTURE

When a country's economy is strong, consumer culture thrives. Individuals are motivated by the desire for certain products or services and businesses respond with innovations and new products. Critics may argue that this leads to unfulfilling and environmentally unsustainable lifestyles. But consumer spending represents a significant part of mature economies: around 70 per cent in the US.

Consumers have become increasingly empowered and organized, using their collective strength to assert their interests. A "consumer mindset" has emerged in many areas of life, such as education and healthcare. As growth in developing economies accelerates, citizens increase their buying power. However, they do not simply follow a linear path toward the same level of consumption as developed markets, they leapfrog. In India, for example, there are already more than half-a-billion mobile phones, enough for half the population.

## Where's the heat?

- / Resource use
- / Consumer empowerment
- / Brands
- / Emerging middle class
- / Crowd power



**/ Resource use**

Our modern consumer lifestyles require abundant natural resources. Growing numbers of new consumers around the world want to join the party – but this places a significant strain on the world’s limited natural resources and is a source of concern.

**/ Consumer empowerment**

Consumer attitudes, values and behaviors are dominating global culture. As access to information proliferates, power is shifting from producers to consumers. Many businesses are playing catch-up with consumers who have a growing number of options from which to choose.

**/ Brands**

The global megabrands of today can’t take their dominance for granted. A new generation of brands is gaining power in countries such as China and India and it is only a matter of time before they set their sights on global consumers.

**/ Emerging middle class**

By 2020, more than half the world’s middle class could be in Asia. One of the big debates at the start of the 21st century is whether these new emerging middle classes will shift towards Western consumer culture and democratic values, or hew to their own particular interpretation of consumerism.

**/ Crowd power**

Consumers are getting used to exercising their collective muscle. Verizon, for example, was forced to back down over a new fee after tens of thousands of its customers flooded Twitter and signed petitions.

**What’s the context?**

Consumer culture is defined by brands: the food we eat, the shoes we wear, the phones we use, and even the water we drink – much of our everyday lives is packaged and positioned by brands. Around the world, hundreds of millions of people have newfound disposable income, and they’re showing a healthy appetite for brands of all kinds. ➤

# 40%

By 2020, more than half the world's middle class could be in Asia and Asian consumers could account for over 40 per cent of global middle class consumption

# 70%

Consumer spending represents around 70 per cent of the US economy

As a result, consumer culture is spreading like wildfire across the globe.

But not everybody approves. It's a "pandemic," according to Latin American writer Jorge Majfud. He calls it a collective delusion: "Development is confused with consumerism, wastefulness with success, and growth with fattening. The pandemic is considered a sign of good health ... There is no ideology or political system in the world that is not bent upon reproducing and multiplying it."

Consumerism stands accused of turning the world into a bland monoculture, destroying local interest and diversity. Many argue that consumerism undermines spiritual values and leads to dissatisfaction and unhappiness. Most of all, critics point to the problem of over-consumption, where use of resources is growing faster than the available supply.

A number of anti-consumer activist groups and campaigns have sprung up in the West in recent years, such as No Shopping Day and Buy Nothing Day. The Transition Network sets out an alternative to consumer culture, connecting neighborhoods in towns and cities around the world – from urban Brazil to rural Canada. The ambition is to reduce consumption by

creating local, community-based ways of living.

It's a very live conversation. Millions of people from rapidly growing economies around the world are becoming fully paid-up consumers. They share the same aspirations as consumers anywhere in the world – and in particular, they have a love of luxury brands which shows no sign of flagging.

In some parts of the world, people are concerned that this creates a tension with traditional local culture. In China, for example, President Hu Jintao drew wide notice for a speech he made urging Chinese businesses to develop products that can meet the "growing spiritual and cultural demands of the people." Balancing local values with global aspirations is one of the unique challenges of our time.

The response is often a kind of compromise. As Karl Gerth, an Oxford Professor and author of *As China Goes, So Goes the World: How Chinese Consumers are Transforming Everything*, said in an interview with *The China Observer*, "Chinese consumers often want to 'buy Chinese.' ... Chinese brands want both to appear modern/Western/cosmopolitan and Chinese/traditional/patriotic, depending on circumstances."



It is universally accepted that brands are a company's most valuable asset; yet there is no universally accepted method of measuring that value

— JEREMY BULLMORE,  
ADVERTISING WRITER

It [No Shopping Day] is all just an exercise in moral masturbation, to flatter those taking part that they are better than the McDonald's-eating, label-buying masses

— MICK HUME,  
UK JOURNALIST

I'd rather cry in a BMW car than laugh on the backseat of a bicycle

— MA NUO, 22 YEAR-OLD CHINESE  
MODEL AND TV CELEBRITY





**ADRIAN CHENG**  
Executive Director,  
Chow Tai Fook Jewellery Group

**In the battle for consumers' hearts and minds, is a homegrown brand preferable to a foreign one? Chinese President Hu Jintao recently gave a speech warning against the powerful influence of Western consumerism on China's culture. That has been interpreted partly as a call to Chinese companies to build stronger brands. Meanwhile, Chinese consumers' penchant for foreign luxury brands has drawn a lot of attention. Brunswick's Ginny Wilmerding caught up with Adrian Cheng, Executive Director of Chow Tai Fook, China's largest jeweler and the world's biggest listed jewelry retailer since its December 2011 IPO. The 32-year-old is the grandson of the founding chairman and was educated at Harvard. He spent time at UBS and Goldman Sachs and is now Executive Director at Chow Tai Fook and in charge of branding, marketing and e-commerce. Here he discusses consumer culture in China and how it differs from the West.**

**Do Chinese consumers prefer Western brands to Chinese ones?**

I think sophisticated Chinese consumers want a mix of both Western and Chinese brands. They might mix Li Ning with Nike, drink Maotai liqueur as well as Château Lafite, and buy Jahwa cosmetics alongside Estée Lauder. For Chow Tai Fook, we know from third-party studies that people are as likely to buy our jewelry as they are Tiffany and Cartier. We sell traditional Chinese ornaments together with international styles, including a super high-end luxury line inspired by European styles. But we are proud to be Chinese; we aren't positioning ourselves as a Western brand.

**What do you think President Hu meant in his recent speech when he said products must meet the growing spiritual and cultural demands of the people?**

Hu wants Chinese brands and culture to be strong, to hold their own against international brands and cultural products. Think of it as a

"brand drive" not a "culture drive." He doesn't want to exclude Western content and culture, he just wants Chinese culture and brands to be strong and hold their own.

**What do Chinese consumers, especially the growing middle class, really want?**

Well, there's no question that they're very brand conscious, and they want guarantees of authenticity. Just go to Canton Road in Hong Kong and you can see the PRC tourists lining up in front of Chanel, Prada, Hermès and Dolce & Gabbana. We know they come to us because a huge chunk of our Hong Kong sales is settled in renminbi. In China, the most popular go-to products include traditional 24-karat gold jewelry gifts, but we are seeing a trend toward diamonds and gem-set jewelry. There are 13m marriages in China every year, and these days we estimate that about half of new brides will buy diamond wedding rings. Also, more working women like to reward themselves with luxury purchases, including diamonds and fashion jewelry.

**We've heard you use the term "mass luxury" in connection with your jewelry. What does that mean?**

We define "mass luxury" as jewelry items ranging in price from \$250 to \$13,000. These represent almost 60 per cent of the total jewelry market in the PRC. What we are really talking about is selling to that group of customers who have good disposable income, maybe through savings, despite modest salary levels. This mass luxury phenomenon is happening across many product categories. In second- or third-tier cities, even a cleaning lady will save up for a Louis Vuitton bag, and it's not uncommon to see a mid-level manager wearing an Armani jacket. In China, owning high status luxury items is a priority for people.

**Is there a unique culture of Chinese gift-giving and jewelry buying?**

Absolutely. Gift-giving is second nature in Chinese culture, and this drives luxury sales. Jewelry gifts are even more special, as they represent an auspicious blessing and a wish for the future prosperity of a person or couple. For centuries, Chinese have given jewelry gifts at weddings, births, Chinese holidays, birthdays and anniversaries. Many Chinese brides are given pairs of pure gold bangle bracelets to wear during the tea ceremony part of wedding celebrations. Babies are given longevity locks, gold charms with their zodiac symbol, or jade bracelets. In addition, gold and diamonds are considered by Chinese to be a sentimental but practical way to preserve and transfer wealth across generations.

**How important is the urbanization of China's middle class in developing the luxury goods market?**

Today, Chinese consumers are wealthier than they've ever been. The farmers are going to the cities and the middle classes are emerging quickly. By the end of 2011, more than 50 per cent of mainland Chinese lived in cities, more than double the urbanization rate of 20 years ago.

If you go to a city like Chongqing, in southwest China, you just won't believe the population of sophisticated customers hungering for luxury goods. That's the reason why Chow Tai Fook is focusing on retail network expansion in the second- to fourth-tier cities. For instance, we have 58 outlets in Chongqing. These urbanites have changed their demographic profile permanently. An entirely new consumer culture is being created in China and we all have to keep up with how it is evolving.

**As consumer markets develop in China, is luxury growing apace or faster than the economy in general?**

The growth in this industry has been staggering in the past few years. China is expected to overtake Japan as the world's largest luxury goods market by 2015. In terms of the jewelry industry, China is now the second largest market in the world, after the United States. In 2010, total retail sales of jewelry in the US exceeded \$76bn, while in China the market was worth more than \$38bn.

Urbanization, steady economic growth and increasing disposable incomes are the backdrop to this story, but our industry has grown significantly faster than GDP has grown. The industry is set to grow at a [compound annual growth rate] of more than 38 per cent for the next five years. Per capita consumption of jewelry is only one-tenth that of the US. So just think of the potential. This is a huge opportunity for jewelry retailers.

**Why doesn't China have well-known global brands?**

Actually, China does have well-known brands, but some of them are made in China, for the Chinese, and Westerners don't know about them. Chow Tai Fook's brand is recognized by about 74 per cent of Chinese consumers – that's nearly a billion people. Our advantage is that we opened our first store on the mainland in 1998 and our thousandth store in 2010, so we're everywhere. I believe Chinese are proud that Chow Tai Fook is a homegrown brand. They are loyal to us and they trust in our quality and authenticity. ☺

*Ginny Wilmerding is a Director in Brunswick's Hong Kong office. She advises on corporate reputation and investor relations.*



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# POPULATION

Ten thousand years ago, there were only a few million humans on Earth; they were rare beasts. By 2050, there may be as many as 9bn of us. This “human juggernaut” is having a massive impact on the global environment, with over-fishing, deforestation, water shortages and loss of species placing considerable strain on the resources required for survival.

Vast new urban areas have emerged – many are overcrowded, putting pressure on housing and infrastructure while a “youth bulge” places the focus on providing education and finding jobs. Some people argue that population growth is a root cause of poverty and should be controlled – but, elsewhere, the challenge is how to support an ageing population.

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## Where’s the heat?

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- / Population growth
- / Youth bulge
- / Ageing
- / Refugees
- / Women
- / Urbanization
- / Migration

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### / Population growth

The most populous nations are China (1.3bn), India (1.2bn), the US (313m), and Indonesia (242m), whereas most growth in the future will be in Africa. Other nations will shrink: Japan’s population will decline by a third in the next 50 years.

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### / Youth bulge

In many parts of the world there is a “youth bulge” where the size of the younger generation is disproportionately large – close to a third of the total population. This could be a source of creative energy or social unrest – or both.

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### / Ageing

The collective age for mankind is gradually increasing as, across the globe, people are living longer and having fewer children. The big challenge is to ensure that older generations remain an asset for society, and not an expensive burden.

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### / Refugees

Globally, there are almost 50m displaced people – fleeing conflict, climate change or natural disasters. This can place a strain on the countries they move to, and cause tensions between nations.

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### / Women

There are fewer than 20 female CEOs of Fortune 500 companies; barely one in eight women in Afghanistan is literate. However, change is happening: more than 500m females have joined the global workforce in the last 30 years.



**/ Urbanization**

In 1900, some 13 per cent of the global population was urban, now more than half of us live in cities. Some benefit from increased opportunities and options for work and leisure, while others may remain poor and live in crowded, unhealthy conditions.

**/ Migration**

The global population is on the move, presenting opportunities to expand and improve the workforce. However, this shift can present challenges for social cohesion. Today, one in every 33 individuals in the world is a migrant.

**What's the context?**

Something strange is happening to the world's demographics. The historic powers of the developed world are slowly graying, while many other parts of the world are experiencing a "youth bulge" – the term social scientists use for a surge in the number of young people.

For global policymakers, the youth bulge presents a risk and an opportunity: it can fuel an economic boom, or it can lead to a social bust. Many parts of the world are banking on the former; but for places like Africa and the Middle East, the outcomes are not so clear.

For businesses, it requires a change in mindset. In the developed world, most business leaders are familiar with an average consumer who is about 40 years old. In the developing world, a 40-year-old is a member of an ageing niche; the average consumer might be around 20 years old – and that is where today's economic power lies.

A burgeoning youth population isn't something that Western countries have to worry about: their ageing populations present a very different set of challenges – from an increased health burden to reduced numbers in the workforce. Whether these countries can act in time to manage pension deficits is critical to their future prosperity. ~>



By 2030, China's urban population is on track to reach one billion ... The pressures created by rapid urbanization will [therefore] intensify

— MCKINSEY REPORT

The fastest way to change society is to mobilize the women of the world

— CHARLES MALIK, FORMER PRESIDENT OF THE UN GENERAL ASSEMBLY

Every one of [our] global problems, environmental as well as social, becomes more difficult – and ultimately impossible – to solve with ever more people

— SIR DAVID ATTENBOROUGH, NATURALIST



43.7m

The number of people forcibly displaced worldwide reached 43.7m in 2010 – the highest number in 15 years

52%

In 1900, 13 per cent of the global population was urban. Now more than half of us live in cities. However, it is not megacities of 10m or more that dominate; 52 per cent of the urban population lives in cities with fewer than half a million residents



**QUINTIN PRICE**  
Chief Investment Officer,  
Europe, Middle East and Africa  
& Head of Fundamental Equity,  
BlackRock

**Population growth is the root cause of many of today's global challenges. As such, it should be a central topic of debate rather than the "absurd taboo" it remains for many, as British naturalist Sir David Attenborough has complained. Questions about how the world will provide economic opportunities for a burgeoning youth population in developing countries, and healthcare and retirement incomes for ageing populations in developed countries, are particularly acute for asset managers such as New York-based BlackRock, which manages more than \$3.6 trillion for future pensioners and other investors. As a Chief Investment Officer and Head of Fundamental Equity at BlackRock, Quintin Price leads much of the firm's big thinking on these topics. Here he talks to Brunswick's Catherine Colloms.**

**What alarms you most about an expanding and ageing global population?**

The raw statistics and how quickly they are shifting. In 1960, the UN estimate for life expectancy for the average person in the US and western Europe was 66 to 68 years. In India, the average life expectancy was closer to 42 and, in China, it was only 32 years. In China today, average life expectancy has increased to 73 years. Furthermore, a couple retiring in the developed world who are 65 today have a 50 per cent chance that one of them will live to see 92 – that means a 27-year-long retirement. People who are retiring today must find the means to live for much longer on the savings they have accumulated during their working lives.

**So what does this mean in terms of retirement income?**

Classically, the way people across the world saved for retirement was through bonds, in particular US Treasuries or government debt.

This would apply to the vast majority of individuals, from Milwaukee to Cambridge to Kyoto. For an American citizen retiring at the age of 65 in 1990 with a \$500,000 savings pot invested solely in US Treasuries that yielded a historic rate of 6 per cent, their annual income would amount to \$30,000 before any drawdown of capital.

Today, US Treasuries with a 10-year term yield closer to 2 per cent. With our increased life expectancy, instead of getting \$30,000 in income from their savings, that same American today would now get only \$10,000 before any capital drawdown, even though expenditures have not fallen. This means they spend their capital and in some cases may run out of savings while still healthy and with a decade or more of life ahead of them.

**So, the real story is not just how long we will live but the risks to our standard of living unless we change our thinking about retirement planning?**

Exactly. People don't understand the ravaging effect of inflation. At an annual average 3 per cent inflation rate over the next 25 years – an entirely plausible estimate for many countries – savings of \$500,000 held in cash or bonds might have the same nominal value but would be worth less than half in real terms (in other words, what you could afford to buy with it after inflation). People could be significantly worse off purely by living longer if they leave their savings in cash.

**It sounds scary. Why do you think people aren't more concerned?**

As John Kenneth Galbraith, the famous Harvard Economics professor, once noted: "The conventional view serves to protect us from the painful job of thinking." I think there is a general understanding of the problem but it is tough to get people to think differently. We have to start a broader conversation to get people to understand this and the very real impact it will have on individuals and families.

**Is there a role for governments here?**

We've got to have debates with policymakers and regulators. This is an issue that will be as big as healthcare: who is going to look after an ageing population with a longer retirement but less income? It is also an issue of education. It has been something we've been looking at as a firm and trying to find a solution to for some time now.

**It sounds as though a lot of people still need to be persuaded.**

The story is out there but not being told enough yet. In the end, people need to be

convinced that it's about their own future. Financial advisers need to broach a subject that has been sort of taboo: the volatility of asset prices. We have to change people's perceptions about what risk looks like over a much longer retirement.

**How can it be done in practice?**

That's a tough question. I think about my mother-in-law. She understands that markets (and therefore net asset values) go up and down. This is not a big concern for her, as long as she can generate enough income from her investments that she doesn't need to touch her capital.

There needs to be an education process to explain to people like her – and her financial advisers – that it might be wiser to take some of her cash or bonds and invest instead in higher-income securities, so the real value of her savings can withstand the ravages of inflation far better than if all she does is keep her savings in cash or high-grade sovereign bonds.

**So living longer can be an advantage by virtue of having a longer investment window, if you take a different view of investment risk?**

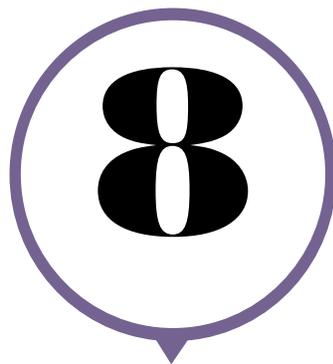
Yes. If you invested your \$500,000 in the S&P 500 instead of cash and bonds, and you did not worry about what happened to its value in the intervening 10 years, in 89 per cent of the 10-year periods that we've examined, you would have ended up with an amount of money that enabled you to buy more goods and services than you were able to at the beginning of the period.

So where the game has changed is that as people live longer, they no longer have to concern themselves nearly as much with annual variations as long as they can generate an income from their investments that enables them to leave their savings untouched – at least for the earlier years of their retirement.

**Do you think we can tackle this successfully?**

Yes, but this is a story that has years and years to run. I think our biggest fear is that people think there's a trade-off, when really it's about solving your retirement needs. And ultimately, living longer, better. To meet our global challenges in this new world, we must at every level turn savers into investors and we must help investors adapt to this new world. It's in everyone's interest to bolster confidence in long-term investment. ☺

*Catherine Colloms is a Director in Brunswick's London office. She advises on corporate reputation and issues management as well as financial and crisis communications.*



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# SECURITY

In an increasingly interdependent and dynamic world, the array of possible threats and risks is rapidly evolving. Clashes between different political and social ideologies remain a concern, while securing access to vital resources is re-emerging as a potential source of conflict.

The nature of conflict itself has changed, too, with new technologies, such as unmanned drones, and increasing use of new urban guerrilla tactics. A new dimension is the need to look beyond overt physical threats to smaller-scale and more intangible risks, such as politically-motivated vandalism and cybercrime. Such threats might not risk the stability of a nation, but they might potentially cause distress and inconvenience to huge numbers of people. With these shifts come changes in approaches and methods for keeping secure.

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## Where's the heat?

- / Peace and reconciliation
- / Terrorism
- / Changing nature of warfare
- / Defense industry
- / Arms proliferation
- / Crime
- / Cybersecurity



**/ Peace and reconciliation**

Economic development is seen as key to creating lasting peace in troubled regions. It used to be said that no two countries with a McDonald's ever went to war – until the Russia-Georgia conflict of 2008.

**/ Terrorism**

The US spends more on counter-terrorism than all other anti-crime activities. Governments are struggling to find the right mix of hard power combined with diplomacy and strategic aid.

**/ Changing nature of warfare**

At the start of the last century, land warfare using infantry dominated. Now, guerrilla tactics and terrorism demand

increasingly sophisticated, precise and technologically advanced responses.

**/ Defense industry**

Defense spending can be a major part of a country's economy – 4.5 per cent of GDP in the US in 2010. Some argue the industry creates employment and fosters innovation, though others raise concerns about the ethics and political say of the "military-industrial complex."

**/ Arms proliferation**

Controlling the spread of arms requires an ongoing series of multilateral talks and agreements. The illegal trade in small arms is estimated to be worth between \$2bn and \$10bn a year.

**/ Crime**

Global organized crime is worth \$1 trillion a year. Aside from the human cost, it damages economies: drug-related violence costs Latin American countries the equivalent of nearly 15 per cent of their GDP. At the other end of the spectrum, low-level antisocial behavior undermines local communities.

**/ Cybersecurity**

Two in three internet users have been affected by cybercrime. Cybersecurity has become a matter of national security as hackers from hostile governments could wreak havoc on critical infrastructure. In 2010, the Pentagon set up a new US Cyber Command.

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## What's the context?

Hacking is a familiar word, but it comes from a subculture most of us know little about. Hackers have their own ethics and language. They have a natural suspicion of authority and secrecy, and place a high value on information sharing and openness. Hackers love the challenge of stretching a system to its limits and pushing its capabilities.

Of course, hacking has become indivisible from cybersecurity. For most people, hacking is the digital equivalent of breaking and entering: finding weaknesses in a security system and exploiting them. There are broadly three different motivations for doing this.

“Hactivists” are motivated by political or ideological reasons, and include groups such as Anonymous in the US or the Red Hacker Alliance, a network of Chinese nationalist hackers.

“White hats” are hackers who seek out flaws in security systems so they can be fixed. The group LulzSec, for example, hacked into the British National Health Service – but alerted administrators to the vulnerabilities.

“Black hats” are more problematic. They are motivated by personal gain, or just pure maliciousness. They're often after financial data such as personal banking information, and they're a big threat to the financial services industry.

Hacking has become so advanced that cyberspace is now thought of as the “fifth domain” of warfare – alongside land, sea, air and space.



The same global advances in communication, transportation and commerce that lead to economic growth, social exchange and political integration can also be conduits for transnational security threats

— THE BROOKINGS INSTITUTE

Violence has been in decline for thousands of years, and today we may be living in the most peaceable era in the existence of our species

— STEPHEN PINKER,  
PSYCHOLOGIST AND AUTHOR

We are in an information war and we are losing that war

— HILLARY CLINTON,  
TESTIFYING TO CONGRESS



**ELLEN RICHEY**  
*Chief Enterprise Risk Officer, Visa*



**DOUGLAS MICHELMAN**  
*Global Head of Corporate Relations, Visa*

**Activist groups, such as Anonymous, are drawing public attention to fast-changing cyber security threats. For companies such as Visa, the international payments group, security is at the very core of what they do. Here Ellen Richey, a lawyer with considerable experience in the financial services industry who is now Visa's Chief Enterprise Risk Officer, and Douglas Michelman, who as Visa's Global Head of Corporate Relations is chief protector of the firm's reputation, explain to Joe Carberry how companies can stay a step ahead of cybercriminals.**

**Is the world a more dangerous place than it used to be?**

*Ellen Richey:* It can certainly feel like it. But I believe our world is not significantly more dangerous today than, say, 10 or 20 years ago. In many ways, we are actually more secure. But I think it is fair to say that our world is far more dynamic, and the risks we face evolve more quickly.

**There seem to be more and more stories about cybercrime and other high profile threats. Does that reflect reality?**

*Douglas Michelman:* When people see story after story about new risks they can seem more immediate, more dangerous or 

# 50m

The military is recognizing the value of training technology: in 2008, the US army decided to invest \$50m over five years in gaming systems designed to prepare soldiers for combat

# 1 trillion

It has been estimated that cybercrime costs businesses at least \$1 trillion a year in lost intellectual property and damage repair costs

more localized than they actually are. This raises the attention level leading to dialogue and, in some cases, alarm. Given our fast-paced and interconnected media environment, organizations must be prepared, visibly and aggressively, to address any security issues they might face, real or perceived.

### **What does it take to protect other people's money every day across the globe?**

*ER:* Visa processes about 71bn transactions a year in nearly 200 countries and more than 175 currencies. Keeping fraud rates at an all-time low at that scale is no small feat, and there is no single correct answer. At Visa, we describe our approach as "layered defense." We employ multiple, interconnected security measures that work together – things like technology, policies, physical security, point-of-sale procedures, consumer alerts, monitoring and rapid response to events.

### **How does the proliferation of technology affect security?**

*ER:* Like every aspect of our lives, technology has a huge impact on security. The downside is that new technologies can create new risks. It can also make those with bad intentions better at what they do. Criminals today are smart, innovative and well financed.

The good news is that technology is also a huge asset for those with good intentions. Technology makes us better at what we do and remains one of our most effective assets to fight fraud. Our data centers are a great example. Inside these massive complexes we have some of the world's most sophisticated technology dedicated to rooting out fraud. We can spot unusual patterns in real time and stop fraud before it occurs. We stay ahead of criminals with these kinds of investments. As a result, we've driven fraud to an all-time low – a clear sign we are still winning the war.

### **How can an organization use security to build trust?**

*DM:* For Visa, we have to drive the discussion of what future solutions look like. So we've

created a series of activities that help demonstrate our long-term commitment. In 2005, we hosted the first Visa Security Summit, bringing together hundreds of experts from business, academia and government to create a dialogue around our collective issues. We've now held four summits in the US and several dozen others in places as diverse as São Paulo, Toronto, Cairo, Dubai and Jakarta. Similarly, we've hosted educational forums and developed online tools to help foster security. We have even featured security prominently in our marketing. Together, these efforts have set a high bar for payment security and, importantly, have built trust in Visa.

Trust is an important bridge to future innovations, such as mobile banking. For example, a recent study [*US Federal Reserve Report: Consumers and Mobile Financial Services*, March 2012], shows that 42 per cent of people cite security as the reason they had not adopted mobile banking.

### **Why do you think security has become such a hot topic for so many people and companies?**

*ER:* Security interests people because it involves things going wrong, sometimes in very big ways. Security is a complex subject and defies a simple definition. It encompasses a wide variety of areas. Organizations must protect themselves from the impact of international conflicts, criminal activity, natural disasters, equipment failure, new forms of technological attack, and human error, among other threats. Security's meaning differs by person and by industry and changes over time. Each organization has its own unique combination of risks to combat.

### **How do you strike the right balance between managing risk and pursuing opportunity?**

*DM:* With any new venture, an organization must weigh risks and rewards. When they do, companies should make decisions as if their most important stakeholders were there in the

room with them. At Visa we are guided by a concept known as "responsible innovation." This reflects the fundamental choice our company makes every day. We are a company that uses technology in new and innovative ways, but we also have significant amounts of sensitive information in our care. So when we develop new ideas, we have to keep in mind the difference between what is possible and what is responsible.

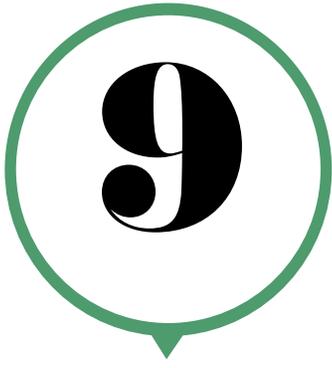
### **People have high expectations for organizations like yours, that you'll safeguard their information. Are those expectations realistic?**

*DM:* I hope people never stop expecting the best from us in this area. Our job is to live up to high expectations, and, in some cases, set the bar even higher. We engage with our stakeholders to ensure two things. First, we want them to understand all we do to secure our system and their information. We work with a wide variety of constituencies – from lawmakers and law enforcement to industry and consumer groups – to ensure we understand their expectations and how we can meet or exceed them. Second, we want them to understand where our role ends and theirs begins. Each of us has a role to play; security is a shared responsibility.

### **Can you ever be truly secure?**

*ER:* Any risk management professional would tell you it's impossible to eliminate risk entirely. But it can be successfully managed. For example, we encrypt data to protect it from theft or misuse. We also put programs in place to protect our customers in case something bad happens. These kinds of steps go a long way toward our fundamental goals: first and foremost, to secure our system, and second, to maintain the trust that our stakeholders place in us to keep them secure. ☺

*Joe Carberry is a Partner in Brunswick's San Francisco office. He advises on privacy and data security.*



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# COMMUNICATION

The communications revolution goes far beyond Facebook updates or satellite navigation systems: it means rural farmers in India can have up-to-the-minute data on crop prices and plan their harvests accordingly. It means it is possible to get a diagnosis from a doctor without a visit.

This revolution was driven by three broad developments: first, processing power got cheaper and faster (following Moore's Law); second, storage value got better (compared to 30 years ago, the cost per gigabyte has dropped from more than \$100,000 to a few cents); and third, bandwidth went huge (remember dial-up?). Now everything is going mobile – and global. A shopkeeper in remote Kenya can become a bank with just a basic handset. Information flows fluidly in this new world. Governments and companies find it harder to control the story, and transparency is the new norm. Across the world, people are getting unprecedented access to information, and they are using it to transform their lives.

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## Where's the heat?

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- / Mobile technology
- / Access to information
- / Social networks
- / Citizen empowerment
- / Transparency
- / Power of the media

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### / Mobile technology

Cisco, the worldwide leader in networking, has predicted that mobile devices will outnumber humans this year. In developing countries, mobile phones can bring real transformation; in developed countries, they're a part of everyday lives.

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### / Access to information

We are generating data at a faster rate than ever – it is growing at a compound annual rate of 60 per cent. Some can feel overwhelmed, while others feel as though the world is at their fingertips and they can shape the future.

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### / Social networks

The way that we communicate with each other is changing profoundly, whether it is groups of friends, consumers, investors, activists, employees, journalists – social networking is changing forever the way we organize our lives.

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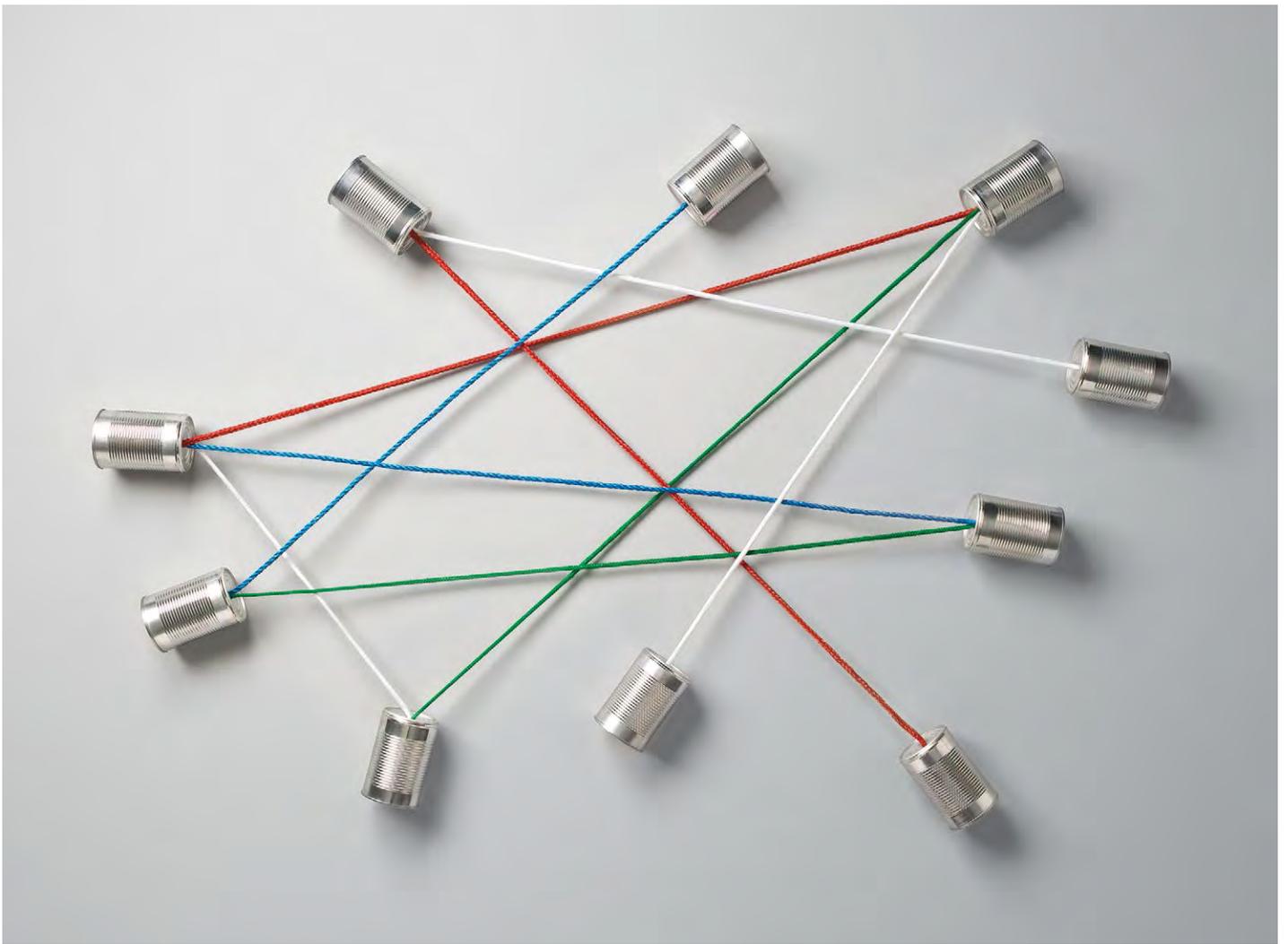
### / Citizen empowerment

New ways of communicating are shifting power from the ruling elites towards networks of organized citizens. The role of social media, mobile and Al Jazeera during the Arab Spring shows the power of media in the hands of those hungry for change.

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### / Transparency

Being open and transparent is now a cultural – and often legal – standard. More than 90 countries now have freedom of information laws. A succession of companies have been forced into the open by whistleblower websites such as WikiLeaks. ↗



# 90

Today, there are freedom of information laws in more than 90 countries. In 1990, just 13 countries had such laws

# 91%

According to Morgan Stanley, 91 per cent of US cell phone users keep their phone within arm's reach at all times

## / Power of the media

Control of the news media has consolidated into fewer companies. Today, just six big companies dominate the vast majority of US media output. Around the world, accountability and control of the media are issues of public debate.

## What's the context?

The free flow of information is essential to the health of society – this is a deeply held democratic value. The growth of the internet has put this at center stage in recent years – but it's just the latest chapter in a long struggle for freedom of expression.

In 1792, speaking in a debate about the circulation of American newspapers, Senator Elbridge Gerry said, "However firmly liberty may be established in any country, it cannot long subsist if the channels of information be stopped."

The early days of the internet were fueled by the open source philosophy – which promoted sharing and collaboration. Today, the big conversation is around transparency. Advocacy groups such as Transparency International, an international NGO, are targeting corrupt and unethical behavior. Websites such as WikiLeaks and Cryptome promote a more activist approach, publishing leaked documents.

Social media has created a reputation economy – your digital profile becomes your real currency. As digital technology journalist Clive Thomson writes, "The reputation economy creates an incentive to be more open, not less. Since internet commentary is inescapable, the only way to influence it is to be part of it. Being transparent, opening up, posting interesting material frequently and often, is the only way to amass positive links to yourself and thus to directly influence your Googleable reputation."



**DON TAPSCOTT**

*Author and speaker on the digital future*

**It used to be that companies could do well by acting badly. Just a few years ago, a new US mutual fund, the Vice Fund, was predicated on that very notion – that companies do better when they concentrate on profit rather than social responsibility, and that companies catering to some of humankind’s less noble tendencies (tobacco, gambling, guns and alcohol) did better than average. The investment case is arguable, but the trend is overwhelmingly clear: the Vice Fund (and its imitators) attracted relatively little investment but the socially responsible investment (SRI) industry has boomed. Don Tapscott is an authority on the influence of digital developments on society, and co-author of *Macrowikinomics*; *Grown Up Digital* and *The Naked Corporation*. Here he tells Brunswick’s Jon Miller that the trend toward greater transparency and integrity for companies is irreversible.**

**The past few years have seen companies moving towards more open and transparent ways of doing business. What’s driving this?**

There are several powerful forces behind this – it’s like a perfect storm. The first is the technology push coming from the web, which is comparable to, and probably more important than, the printing press when it was invented. The printing press gave us access to the written word; the internet enables each of us to be a publisher. The printing press gave us access to recorded knowledge. The internet gives us access to the knowledge contained in the minds of other people on a global basis. So many people get this wrong – they think this is an information age. It’s not: it’s the age of major network intelligence and collaboration.

The second driver is a demographic one: the first generation to grow up in the digital age. They’re the net generation and these kids are different. They have no fear of

technology, because it is like the air to them. They are digital natives. I’m a digital immigrant, I had to learn. They think differently, learn differently, and they are the smartest generation ever.

The third one is a sort of social tsunami. Social media is now becoming a new means of production. In the private sector, it is changing the way that we orchestrate the capability to innovate, to create goods and services. In the public sector, it is changing the way we create public value – and the nature of democracy itself. Just as the internet lowers the cost of transacting and collaborating, it also lowers the cost of dissent, which is why we have these revolutions happening.

So you put all of that together and it is creating a pull for a new kind of enterprise, a new kind of institution. It’s creating a burning platform for change – and that analogy means that the cost of staying where you are is all of a sudden greater than the cost of going somewhere else or doing something radically different. So the industrial age is finally running out of gas and, on the other hand, we can see the contours of new institutions that are emerging.

**How should companies go about developing a transparency strategy?**

We need to look at the stakeholders – customers, employees, business partners, shareholders and communities – and we need to decide what information is pertinent to these stakeholders. Then we need to look at what information we are currently not disclosing that we could disclose, and what would be the benefits to us of disclosing this information, and what would be some of the dangers or unintended consequences. Then, how do we go about disclosing this information – through what media, through what process? Finally, how do we evaluate the effect of what we’ve done?

**Some companies still treat transparency instinctively as a threat. Why do you think that is?**

I always say if you are going to be naked, you had better be buff. If you’re not buff, then transparency is a threat. But I think companies are increasingly concluding that the transparency train has left the station, the cat is out of the bag ...

**The toothpaste is out of the tube ... ?**

Right. There is no going back, so you might as well get used to it, you might as well figure out how we need to change our behavior and make integrity part of our DNA and everything to do with our business model.

**And so how is transparency a positive opportunity for business?**

For each of the main classes of stakeholders, transparency creates value, so every one of them is a separate story. Take employees: we found that when you increase transparency with your employees you get better trust, you get lower internal transaction and collaboration costs, you get better loyalty, you get a decline in office politics and game-playing and you get a higher-performance organization. So it pays off. This is not about somehow being a good company for altruistic reasons. It’s about being an open company so you achieve higher performance and competitive advantage.

**Some people think that transparency is changing the way that companies act in society – making them better citizens. What do you think?**

There was the traditional notion of Corporate Social Responsibility – that you can do well by doing good. I don’t think it was true. Lots of companies did well by being really bad – by having terrible labor practices or exploiting the developing world, or by externalizing their costs on to society. But increasingly I think, because of transparency, that idea of social responsibility is becoming true. We know for sure that you can do badly by being bad – look at the banks on Wall Street. Increasingly, I think, companies are going to have to build integrity into their business models.

**You use the word “integrity” a lot. What is integrity in business?**

Integrity is about being honest, considerate of the interests of others, and accountable – abiding by your commitments. Together with transparency, integrity is the foundation of trust.

**And what is trust, in business?**

I’ll give it to you in a sentence. Trust in business is the expectation that the other party will have integrity and transparency. The expression, “What are they hiding?” shows the relationship between transparency and trust. It’s very important to have these clear definitions: what is trust, what is transparency, what is integrity?

**So what exactly is transparency, anyway?**

Well, it took us about two months to come up with this definition: transparency is the opportunity and obligation for institutions (not individuals) to communicate pertinent information to stakeholders – pertinent, meaning it can help them if they receive the information, or hurt them if they don’t. 🌐



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# HUMAN RIGHTS

Dignity, liberty, equality and brotherhood – these principles underpin the Universal Declaration of Human Rights, written by the international community in the wake of the horrors of the Second World War. The concept of human rights has become central to the basic laws and constitutions of many different countries throughout the world. Those that do not share these values can expect to face criticism for any abuses. There has also been much debate in recent years about the extent of human rights: in 2009, for example, broadband access became a legal right in Finland.

The power to protect (or abuse) human rights used to reside almost exclusively with nation states, but now sits more and more with multinational corporations, which increasingly wield substantial direct power and practical influence. They employ thousands across the globe – Walmart has 700,000 workers outside of the US – and extend their reach further via partnerships and supply chains. Respecting the rights of workers can be challenging: labor practices vary significantly between countries, and achieving “acceptable working conditions” requires considerable investment.

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## Where’s the heat?

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- / Labor rights
- / Child labor
- / Supply chains
- / Diversity
- / Democracy
- / Freedom of expression

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### / Labor rights

In the developed world, the big debate has been whether labor rights have gone too far, cramping business competitiveness. In the developing world, many argue that a bad job is better than no job, and that strict conditions put people out of work.

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### / Child labor

There are areas in the world where child labor is considered normal. An estimated 211m children between the ages of five and 14 have to work. In many cases, they may be the only breadwinner in the family.

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### / Supply chains

The global supply chains of big companies have become sprawling and complex – crossing national boundaries and cultural norms – increasing the risk of human rights abuses. The role of multinationals in preventing such abuses has been a hot issue in recent years.

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### / Diversity

Equality of opportunity is a basic human right – but how to achieve this is a point of contention. Many governments have imposed quotas for women and ethnic minorities, with some success. France, for example, has a law requiring gender diversity on company boards.

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### / Democracy

From the Arab Spring to the “Occupy” movement, a new wave of “people power” has swept the globe. A strong case can be made for democracy as a force for progress: the Global Innovation Index’s top 25 economies are all democracies (excluding semi-democratic Singapore and Hong Kong). 



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## / Freedom of expression

Never has this been more debated. Global interconnected media make it inevitable that cultures will clash: from cartoons of the Prophet Muhammad and banning the burqa to censoring Google search results, freedom of speech is a big global issue.

### What's the context?

It is no surprise that controlling the media is high on the agenda of any would-be autocrat. No self-respecting repressive regime will allow journalistic freedom. It is widely understood that a free press is bad for a dictator's health: permitting independent scrutiny and alternative political opinions isn't part of the plan. And worldwide today, social media is playing its role in opening up the power of free expression.

A free, quality press is essential to any healthy democracy, holding governments accountable and promoting informed debate. In short, there isn't freedom without freedom of the press.

Similarly, human rights depend upon the rule of law – a system of transparent legal principles that exist for everyone's benefit. Citizens or organizations should be able to defend their interests by appealing to legal norms and an independent judiciary.

Around the world, the rule of law is variable and sometimes non-existent. Even where it exists, people are often unable to access legal advice, or they encounter judicial systems that are riddled with corruption and lack accountability. Indeed, this was what prompted Peter Benenson, an English lawyer, to found Amnesty International in 1961 to stand up for human rights.



**MONIQUE VILLA**  
CEO, Thomson Reuters Foundation

**Monique Villa has been CEO of the Thomson Reuters Foundation since shortly after Thomson acquired Reuters in 2008, creating one of the world's largest media, professional and financial information groups. Prior to joining the Foundation, Villa was Managing Director of Reuters Media and Chairman of Action Images, a sports photography agency. A French national, she spent the first part of her career at Agence France-Presse (AFP), France's leading newswire, where she became Director of Strategy and Business Development, with responsibility for the agency's most important partnerships worldwide. Here she talks to Brunswick's Jon Miller about human rights and the power of trusted information.**

**Why did you select women's rights as the focus of your human rights work in the Foundation?**

Because from gang rape and domestic abuse to trafficking and honor killings, millions of women face horrific dangers every day. And violence is not the only problem – women often face discrimination and have little say over their lives. It is as though in many parts of the world, human rights don't seem to apply to women.

**700,000**

Walmart has 700,000 workers outside of the US

**23/25**

Every economy in the top 25 of the Global Innovation Index is a democracy, except semi-democratic Singapore and Hong Kong

**211m**

An estimated 211m children between the ages of five and 14 have to work

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So it's an issue where we're determined to make a big impact. We want to help women know their rights and defend their rights, so that they can live and work in peace. In developing countries, as soon as a woman works, her children are better fed and better educated. Women spend their salary on the family more than men do. So if you help them, you tackle the root causes of poverty.

**The challenge of women's rights is clear – but it's not so clear how that's relevant to Thomson Reuters as a business. How do you see that?**

Well, we asked ourselves: at Thomson Reuters, what is our expertise? We know how to find information, check it, and then disseminate it and database it. That's what the Foundation does as well.

For example, we are building a database of laws on women's rights in every country. The challenges vary a lot across the world, with different local laws, legal systems, and international conventions. We cover all these issues with our 25 Foundation journalists around the world and make the database available to the public, and to our main audiences: NGOs, lawyers, and campaigners working on women's rights.

**How have you created such a big profile so quickly for this work?**

Done well and produced well, news content can raise awareness. We organized an expert poll, for example, to identify the world's most dangerous countries for women. Many of the names on the list were predictable: Afghanistan, Democratic Republic of Congo, Pakistan and Somalia. But one country was a surprise to everyone: India – and the poll made headlines there. Since it was published last year, almost every day there have been articles in the Indian press referring to the poll and calling for change. So that has been impactful.

**Where did the inspiration to focus on human rights come from originally?**

Thomson Reuters is one of the biggest providers of legal research materials and systems in the world. And the Foundation set up TrustLaw to promote the rule of law around the world. TrustLaw is a global hub for *pro bono* legal work and a free source of news and information about good governance – and our women's rights work is part of this.

**Will you expand the focus of TrustLaw?**

Anti-corruption is already another focus. With partners such as Revenue Watch and Transparency International, our website is a hub for a lot of information on the issue. It makes sense when you think how much corruption is impacting the development of entire countries.

We also have TrustLaw Connect, which is a global marketplace for free legal assistance. The idea is it matches up top law firms with NGOs and social enterprises that need *pro bono* legal work – for contracts, IP problems, tax problems, and so on. So NGOs don't have to spend their valuable resources on legal fees.

**What role does the Emergency Information Service play in the Foundation?**

The Emergency Information Service is part of AlertNet, our humanitarian news website. We're providing support when a big disaster hits – like a tsunami or an earthquake – when accurate information can be lifesaving. We launched it when Port-au-Prince was devastated after the earthquake in Haiti. People were desperate for information: how to contact rescue teams, where to go for medical help, where they could get food or water. The humanitarian organizations were busy dealing with the chaos, but they're not equipped for communications – and not in the local languages. Our team of journalists gathered essential information and set up a free 



The issue at stake is what comes first: saving a child's life or holding elections. Because ... in some societies you can't do both

— HUMPHREY HAWKSLEY,  
*DEMOCRACY KILLS*

It is now time to develop binding legal norms that hold corporations to human rights standards

— JEAN ZIEGLER, UN HUMAN RIGHTS COUNCIL

The next two decades are going to be [about] privacy. I'm talking about the internet. I'm talking about cell phones. I'm talking about health records and who's gay and who's not. And moreover, in a country born on the will to be free, what could be more fundamental than this?

— SAM SEABORN, *THE WEST WING*



SMS service, getting practical, vital information to tens of thousands of survivors. It's another instance of us leveraging what Thomson Reuters knows how to do best: sourcing, checking and disseminating information.

**So is delivering trusted information the theme which links your activities?**

Certainly. We believe that trusted, transparent information is a form of aid. Our other major initiative is TrustMedia – and that's about promoting quality journalism. We've trained more than 10,000 journalists from 170 countries – covering a wide range of topics, from reporting on terrorism to tracking down corruption.

It's about spreading the highest standards in journalism around the world. The training is based on the company's principles of accuracy, speed and freedom from bias. These are what has made the company the world's largest news agency. The Thomson Reuters brand is all about fast and accurate reporting around the world – and we've been doing that for 150 years.

**The work of your Foundation is a long way from the traditional image of corporate philanthropy, isn't it?**

It is true this is not a typical way of going about things for corporate foundations. I wanted to do something different from writing checks. I wanted to focus on what the company knows how to do best – and to leverage all the assets of the company. I call it "catalytic philanthropy."

**Is it because you're new to this world that you could establish a new approach so quickly?**

I agree, maybe because I had not been in the world of foundations at all, I approached this in a different manner. I was a journalist for 20 years and then a businesswoman, managing Reuters Media, which is the news agency part of the business. When I took the

job as Foundation CEO in May 2008, it was just as the deadly Cyclone Nargis struck the coast of Burma. At the time we were making a lot of small grants to NGOs working on the ground. One of them, for example, was used to buy blankets. Of course, people need blankets and, thankfully, there are people in the disaster relief community who can do that. But I thought, "What does Thomson Reuters have to do with blankets? It makes no sense."

That's when I decided to transform it completely, moving away from just giving money. Then you realize that the amount you bring with you, just through the skills and knowledge of the company, is enormous.

**How does the business feel about this new approach? How do employees react?**

You cannot imagine the number of e-mails I receive every time we have a good story. Every time I go to a different country, I do a staff presentation and the support we get is fantastic. Lots of people want to help, to volunteer. They're motivated by what we do; they feel like they're part of something good. It's very positive for the culture of the company, for people to feel this pride.

**What's your aspiration for the Foundation?**

I believe TrustLaw is going to become huge. It's already the biggest global marketplace for pro bono legal work – we're already in 140 countries – and we've got ambitious plans.

Jim Smith, our CEO, has a good way of putting it: he says that "fast and accurate information is the lifeblood of our business, so of course it's also the lifeblood of our Foundation." And that is the power of what we can do: whether it's in human rights or in disaster relief, we show the power of being able to deliver trusted information. ☺



Fast and accurate information is the lifeblood of our business, so of course it's also the lifeblood of our Foundation

— JIM SMITH, CEO, THOMSON REUTERS

The most important thing I have learned during the course is about the safety of the journalist. I remember every word of it: how to deal with the tear gas, to find a safe exit, to look around the place before you go, to find the safest point during a demonstration

— MIRETTE IBRAHIM, EGYPTIAN POLITICAL JOURNALIST WHO TOOK A TRUSTMEDIA COURSE IN 2010. SHE WENT ON TO WORK FOR AN EGYPTIAN OPPOSITION NEWSPAPER DURING THE REVOLUTION





# GLOBAL ECONOMY

Trade between countries is thousands of years old, but in the past three decades it has skyrocketed – quadrupling between 1980 and 2008. Global trade also moves faster than ever, processed in milliseconds rather than minutes. This scenario creates a system that is highly complex, interconnected and potentially unstable. Recent financial turmoil shows that it is very hard for individual economies to remain untouched by what is happening elsewhere. This is relatively new: as recently as the 1980s, Latin America suffered a “lost decade” while other markets prospered. Now, attempts by national governments to create jobs and growth may be swept away by events in the global economy. Policymakers are struggling to balance national policies and global impacts. Within economies, the edges are blurring between governments and businesses as states intervene in companies that are “too big to fail” and markets compete to deliver public services.

## Where’s the heat?

- / Economic growth
- / Development
- / Trade
- / Financial systems
- / Income inequality
- / Jobs

### / Economic growth

The overriding goal of most governments is creating or maintaining economic growth – the assumption being that this is the way to increase quality of life and lift people out of poverty. More and more, people are starting to question whether growth is a good thing.

### / Development

Many argue for a strong role for businesses in helping poorer countries develop – creating jobs, training workers, investing in infrastructure. Others are worried by companies that exploit natural resources without helping local communities.

### / Trade

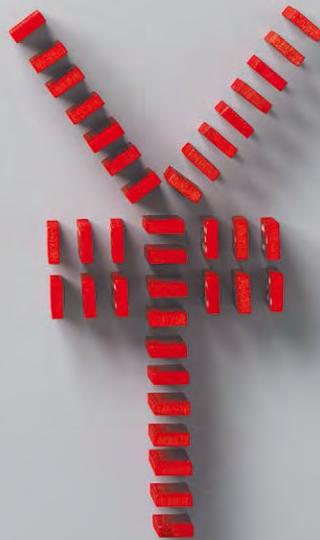
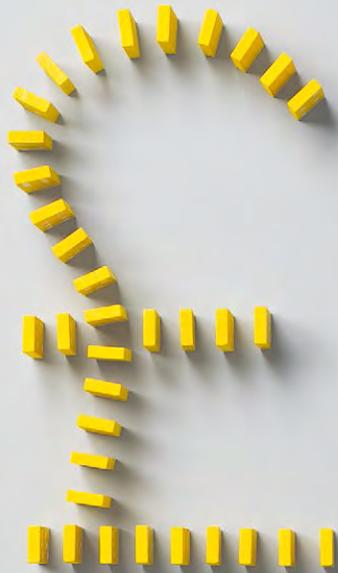
Trade is the lifeblood of the global economy. In 1950 it accounted for 5.5 per cent of world GDP; today, it represents more than 20 per cent. While some countries struggle to protect industries and jobs, others are trying to reduce their reliance on exports.

### / Financial systems

Even after the crisis, financial institutions work with complex and interlinked financial products at a global level, and national regulators struggle to keep up. A perceived “business as usual” attitude has led to public anger.

### / Income inequality

In many countries, inequality is rising. According to economist Joseph Stiglitz, incomes for the top 1 per cent in the US are up 18 per cent over the past decade, while those in the middle have seen their incomes fall.



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## / Jobs

According to the International Labour Organization, one in three workers worldwide is either unemployed or living in poverty. In developed and developing countries, policymakers are looking to businesses to create meaningful and productive jobs.

### What's the context?

It's impossible to have a conversation about the global economy without running into some pretty astronomical numbers; trillion is a number we've become used to hearing, for example. It is estimated that the size of the world economy was around \$65 trillion in 2010 – up from about \$3 trillion four decades before.

It is easy to become blasé about the scale of these very large numbers. The mathematics professor John Allen Paulos helps us get to grips with them in his book *Innumeracy*. “It takes about eleven-and-a-half days for a million seconds to tick away, whereas almost 32 years are required for a billion seconds to pass,” he writes. And a trillion? Our own species of homo sapiens is thought to be less than 10 trillion seconds old.

These large numbers define the global economy. To misquote US politician Everett Dirksen, a few trillion here, a few trillion there, and soon you're talking real global economic turmoil. This has been the lesson of recent years, as the credit crunch of 2007 became a full financial meltdown in 2008, leading to a global recession. Governments put together stimulus packages to stabilize the financial system and boost their economies – adding \$6.5 trillion to

public debt since 2008. At the same time, a sovereign debt crisis has hit a number of European countries.

The global economy is making a slow recovery – but the picture is uneven across the world. Martin Wolf of the *Financial Times* writes that some economies are in the middle of a “lost decade.” However, other economies have healthy growth. In 2011, low-income countries grew at roughly twice the rate of high-income countries, for example: China (+9.2 per cent), Argentina (+8 per cent), India (+7.8 per cent), and Nigeria (+6.9 per cent).

A global financial system underpins the world's economy, made up of a complex network of global institutions and regulations, national agencies and private organizations. Many have argued this system is in need of reform. Critics have ranged from economist Joseph Stiglitz and journalist and economist Paul Krugman, to financier George Soros and Pope Benedict XVI. However, a key challenge for any reform plan will be whether it does more than merely react to the recent crisis and instead lays the foundations for lasting prosperity.

Banks are a crucial part of the global financial system. They provide credit to businesses, which is essential for growth and job creation. They facilitate flows of payment across borders, thus making international trade possible. However, trust in banks has been badly damaged by the financial crisis, and some leading banks are conscious that they need to demonstrate how they create value not just to shareholders, but to society as a whole. 



It is the private sector that creates the jobs, goods and services that the world's poorest people so desperately need to lift themselves out of poverty

— ANDREW MITCHELL, UK  
SECRETARY OF STATE FOR  
INTERNATIONAL DEVELOPMENT

The world has become interdependent, yet governments are shrinking and becoming more nationalistic

— PAUL POLMAN, CEO, UNILEVER

Obscene rewards for success are as socially corrosive as obscene rewards for failure

— GEORGE MONBIOT, JOURNALIST

To Westerners, the glass is half empty; to the rest of the world, it's half full

— SIMON SILVESTER, ADVERTISING  
PLANNER, ON PERCEPTIONS OF  
GLOBAL ECONOMY



# 36%

Developing countries now account for 36 per cent of world exports, about double their share in the early 1960s

# 684 trillion

In June 2008, the global derivatives market was worth \$684 trillion, more than 10 times the value of global GDP

# 27m

There are 27m more unemployed workers than at the start of the global financial crisis



**MIKE REES**

*CEO, Wholesale Banking, Standard Chartered*



**TRACY CLARKE**

*Group Head of Human Resources  
& Communications, Standard Chartered*

**Starting with the 2008 financial crisis, the global banking industry has been coping with an unprecedented series of events: the collapse of “too big to fail” banks, the eurozone crisis, the extraordinary change of political power during the Arab Spring, and the rebalancing of the global economy towards Asia.**

**In 2010, a time when trust in the financial industry had severely eroded, Standard Chartered Bank, which derives 90 per cent of its profits from Asia, Africa and the Middle East, decided to institute “Here for good,” a brand promise that echoed and reinforced its traditional culture and values: “people,”**

**emphasizing a focus on customers and clients; “progress,” about the way the bank conducts itself; and “long run,” focusing on the bank’s history and footprint.**

**Here, Brunswick’s Susan Ho asks two executives about the thinking behind “Here for good” and the challenges inherent in delivering its goals. Mike Rees is CEO, Wholesale Banking, a role he has held for 10 years, and is responsible for all commercial banking products in addition to his responsibilities for global markets products. Rees joined the bank in 1990 and was previously with J.P. Morgan. Tracy Clarke has worked for Standard Chartered for almost 25 years. She became Group Head of Human Resources in 2006, with her portfolio expanding to include communications in 2010.**

**You’re a bank and in the risk business. Why did you launch the “Here for good” campaign? Wasn’t that a risk in itself?**

*Mike Rees:* Standard Chartered has been in banking for more than 150 years. We want to sustain our business and we want to grow in the decades ahead. The reputation of the banking industry took a big hit with the global financial crisis. Indeed, banks were seen as the root of the problem – banks were bad; the industry had lost public trust. However, perhaps through a small degree of good luck – but a large degree of prudence and sticking to our strategy – Standard Chartered came through with our reputation largely unscathed, consecutive years of record income and profits, and no government bail-outs. We felt that it was the right time to take a risk with the brand, to say that we are different, that we have a distinct culture and a strong sense of shared purpose.

**“Here for good” is a strong statement. How do you define “good”?**

*Tracy Clarke:* Good is a powerful word – simple, understated and yet compelling. The world in which we operate has changed dramatically

and the bank itself is almost unrecognizable in its breadth and scope from 10 years ago, with huge growth in the business and number of employees. But we have nonetheless retained our core values: our performance and our culture all point to the bank as being a force for good.

*MR:* “Here for good” also suggests stability, longevity and being here for the long run. Moreover, it underlines our commitment to our customers and clients and to the markets we have called home for generations.

**Can you give some examples of how “Here for good” is working in practice?**

*MR:* The main impact we have on communities and the environment is through the business activities we finance. We have developed a series of position statements that set out our approach on providing financial services to clients who operate in sensitive sectors, such as mining or forestry. The statements also cover key issues such as child labor, climate change and water. We apply the statements to all our lending, equity and advisory activities, spelling out both the mandatory and aspirational standards we expect our clients to observe. This is a key part of our commitment to being a sustainable financier and a core tenet of “Here for good.”

**And what about some “on the ground” examples?**

*TC:* The Women in Business Resource Center is one of the ways in which we empower women as key drivers of economic development. We are committed to this program because it enhances financial literacy, planning, investment and capacity-building for small businesses owned by women.

*MR:* Another example would be our contribution to local communities. We provide farmers in Africa with funding opportunities and local financing to support the growth and development of the local agricultural sector. By empowering farmers and helping them secure a fair price for their crops, we’re helping the local community and economy for today and the future.

**What did you hope to achieve with “Here for good”?**

*TC:* It gives voice to our actions and deeds. More than that, it has given us the chance to examine and focus on our aspirations and really think about what Standard Chartered is and what we stand for. It differentiates us from our competitors and it unifies our 87,000 employees. It is about making a mark, so that our customers and clients remember us whenever they make a decision on financial services.

*MR:* To be a great organization, we must do business with integrity and principles, respecting and contributing to the markets in which we operate. This is as much a message to our staff as it is to our customers and clients. We don’t underestimate the challenges of holding ourselves to such high standards and sticking to these principles. To be “good” requires a huge effort, every day from everyone, at all levels. It requires the best people working to the highest standards.

**Do you base Standard Chartered’s business decisions on the “Here for good” principle?**

*MR:* “Here for good” sets a high bar. In the business, we talk about being a force for good in banking and doing the right thing. In reality, good is often in the eye of the beholder, and people may hold us to a subjective standard. Trade-offs are inevitable. We don’t dodge tough decisions, but engage constructively with our clients to help them comply with international standards, such as the Equator Principles [a set of principles agreed by a number of banks and the World Bank’s private sector arm, the International Finance Corporation, about how to deal with social and environmental risks in project financing], to which we’re a signatory. We are still prudent and decisions to support businesses are tested by our robust finance framework. But we take seriously the opportunity to help change our clients’ business practices for the better. And by using “Here for good” as a

guiding principle, we ensure that the long-term viability of the franchise is never threatened.

**How do you deal with the natural skepticism people might have about these programs, especially coming from a bank?**

*TC:* “Here for good” was not a change of direction, but a reaffirmation of our longest held belief. It is who we are. It is what we do already in our communities and it is how we stick by our customers in good times and bad.

Much of what drives the Standard Chartered story remains constant. Our strategy has remained unchanged – we want to be the world’s best international bank, leading the way in Asia, Africa and the Middle East. We will continue to be driven by the basics of banking, ensuring we grow while being disciplined around managing costs and risks, and keeping a good handle on liquidity and capital.

**What has changed in the bank since you introduced “Here for good”?**

*TC:* It has energized the bank tremendously. “Here for good” has made us examine how we run our business every day, including the customers and clients we take on, what products we sell, how we improve our services, and how we conduct and measure ourselves. We are still a long way from getting it right every day and everywhere. However, this is the path the bank has chosen.

**How will the bank continue to live up to these ideals in the future?**

*MR:* A brand position is not an irrefutable statement of fact. “Here for good” is our compass, and in some cases where we may not have got things right, it is an opportunity to make good on what was wrong. It doesn’t mean we will always be right, or get it right, but it does mean that we will always try to do the right thing and respect the trust our customers and clients place in us. 🌟

*Susan Ho is a Partner in Brunswick’s Hong Kong office. She specializes in brand positioning and engagement, and was formerly the global head of brand at Standard Chartered.*

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# Making the case for business

Each of The 11 Conversations is about finding responses to the world's big challenges. The stories we've heard in the preceding pages show that business has a positive contribution to make – since only business has the skills and resources to really make an impact

A number of leading voices are making the case that business is part of the solution, not part of the problem

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**BOB ZOELICK**  
*Outgoing President of  
the World Bank Group*

*Interview by  
Lucy Parker,  
Brunswick*



# Bob Zoellick on the growth imperative

Robert Zoellick has a long history of public service, most recently as the President of the World Bank Group, the post-Second World War institution charged with fostering development in poorer countries. Having worked under both Republican and Democratic administrations in the US, Zoellick rose to prominence in the early 2000s as the US Trade Representative, during which time he signed a record number of free trade agreements. Here he talks about the need to foster growth in both the developed and developing worlds, and what companies can do to ensure their role is understood and accepted.

*As you come to the end of your stewardship of the World Bank, how do you think the world is doing?*

I think the world is stumbling. But it is stumbling forward and the extraordinary steps taken by the Federal Reserve and the European Central Bank have removed the tail risk of extreme market moves, and bought some time for other actions. My concern is that the time bought needs to be used to fix the structural aspects of growth. This is particularly obvious from where I sit at the World Bank because many emerging market countries, having gone through the traumas of the 1980s and 1990s, seem to appreciate better than developed countries the need to focus on the fundamentals of growth and productivity. The developed countries have understandably focused on the stabilization of the macroeconomic situation – the fiscal and monetary tools. But while that is a necessary component of getting us back on track, it is not sufficient. If the focus does not turn to growth, then I think policymakers will be tempted to use the tools they have and that is likely to lead to a continuation of what are extraordinarily unusual monetary policies. I am concerned that those will plant the seeds of future problems.

*The goal of the World Bank is to reduce poverty and support development. What is the role of the private sector in that?*

It is absolutely fundamental. It is fundamental among developed and developing countries. One of the major transformations of our era, which has happened quickly, is the rise of emerging

markets. In the past five years, they have provided two-thirds of global growth. In emerging markets there is not a debate about the role of the private sector; there is a desire to harness it, to recognize that it is a source of increased productivity, a source of innovation and a source of jobs. When you have a crisis, there can be government policy responses and those are often appropriate in terms of establishing fairer rules of the game and a fair market place, but they are not a substitute for private-sector dynamism.

*But some people argue that companies are actually the problem in the developing world. Do you think they have a point?*

No. If anything I would argue that what I encounter in developing countries is a relentless pragmatism to see what works. So some of the ideological hang-ups that I encounter in the developed world are being overcome more quickly in the developing world. One example is that if you look at the successful model of development of east Asian countries over some 30 to 40 years, part of their challenge has been how to get connected to the supply chains and the logistics operations of global companies. That is not only a question of access to markets, it is a question of knowledge transfer and of the technology that is key to building productivity – and it is not just a question of machinery, it is a question of how workers improve their productivity through being part of these effective systems. So rather than seeing companies as part of the problem, I see them as a key component of the solution.

*So how can companies respond to negative public sentiment?*

I see it from an executive perspective because I have been dealing with this at the World Bank, too. While we are not a private shareholder company, we make revenue that we plough back into the business and we are a very large institution. We have had to deal with the anti-globalization movement. I think the key is that companies and organizations need to be rigorous in figuring out how they add value.

They then need to be open in discussing that with people. For companies, it is important to see

your workforce and your communities as part of your broader role in society. And sometimes companies have to recognize that they need to change – and how they handle that change will affect their brand value and how they are perceived globally. I think sometimes companies feel it is just a question of public relations and I don't accept that view. They have to have adding value inculcated into their sense of what their role is for society, as well as for their shareholders. I personally believe that companies of all sorts add value for their shareholders, their employees, their communities, their consumers – but perhaps differently from 50 years ago. I think that now they have to be more active in making the case for change and explaining it to others.

*How can companies make the case for the value they add?*

Sometimes you can do it in a collaborative fashion. To use an example from the World Bank: I have tried to promote what we call a democratized development. We have tried to open up our information, to form networks and partnerships, and to be a catalyst in how we work with others. When I came here five years ago, a lot of the environmental groups saw the bank as an obstacle. Now, I think they see the bank as a valued partner. When we work on something together they are glad about what we can bring to the table. But that requires building trust.

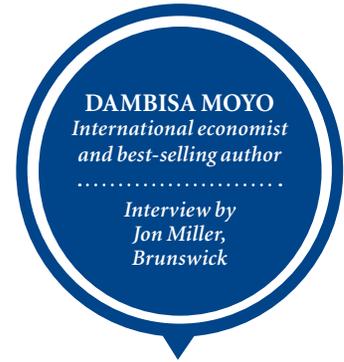
*You're saying that building relationships over time is the key to establishing trust?*

It's about relationships, but it's about more. Some people might feel it is just a question of talking to people and outreach. But it is also, ultimately, about what you do. And it is also about being open about the things that you do not do as well as you should. You need to run a place where you are open to critics, open to discussion. This is another mistake that some companies have made, thinking that either you just succumb to critics or try to buy them off with favors. Where you disagree, you need to engage in a reasoned debate and make your case.

We are in not only a global society but, increasingly, a more open society. You have to be alert to these issues because even in countries with authoritarian governments, people are concerned about how companies treat the environment and they are going to be concerned about the treatment of their workers. So an executive has to have a multi-dimensional view of the challenge. 



IN EMERGING MARKETS THERE IS NOT A DEBATE ABOUT THE ROLE OF THE PRIVATE SECTOR; THERE IS A DESIRE TO HARNESS IT, TO RECOGNIZE THAT IT IS A SOURCE OF INCREASED PRODUCTIVITY, A SOURCE OF INNOVATION AND A SOURCE OF JOBS



**DAMBISA MOYO**  
International economist  
and best-selling author

Interview by  
Jon Miller,  
Brunswick

*Can this be squared with delivering shareholder value?*

I think this is probably the role of a modern executive, to explain this. I'm not saying take your eye off the ball on basic performance, on costs, customer delivery, and profitability. But all around the world you can do a lot of damage to your brand that will take a long time to recover if you are not attending to these issues. So I am saying they are going to be increasingly important for relations with customers, suppliers, the policy environment, and regulation. Even within a traditional shareholder value model, they have an important role.

*What implications do these changes have for global institutions, such as the World Bank?*

I came into an institution that was facing a crisis. We had a turnaround period. We had a food, fuel, and financial crisis. So we had to step up. I feel that in my time here, I have had to modernize this institution. That goes onto the issues of, for example, how we change the staffing, how we change the location of our operations, how we manage the voting positions. In a sense, we're like a multinational that takes global experience and customizes it for local circumstances. So, ranging from China – which has a very good development story, basically wanting us just to consider with them the structural changes they will need for the next 30 years – to Liberia and Afghanistan, which are countries coming out of conflict and needing the most basic development of capacity. So we must customize.

*What has been your approach to modernization?*

First, I have tried to start with recognizing that developing countries are clients. So, as opposed to

coming in with the wisdom of established elite universities and of great development economists, we try to understand our clients and we try to solve problems. And it's not just a matter of analyzing the situation but focusing on how to try and solve the problem.

Second, the question is how we can leverage our strengths in financial knowledge and our relationships with developing countries to be a better partner across a network of players – everyone from pension funds to United Nations agencies. Then the third part of the process is opening up the institution with a new open information policy and open data policy – thereby changing the mindset of people. I am a big believer in focusing on results and accomplishments, so the last thing – and this is where it is harder in a public sector organization than in the private sector, because the private sector is driven by the bottom line results – is trying to measure what you set out to do.

*You've been at the helm at the World Bank for five years. What is going to be different about the next five years?*

The one insight I would highlight is that what used to be seen, even 12 years ago, as a North-South knowledge exchange is increasingly becoming South-South. And I hope that the North will also recognize that there is some South-North learning too. There are a lot of interesting innovations and ideas out there in emerging markets that are not only valuable for other developing countries, but also could be relevant for developed countries. ☺



# Dambisa Moyo on jobs, skills and trade

Dambisa Moyo has carved out a reputation as one of the most forthright and provocative international economists in the public eye, particularly through books such as *Dead Aid*. Her new book *Winner Take All: China's Race for Resources and What it Means for the World* was published in June 2012. She holds advanced degrees in economics (Ph.D.) and government from Oxford and Harvard, respectively, and has worked at the World Bank and Goldman Sachs, an investment bank. Here she discusses the need for companies and governments to focus on job creation, skills and equitable access to commodities.

*Thinking about the big challenges facing the global economy today, what is the role that business can play?*

I think we've forgotten that the most important thing businesses can do is create jobs. To me that is the central conversation we should be having. There are 81m young people out of work around the world between the ages of 18 and 25. Look at the unemployment rates around the world right now, whether it's the United States hovering above 8 per cent, or Europe, in some countries, at around 20 per cent. What better value can companies add than to create jobs? For example, I'm on the board of a major brewer, and I see that in a country like Uganda there are about 30,000 farmers growing crops that we purchase. It is the most important discussion: how we are going to create jobs and how we are going to address income inequality and help people who are desperate to lead productive lives but are finding it difficult to find employment. How can we

actually work with businesses so that they can increase employment?

*Nobody would argue that creating jobs is not a priority – but exactly how should businesses be doing this in the developing world?*

I am from Zambia, one of the largest copper producers in the world, heavily mineral-dependent. But to benefit from these minerals, you need skills and capital. You need money and you need people with the expertise. We have a great mineral endowment, but we do not have enough Zambian engineers to figure out how to extract the copper. Even if we did have those Zambian engineers, we need money. We need to buy the machinery to convert the raw mineral into copper wire to be able to export it. This is a very practical expertise that the mining business can bring to Zambia, but the same principle applies across the board, whether it is in financial services, consumer goods, or telecommunications. Companies should, and do, invest and provide capital and skills in order to create jobs in this country and around the world, and that really is super-essential.

*What do you make of the wave of anti-corporate sentiment we have seen in the past year?*

People have lost sight of the value of business specifically and of the capitalist model in general. It is a cycle of negativity. If you look at President Obama's inaugural speech in 2008, he was very clear. To paraphrase, he said that capitalism has been the best system of delivering economic growth, creating jobs, and reducing poverty. There is no better system. We have more than 300 years of evidence around it. Is capitalism perfect? No, of course it is not. Is there a role for government? Absolutely. But we have forgotten the lessons learned. Whatever successes we are seeing in the emerging world, almost invariably they are mimicking the success story of Europe and the US in years past – I say that because these Western countries have definitely lost their way. If they really go back and look at what sparked the industrial revolution, what actually created these economies over the last 300 years of success, they will see this is exactly what China is doing, what India is doing.

*You say there's a role for government – what do you think it is?*

I see three broad roles for government. The first role is to provide basic infrastructure and services – things such as roads, education and national

security. These are public goods that we all need but are unable or unwilling to pay for ourselves. The second role is to provide a clear and efficient regulatory structure. Regulations should prevent and punish illegal activity and step in when necessary to correct market failures. The third role is to create a policy environment that incentivizes good behavior. For example, government needs to provide the incentives for people and for businesses to innovate, from discovering penicillin and electricity, to creating the next Google. In *How The West Was Lost*, I spend a lot of time talking about incentives, because this is what the West has done best.

*The global economy is based on economic growth – but can we grow in a way that is sustainable?*

There are going to be 9bn people on the planet in 2050. Economic growth means that in 2030 there are going to be 3bn new people in the middle class. There is simply not enough water, not enough arable land, not enough energy and minerals to support living standards the way that Westerners live today. Yet that is what everybody is aspiring to. There are more than 20 wars raging on the planet today with their roots in commodities, and many more are likely to come. It is barely even on the multilateral agenda, and to the extent that it is being added, countries are really responding unilaterally – whether it is America in Iraq or China striking commodity deals. I find it surprising that there is no single global body focusing solely on commodities. It is the one thing that affects everybody.

*What about the role of financial markets in sustainable growth?*

A major challenge for governments and businesses is to promote economic growth that is also socially responsible and environmentally sustainable. There are already many exciting and innovative businesses that have adopted sustainability as a cornerstone of their business model, but these businesses need capital. By helping to finance these companies, lending to small and medium businesses, and maintaining open credit channels, financial markets can play a huge role in driving growth. If liquidity and capital requirements become too stringent, this is less likely to happen. There is the ever-present question: will the financial services industry be willing to allocate capital preferentially to those businesses that can drive growth? Ultimately it's not just about discussing bankers' bonuses: there are much more fundamental issues at stake. ☺

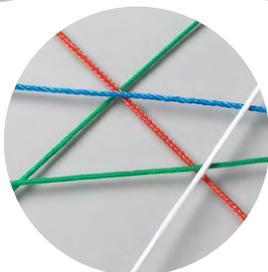
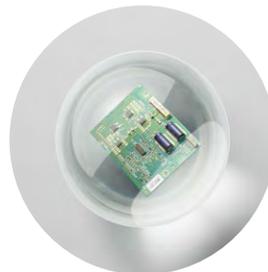
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# Joining the Conversations

A quiet revolution is taking place in the way that corporates engage with the world. Companies are beginning to see that communications is not about bombarding people with messages but about going out and engaging in a conversation

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BY JON MILLER AND LUCY PARKER,  
BRUNSWICK, LONDON



**Imagine the traditional corporate as a citadel: a huge fortress, built for defense and designed to keep the world out. From inside, issues that concern the world are seen as threats. Occasionally an issue gets in, over the ramparts, and the response is to minimize it and manage it down.**

But the world has changed. We live in the Age of Conversation, and a new model is emerging. Gradually, corporates are shifting their outlook: they're opening up the citadels and stepping out into the world. They're re-framing what they do in terms of their relevance to wider society, and the role they can play in helping to tackle some of society's challenges.

This is happening at a time when the world is demanding more and more of business: consumers are more empowered, communities around the world are finding their voice, and employees expect to find more meaning in their employment. Governments are expecting business to play a more active role. Campaigning groups have become more effective. Once, companies' biggest priority and purpose was to create and maintain shareholder value. Now, there are increasing demands to show how they are in the business of creating value more broadly. Society is shining a light on business, and asking a clear question: are you adding value to the world, or destroying it?

#### **Into the breach**

We believe that the biggest contribution a business can make to society is by being a business. It's not by giving grants or patronizing the arts that businesses can really make an impact. It's by doing what business does best: delivering products and services, creating jobs and livelihoods, finding enterprising new solutions to old problems.

The challenges we face today are unprecedented in scale and complexity. Neither governments nor NGOs can tackle them alone. Business must step into the breach. As we have seen in the previous pages, one of today's big health issues is the spread of diabetes. Which government knows more about this disease than Novo Nordisk, the world's leading producer of diabetes drugs? Another major global issue is food security and water purity. Few NGOs have the scale and resources to address this in the way that Unilever can, as one of the world's leading food companies.

By the very nature of what they do, the activities of every major corporate inevitably makes them relevant to one or more of the world's big conversations. The most forward-

looking of today's business leaders get that. They are proactive in joining the conversations – because they know that the knowledge and expertise embedded within their business puts them in a position to make a contribution.

The 11 Conversations isn't a how-to model, or a grand strategic framework – it's simply a new way of thinking about how companies can engage with the world. In the preceding pages, we've met some of the leaders and thinkers who are brokering a new relationship between business and society. We can see that a radical shift is under way in how the more progressive corporates see their place in society. Whether it's Population or Security, Health or Human Rights, these companies aren't hiding from the big issues: they're rolling up their sleeves and getting involved.

#### **Who is doing what?**

Different companies are doing this in different ways. For some, like ARM, it's about *what they do*: they are the world's leading designer of energy-efficient smartphone chips, and so it's not surprising that Warren East, CEO, is deeply involved in the conversation about Energy & Climate Change.

Others focus on *how they do it*: Anglo American, one of the world's largest mining companies, understands that a small group of local people can stop a big project in its tracks, and so Cynthia Carroll, CEO, is passionate about the Communities conversation.

Some companies are contributing to the big conversations through *smart corporate philanthropy*: Cisco Networking Academy, for example, is promoting ICT skills around the world – and so Amy Christen, Cisco's Head of Corporate Affairs, talks about Education & Skills.

#### **Let's talk**

Unsurprisingly, not all corporates are moving in this direction at the same speed. It is easy to underestimate how big a change it is in the entrenched habits of traditional corporate behavior. The heat in the public debate around the banking sector, for example, illustrates how, for many people, the gleaming towers of Wall Street and Canary Wharf represent the citadels of today. Some companies struggle to engage successfully, others thrive on the opportunity. Those who want to join the wider conversation recognize that it is less about controlling the story and more about making a contribution to the debate. It is a significant shift in attitude: from corporate-centric to socially relevant. ☺



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# THE DEMOCRATIC REPUBLIC OF BURBERRY



**Angela Ahrendts**, Burberry CEO, has fostered a common credo of democracy and creativity for employees and customers alike, all in the service of its uniquely British brand

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INTERVIEW BY SUSAN GILCHRIST, BRUNSWICK GROUP CHIEF EXECUTIVE

**T**rying to put into words the concepts that are the foundation of a flourishing brand can be frustrating. With something that is essentially creative, there is a fine line between phrases that can sound like clichéd corporate-speak and genuine management insight.

The task for Angela Ahrendts when she took over in 2006 as Chief Executive of Burberry, an evocative luxury British brand with a history stretching back to the middle of the 19th century, was made even more complex by its unique positioning. It is a company whose founder, Thomas Burberry, had the marketing sense to ensure that cultural totems of his day, such as Antarctic explorer Robert Falcon Scott, were wearing his weatherproofs on their epic adventures; it is a company that later invented the trench coat for wartime, an iconic item of clothing that has since enjoyed myriad fashion incarnations; and more recently, it is a brand that has become strongly associated with youth trends across the social spectrum.

Burberry is, as Ahrendts has described it, a brand of contrasts and she and her team have worked hard to maintain its luxury exclusiveness while also broadening its appeal – or “democratizing luxury,” as she terms it. “If you appreciate art and design and creativity, whether you can afford it or not, you can still be a luxury customer,” Ahrendts says.

While it is one thing to aspire to a company culture with a higher purpose, it is vastly more challenging to translate that into real and lasting change that elevates a business. In the past few years, Ahrendts has drawn praise for breathing new life into the brand, transforming the way it does business and producing remarkable financial results in the midst of a steep downturn.

Awarding Burberry its 2011 “Retailer of the Year” accolade in London earlier this year, *Retail Week* credited the company for its “international success as well as being representative of a great British brand. With great financial results and an interesting move into social media, the judges felt that this retailer stood above the rest.”

This good run, which has included revenue rising consistently to nearly £2bn (\$3.2bn) in 2012, and Burberry’s inclusion in the FTSE 100 index in 2009 – becoming one of the largest 50 constituent companies in 2012 – began with a reevaluation of the brand and a reorganization of management by Ahrendts. There have been many aspects to her new management strategy and style, but Ahrendts says that there were three crucially important decisions made when setting the company’s course. One was to “focus on the brand above and beyond all else.” Another was to “develop a rich, very connected culture.” But, she says, “the most important thing we did, bar none, was bringing the team together.” 



## ANGELA AHRENDTS

When she was first approached in 2005 to take on the role of Burberry's CEO, Angela Ahrendts thought she already was in her dream job, as Executive Vice-President at fashion brand Liz Claiborne, where she ran a large portfolio including the Juicy Couture and Lucky brands.

"I had a great work-life balance and the greatest job on Seventh Avenue. We were buying companies, I was working with great people. I didn't think life could be any better," she told Charlie Rose in a 2010 TV interview. What convinced her to move to Burberry? "The real appeal to me was the opportunity ahead, the globalness. And I loved Burberry's history."

Since moving to London in 2006 to run the company, she has led a transformation of Burberry. This has been recognized with many accolades, for example, Interbrand recognized the company as the fourth fastest-growing global brand in 2011.

Before Liz Claiborne, which she joined in 1998, Ahrendts was President of Donna Karan International for six years. She was born and raised in Indiana, and earned a merchandising and marketing degree from Ball State University, Muncie, Indiana, in 1981.

## BURBERRY

*Twitter:* more than 985,000 followers

*Facebook:* 12.8m "fans"

*Retail:* 443 stores, plus 56 franchise stores

*Spread:* operates in more than 80 countries

*Employees:* 9,500 globally

## FINANCIAL PERFORMANCE

YEAR	REVENUE	OPERATING PROFIT, ADJUSTED
2005/6	£743m	£168m
2006/7	£850m	£185m
2007/8	£995m	£206m
2008/9	£1,202m	£181m
2009/10	£1,280m	£220m
2010/11	£1,501m	£301m
2011/12	£1,857m	£377m

Source: Burberry income statements; financial year ends March 31

When trying to understand the changes that Ahrendts has wrought at Burberry, the essential starting point must be Christopher Bailey, for whom she created the position of Chief Creative Officer in November 2009. This is the key relationship within her top team. In *Bold: How to be Brave in Business and Win*, brand consultants Shaun Smith and Andy Milligan wrote in 2011, “Christopher Bailey can perhaps be thought of as the yin to Angela Ahrendts’ yang.”

### DEMOCRATIC LUXURY

“It always starts with people,” says Ahrendts. So, she set about a management overhaul, with Bailey’s promotion from his previous role as Creative Director the first step. “People forget, he was only doing the runway show before,” she says. His new brief was as broad as it could be: “To basically oversee anything that the customer sees – stores, online, live shows, all of it – and then we built a huge infrastructure under him to support that.”

Bailey, 41, and Ahrendts had a meeting of minds over the concept of “democratic luxury.” She says, “You know it’s funny, Christopher is from Yorkshire and I’m from a small town in the Midwest, [New Palestine] Indiana. We met at Donna Karan, a luxury company, but I don’t think either one of us got into it to say we were in the luxury business *per se*. We both kind of landed at a luxury company.” Despite their backgrounds, she says, both were luxury consumers by nature.

Nonetheless, there were elements of the luxury business that rankled the pair. “We felt it was terrible that when you walk into a luxury store, you know, people would look at you as if you didn’t deserve to be there and try to make it an intimidating experience. That was just not where he and I were from.”

There was another aspect to Burberry that had begun to change under the previous leadership, but still needed much work when Ahrendts arrived. The brand had endured a long period of neglect and needed to be nurtured, if not fully

Burberry Spring/  
Summer 2012  
campaign featuring  
model Cara  
Delevingne

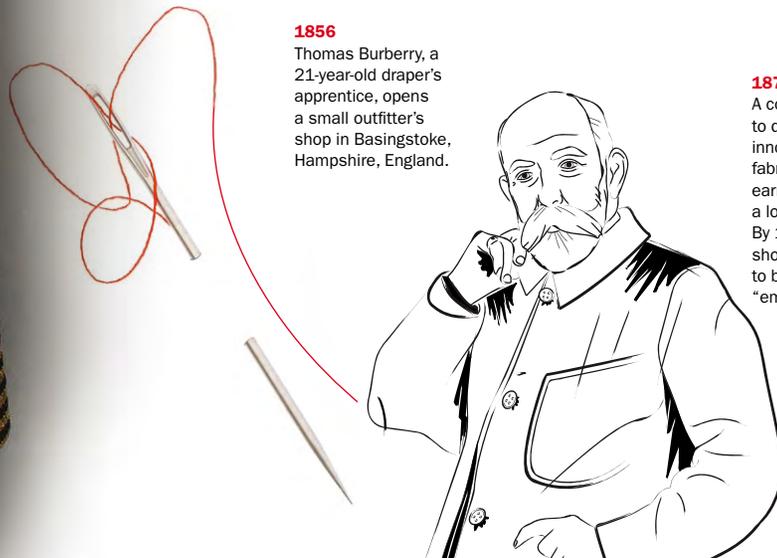


#### 1856

Thomas Burberry, a 21-year-old draper’s apprentice, opens a small outfitter’s shop in Basingstoke, Hampshire, England.

#### 1870

A commitment to quality and innovation in fabric and design earns Burberry a loyal following. By 1870, the shop has grown to become an “emporium.”



resuscitated. Cathy Horyn, *The New York Times*' fashion critic, had written that after the early 1960s heyday when Audrey Hepburn wore a Burberry trench coat in *Breakfast at Tiffany's*, "Burberry's grandeur had been leached out of it. And all that remained for the next 35 years ... was to sell the Britishness of Burberry, without real content, as if it were a paper Union Jack in a Piccadilly souvenir stall."

Ahrendts knew where to start. "Christopher always used to say, 'We came from a trench coat. We dressed the military. That's a part of our DNA. That's a part of our heritage.' He used to talk about how he loved that aristocrats wore the brand and he loved that street kids wore it too – he coined the term 'disheveled elegance' to describe how they would mix," she says.

If Ahrendts charged Bailey with creating Burberry's "content" and setting the overall tone – to be the company's "conceptual brand visionary," its "brand tsar" – she set about making top management appointments that were aimed at delivering other essential aspects of the business, especially the customer experience. She created the position of Chief Operating Officer, appointing Andy Janowski, a former Gap and Banana Republic executive who had been running Burberry's supply chain, to rationalize its delivery, especially as the business became driven more by digital relationships on a global scale.

Reg Sindall was hired from GUS, a British retailer and former owner of Burberry, to handle the front end of the business. "We had a luxury brand but with no infrastructure for sales, service, training, none of that," Ahrendts says. "Reg created 10 departments to handle that. Today we have 80 customer service people around the world that are live 24/7 in 14 languages."

More recent key appointments include John Douglas, who was promoted internally to the new position of Chief Technology Officer, which Ahrendts says reflects the central role that technology is playing in the company's strategy. As she told the World Business Forum in a speech last year, "When I joined Burberry, our CTO was a Chief Information Officer, on his 13th SAP implementation, sitting at the back of the bus where technology often sits, seeing itself as a service and support function. I said to John, 'We need you to move up to the front of the bus – our competitive edge is how we use technology.' The Chief Creative Officer is the vision for the brand, and the Chief Technical Officer enables that vision to get out to our audience." This top team and the organizational structure are constantly evolving: some other recent hires include people to run social media, customer insight and mobile functions.

### CONNECTED CULTURE

Ahrendts has simultaneously developed a sometimes dizzying array of interlinked concepts and initiatives aimed at supporting and nurturing the brand. Her central idea to make all this work is a "connected culture" that

marries Burberry's brand ideals to the company's organization and ethos. In other words, the connected culture is a concept meant to make sense for everybody in the company of the "hard" and "soft" strategies, and to link Burberry staff to the company's brand ideals and to its customers.

An example of the connected culture is the idea that if democratic luxury is promoted externally, then democracy must be promoted internally as well. "When I started, only 10 per cent of our employees were in on a bonus scheme or had any shares in the company," Ahrendts says. "If you're going to be democratic, then you have to get that out to everyone and by doing that, it unites the culture." 

"IF YOU'RE GOING TO BE  
DEMOCRATIC, THEN YOU  
HAVE TO GET THAT OUT  
TO EVERYONE AND BY  
DOING THAT, IT UNITES  
THE CULTURE"



**1880**

Gabardine – a breathable, weatherproof and tearproof fabric – is developed.

BURBERRY'S  
"GABARDINE"



**1891**

Now trading as Thomas Burberry & Sons, the business opens a shop in the West End of London at 30 Haymarket.

**1895**

Burberry develops the Tielocken, the predecessor of the trench coat, which is adopted by British officers during the Boer War.



Another “connected culture” concept reflecting Burberry’s brand values in the organizational structure is the idea of a “young old company.” In terms of the brand, the company wholeheartedly embraces its rich history while also focusing very clearly on the younger customers whose lives revolve to a considerable degree around social media – the “millennial customer.” This has manifested itself in many forms: promoting unsigned bands via Burberry Acoustic; devoting considerable resources to Burberry World online, as well as Burberry’s multimedia presence on Facebook and Twitter; supporting young creative talent through the Burberry Foundation; and the association with young British actors, such as Emma Watson and Eddie Redmayne. Digital marketing in all its forms is key to every aspect of the strategy, while Burberry’s Britishness is emphasized consistently.

At the same time, this idea of the young old company is reflected in the company’s organization. Ahrendts recognized that Burberry employees, like its target customers, are young – 70 per cent of those who work at the company’s headquarters are under the age of 30. To capture this theme institutionally, Ahrendts created two linked bodies that, on the one hand, allow ideas to flourish and, on the other, follow through and turn the best of those ideas into brand-enhancing initiatives.

The Strategic Innovation Council is a formal monthly forum that Ahrendts set up to gather the “young next generation of great thinkers” at the company. Chaired by Bailey, “the remit of this council is to dream,” she says. Alongside it is the Senior Executive Council, chaired by Ahrendts, who says that its purpose is “to execute this young vision.” These forums send an important message:

“YOU NEED MIND SHARE  
IF YOU WANT  
MARKET SHARE.  
AND YOU HAVE  
TO ENGAGE”



“We actually flipped the traditional hierarchy, and the way we communicated these councils showed the entire company that we were serious about being creatively led.”

Her new top executive team – incorporating the positions she has created – as well as the elements of “connected culture” were put in place so that there could be what Ahrendts calls “a laser focus” on the brand. If it works it creates a virtuous circle. Ahrendts reckoned that this was the way to change the culture and unite the company, which had become somewhat fractured and disconnected. It was a way to reinforce the goals of refreshing the brand and learning to market better globally in a challenging, digital-driven environment.

“It’s not just about the structure, it’s about having a creative thinking culture,” Ahrendts says. “We do this by putting the brand first. This is how we keep everyone united and aligned. It removes ‘self’ and neutralizes egos. And with this alignment and intense brand focus, we can now launch big brand projects.”

### COOL BRITANNIA

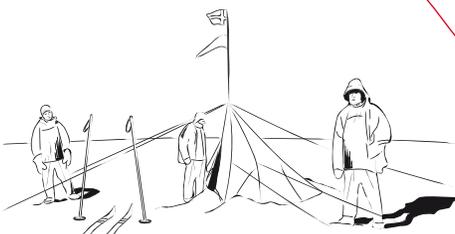
The brand revival was a tricky operation to pull off. It meant respecting Burberry’s history while also making it cool and modern. Burberry’s employees would have to get behind it. “We told them all very early on, we are not writing another book. We are writing another really exciting chapter of a great brand’s history. The brand is going to outlive every one of us, so it’s our generation’s job, while we’re stewards of this great brand, to make it relevant and to keep it as healthy as we can so we can pass it over to the next generation.”

The virtuous circle of this approach is illustrated by the evolution of the digital strategy. To create compelling content,



**1901**  
The equestrian knight trademark appears for the first time, accompanied by the Latin word *prorsum*, meaning forwards.

**1911**  
Equipped by Burberry, Norwegian explorer Roald Amundsen becomes the first man to reach the South Pole.



**1914**  
Commissioned by the War Office to adapt its earlier officer’s coat for new combat requirements, Burberry adds epaulets and “D” rings, and the “trench coat” is born.



**1920**  
The Burberry Check, registered as a trademark, is introduced as a lining to the trench coat.



**1955**  
Burberry is awarded a Royal Warrant by HM Queen Elizabeth II.

an in-house creative media team has been set up. “We needed a sound,” says Ahrendts, “and we asked ourselves: ‘what is the sound of our brand?’ We are a British brand and that guides our sound. So we have a Music Director who goes looking for young, unsigned British bands. Through Burberry Acoustic we give these bands exposure and they give us exclusive content. We originally created this content for consumers but it is also a great connector internally. Employees can take great pride in what they are helping to build.”

Ahrendts also feels strongly about the revolutionary impact of social media, though she reckons the corporate world is lagging behind the rest of society on this front. For Burberry, she aims to create a “social enterprise” that is comfortable in the language of social media, that links the traditional customer relations management platform with media like Facebook, and at the same time connects employees, suppliers and customers. “Our entire enterprise will in essence be one digital social network,” she says. This will require constant experimentation, such as the company’s launch of its Burberry Body fragrance worldwide via social media, which involved an advertising campaign featuring British actress Rosie Huntington-Whiteley wearing just a trench coat, which generated 220m views via Facebook in its first week alone.

For Ahrendts, the goals of the business may remain traditional but the method of achieving them has evolved. “Burberry is up there in the top five of all global luxury brands, and I remind our people around the world that it is our responsibility to deliver very consistent performance. But to me, revenue and profits are the end game. How you get there is creating compelling content to engage with consumers across whatever channel they opt to shop in, or view,” she says. But that means looking at things somewhat differently than before. “The digital team would come in and want to tell me all the traditional retail metrics. ↗

Burberry Spring/  
Summer 2012  
advertising campaign  
featuring up-and-  
coming actor  
Eddie Redmayne



**1989**  
A second Royal  
Warrant is  
granted by HRH  
The Prince of  
Wales.

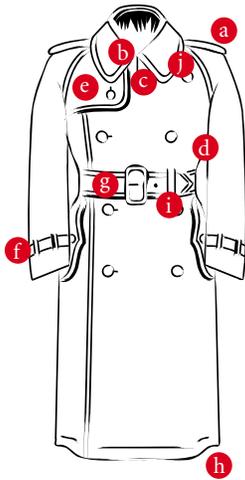


**2009**  
Burberry launches the  
Art of the Trench  
(see box on following page).

## THE ART OF THE TRENCH

The Design Council, the official champion of British design, couldn't have put it better when describing Burberry's resurgence, attributing it to the re-imagining of "a previously staid and traditional British clothes manufacturer as a brand that could be simultaneously vintage and very much of the moment." In a case study, the Council highlighted Burberry's use of digital media, specifically the Art of the Trench ([artofthetrench.com](http://artofthetrench.com)), which Burberry describes as "a living document of the trench coat and the people who wear it," featuring customers' photos as well as portraits by well-known photographers such as Scott Schuman.

Making the trench coat central to Burberry's brand image was something Ahrendts wanted to do from the outset to underline the company's deep roots. All of Burberry's heritage rainwear is still made in Castleford, in the north of England. The factory has been making Burberry trench coats for 80 years and 100 tailors undertake 300 different processes in making a single "Made in England" trench coat, which retails for around \$1,800.



### Anatomy of a trench coat

a epaulets b throat latch c hook and bar  
d back rain shield e gun patch/storm flap  
f cuff straps g trench belt/buckle h lining  
i "D" rings j set-in sleeve/raglan sleeve



But I always ask them, ‘Tell me how long people stayed on the site. Tell me how long they engaged with Burberry Acoustic, how long they engaged with Burberry Bespoke, how long they viewed the Foundation.’ That’s why I say that we’re a media content company. The higher the engagement – with Burberry Acoustic, Burberry Bespoke, Burberry Foundation – the higher the propensity to purchase the brand someday, somewhere, through some channel. You need mind share if you want market share. And you have to engage.”

Ahrendts spells it out further. “We didn’t do Burberry Bespoke to make money. We didn’t do Burberry Acoustic to make money. We didn’t do Art of the Trench, our social media platform, to make money. We did all of that to have the customer engage with the brand.”

### BUILDING SOCIAL CAPITAL

An aspect of Burberry’s brand-building that emerged from a broad cultural aim is the Burberry Foundation, an independent charitable foundation established in 2008. It was a key part of the early discussions Ahrendts had with Christopher Bailey while they lunched at the Asiate restaurant in the Mandarin Hotel overlooking Central Park in New York, contemplating what the Burberry brand should mean.

“We sat there for hours and we talked about the culture – about building a compassionate, giving, caring culture. We felt that was our moral imperative. At that lunch we came up with a program called Check Cares [after the emblematic Burberry check] and we said, ‘We’ll know that we have done a great job when some day, someone sees the Burberry check and they will know it has helped do some good in the world,’” Ahrendts recalls.

The Foundation’s broad goal is to provide opportunities for young people, typically those who are at some disadvantage, to explore and develop their creative potential. It targets the communities in which Burberry operates and aims to support organizations that also provide opportunities for Burberry employees to volunteer. Groups that the Foundation has been involved with include Robin Hood, which works to alleviate poverty in New York City; KELY Support Group, which helps young people in Hong Kong; and City Year London, which also works with young people through schools in the British capital.

The Check Cares program initially raised money by donating a percentage of each retail purchase of the British-made Burberry iconic cashmere muffler and the heritage trench coat to the Foundation, with a Check Cares logo at retail points advertising the link. The Foundation has grown and developed fairly quickly. “A year on, we got the board to approve that 1 per cent of the company’s profits would go to philanthropic causes, most of it to the Foundation,” Ahrendts says. 

Main photograph: The Sartorialist/Burberry

### THE MILLION SQUARE FOOT STORE

One of the fundamental transformations at Burberry since Angela Ahrendts took over is the switch from being primarily a wholesaler and brand licensor to being a cutting-edge retailer, especially online. “We are 72 per cent retail today,” says Ahrendts. “That is polar opposite from where we were six years ago.” At the heart of Burberry’s brand refocus has been digital innovation, and the company is now recognized as a groundbreaking online retailer.

In a recent report by Deloitte, *The Changing Face of Retail*, the consultants cited Burberry as ahead of the game in recognizing how technology is profoundly changing consumer behavior. “The role of the store will evolve to become one part of a much more complex and challenging relationship between the retailer and consumer,” and Burberry is showing the way, Deloitte says. “At the beginning of each season, Burberry turns its London store into an entertainment destination, engaging with customers through an audiovisual experience featuring big screens and iPads.”

Ahrendts says that when she and Christopher Bailey worked on the brand strategy, “we both looked at each other and decided that with the resources we had at that point we knew our money would go 10 times further if we did it digitally.” Concepts such as Burberry’s Retail Theater, which kicked off with the Spring/Summer 2011 show, meant that live fashion shows, featuring Burberry Acoustic music, could be broadcast simultaneously to 25 stores around the world. Customers were invited to these “exclusive digital events” via a personal video message from Bailey.

Anyone, anywhere in the world, could also watch the show on the internet and order online. A technology partnership with Verizon and SAP meant that orders could be placed on Burberry.com in stores, via iPad. This approach is at the heart of the retail growth strategy, linking the physical store experience with digital – or what Ahrendts refers to as “the million square foot store.”



Under the direction of Chief Creative Officer Christopher Bailey (right), in 2011 Burberry broadcast its Spring/Summer collection show live to stores worldwide





## BURBERRY AS IMPRESARIO

Burberry Acoustic was introduced at the Prorsum Spring/Summer 2011 menswear show as a way of leveraging the company's reputation for fostering British musical talent.

The idea was to build on the positive notices that Burberry – specifically Christopher Bailey – had garnered for its eclectic (and very British) musical selections for its shows by showcasing unsigned British bands.

GQ magazine described the first effort as “a set of three gorgeously filmed music videos,” which included then 16-year-old Misty Miller, who went on to release her first album in 2011. Dozens of bands have since been featured by Burberry Acoustic, including (pictured above, from top) Wolf Gang – now signed to Atlantic Records – the London quartet Life in Film, and One Night Only.

Selections of the Burberry Acoustic tracks have been released via iTunes and other channels, sometimes together with tracks by established British artists, such as The Pogues and Elton John. Burberry has also featured the bands via its YouTube and Facebook pages. The mode of exposure has garnered almost entirely positive commentary for the bands and for Burberry Acoustic.

As one design blogger put it, “Burberry are one of the best examples of fashion brands getting social engagement right.” And while some otherwise marketing-savvy companies have made embarrassing missteps with contemporary music, *NYLON* magazine, in its review of Life in Film, referred to the band's “Christopher Bailey cred.” That is the kind of notice money can't buy.

It has also provided a focal point for broader thinking about how Burberry operates in a world that has become both more socially conscious as well as more socially connected. The manner in which it pursues philanthropic goals dovetails neatly with the creation of a “social enterprise” by leveraging social media and other connections between Burberry employees, customers, shareholders, and suppliers to serve both a commercial and a broader social purpose.

“So, we unite everyone around the greater good,” says Ahrendts. “And it's not just us and Burberry's employees. We ask, ‘How do we now link in our suppliers? How do I get investors to understand that this is what connects the culture, that our performance is what will empower us to do greater things. How do I get my suppliers to understand it, to give towards it?’”

Ahrendts explained in her World Business Forum speech that companies – especially those with great brands – are playing an increasingly larger role in the community. Society needs companies to provide their expertise and resources to help solve problems and increasingly expects them to do so, especially the younger generation of potential customers and employees.

It is a key component of the connectedness that Ahrendts wanted to create in order to tie stakeholders to Burberry's brand values, particularly its employees. “I think that is why they are so willing to give of themselves: financially, they volunteer, they mentor. We've touched the lives of 5,000 kids around the world in the past two years through all our programs.”

## SETTING A COURSE

Though Burberry's roots are still apparent in the ubiquitous coat and its sense of rooted Britishness, the business has changed fundamentally in a relatively short period. It has gone from being a privately-owned fashion wholesaler to being a public company and purveyor of one of the world's top luxury brands, connecting directly with customers via the virtual formats that many now prefer.

Ahrendts says that Burberry's core values are “protect, explore, and inspire.” These kinds of statements can so often seem empty if they are not backed up by real institutional change that brings out the best ideas and follows through in practical ways.

Ahrendts says her aim has been to give Burberry's core values substance by harnessing the drive and creativity that were already there. “Our young, competitive teams love being at the forefront, so we challenge them to explore new things constantly. We want them to be free to watch, to listen, and to learn. We have given them the forums and the venue so they can be heard. Because how else are you going to continue to move something this big?” 🎵

Susan Gilchrist is Brunswick Group Chief Executive, based in New York.

# GLOBAL M&A BUSINESS: GREEN SHOOTS OF SPRING?

BY STEVEN LIPIN, BRUNSWICK, NEW YORK AND DAVID ASHTON, BRUNSWICK, HONG KONG

**Some positive indicators on the global economic front have led to optimism among dealmakers that there will be a revival in the mergers and acquisitions marketplace, in particular for cross-border deals involving some of the faster growing countries, such as India, China and Brazil.**

According to the **5th Annual Brunswick Group M&A Survey**, leading advisers are generally optimistic about the level of deal activity in 2012, encouraged by improving economic conditions and greater cheer among corporate chieftains. Nearly half of the US advisers polled predict an increase in deal flow over last year's volume, while 28 per cent expect it to be about the same.

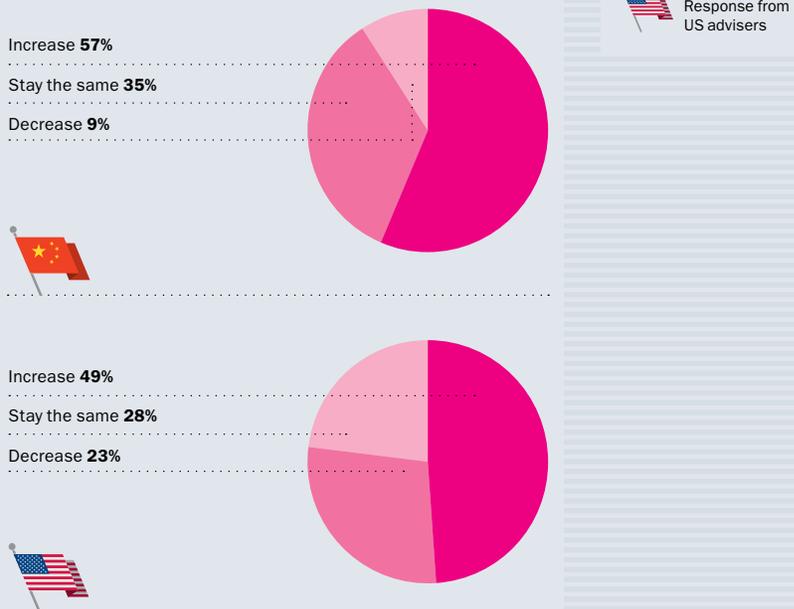
That relative optimism comes despite several quarters of stunted activity – worldwide M&A grew by 7 per cent last year, to \$2.6 trillion, according to data from Thomson Reuters. However, deal value in the first quarter of 2012, at \$419bn, was down 31 per cent on the previous year's Q1, marking the fifth consecutive quarterly decline, according to Mergermarket, a company that tracks M&A deals.

More than 100 top M&A bankers and lawyers responded to the 2012 poll about their views on the current deal landscape and trends. For the first time, the annual survey also asked top China-based M&A advisers for their views on deal dynamics in Asia and globally. Of the China experts polled, 57 per cent expect more global M&A activity this year. Even more – 74 per cent – are bullish on the expected level of domestic transactions in Greater China.

Among other trends that the Brunswick survey predicts: more cross-border activity; the continuation of mostly cash deals; and more activity in faster growing large countries, such as Brazil, China, Canada and Australia. The energy, natural resources and healthcare sectors are expected to be busiest in terms of M&A activity.

The biggest deals in Q1 2012 underlined the international nature of M&A, with the Top 10 including deals from India (Sesa Goa taking a stake in Sterlite); Brazil (Itaú Unibanco's stake in Redecard); as well as Switzerland, the UK, the US and Netherlands.

Compared to 2011, do you expect that the level of global M&A will increase, decrease or stay the same in 2012?



The Brunswick poll was released ahead of the 24th Annual Tulane University Law School Corporate Law Institute conference, an annual gathering of the deal community – including bankers, lawyers, and judges – in New Orleans in March.

Counting himself among the optimists was Peter Weinberg, founding partner at Perella Weinberg Partners, who made a case for an M&A boom over the next year or two. He argued that US companies are eager for growth, have plump cash balances, are being pressured by shareholders to get aggressive, and have relatively few options at home. Therefore, they may seek to buy cheaply in Europe or participate in fast-growing “BRIC” countries by acquiring leading companies and their growth rates.

## SELECTED HIGHLIGHTS FROM THE SURVEY

In some charts, percentages do not total 100% due to multiple response options; respondents were asked to select three

### Other than the US, what countries will be the busiest this year for M&A?



For inbound transactions, 78 per cent of US advisers polled expect foreign acquirers to come from Asia, an increase from 56 per cent last year.

Brazil, China and Canada ranked highest as the countries that survey respondents expect to be the most active M&A markets outside the US.

Given the uncertainty over Europe's sovereign debt crisis, 51 per cent of US advisers believe that buyers will be wary of pursuing transactions in Europe. However, Europe was the most popular destination for buyers in the first quarter of 2012, accounting for nearly 40 per cent of the total, or \$166bn. By contrast, US deal value was down 54 per cent on the previous year's Q1.

- 1 Brazil 69%
- 2 China 65%
- 3 Canada 46%
- 4 Australia 32%
- 5 UK 29%
- 6 Germany 19%
- 7 Russia 11%



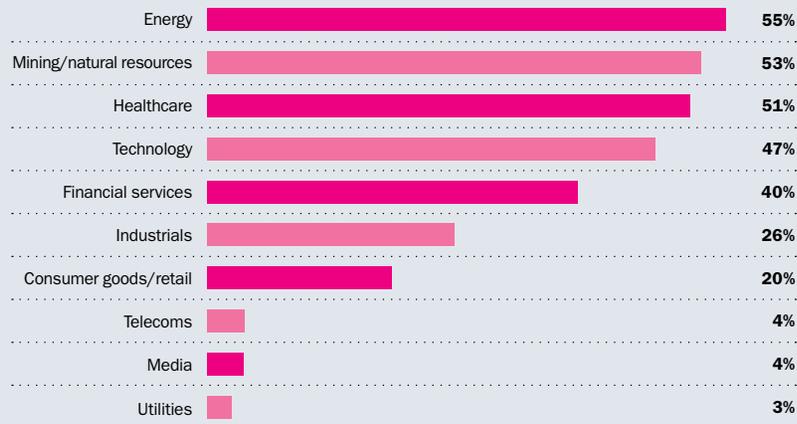
### In what sectors do you expect to see the greatest amount of consolidation in 2012?



Among the top-rated sectors, mining and natural resources are seen as ripe for consolidation compared with past years, while the energy, healthcare and technology sectors will continue to be among the most active.

The biggest deal by far in Q1 was in the mining sector: Glencore, the Switzerland-based commodity giant, bidding \$53bn for Anglo-Swiss miner Xstrata.

The energy sector in the US continues to be a focus of dealmaking interest: also on the Top 10 deal list for Q1, was a \$7.2bn bid by a private equity consortium led by Apollo Global for El Paso (EP) Energy, a Houston-based natural gas infrastructure company.



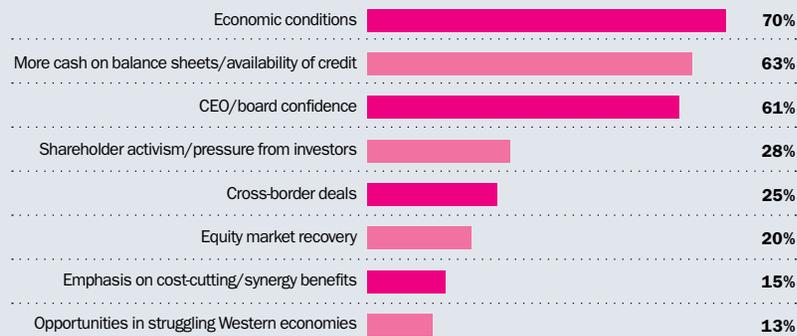
### What are the key factors that will drive M&A in 2012?



US advisers see economic improvement, more cash on balance sheets, and CEO/board confidence as the top factors to spur 2012 deal activity, which is expected to come mostly from strategic buyers (41 per cent).

Continuing a three-year upward trend, 63 per cent of US advisers expect to see deals being done with cash rather than stock or a mix of the two. Half also believe there will be an increase in hostile activity in 2012.

Slightly fewer domestic private equity deals are expected this year – expensive US shares being the main reason. Additional scrutiny of the private equity industry is not seen as a dampener, though 75 per cent see it resulting in higher tax rates on carried interest.



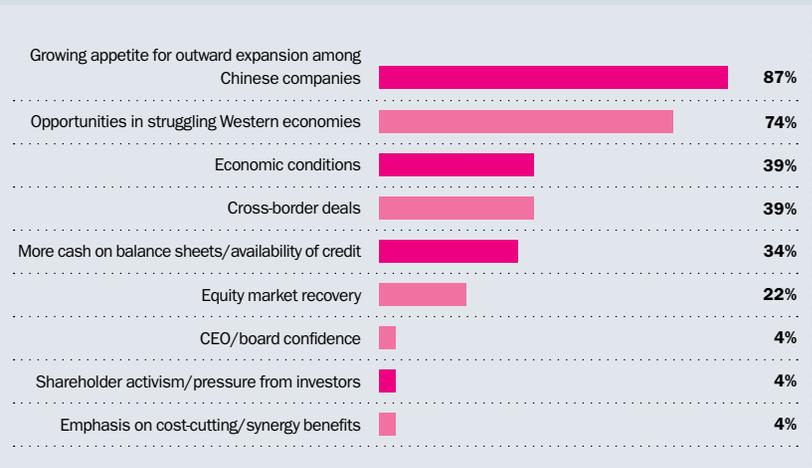


## What are the key factors that will drive M&A activity in 2012?

The China advisers were less pessimistic than their US counterparts about prospects for the global economy: fewer than half as many China advisers expect the global M&A market to slow down (9 per cent versus 23 per cent among US advisers).

China advisers expect more domestic deals – 74 per cent of advisers surveyed expect domestic M&A to increase in 2012, compared with 48 per cent of advisers in the US.

In contrast to their US counterparts, Chinese M&A advisers expect Asian companies to see European turmoil as an opportunity – 61 per cent expect significant activity by Chinese companies in Europe in 2012. An appetite for outward expansion, opportunities among struggling European companies, and ample cash are behind it.

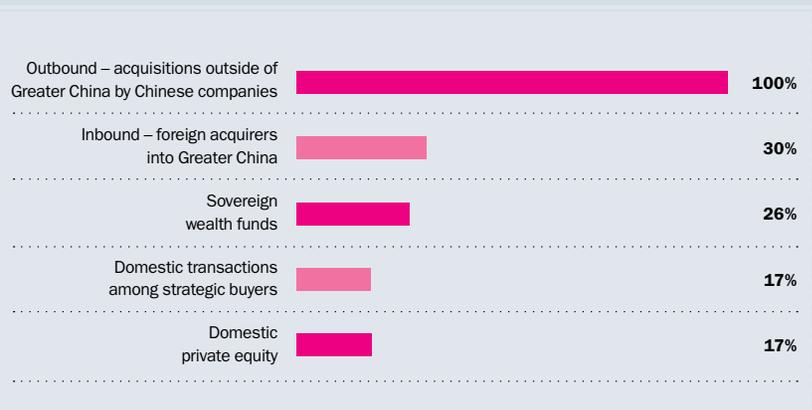


## What type of deals do you expect to drive the Greater China M&A market in 2012?

Advisers are expecting to see more spin-offs and privatizations in Greater China in 2012, but they are split when it comes to the prospects for the initial public offering (IPO) market – roughly as many think there will be a decline as see it rising.

Asked about US-China transactions, China advisers noted that completing these transactions means successfully navigating regulatory, political and cross-cultural challenges (see next page).

In the open-ended response section, one survey participant wrote that he expected, “Few large transactions into China given the current ‘closed’ environment.”

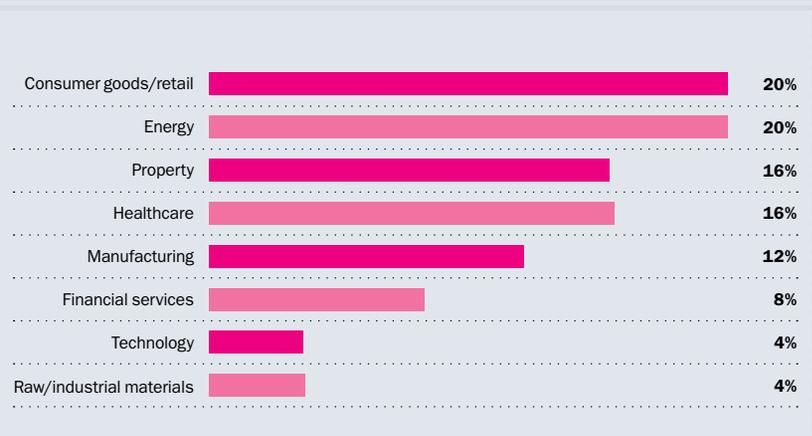


## In what sector in Greater China do you expect to see the greatest amount of consolidation in 2012?

M&A advisers in China predict the energy and consumer goods/retail sectors will be most active in 2012.

In 2011, China cross-border M&A was up 5.7 per cent to \$85bn, the highest level since the record \$97bn in 2008. Outbound volume was \$49bn, with almost half in the energy sector, according to Thomson Reuters. The biggest of those: Sinopec’s 30 per cent stake in Petrogal Brasil.

In Q1 2012, two of the biggest acquisitions were both by Shanghai Baosteel, buying other Chinese steel assets for a total of nearly \$6.7bn. According to Mergermarket, Industrials & Chemicals shot to the top of its “Heat Index,” which tracks the number of companies for sale. 



The 5th Annual Brunswick Group M&A Survey polled more than 100 top bankers and lawyers in the US and China about their views of the current deal landscape, trends, opportunities, and expected challenges in 2012. Results for the cross-border survey were released on the eve of the 24th Tulane University Law School Corporate Law Institute, the leading M&A conference in the US.

## PROSPECTS IN CHINA: A LONG LEARNING CURVE

This year, for the first time, the Brunswick survey polled non-US M&A advisers, extending it to include 25 senior advisers in Greater China.

China advisers were even more upbeat than their US counterparts about the prospects for dealmaking in general, and particularly for domestic M&A in Greater China. However, in terms of cross-border deals, there was a stark contrast between US and Asian M&A advisers' opinions about the challenges that impede transactions on each other's turf (see chart).

The biggest challenge for overseas buyers acquiring Chinese companies is getting regulatory approval from the Chinese government, according to 72 per cent of China advisers. Some 78 per cent also believe that it is easier for US companies to do deals in China than for Chinese companies to do deals in the US. In contrast, only 18 per cent of US advisers share this view. More US advisers say that both systems have challenges, citing protectionist tendencies, the US political environment, and the Chinese regulatory regime as obstacles to completing transactions.

In the survey, both US and China advisers observed that neither side knows each other's systems well enough. For example: "US acquirers have little understanding of how to get Chinese government support for a deal ... the Chinese don't know US companies well and do not know how to navigate the US regulatory system, nor do they know how to conduct the right level and type of PR to be anything more than a passive investor."

While deals have been blocked in the past, there is recent cause for optimism. Take Sinopec, the Chinese state-owned energy company. In his former role as Chairman of CNOOC, Sinopec's Chairman, Fu Chengyu, is best remembered for the unsuccessful attempt to buy Unocal in 2005. Earlier this year, under Fu's leadership, Sinopec agreed a \$2.5bn deal with Devon Energy in the US, giving it a one-third stake in about 1.3m acres of US drilling property.

The deal barely created a ripple; a far cry from when Fu withdrew from the Unocal bid in the face of, as he put it at the time, "unprecedented political opposition."

Looking at the regulatory and political environments of the US and China, is it easier to do a deal in which a US acquirer is coming into China – or a Chinese acquirer is going into the US?

Easier for US acquirer going into China **78%**

Easier for Chinese acquirer going into the US **25%**



Easier for Chinese acquirer going into the US **44%**

Both have challenges **38%**

Easier for US acquirer going into China **18%**



Key:



Response from China advisers



Response from US advisers

Sinopec and its Chinese peers have entered into numerous partnership agreements with energy companies in the US and Canada in recent years, and the Devon deal, with its less contentious and carefully negotiated minority position, reflects how far Chinese companies have come.

According to Dealogic data, Asia-Pacific inbound M&A in the US was at a record high last year. Whether levels this year can beat those dizzying heights – especially in a US presidential election year when rhetoric towards China is growing hostile – is questionable. 📉

Brunswick was ranked #1 M&A Communications Advisers for 2011 by deal value, according to the Mergermarket Global League Table. Go to [www.brunswickgroup.com](http://www.brunswickgroup.com) for the full survey.

Steven Lipin is Senior Partner for Brunswick's US practice.

David Ashton is an Account Director in Brunswick's Hong Kong office. He runs the company's opinion research business in Asia.

Maria Figueroa Küpçü and Beau Allen in Brunswick's New York office contributed to this article.

# CULTURAL TIES THAT BIND

*Francesco Bandarin leads UNESCO in making culture a tool to bring people together with common purpose. Here, he talks to Mustapha Bouhayati and David Lasserson of Brunswick Arts about embracing the past, present and future value of cultural heritage*

A decade ago, Francesco Bandarin, Assistant Director-General for Culture at the United Nations Educational, Scientific and Cultural Organization (UNESCO), visited Afghanistan. “I’d never seen anything like it. Everything had been bombed, everything destroyed,” he remembers. “I was confronted with chaos, a shattered ruin like Berlin in 1945.” There, Bandarin met the Afghan Minister of Culture. “In the face of such a catastrophe, I was embarrassed to talk about culture, heritage, and vision. But I was told, ‘No, no. We want this. This is a priority for us. Before everything else.’”

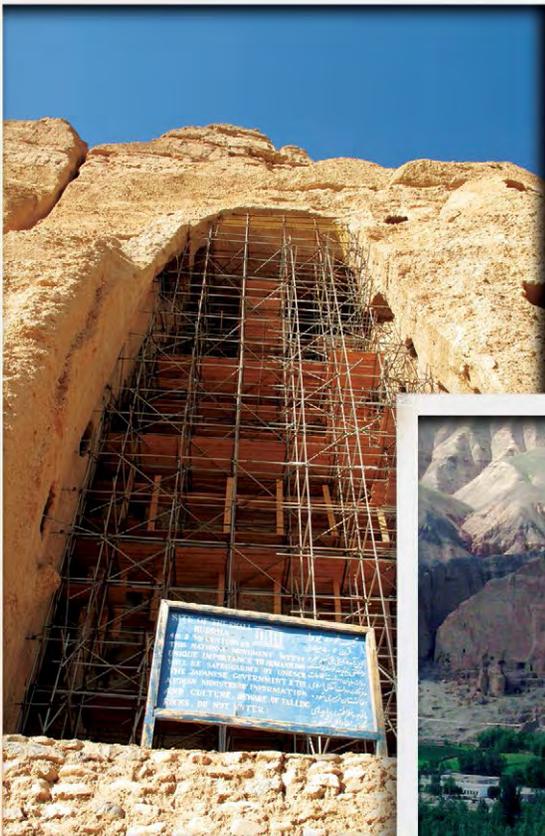
The encounter had a strong impact on Bandarin, and helped shape his vision for UNESCO’s work in protecting cultural heritage worldwide.

In Afghanistan, one of UNESCO’s first acts was to support the government’s efforts to protect the ancient Buddhist sites in the Bamiyan Valley. These had survived centuries of turmoil, including invasions of Mongol hordes, but in 2001 the Taliban destroyed the two iconic standing Buddha statues, set in giant niches in the valley walls. UNESCO established a plan to safeguard the area and has been working with the government ever since. At the latest working group meeting in 2011, success was recognized as UNESCO and the Afghan government agreed that the site might be removed from the “World Heritage in Danger” list by 2013.

“Culture is at the center of public life,” says Bandarin, describing UNESCO’s mission. “It helps people build their identity and their wellbeing. It brings people together and defines a better quality of life.” ➤

The cultural landscape and archaeological remains of the Bamiyan Valley in northern Afghanistan, home to Buddhist sanctuaries, monasteries and chapels, were classified as a heritage site in 2003. Since then, UNESCO has been spearheading a plan to safeguard and consolidate the Buddha niches (far left) and other significant sites within the valley.

Photographs: UNESCO / Ron Van Oers / A. Junaid Sorosh-Wali



UNESCO's efforts are helped by the fact that countries, by and large, have a strong sense of their culture and its importance. UNESCO's expansion since it was founded after the Second World War has also coincided with a remarkable growth in heritage tourism. "Fifty years ago, fewer people went to museums and visited heritage sites. Now, millions of people include them in their travel plans. Heritage tourism is a dramatically important vehicle for mutual understanding, previously reserved for an elite. Heritage has reached the heart of society."

However, such wide recognition of culture's importance brings with it challenging issues of understanding and interpretation. As Bandarin says, "Culture has been described as the most ambiguous term in the English language and it is no more straightforward in any other language. In reality, it has a shifting meaning; it changes from place to place and from time to

time. We [at UNESCO] see it as a positive force in human life and society. But some see it as a negative – think about culturally-motivated ethnic conflicts, where culture can be used to justify terrible things. In our work, we use an essentially *anthropological* definition: culture as the way of life of a people, the way in which you relate to your own society."

In 2010 and 2011 the UN General Assembly issued resolutions that clearly defined culture as an important factor of development. Culture was shown to be an enabler of sustainable and culturally-sensitive programs, and a driver of innovative economic processes.

Today, UNESCO is deeply engaged in the current discussions about the future of the Millennium Development Goals, the basic framework defined in 2000, which is scheduled to be revised in 2015. With that revision approaching, the Rio+20 Conference on sustainable development in June 2012 is an

important occasion to promote culture as an economic driver. The work does not stop there. "In 2013, several major international events have been prepared to showcase the role of culture," says Bandarin. From a major international conference on sustainable local development in Hangzhou, China, to the annual ECOSOC (Economic and Social Council of the UN) ministerial review to be held in Geneva next summer, the potential of culture to deliver the Millennium Development Goals is moving to the center of the agenda. Bandarin is adamant: "The time for culture in development has come."

UNESCO has evidence that "culture" can account for between 4 per cent and 8 per cent of a country's economy. "We can go to talk to a mayor and he won't understand – or be very interested – unless we say, 'this is going to bring you jobs.' We have to communicate dual priorities: making projects sustainable, but at the same time creating an economic imperative for the work we do."

Located at the nexus of Russia, China, Mongolia, and Kazakhstan, the Petroglyphic complexes of the Mongolian Altai represent one of the largest, oldest, and least damaged concentrations of rock art in Asia. They were listed by UNESCO in 2011. The earliest images (below) date from 11,000 B.C. They extend into the Bronze Age, Iron Age and Turkic periods (7th and 8th centuries) and depict scenes from everyday life, evoking historical cultural landscapes.

As well as the art, the landscape and man-made stone structures built on it (below), are included in the listing.

Photographs: Batbold Natsag, Institute of Archaeology, Mongolian Academy of Science

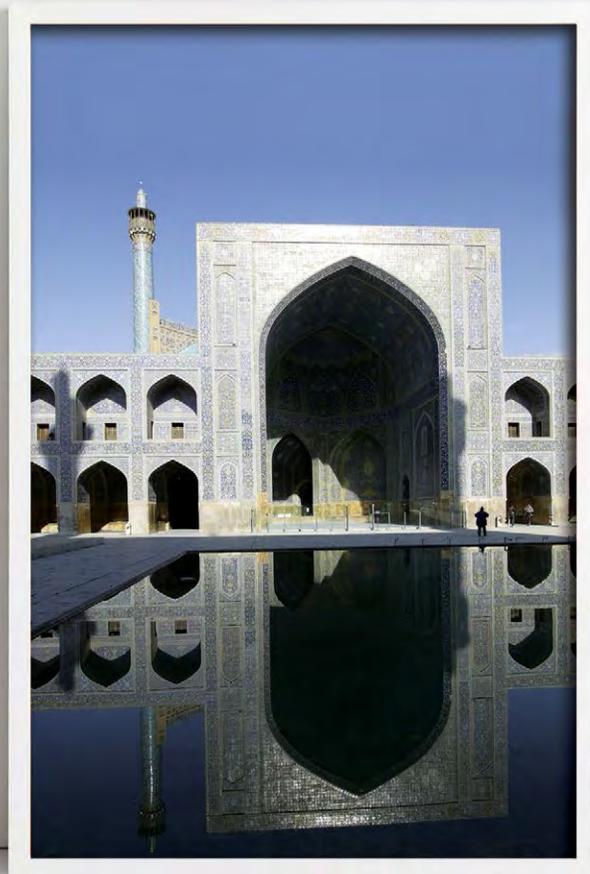


Bandarin says that UNESCO has also been shaping its message to ensure that it is not seen as *passéiste*, or too focused on the past. This has involved rethinking its approach to historic cities, for example. “This is the biggest category of heritage that we care about. Protection of historic cities has traditionally been linked to their artistic and monumental value – they are gateways to understanding the past. But this has little relation to other values that we know are important for contemporary and future society. Ancient and modern cities are living places, with economies and societies that have to evolve.”

In November 2011, UNESCO developed a new strategy for the historic urban landscape, which looks at historic cities not merely as monuments to the past but as developing places that continually need to change. Heritage itself is being redefined as vital to the future, not just the past. ↗

**Shah Abbas of the Iranian Safawid dynasty reigned from 1587 to 1628 and chose Isfahan as his capital, which he magnificently embellished and remodelled. The center of the city was accented by a vast royal square, the Meidan-e Shah. This is bordered by four monumental buildings, including the Shah Mosque (courtyard below), also known as the Imam Mosque, linked by a series of two-story arcades. The site was listed by UNESCO in 1979.**

**Photograph: © OURPLACE The World Heritage Collection**



## UNESCO WORLD HERITAGE LIST: CRITERIA FOR INCLUSION

To be included on the World Heritage List, sites must meet at least one of 10 selection criteria that include:

- ❖ Representing a masterpiece of human creative genius.
- ❖ Exhibiting an important interchange of human values, over a span of time or within a cultural area of the world, on developments in architecture or technology, monumental arts, town planning or landscape design.
- ❖ Bearing unique, or at least exceptional, testimony to a cultural tradition or to a civilization that is living or which has disappeared.
- ❖ Being an outstanding example of a type of building, architectural or technological ensemble or landscape that illustrates a significant stage in human history.
- ❖ Being an outstanding example of a traditional human settlement which is representative of a culture (or cultures), or human interaction with the environment, especially when it has become vulnerable under the impact of irreversible change.
- ❖ Being directly or tangibly associated with events or living traditions, with ideas, or with beliefs, with artistic and literary works of outstanding universal significance.
- ❖ Containing superlative natural phenomena or areas of exceptional natural beauty and aesthetic importance.

Other important considerations include the protection, management, authenticity and integrity of the site.

[whc.unesco.org/en/criteria](http://whc.unesco.org/en/criteria)

**Not all World Heritage Sites are ancient monuments. The Fagus shoe factory in Alfeld, Germany – listed in 2011 – is a 10-building complex designed by Walter Gropius in 1910. Foreshadowing the work of the Bauhaus school and the modernist movement, it is a landmark in the development of modern architecture and industrial design and won Gropius an international reputation.**

**Photograph: Niedersächsisches Landesamt für Denkmalpflege, Hannover**



Will this have an impact on the way we see modern cities? Bandarin is certain that it will: “We take the position that the way ancient and modern cities are defined, preserved, or even designed should be unified instead of being divided, old against new.”

The challenge for UNESCO is to bridge the links between the past, present and future value of culture and heritage, while recognizing the reality that most of society is organized along short-term cycles. “Nothing is long-term in our society: budgets, political decisions – all short-term,” he says. “But conservation only has meaning if it is long-term. Our struggle is always with this tension between the short- and long-term. We invest, and encourage investment. If you don’t do it, you won’t have it in 20 years.”

UNESCO has funds that it puts behind projects, with resources also coming from governments and other public sources. “There is some private, mostly foundation money.

Companies also contribute, through partnerships, often linked to their own marketing and communications objectives. We constantly seek like-minded, socially-engaged companies to work with us.”

Bandarin cites the successful three-year partnership UNESCO has had with luxury Swiss watchmaker Jaeger-LeCoultre and the *International Herald Tribune*.

“I think that we have something very rare among international organizations,” says Bandarin. “The many successes that we have had protecting heritage really can convey a message about the ‘good’ part of the world, and the good that can be delivered through positive, future-oriented, society-oriented culture programs.”

Some 67 years after UNESCO was founded, it continues to play a part in international relations. Bandarin recalls his surprise at the reaction when the Italian government returned the ancient obelisk of

Aksum – taken by Italy’s fascist regime in 1937 – to its original location in northern Ethiopia in April 2005. UNESCO specialist teams undertook the huge operation to return it to its original home.

“The obelisk weighs 160 tonnes, and is 24 meters high. Broken down into three massive blocks of carved granite, it had to be flown from Rome to Ethiopia. Once the aircraft landed in Aksum, the granite blocks were then transported by truck to the Aksum World Heritage Site. It was a big operation,” he recalls.

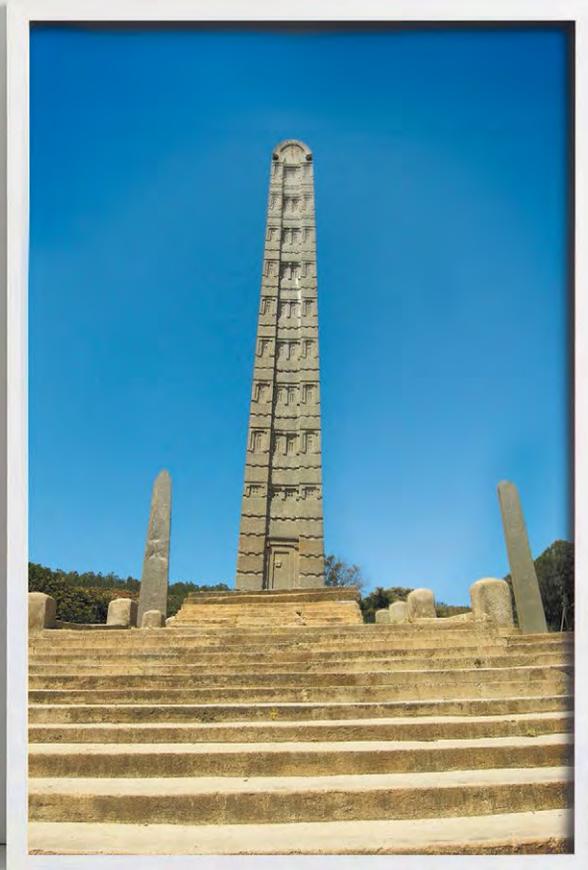
“To begin with, I thought we were simply doing a technical reinstallation of the site. But the outpouring of emotion in the country showed me that in fact this was a peacemaking operation. It was significant – and symbolically represented the end of a war.”

This is the definition of culture that UNESCO conveys within the UN and beyond: culture survives all the tumult, and carries on. ☺

The ruins of the ancient city of Aksum mark the heart of ancient Ethiopia. The Kingdom of Aksum emerged roughly around the 3rd century B.C. as the capital of a state that traded with ancient Greece, Egypt and Asia. The massive ruins, from the 1st through 13th centuries, were declared a UNESCO World Heritage Site in 1980.

The obelisk of Aksum, a funeral stele weighing 160 tonnes and standing 24 meters (78 feet) high, is around 1,700 years old. In 1937, the Italian army took it to Italy, where it was erected in Rome. Although Italy agreed in 1947 to repatriate it, the obelisk was not returned until 2005. Below it is shown on its return to Aksum.

Photographs: UNESCO / Francesco Bandarin / Niamh Burke



**Francesco Bandarin** is the Assistant Director-General for Culture at UNESCO. He trained as an Architect (Venice) and Urban Planner (Berkeley) and has pursued an academic career as Professor of Urban Planning at the University of Venice. Bandarin has also served as a consultant for international organizations in the field of urban conservation and development. Bandarin has led the development of UNESCO's network of public-private partnerships for World Heritage conservation.

**Mustapha Bouhayati** is a Director in Brunswick Arts' Paris office. He graduated from the University of Besançon in France with a Ph.D. in American Studies. Before joining Brunswick Bouhayati worked at the Centre Pompidou in Paris and was in charge of the French Pavilion at the Venice Biennale.

**David Lasserson** joined Brunswick Arts in January 2008. He is a graduate of Oxford University and studied at the Royal Academy of Music. Before joining Brunswick he worked as an arts journalist.

**Brunswick Arts** is an international communications consultancy dedicated to promoting and managing the reputation and interests of arts, cultural and charitable organizations around the world.

## THE RESPONSIBILITIES OF A HERITAGE LISTING

Inclusion on the World Heritage List is not the end of the story. Indeed, it can become a burden as much as an honor. Countries must apply for a World Heritage listing, and the responsibilities are clear.

Ideally, listing leads to increased protection and conservation for a heritage site. It can focus international attention on a country's care – or neglect – of important historical sites.

Countries with listed sites regularly prepare reports about conservation and protection measures for their sites. They also must submit specific reports and impact studies every time exceptional circumstances occur, or before starting work that may affect the conservation of the property.

These reports allow the World Heritage Committee to assess the conditions at the

sites and, eventually, to decide on measures to resolve problems, including putting a property on the "Sites in Danger" list.

If a World Heritage Site is in danger or in need of repairs, about \$4m annually is available from several sources, including the World Heritage Fund, which receives most of its income from compulsory contributions from countries.

Funds-in-Trust, given by countries to support specific projects, are also available. Additionally, the Rapid Response Facility is a small grants program jointly operated by the UNESCO World Heritage Center, the United Nations Foundation, and Fauna & Flora International. It aims to protect, quickly and flexibly, World Heritage Sites in times of crisis.

**Three Indian railways built in the second half of the 19th century appear on UNESCO's World Heritage List: the Nilgiri Mountain Railway, the Kalka Shimla Railway and the Darjeeling Himalayan Railway (below), the first hill passenger railway, opened in 1881. Each represents a bold and ingenious engineering solution to the problem of establishing effective rail links across mountainous terrain, often in areas of great natural beauty. All three railways are still fully operational.**

*Photograph: © OURPLACE The World Heritage Collection*

**The Statue of Liberty, proposed by French anti-slavery activist Edouard de Laboulaye and sculpted by Frédéric Auguste Bartholdi, was placed on UNESCO's World Heritage List in 1984.**



# ENTENTE CORDIALE

*'How do I get this past legal?'* Pfizer's Amy Schulman and Sally Susman tell Brunswick's Jennifer Lowney that, for them, this isn't an issue and describe how they make their relationship work

BY JENNIFER LOWNEY,  
BRUNSWICK, NEW YORK

In the midst of a slew of unprecedented corporate crises some months ago, *The New York Times* revisited the question of how companies should manage such situations and asked, "Are some crises so dire that public relations victory is simply not on the menu? And, if so, what's an embattled company to do?" The piece examined those particularly troublesome cases where companies face competing demands for swift and complete public disclosure on the one hand, together with the need to avoid a potential legal liability down the road. "In times of crisis, communications professionals and lawyers often pursue conflicting agendas," the *Times* article pointed out. "Communications strategists are inclined to mollify public anger with expressions of concern, while lawyers warn that contrition can be construed as an admission of guilt in potentially expensive lawsuits."

The fact is that lawyers and communications executives often come at problems from very different perspectives. That is true even in non-crisis situations. Indeed, it is seen as a routine part of the process that, after all the draft materials have been assembled for a strategy that the communications





team believes will succeed, one of them must then ask, “How will we get this past legal?”

AT PFIZER, THE NEW YORK-BASED GLOBAL HEALTHCARE company, the relationship between Amy Schulman’s legal and Sally Susman’s corporate affairs and communications departments could be described as the complete opposite of the stereotype. The two have managed, by structural design and through their personal relationship, to arrive at a system that maximizes cooperation and minimizes conflict. The design includes the fact that both Schulman – who is Executive Vice-President, General Counsel and President and General Manager of Pfizer Nutrition – and Susman – Executive Vice-President of Policy, External Affairs and Communications for Pfizer – both sit on Pfizer’s 13-person Executive Leadership Team, the company’s top decision-making body, led by Chairman and CEO Ian Read. Additionally, Schulman and Susman “embed” staff in each other’s departments.

Far from their different departments operating within an atmosphere of conflicting perspectives, they appear to enjoy learning about each 

“DRY, LEGALLY  
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ANY PROJECT”



**AMY SCHULMAN**  
— Executive Vice-President  
& General Counsel; President  
& General Manager, Nutrition

Amy W. Schulman joined Pfizer as General Counsel in June 2008 and saw the company through its \$68bn acquisition of Wyeth. She then led a major reorganization of the legal division to align with Pfizer’s new business-unit structure and broadened its scope to include lawyers in all markets.

In December 2010 her role expanded when she was named head of Pfizer Nutrition, a leading provider of infant formulas and other nutritional products. In January 2011, Schulman assumed responsibility for running this global business, worth nearly \$2bn.

Before coming to Pfizer, Schulman was a partner at DLA Piper, where she was a member of the board and Executive Policy Committee. Schulman is also executive sponsor of the company’s Global Women’s Council, which aims to make Pfizer an employer of choice for women.

In 2011, she was included in the “most innovative general counsel” lists of Inside Counsel magazine and Law360. In 2009, The National Law Journal named her to its inaugural list of the 20 Most Influential General Counsel and Forbes magazine included her on its list of *The World’s Most Powerful Women*. A graduate of Wesleyan University, she earned her J.D. from Yale Law School.

other’s world. “It’s a plum assignment for my people,” says lawyer Schulman. “Right,” says public affairs and communications chief Susman, “It’s a really coveted position for my team, too.”

Schulman acknowledges that an antiquated view of her profession persists. “There is a profound disconnect between how lawyers actually function in companies today and how it was 15 or 20 years ago. The idea then was that clients would never entrust lawyers with their real goals because they were convinced lawyers were in the business of saying ‘no.’ And because lawyers were disconnected from where clients really wanted to go, they were actually disabled from giving really good advice. They really *were* in the business of saying ‘no.’”

Similarly, Susman agrees there is a corresponding old-school idea that the communications department “just says what sounds good and has little grasp of business objectives and the risk management calculus.”

But how could the relationship be expected to improve when the potential for tension between the legal and communications departments has never been greater? Communications can be a source of many potential legal headaches for a company, encompassing crisis management, marketing and product communications, transaction news, financial reports, consumer outreach, informational campaigns and social media.

“Communicators need to understand and respect the risks, while legal also must understand how creative communications are critical to a company’s brand, its reputation, and its ability to impact its stakeholders,” says Schulman. “Dry, legally acceptable prose and safe-yet-bland strategies are not the answer. Lawyers must be part of strategic communications discussions from the outset of any project.” She and Susman have a mutual understanding and respect for how each department works within the overall business strategy.

But surely the degree of cooperation at Pfizer can’t always have been the case. How has it come about?

“I think the change reflects two trends,” says Susman. “One is that lawyers these days are thinking more like CEOs, like businesspeople. The other is the rise of the stakeholder society. So, in Pfizer’s case, patient groups, unions, environmentalists, activists

of all types, have a louder voice. That, combined with the internet and social media, has meant that there's no longer a hierarchy of command and control. You're in a daily discussion with the public about the position of your company. The advent of social media and the proliferation of corporate activism in the wake of the 2008 financial crisis has meant that there is unprecedented media scrutiny on every conceivable aspect of a company's activity, which requires monitoring and often a rapid response."

Susman adds, "On the communications side it is a matter of not simply putting out press releases or doing product launches by rote, but really managing a complex stakeholder environment."

Regulation is a huge consideration too. "The legal environment is shaped by a regulatory environment, much of which is shaped by public opinion," says Schulman. "So, if we're failing to respond to that in a way that's accurate and engaging, we're less likely to be successful on other fronts." It perhaps used to be the case that corporate lawyers would try to stay above the fray. "But it's no longer really possible to stay out of the dialogue and be seen as 'keeping the high ground.' However, it would be imprudent to wade into the middle of a conversation without having a sense of the right way to do it."

The two department heads agree that one of the keys for each department and their ability to work together is the judgment that each of them and their staff exercises.

"A decision to pursue a particular legal strategy can have tremendous communications challenges if it is not handled right," says Schulman. "There are all kinds of ways in which every legal step the company takes has a communications element. Conversely, communications has tremendous legal consequences. It has to be accurate, it has to be timely, it can't disclose more material information to a select audience. Pretending that either can exist without the other creates a whole host of problems."

The "soft management" skills are obviously important in managing the relationship. There are formal forums for debating issues but the two also take time, sometimes out of personal time, to discuss any irksome issues. And, as Schulman says, "Each of us is appropriately deferential in each other's territory, but at the same time, we go beyond ↗→



### SALLY SUSMAN

— Executive Vice-President, Policy, External Affairs and Communications

Sally Susman is a member of Pfizer's Executive Leadership Team, chairs Pfizer's Political Action Committee and is Vice-Chair of the Pfizer Foundation, which promotes access to quality healthcare, nurtures innovation and supports the volunteerism of Pfizer's 100,000-plus employees.

Susman directs Pfizer's global communications and public affairs activities, including relations with governments in countries where the company has operations or markets products. She also heads the firm's corporate responsibility group and plays a key role in shaping the company's policy initiatives.

Before joining Pfizer in 2007, Susman was Executive Vice-President of Global Communications at The Estée Lauder Companies, where she directed global corporate affairs strategy for the company and its 28 brands. Previously she was at American Express. Earlier in her career, Susman spent eight years in government service, focused on international trade issues; working at the Department of Commerce and in the Senate.

Susman serves on the board of the International Rescue Committee, as well as the New York City Commission on Women's Issues. She holds a B.A. in government from Connecticut College and also studied at the London School of Economics.

“IT IS A MATTER OF NOT SIMPLY PUTTING OUT PRESS RELEASES OR DOING PRODUCT LAUNCHES BY ROTE, BUT REALLY MANAGING A COMPLEX STAKEHOLDER ENVIRONMENT”

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#### SOCIAL MEDIA – A CASE STUDY

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**A potential source of conflict between legal and communications is social media, a mode of communication that has grown so quickly that legal guidelines and public policy – never mind highly regulated public companies – have struggled to keep pace.**

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At Pfizer, the communications team sought to develop an internal, company-wide message board – *Moving Pfizer Forward* – that would allow real-time posting without advance review or approval in order to create a candid, transparent environment for Pfizer employees to discuss key company issues.

The worry from legal’s point of view was how to ensure it would be used responsibly so as to protect both the company and individuals using the tools. It was uncharted territory and everyone was nervous – it’s an area where guidelines from the Food and Drug Administration remain vague.

To deal with these concerns, a team was created comprised of communications, legal, business and technology. They developed terms of use, a training program, and 24/7 monitoring.

A potentially troublesome area was a user agreement. Legal wanted users to click on it every time they used the blog, whereas communications thought that would deter usage. A compromise was to click once but post the terms prominently on the site.

The response from colleagues has been overwhelmingly positive. Colleagues use the blog to engage with one another to discuss topics ranging from US healthcare reform to corporate policies to environmental issues. By working to find compromise solutions, Pfizer has found a way to use social media in a way that many of its peers have not.

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consulting each other – we use each other as a sounding board.” They both agree that the fact that they’re “temperamentally similar” helps the relationship work, but it is not the most important thing.

**IN A SEMINAL STUDY FOR THE INSTITUTE FOR PUBLIC** Relations in 2000, Bryan H. Reber examined the historically contentious relationship from both sides and identified two types of public relations practitioners and two types of lawyers:

*“One public relations type, the Caring Collaborator, was marked by the desire for collaboration, understanding and forthrightness. The second public relations type, the Legal Eagle, was also collaborative in nature, but was more confident about her ability to assess problems from a legal perspective.”*

*“One legal type, the Cooperative Colleague, is also strongly collaborative and believes lawyers should take part in message development during crises. This lawyer believes public relations plays a unique and essential role in crisis management. The second legal type, the Confrontational Counselor, wants public relations to be involved, but is also strongly committed to controlling public statements. This lawyer believes “no comment” is a responsible reply to queries whose answers have not been fully evaluated.”*

In the years since Reber’s study, events have conspired to make it more likely that companies will find that they have “Legal Eagle” types ranged against “Confrontational Counselors,” rather than more collaborative relationships. That is principally because of the huge additional burden of regulation that has been put on companies.

But Schulman’s response to the challenges of intense regulation simply reinforces the virtuous working relationship between her department and the communications team.

“In an organization like Pfizer, which is highly regulated and has multiple stakeholders, you need to have a legal division that is acutely aware of communication,” says Schulman. “And you have to have a communications team that is solidly grounded in facts first, because of the emphasis on patient safety.”

### SO WHAT HAPPENS WHEN THEY DO DISAGREE?

“It doesn’t happen very often,” says Susman. “But we handle it – personally, privately and directly. There are plenty of forums to debate and discuss things within the company, but there’s really no better forum than a one-to-one. We both ask a *lot* of questions – ‘I want to understand your thinking’ – it’s a conversation.”

Schulman goes on, “And to have a good conversation, you need to know how to be quiet. You would think communicators are all about talking, and lawyers are all about arguing.” Susman agrees, “I think Amy and I share the view that at the heart of our jobs, listening is more important than anything.”

How would they suggest that people in similar roles at other companies improve their relationship? “I’m a huge believer in projects,” says Schulman. “I would find something on which you can collaborate that is less loaded than the work you might clash on. Find an affirmative project and then you can build on that collaborative success.”

And what is the reaction outside Pfizer to their unconventional working relationship? “I’m reminded how different it is elsewhere when we’re dealing with a business partner and they want to issue a press release – and often it appears to me that the lawyers and the communications team are not in synch,” says Schulman. “So I’ll say to Sally, ‘Can you call up your colleague over there and tell them that this position they’re taking is inconsistent with the facts as we understand them.’ Or Sally will say to me, ‘Do you know the general counsel at so-and-so because they want to issue this release and we can’t get them to change the language – the way it is worded, it doesn’t make any sense.’”

“People are surprised,” says Susman. “And it’s not uncommon for one or other of us to drag the other along to meetings because we value each other’s perspective.”

A characteristic that both legal and communication departments in companies share – and perhaps a reason that they are at odds in many instances – is that they both battle to get recognition for unloved accomplishments; they both are in the disaster-avoidance business. Says Susman, “Our biggest achievements are often things that we’ve *avoided*. Many of my successes and many of Amy’s successes are the prevention of unimaginable horrors that could happen

### PFIZER FACTS

- Founded in 1849, Pfizer is the world’s largest research-based pharmaceutical company, with \$67.4bn revenues in 2011 and operations in 150 countries.
- The company has eight global business units: Primary Care, Specialty Care, Oncology, Animal Health, Emerging Markets, Consumer Healthcare, Established Products and Nutrition.
- It is No. 1 in Primary Care, Specialty Care and Animal Health business sectors worldwide.
- Pfizer has a dozen medicines each with sales greater than \$1bn, including the Lipitor, Prevnar/Prevenar 13, Lyrica and Sutent brands.
- The company employs more than 100,000 people, and has 89 manufacturing sites worldwide.
- In 2010, Pfizer donated \$3.1bn in cash and medicines globally.

Source: Pfizer



EVENTS HAVE CONSPIRED TO MAKE IT MORE LIKELY THAT COMPANIES WILL FIND THAT THEY HAVE “LEGAL EAGLE” TYPES RANGED AGAINST “CONFRONTATIONAL COUNSELORS,” RATHER THAN MORE COLLABORATIVE RELATIONSHIPS



to a company.” Schulman adds, “And as soon as you’ve prevented them everybody just says, ‘yes, well of course, that was completely unfair in the first place and never should have happened.’”

Schulman and Susman’s remarkably close working relationship demonstrates the way that things work best: with lawyers and communicators at the same table, sharing ideas, preventing lost time going down the wrong path, discussing risks and benefits of different approaches, being respectful of each other – and arriving at a strong strategic result. That’s a long way from the conventional “looping in at the end for review.” On the contrary, “We’re more like each other’s thinking partners,” says Susman.

The women have come to realize that there is strength in their partnership. “Presenting a combined view is very powerful within the company,” says Schulman. “And the fact that we’re so aligned is even more powerful in presenting Pfizer to the outside world.” ☺

Jennifer Lowney is a Partner in Brunswick’s New York office. She specializes in M&A, restructurings, IPOs, internal communications, and crisis and litigation matters.

# DIFFERENT TAKE

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**Jazz at Lincoln Center** is dedicated to inspiring and growing audiences for jazz. Founded in 1987, it produces more than 2,000 events each season at its home in New York City and around the world. The center organizes education and broadcast events for audiences of all ages; national and international tours; a jazz hall of fame and concert series; radio programs; TV broadcasts; recordings; and publications.

**The Jazz at Lincoln Center Orchestra** has been the resident orchestra since 1988.

**The Lincoln Center for the Performing Arts** has 11 resident organizations which include the Metropolitan Opera, New York Philharmonic and New York City Ballet, as well as Jazz at Lincoln Center. It is based in a complex of buildings in New York City's Upper West Side, developed under an urban renewal program that began in the 1950s and transformed the area into a cultural hub.

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



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# WYNTON MARSALIS: MANDATE TO SWING

The legendary jazzman and Artistic Director at New York City's Jazz at Lincoln Center talks about jazz's role in communicating complex ideas – like democracy, freedom of expression and good manners – with Brunswick's **Mike France**

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*“Jazz is the art of communication, because it requires a deep empathy. When you are a jazz musician, you are listening constantly”*

*“In the history of art there has never been anything like the rhythm section ...*

*... they are inventing background music for a foreground that's being made up while they are inventing it. Think about the reflexes they have to have ...*

*... the rhythm section could teach our country and businesses and people all over the world a very powerful lesson, because they don't just follow you. When you're lost, they lead you ...*

*... that's why a great rhythm section is very hard to find; a great rhythm section is something, let me tell you; a great rhythm section is not to be underestimated. It's probably the greatest of all inventions”*

“Our main priority is that there will be a time in our country when jazz is a part of the curriculum that every school kid learns and that the democratic identity of jazz is recognized”

“At Lincoln Center, our goal is to see this music in its rightful place in the culture, the place it has earned”

“With jazz, there’s a component that’s always amendable, like our constitution”

“People say that all politics is local. That’s how jazz instruments are arranged – the background instrument is the most significant. That would be the bass or guitar in a traditional swing band; the instrument that you hear the least is the foundation of everything you’re playing”

“The bass line moves in jazz, it is not the same thing repeated over and over again ...

... it encourages you to create stories that develop in time. That’s what connects jazz to Western music, classical music”

“Jazz is the best way to teach American culture and democracy, because jazz is the democratic process in action. Better than any other art form, it can show you how we can negotiate with each other”

**Who are your artistic heroes?**

**1. Duke Ellington**, just because of the range and the sophistication – and the distance that his music travels over his 50-year career. He called his music “American music” rather than jazz, by the way.

**2. Henri Matisse**, because he was modern and lyrical and he never fell into any 20th century fads. He was just himself. He struggled in his life, but kept his belief in his vision of art.



“In swing, you are constantly encouraged to give way, because the act of swinging demands that. It gives you an objective that is not you or the other person, it is the thing you are both working towards”

“Jazz is a celebration of the individual. But when you play in a group, the group has the mandate to swing”

“Swing teaches you manners: that other people have their individual identity – and that should be respected”

“Because you have freedom with jazz, you are required to know more, not less. I have to know more to play on rhythm changes than to play the trumpet part in Beethoven’s Fifth Symphony, because Beethoven wrote the music out and so all I have to know is how to count and play my instrument”

“I have lived the music since I was a little kid, even before I liked it”

“A great storyteller has the integrity to want to communicate something of value to you”



3. **Shakespeare**, because of his legacy and his language. His stories and the way he told them left an indelible imprint on our conception of the possible. So I've got to go with the Bard.

#### WYNTON MARSALIS

Wynton Marsalis is the Artistic Director of Jazz at Lincoln Center. Born in New Orleans, Louisiana in 1961, Marsalis began his classical training on trumpet at the age of 12. He entered The Juilliard School at 17 and joined Art Blakey and the Jazz Messengers a year later. Marsalis made his recording debut as a leader in 1982, and has since recorded more than 70 jazz and classical albums which have garnered him nine Grammy Awards. In 1983, he became the first and only artist to win both classical and jazz Grammys in the same year; a feat repeated in 1984. In 1997, Marsalis became the first jazz artist to be awarded the prestigious Pulitzer Prize in music for his oratorio *Blood on the Fields*, which was commissioned by Jazz at Lincoln Center. He is also an internationally respected teacher and spokesman for music education, and has received honors too numerous to mention.

**Mike France** is a Partner in Brunswick’s New York office. His jazz heroes are Monk, Mingus and Miles.

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# CHURCHILL, THE BYLINE YEARS

Before politics, Winston Churchill's early-life adventures turned him into a multimedia star

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BY ALLEN PACKWOOD,  
DIRECTOR, THE CHURCHILL ARCHIVES CENTRE,  
CHURCHILL COLLEGE, UNIVERSITY OF CAMBRIDGE

**Speak the name Winston Churchill and you conjure up images of the larger-than-life British war leader, a master of wit and oratory, with his eccentric all-in-one zipper suits and his omnipresent cigars. But the Churchill of 1940 was the product of an already extraordinary life and career. He first burst onto the world scene in the dying years of the 19th century, and it was as a young man that he acquired the power of words and learned how to use his writing to advance his career and his causes and to manage his image and reputation.**

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SWORDS  
ARE NOT THE  
ONLY WEAPONS  
IN THE WORLD.  
SOMETHING  
MAY BE DONE  
WITH A PEN  
~

From 1895 to 1900 Churchill saw action as a young cavalry officer. He came under fire on his 21st birthday while accompanying Spanish forces in Cuba against local guerrillas; he rode against the Pathans in what is now Afghanistan; he charged with the 21st Lancers against Dervish warriors at the battle of Omdurman in the Sudan; and, having been captured by the Boers in South Africa, he made a daring escape and then rode into liberated Ladysmith with the South African Light Horse Regiment.

Yet what is perhaps often overlooked is that he had two careers during these years. He was not just a soldier; he was also a war correspondent. Moreover, you could argue that it was as a journalist that he was most successful.

Promotion in the Victorian army was a slow process, and Churchill left the army holding much the same rank as when he entered it: as a junior officer in a cavalry regiment. But during the same period, his earnings as a special correspondent increased tenfold. In 1895 he received just 25 guineas, about £1,500 (\$2,400) in today's money, for five articles in the *Daily Graphic* on his accounts of his exploits in Cuba. By 1899 the *Morning Post* was prepared to pay him a staggering £250 a month, the equivalent today of more than £14,000 (\$23,000) per month, with all expenses paid, to cover the Boer War in South Africa.

In his autobiographical memoir, *My Early Life*, Churchill tends to downplay this side of his activities. He chooses to emphasize the young man of action above the young man

of letters. To the contrary, the two developed side by side and fed off one another. It was in this period that Churchill developed the dual system that was to serve him so well throughout his political life; of being both a leading participant in events, and a leading commentator and chronicler of those same events. He made the news by writing it, while also ensuring that he made the headlines.

Churchill had a talent and enthusiasm for writing. In *My Early Life* he claimed that he owed his mastery of English to the fact that he was so bad at other school subjects, and therefore remained so long in the lowest form that he only studied English.

What he perhaps lacked at school was the motivation to take up his pen. The death of his father in January 1895, at just 45, provided a catalyst. Churchill suddenly found himself at the head of the family. In the spirit of the age in which he lived, with the advent of motor cars and airplanes, he was now a young man in a hurry; determined, as he wrote to his mother in August 1896, to "beat my sword into an iron dispatch box," and to enter politics, stating that, "It is useless to preach the gospel of patience to me. Others as young are making the running now and what chance have I of ever catching up?"

He may have admitted in another letter to his mother, "As Dr Johnson says, 'No-one but a blockhead ever wrote except for money,'" but it is clear that ambition was his primary motivation. In an age when politicians were not yet salaried, he needed an independent income to fund a political career, and he needed to make his own name in order to make himself electable. It was his journalism that was to provide both, enabling him to capitalize on his army experience while also freeing him from the constraints of the young cavalry officer's pay.

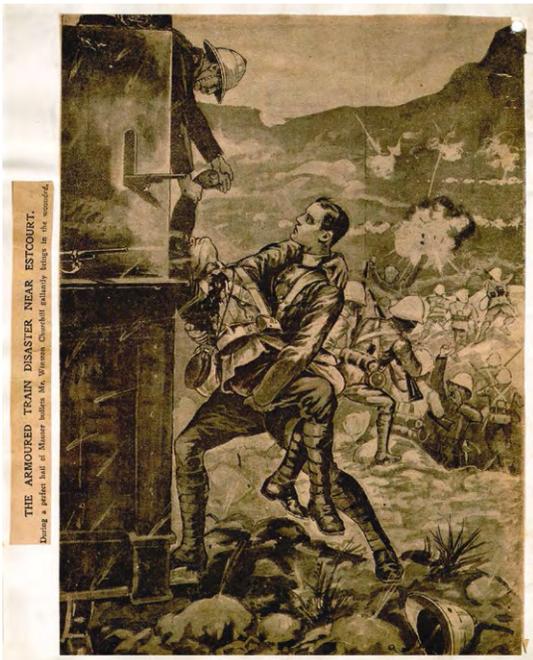
It was a policy that was not without risk. Young British officers were supposed to do their duty. They were not supposed to engage in self-promotion, especially when that meant leaving their regiment at any excuse to try and find attachment on the front line, or when such action resulted in unapproved dispatches that could be seen as critical of aspects of the British military command. But Churchill now had a plan and was not to be diverted. In 1897 he did not wait on events but took the initiative; returning early from leave to his regiment in India, he made an arduous five-day train journey from Bangalore to join the Malakand Field Force, on what is now the Afghan frontier, with no guarantee of an army vacancy awaiting him. In such actions, travelling thousands of miles and risking the wrath of superiors, we can see the lengths that Churchill was prepared to go to in order to make his own luck.

Churchill took risks, but they were calculated risks, intended to serve his longer game. His contemporary letters capture this faith in his own abilities, demonstrating an enthusiasm and ambition married with personal bravery. On September 19, 1897, he wrote to his mother describing his encounters with the Pathans: "I rode on my grey pony all along the skirmish line where everyone else was lying down in cover. Foolish perhaps, but I play for high stakes and given an audience there is no act too daring or too noble. Without the gallery things are different."

1.



2.



Equally important as these physical risks were the intellectual risks that Churchill took in writing up his adventures. The aim was the same: to get him noticed by as large an audience as possible. But it was not easy. The convention of the time, given that he was a serving officer, meant that his early dispatches were not issued under his own name, but rather credited as “From our own correspondent,” or bylined “by a young officer.” By 1897, Churchill had had enough of such convention, writing to his mother and expressing the strong view that his articles should be signed by him, “as otherwise I get no credit for the letters. It may help me politically to come before the public in this way.” It was this desire not just to write, but to be known, to play to the gallery, that led him to turn his dispatches into books.

The high point of Churchill’s career as a reporter came in 1899 with the Boer War. This might not have been clear to Churchill at the time. He had left the army in the hope of being elected as a Member of Parliament, but had lost the by-election, suffering the first major setback in his early career. To him a position with the *Morning Post* covering the hostilities against the Boer republics must at first have seemed a retrograde step. With hindsight, however, it quickly looked as though the previous five years had been leading up to this moment. Out of the army, he was now free to write what he wanted, and more importantly he would have his name attached to anything he wrote.

Similarly, what could have been an insurmountable disaster, when his train was ambushed and he was captured by the enemy, turned out to be the defining moment of his early life. Having taken the initiative and made his escape, he showed skill and genius for exploiting it. By the time of his triumphal arrival in Durban, he had already produced the first account of his great adventure, including the lines, “Of course, I am a man of peace. I do not fight. But swords are not the only weapons in the world. Something may be done with a pen.”

Churchill was widely quoted by the international press, and showed a great ability to capture the mood of the moment and to give great copy, saying, “I am very weak but I am free. I have lost many pounds in weight, but I am lighter in heart.” His article about his escape was syndicated around the world. In a strategy more associated with modern prime ministers and presidents, it led to both a book and to lecture tours of the UK and of North America. But more than that, these words were the opening shots in his second bid to enter Parliament, and this time he was guaranteed success. He was still only 25 years old.

Through his own writing, and through his use of the press, Churchill had placed himself firmly in control of the narrative. It was a system that would continue to serve him well. 📌

## CHURCHILL: THE POWER OF WORDS

This summer, a new exhibition at the Morgan Library in New York, (June 8 to September 23) will explore the brilliance of Churchill’s writings and speeches.

Churchill’s impact on the 20th century is difficult to overestimate. The exhibition will explore his use of spoken and written language – from his poignant Victorian childhood letters to his parents, to Cold War correspondence with President Eisenhower, and will feature some of his most famous wartime oratory. It will focus on how he used the written and spoken word to develop, complement and advance his political career. It may not be well remembered that Churchill won a Nobel Prize for Literature. But words were his lasting monument.

The “special relationship” that exists between the US and Britain was rooted in Churchill’s own very special personal connection to the country of his mother’s birth. The US was also where Churchill found the most influential political tutor of his early years, William Bourke Cockran, a prominent New York politician and friend of his mother. It was also in the US, as a young adventurer, author and parliamentarian, that Churchill made a fortune on the lecture circuit.

[www.themorgan.org/exhibitions/](http://www.themorgan.org/exhibitions/)

1. Signed photograph of Churchill as a young politician, c1905
2. “The Armoured Train Disaster Near Estcourt. During a perfect hail of Mauser bullets Mr Winston Churchill gallantly brings in the wounded.” Cartoon of Churchill at the scene of an armoured train ambush, 1899

Images courtesy of Churchill Archives Centre, Cambridge

Allen Packwood lectures and writes widely on Churchill. He is a Fellow of Churchill College, University of Cambridge and Director of the Churchill Archives Centre. The center is located on the college grounds and is home to the papers of Sir Winston Churchill, Lady Thatcher and almost 600 politicians, diplomats, civil servants, military leaders and scientists from the Churchill era and beyond. It is still collecting. [www.chu.cam.ac.uk/archives](http://www.chu.cam.ac.uk/archives)



Photograph: Andrew Burton/AP

## CRITICAL MOMENT

SNAPSHOT OF A COMMUNICATIONS TURNING POINT  
OCTOBER 10 2011

A young man stands before an American flag, a dollar bill taped across his mouth. It is one of many images that capture the frustration and impotence that drives the “Occupy” movement.

Before the first protests at New York City’s Zuccotti Park, deficits and spending cuts dominated political discourse. Joblessness, tax fairness, and the squeezed middle class got short shrift.

Not anymore. With a simple slogan (“We are the 99 per cent!”), arresting visuals (thousands of demonstrators crossing the Brooklyn Bridge), and the reach of social media, the Occupy movement has pushed economic inequality on to the political agenda and TV screens around the globe. Copycat movements have sprung up in dozens of cities, from London to Taipei.

The result is a new conversation. A Pew Research Center poll in January 2012 found that some three-in-10 Americans see “very strong” conflicts between rich and poor.

This is the largest proportion reporting that view in the 24 years that people have been asked. Occupy isn’t the only factor, but it has made it harder for politicians and business leaders to ignore the growing wealth gap.

With the eviction of encampments from Zuccotti Park, London’s St. Paul’s Cathedral and elsewhere, Occupy has lost some visibility. Unlike movements such as the Tea Party – another populist phenomenon that has captured America’s attention – Occupy doesn’t aspire to participate in politics, at least not in traditional ways.

Still, the movement has shown how quickly modern technology allows disparate people to form powerful connections. For some Occupiers, that’s good enough. As Justine Tunney of *occupywallst.org* told *The New Yorker* in November, “We can’t hold on to any of that authority. We don’t want to.” In many ways, therein lies the movement’s power.

**STEPHEN POWER —**

*Director, Brunswick, Washington, DC*

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