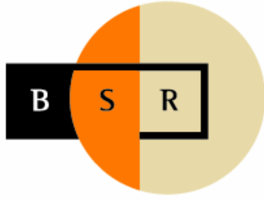

Business for Social Responsibility

What Is Long-Term Wealth?

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Note:

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I. What Is Long-Term Wealth and Why Should Companies Produce It?

Simply asking this question speaks to the changing expectations of the role of business in society in the 21st century. While most financial analysts and CEOs may be squarely focused on meeting quarterly earnings expectations, many stakeholders — including some institutional investors — are increasingly looking elsewhere for indications that an organization is taking the long view with respect to producing quality jobs, innovative goods and services, and breakthrough technologies. While global business is witnessing a rush of mergers and acquisitions that provide short-term share price gains, such activities may actually diminish long-term wealth for employees, communities and other stakeholders whose voices are absent from the negotiations that yield to M&As in the first place.

For companies seriously committed to corporate social responsibility (CSR), the question of long-term wealth creation cannot be ignored. Long-term wealth implies contributions to the preservation and expansion of human, natural and social capital — assets without which business cannot operate, much less prosper. But how should companies think about this issue? The answer, it turns out, is as multifaceted and as complex as the concept of wealth itself.

II. New Sources, New Metrics

If one asked a Masai tribesman in Kenya a millennium ago for the basis of wealth in his encampment or village, the answer may well have been the number of cattle possessed by the family. In ancient Abyssinia, it may have been the quantity of salt one possessed. In colonial Virginia, wealth may have been measured by how many tobacco fields, and in 19th century America, the volume of factory output of textiles and shoes.[1]

Fast forward to today's global economy and the sources of wealth have dramatically shifted and expanded. Today, wealth is sourced not only in natural resource extraction and processing, but increasingly in knowledge, information and the flows of tangible and intangible resources across the planet. The annual estimates for 2007 are staggering: $33 trillion in trade in goods and services; 15 billion cubic meters of transoceanic freight; and 2.5 billion cell phone subscribers, all contributing to an overall $53 trillion in total global GDP[2].

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[1] Eric D. Beinhocker, *The Origin of Wealth*. Cambridge: The Harvard Business School Press, 2006, p. 3-4.
[2] Wendy Becker and Elizabeth Stephenson (editors), *What Matters*. McKinsey & Company, 2007.

Financial services — management of the financial wealth of individuals and institutions — is now one of the world's largest industry sectors. The four largest leading private equity firms (Kohlberg Kravis Roberts, the Carlyle Group, the Texas Pacific Group and the Blackstone Group) control 40 percent of the 10 richest non-petroleum companies in the world. Such firms in their own right are valued at levels equal to multinational companies such as Nokia and Boeing. While some would question whether these funds and other financial services firms are actually creating wealth (as opposed to shifting and recombining existing wealth), the stock market seems to be clear on this. This is evidenced by the enormous success of recent initial public offerings of major private equity firms, and the capacity of fund managers to extract service fees and fractions of assets acquired worth up to hundreds of millions of dollars.[3]

From the ancient to the present, and from the local to the global, sources of wealth have undergone a radical transformation over time. Today nations, corporations, households and individuals derive and measure their wealth via myriad methods and tools. At the same time, a troubling divergence has emerged. While sources of wealth have dramatically shifted, the measurement of such wealth has not kept pace.

GDP, by far the most common measure of aggregate wealth for global and national levels, is widely recognized as a crude instrument at best for tracking "true" wealth. A dollar spent on weapons production and the cleanup of hazardous waste sites is credited exactly the same as a dollar spent in automobile production and public education. The aggregation and monetization of all forms of economic activity misses the critical distinction between *value* — the price assigned to goods and services in the market — and *wealth* — defined here as the contribution of goods and services to human well-being. The latter, as we know from a multitude of research, depends only in part on the quantity of goods and services possessed by an individual or family. After a modest level of affluence is attained, additional possessions have little or no affect on well-being and may even diminish it.

Such flaws have led to the creation of more nuanced wealth indicators that attempt to capture contributions of economic activity that elevate human well-being in place of the volume of undifferentiated economic activity, which may or may not enhance such well-being. From the pioneering work of Herman Daly in developing an "Index of Sustainable Economic Welfare" to the UN's annual Human Development Report, efforts to move beyond GDP continue unabated.[4]

In the same vein but at a different scale, measurement of corporate wealth creation has failed to keep pace with shifting sources of such wealth. Accounting systems conceived more than a half century ago to calculate organizational wealth in an era when tangible assets — factories, inventory, equipment — dominated corporate assets are now less and

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[3] John Stutz, *The Role of Well-Being in a Great Transition,* GTI Paper Series No. 10, Tellus Institute, 2006, http://www.gtinitiative.org/documents/PDFFINALS/10WellBeing.pdf

[4] Herman F. Daly and John B. Cobb, Jr. *For the Common Good: Redirecting the Economy Toward Community, the Environment and a Sustainable Future.* Boston: Beacon Press, 1989. United Nations Development Programme (UNDP), annual *Human Development Report.*

less relevant. This is due to the ascendance of intangibles, such as reputation, intellectual property and quality of management, as the primary drivers of value. In general, such accounting systems are deficient in at least four key ways:[5]

- **Missing intangibles**. The modern economy increasingly relies on intangible assets to drive value creation. Intellectual property, innovation, alliances and partnerships, patents and trademarks, systems and structures for supply chain management, reputation and brand, and quality of governance all represent a growing share of companies' assets and exert powerful influence on future performance. This trend will intensify in coming years as value creation continues to shift away from tangible assets toward intangibles. Identification, measurement and disclosure of such assets in conventional financial accounting and reporting frameworks lag well behind their pivotal roles in value creation, especially when they have been internally generated by the company rather than acquired.

- **Backward-looking**. Conventional corporate reporting primarily describes what has already occurred (e.g., revenues, net earnings and depreciation of assets during a specified time period). From the investor's perspective — which is inherently forward-looking — such reporting is inadequate for any reasonably accurate valuation of a company. Investors and other stakeholders need information that will enable them to gain insights into future prospects, not just past results.

- **Transaction-centric**. The underpinning of conventional financial accounting is the transaction — the sales of goods and services, payments to suppliers, and wages paid to employees. Exceptions exist, such as estimates of "fair value" of an asset yet to be sold. But traditional accounting is essentially a summary of transactions that is, of course, a central and necessary component of public disclosures. However, it is insufficient to assess comprehensively the capacity of firms to maintain and increase value or to steward their assets.

- **Disconnected assets and interplay of financial capital with other forms of capital**. Traditional accounting and reporting emphasize discrete assets, presenting them as additive rather than interdependent. In the modern economy, it is increasingly the interaction among assets — e.g., people, technology, capital, networks — that drives value, and ultimately wealth creation. The interplay of various forms of capital — financial capital provided by shareholders and lenders, human capital provided by employees, natural capital (clean air, water, land) provided by the environment, and social capital provided by society, community and government — is the foundation for value creation. Conventional accounting provides few insights into these critical interdependencies.

[5] International Corporate Governance Network (ICGN), Committee on Non-Financial Business Reporting, *A Framework for Non-Financial Business Reporting*. Consultation Paper, June 27, 2007.

Yet even these shortcomings do not fully capture the disconnect between corporate value creation and long-term wealth creation. The reason is that mainstream accounting methods are confined to wealth measurement along the singular dimension of wealth that accrues to providers of financial capital. Accounting methods and the plethora of metrics rooted in such methods — return on assets, earnings per share, Economic Value Added (EVA) — all measure the wealth of the corporation exclusively from the vantage point of returns to capital.

While this approach is, of course, the foundation of modern financial analysis, it is incompatible for companies seriously committed to a broader and long-term vision of wealth creation that includes the "social return" to communities, employees and the environment. It is precisely for this reason that a new generation of measurement tools is emerging that moves beyond the narrow confines of mainstream accounting to measure and report a multi-dimensional view of corporate wealth creation, one that accrues to a broader spectrum of stakeholders including, but not limited to, shareholders.[6]

III. Dimension 1: The Long Term

For a deeper understanding of the scope and implications of long-term wealth creation, we must unbundle its two components. To begin, Steven Lydenberg offers a useful definition of long-term investing:

> *Long-term investors speculate on the value of corporations to society and the environment, while simultaneously seeking to enhance that value at the company, industry and societal level.*[7]

This definition challenges the notion that share price is a proxy for value to society. High share prices may enrich shareholders in the short-term, but such enrichment bears little or no relationship to societal value in the long-term. Taking this a step further, if price is disconnected from value, then it too must be disconnected from wealth since value and wealth are inseparable.

By definition, business practices that adhere to the principles of corporate responsibility and sustainable development must take the long and multidimensional view of their outcomes. That is, they must manage for *both* private returns and societal returns, and do so with the view that the company will remain a growing concern for the indefinite future. This is inherent to a commitment to inter-generational responsibility, equitable

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[6] Allen L. White, *The Quiet Revolution in Corporate Reporting*. Boston: CERES, 2007. http://www.ceres.org/pub/docs/ceres_sloan_paper.pdf

[7] Steven Lydenberg, *Long-term Investing: What It Is, Why It Is Different and the Difference It Makes*, forthcoming at http://www.summit2020.org/paper_series.htm. Steven Lydenberg, *Corporations and the Public Interest: Guiding the Invisible Hand.* San Francisco: Berrett-Koehler, 2005

development and environmental stewardship, the key building blocks of corporate responsibility as well as sustainability. At the same time, company strategy, policy and practices are trumped by short-term interests.

This perspective is not limited to a small community of corporate campaigners. In fact, NGO activists have been disappointingly quiet in relation to an issue as injurious as short-termism. Instead, other constituencies, including business itself, have been leading critics. The ill effects of short-termism are subject to a proliferating number of studies and commentaries by the business community, investor coalitions and business journalists. Organizations as diverse as the Conference Board, the Business Roundtable, the Aspen Institute, the Marathon Club (UK), the U.S. Chamber of Commerce and the *American Prospect* have all defined short-termism as fundamentally incompatible with the long-term interests of both the company and its stakeholders.[8]

While a consensus may be emerging, countervailing forces continue to impede movement toward managing for the long-term, especially among publicly traded companies. Hedge funds, which now number over 9,500 with assets of $1.4 trillion and growing, thrive on short-term trading. They bet on share prices both rising and falling. The more volatility in the market, the more opportunities there are for such bets. And, paradoxically, the more information in the market that has emerged since enactment of the post-Enron disclosure rules, the more profitable hedge fund betting has become.

Private equity (PE) firms, commonly engaged in leveraged buyouts involving deals valued at tens of billions of dollars, also have a tendency to fuel short-termism. Underperforming companies are quickly identified via quarterly earnings reports that fall short of analysts' expectations. Buyouts of such companies that were taken under the private control of PE firms numbered over 1,000 in the United States alone in 2006. While the three- to four-year expected holding time of a company in a PE portfolio certainly exceeds the months, days or even hours of the hedge fund portfolio company, the core purpose of a PE acquisition is to dispose of an acquired company once performance (and hopefully share price) improves. Thus, while the frenetic pace of hedge fund portfolio turnover may be absent, the goal of turnover is the same.

The growth of these financial instruments, and the readiness of institutional investors such as public pension funds to take positions in hedge and PE funds, remains a serious impediment to cultivating a culture of long-term value creation. When share price next month or next year becomes the principal driver of management decision making, long-term wealth and the associated investments in human capital, communities, human rights and the environment become vulnerable to the demands of maximizing short-term

[8] See, for example: Aspen Institute, Corporate Value Strategy Group, *Long-Term Value Creation: Guiding Principles for Corporations and Investors*, 2007; Marathon Club, *Guidance Note for Long-Term Investing*, Spring 2007; Lee Drutman, "The long-term value moment," *American Prospect,* Web site, July 9, 2007; [8] Alex Berenson, *The Number: How the Drive for Quarterly Earnings Corrupted Wall Street and Corporate America*, Random House, 2003; [8] Matteo Tonello, "Revisiting Stock Market Short-Termism," *The Conference Board Report R-1388-05-RR*, 2006; [8] Thomas J. Donohue, "Enhancing America's Long-Term Competitiveness: Ending Wall Street's Quarterly Earnings Game," speech delivered to the Wall Street Analyst Forum, New York, November 30, 2005.

returns.[9] This is a problem whose mitigation requires fortitude among executives to hold the line against Wall Street pressures, along with action by government and civil society to encourage longer-term horizons. Capital gains taxes that penalize market "churning" and excessively short-term holdings, and activist campaigns that recognize and reward firms that manage for the long term, are examples of potential governmental and civil society actions, respectively.

IV. Dimension 2: Wealth

Long-termism is a necessary but insufficient condition for companies to create long-term wealth. To take the extreme case, one would be hard pressed to argue that a company that manufactures a deadly product — tobacco, chemical weapons or computer software designed to service drug or human trafficking — is creating "long-term wealth," no matter how long-term its management style happens to be. From this perspective, long-term wealth must look beyond shareholder value to a more expansive definition, one that embraces returns to society that enlarge and/or preserve the shares in all forms of capital — human, natural and social.

To remain competitive, companies must continually improve productivity, create or import better technologies, and periodically reassess their business models. US automakers, for example, spurred by their Japanese competitors, have traveled a long distance to develop lean manufacturing methods that reduce waste in vehicle manufacturing. Technology companies like Intel, Cisco and Google have irreversibly changed the way we think about the nature, organization and transmission of information. And IBM and DuPont exemplify companies that have fundamentally redefined their business models from, respectively, hardware maker to IT systems designer, and from chemical manufacturer to a provider of life sciences products and services. The durability of these companies as independent enterprises — in DuPont's case, two centuries — demonstrates their capacity for resilience and reinvention. But are they creating long-term wealth by today's standards? Are they enlarging and/or preserving the stock of different types of capital as defined earlier?

Lydenberg sheds valuable light on this question when he describes long-term wealth as wealth that serves the public interest: "[T]he creation of value that will continue to benefit members of society even if the corporation were dissolved today." [10] This implies activities that both minimize or eliminate external costs, and preserve and renew resources in the production process — and doing so with an eye toward meeting diverse stakeholder interests.

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[9] For examples of behaviors compatible and incompatible with long-termism, see Allen L. White, *The Grasshoppers and the Ants: Why CSR Needs Patient Capital,* May 2006, at http://www.bsr.org/meta/200605_Patient-Capital.pdf. For a general exploration of the issue, see Steven Lydenberg, 2005, op cit.

[10] Lydenberg, 2005, op cit.

Examples of companies that in some form meet the test of long-term wealth producers include the following:

- Organic Valley, through its line of organic dairy products and fostering of organic farms, acts to preserve the quality and quantity of farm land throughout the United States, where such farming methods are accompanied by sustainable management practices beyond non-chemical inputs to farming activities;

- Springfield Remanufacturing Corporation, through continual and deep investment in employee management training, avoided potential closure owing to bankruptcy of its parent, and transformed itself into a profitable employee-owned company operating a set of linked enterprises;

- Patagonia, through its risky, but ultimately profitable, investment in organic cotton for all its apparel products, leading to strong brand recognition in the highly competitive apparel industry.

All these cases demonstrate the most vital characteristic of long-term wealth: its enduring, portable and intergenerational nature. Even if these firms ceased operations tomorrow, a legacy of organic farms, organic food and fiber -- if accompanied by sustainable agriculture practices, and, more generally, management competence developed through heavy investment in human capital -- would survive. Here, then, lies the critical difference between long-term wealth creation with a public interest quality and short-term value creation with an exclusive focus on shareholders.

Organic Farms, Springfield Remanufacturing and Patagonia are privately held, medium-size enterprises that have exercised and continue to implement long-term wealth creation strategies. Does this imply that companies under private ownership and/or control are more apt to behave in this fashion? In theory, one might argue so, since such firms are insulated from the short-term pressures of capital markets and able to design long-term strategies without unrelenting investor pressure for higher share prices and the risk of sudden hostile takeovers when share price falters.

Scanning the corporate landscape, one might conclude that at least a tendency of this nature exists. Anecdotally, one might point to private or family-controlled firms with an enduring record of long-term wealth creation.[11] One example is The New York Times, whose core mission is an informed electorate, and outside the United States, Grupo Nueva, a Chilean-based holding company with water management, cement and forestry interests. Grupo Nueva is controlled by a non-profit trust, VIVA, whose mission is leadership development in Latin America implemented through its sister organization, AVINA. Other firms with unusual trust or foundation ownership or control structures such as Novo Nordisk (Denmark) and Tata Industries (India) also demonstrate novel ownership structures linked to a strong social mission.

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[11] Marjorie Kelly and Allen White, *Corporate Design: The Missing Business and Public Policy Issue of the Day*. Forthcoming at www.summit2020.org.

This anecdotal evidence is given added credibility by more systematic evidence.[12] In a study of two dozen high-performing (as measured by market share) family-controlled businesses (FCBs), researchers found that the experience of such firms is a lesson in "…how to manage not for short-term profits but for the very *long-term* [italics original] market success and for the benefit of all stakeholders." Four "C's" underlie this experience:

- **Command**: decisive leadership with an emphasis on speed and innovation in adapting to changing markets;
- **Continuity**: consistent pursuit of a core mission via far-sighted investment and solicitous stewardship;
- **Community**: infusing employees with a sense of the core mission, leading to a cohesive culture shaped by authentic values and a deep concern for employees;
- **Connection**: building long-term relationships with clients, suppliers, partners and the broader community.

These characteristics of high-performing FCBs are found in firms such as Cargill, Michelin, Hallmark, Timken, SC Johnson, L.L. Bean and IKEA. As a cluster, the attributes are closely aligned with the concept of wealth defined earlier: creating value that would continue to benefit society even if the corporation were to cease operations today.

Not all FCBs, of course, demonstrate such attributes, nor do all outperform their peers in terms of market share or other measures of competitiveness. But in the circle of successful FCBs, these attributes are prominent and likely to at least partially explain the extraordinary median longevity of 104 years among the two dozen sample firms. In contrast to their reputation as slow-moving, internally conflict-prone and succession-vulnerable, FCBs that succeed seem to do so because of their capacity to produce long-term wealth. This hypothesis is made all the more significant in view of their strong representation among the largest in the United States: approximately 35 percent to 40 percent of the Fortune 500 and S&P 500 fall into this category.

V. Blurring Boundaries

The last decade has witnessed intense debate over the boundaries between private and public interests, short-term and long-term investing, and more broadly, the role of corporations in meeting 21st century societal needs and expectations. The concept of long-term wealth creation is inseparable from these questions. How can a company commitment to long-term wealth creation be embedded in its core strategy? The answer

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[12] Danny Miller and Isabelle Le Breton-Miller, *Managing for the Long Run: Lessons in Competitive Advantage from Great Family Businesses*. Boston, Harvard Business School Press, 2005.

lies in its readiness to first rethink its purpose and second to see long-term wealth creation as integral to its purpose.

On the first component, the mantra of "shareholder value" that rose to prominence some 25 years ago and remains a powerful driver of business conduct is under increasing scrutiny as both a description of reality and a prescription for the future.[13]

A number of legal scholars point to the flawed but widely held perception that companies are required to place shareholder interests above those of other organizational stakeholders. Because shareholders are uniquely entitled to privileges such as electing corporate directors and filing resolutions at annual meetings, this is erroneously interpreted as shareholder primacy from the vantage point of distributing the residual profits of the company. Of course, there may be extra-legal reasons for management to adopt such a view; for example, to attract new investors in times when retained earnings are inadequate to support strategic goals or when fresh capital is required for plant expansion or technology development. But as a matter of legal obligation, the principle of shareholder primacy is more an expression of political power than it is legal doctrine. Perhaps it is no coincidence that FCBs, whose exposure to securities markets is far less than publicly traded companies, have historically demonstrated a more enduring commitment to a social mission than their publicly traded peers.[14]

The second component, embedding long-term wealth creation into core purpose, is more complex but increasingly visible as the concept of the sustainable enterprise takes on new meaning. Rather than narrowly defining "sustainable" as "long-term existence," "sustainable" increasingly means "substantial and continual contributions to sustainable development." The bridge between this definition and long-term wealth creation is direct and short.

Recall the cases of companies like Springfield Remanufacturing and Patagonia, that have built profitable businesses rooted in deep commitments to human capital and the environment, and DuPont, which has shifted its entire business model and strategy from a chemical company to a science company that helps protect or enhance human health, safety and the environment.[15] As part of this process, DuPont's unmatched expertise and track record in worker safety has been translated into a business unit, an effort that is building human capital both within and outside the organization.

In Mozambique, mining giant BHP Billiton has undertaken a massive regional malaria-eradication program in the area close to an aluminum smelter. The company found that

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[13] Margaret Blair and Lynn Stout, "A Team Production Theory of Corporate Law," *Virginia Law Review* 85:247-313, 1999; Kent Greenfield, *The Failure of Corporate Law: Fundamental Flaws and Progressive Possibilities.* Chicago: University of Chicago Press, 2007. James Post, L.E. Preston and S. Sachs, *Redefining the Corporation: Stakeholder Management and Organizational Wealth*. Palo Alto: Stanford University Press, 2002; Allen L. White, *Transforming the Corporation,* 2006, http://www.gtinitiative.org/documents/PDFFINALS/5Corporations.pdf

[14] Miller and Le Breton-Miller (2005, p. 22) note that: "…FCBs …are less likely…to be distracted from their purpose by impatient numbers-obsessed investors…. Unlike their rivals, their concern is not just with today's profits but tomorrow's; not just with growth, but excellence and renewal."

[15] http://www2.dupont.com/DuPont_Home/en_US/

absenteeism and fatalities due to malaria were undermining the operations and even the existence of its smelter operations. Not long ago, intervention of this nature on the part of a commercial enterprise was rare. Today, it is increasingly common in many social areas, such as dealing with HIV/AIDS and the conservation of water resources.

Consider those companies in the chemical business (established, as well as new startups) that have launched "chemical management services" (CMS) ventures. This business construct transforms the traditional model of profits derived from sales of materials to one in which profits are derived from services such as metals cleaning and auto coatings. Through performance contracting in which revenues are tied to outputs (units of cleaned metal parts or units of painted automobiles) rather than inputs (pounds of chemicals), CMS ventures are effectively dematerializing and detoxifying production processes. The motive is commercial, but the outcome is the protection of natural capital in the form of reduced emissions and effluents by a sector long associated with pollution-intensive activities.

Stepping back to observe the commonality across these examples, one sees the traditional rigid boundaries between commercial and non-commercial corporate purpose increasingly blurred and indistinguishable. Some social entrepreneurs are seeking to capture and crystallize this by promoting a so-called "fourth sector"[16] and, alternatively framed but substantively equivalent, socially beneficial for-profit "B Corporations."[17]

In a similar vein, social entrepreneurship of this nature is found in Silicon Valley where companies such as eBay and Google have established foundations that apply their competencies and products to solving critical global problems such as health, energy and access to microfinance, sometimes on a for-profit basis. These initiatives bode well for long-term wealth creation by empowering individuals in poor countries with the know-how and resources to combat poverty.

All of these cases, and many more, attest to a rethinking of the social contract between business and society.[18] It is not a process defined by formal legal mechanisms or organizational leaders. Instead, it is movement, diffuse and accelerating, with many participants seeking to redefine corporate purpose into a more expansive, socially mindful form, one that positions long-term wealth creation at its core.

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[16] http://www.fourthsector.net/fourth-sector-network.php

[17] http://www.bcorporation.net/home.php. Also, Susan Mac Cormac, *The Emergence of New Corporate Forms.* Forthcoming at www.summit2020.org

[18] Allen L. White, *Is It Time to Rewrite the Social Contract?,* Business for Social Responsibility, 2006, http://www.bsr.org/meta/awhite_new-social-contract.pdf

VI. Reflections

In a recent meeting of the Global Compact in Geneva, Coca-Cola CEO Neville Isdell was asked by a humanitarian agency if his company's unparalleled, worldwide distribution channels might be used to distribute anti-malaria pills and mosquito nets. For those familiar with logistics in poor countries, it will not come as a surprise that finding a Coke is easier than finding anti-malaria products. "We can't do that," Mr. Isdell told Reuters. "At the end of the day we are a commercial enterprise and we can't do what governments do or fail to do."

In today's business climate, a response of this nature will be and should be noted and criticized with increasing frequency. Coca-Cola Company, Inc. is a beverage company with extraordinary distribution channels. The channels themselves, apart from the products that populate them, are invaluable company assets. Just as DuPont has deployed its safety expertise, why couldn't Coca-Cola deploy its distribution networks to help combat malaria in poor countries?

From a standpoint of long-term wealth, few investments would yield a social return comparable to extending the lives of both children and working adults in developing countries. It is not difficult to imagine such an investment co-funded by multilateral organizations, even to the point of returning a profit to Coca-Cola. But even in the absence of such a financial partnership, Coca-Cola as a sole investor in such a hypothetical venture should not be out of the question. To do so may well diminish quarterly or yearly earnings, and perhaps shareholder dividends, at least in the short- or medium-term. But if a global company like Coca-Cola is serious about sustainable development, it must reduce its traditional shareholder-driven focus and constantly assess how its assets may be deployed to meet broader societal needs.

Of course, it will not be the case that the benefits of every long-term investment in biodiversity, energy efficiency and worker conditions in contract factories will accrue only to the company. Some will and some will not. But dismissing investments in the latter case can no longer be automatic. In the Coca-Cola scenario, the anti-malaria investment is likely to pay for itself in the long term many times over in the form of healthier consumers, healthier workers and healthier communities, as well as enhanced reputation as a responsible company. These outcomes should be more than enough reason for the company to find ways to realize such investments, even if it does not appropriate all potential benefits to itself.

While the language of long-term wealth creation may be uncommon in the business community, its emergence is not. Although motives may be couched in terms of commercial rewards, forward-looking companies are recognizing that their long-term competitiveness increasingly depends on their capacity to contribute to long-term wealth creation.

The concept, under many different names and spurred by many different motives, is moving from the extraordinary to the exceptional to the expected, and from the margins to the core of business. Companies that remain oblivious or, worse, opposed to such investments will, over time, find themselves falling further behind other 21st century leaders.

In the words of Groupe Danone CEO Franck Riboud, "I'm deeply convinced that our future relies on our ability to explore and invent new business models and new types of business corporations." Examples of such models are no longer purely aspirational; many are already operating to address critical societal needs while building the stock of human, natural and social capital — the essence of long-term wealth.

The challenge in the coming decades is experimentation, refinement and scaling up the new corporate forms that are emerging — and will continue to emerge — across the business landscape.

About Allen White

In his Senior Advisory capacity with Business for Social Responsibility (BSR), Allen White has been charged with challenging both BSR and businesses engaged in corporate social responsibility (CSR) to revisit conventional wisdoms and to think in new ways about the future of the corporation. Toward this end, he has prepared a series of white papers and briefs designed to catalyze dialogue among companies and their stakeholders on issues pertaining to business-society relations in the coming decades.