

Nestlé 2011 Global Creating Shared Value Forum

Washington D. C. May 19th 2011

Transcript of "General Conclusions and Lessons learnt"

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Maria Cattai:

So, as everyone knows, Chuck Hagel is the Chairman of the Atlantic Council, one of our hosts today, and of course a former US Senator. And Paul Bulcke, who is the CEO of Nestlé.

And what we thought we'd do is perhaps just have Paul bring us up to date on a few ideas of this conclusion which is really the moving forward towards our time horizon of 2030. But just some of the key ideas that might have come out, some of the ideas that you would like to leave us with, Paul, after this intensive day.

00:00:43

Paul Bulcke:

Thank you, Maria. I think you all agree this was quite an interesting, straightforward discussion we had today, and it's always hard to sum up after we touched quite a few points. But just a few key points.

Actually Fred Kempe started to talk about the fact that we're living in very interesting times - times of inflection points. Actually he mentioned that we were living in times with inflection points as important as the Industrial Revolution or at least inflection points that are the most important times after World War 2.

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And these points create huge opportunities, where then the optimism comes in - opportunities to create value, and they will come with creating shared value, but create value for shareholders or to go about business - business opportunities, but also opportunities for society, opportunities for business

to go about business, to mention what Michael Porter was saying.

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Also an opportunity for long term, as Peter was saying, long term sustainable, profitable growth. And I would say long term, sustainable, profitable, inclusive growth, which is then linked up with quite a lot of other discussions we have.

Actually it is a huge opportunity for the concept of creating shared value, and if you think about the concept, it is linked with the society working more closely together.

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A good way of defining created shared value is the fact that it is intrinsically embedded in how we go about business, and it stands a little bit against sharing created value. Let me explain that. Creating shared value is intrinsically linked in what you do from 1st January to 31st December. And sometimes sharing created value may be at a certain point in time just before Christmas.

And so that to a certain extent is quite a good, I would say - playing with words a little bit - but what there is - there is a convergence, I feel, a convergence of interests in society that was not so felt in the past. There is no conflict of interest. We are all partners, and all stakeholders in society at large.

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And we spoke about the role of engagement of women too. Ruth was quite vocal on that, and that's very important too. And if you see in the developing world how women are actually the

stabilising factor in society and families, and how they are also a very dynamic factor in farming, and farming linked with rural development. And rural development linked with basically the development in so many parts of the world.

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We spoke about nutrition too, and women again - with nutrition, education - women are very important to us for Nestlé. The consumer base is quite female, but also we have a keen interest in our employees and so on.

We spoke about differences in culture, and how actually value is created related to the different cultures in the world. And there is no one model. And we just heard it in the last panel again - it is not so that the western model is the model going to be that we export and implement in every part of the world. There's going to be what we call sometimes reverse innovation. And we see that's coming now with the developing world too, and how then again the created shared value is meaningful when we as companies or business really drive the business in the environment and with the dynamics of every country. We spoke quite explicitly about that when we spoke about Africa.

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We spoke about the need to measure this created shared value. And we spoke about the financial accounting and then also that social, and how we have to link one with another. And to a certain extent we should do that, but you measure the end - the best measurement is continuous business success over time. Because that's the best reflection that something is going well.

And then also you can then measure also how society is developing, and there's quite a lot of measurement there too. And how these two then converge.

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I would like now also, in conclusion here, to remember when speaking about creating shared value that we have the Nestlé in Creating Shared Value for 2012, which is - as you may know, it is open to individual, governmental and non-governmental organisations or academia, small enterprises - going very creatively about the concept of creating shared value, with very new ideas of how actually the entrepreneurship, linked with society, can be a developing factor.

And we spoke about the example of last time, the last prize which was a project in Cambodia. The prize, the winning entry will benefit of an investment of CHF 25,000 to further develop the concept and to make it work. The nominations are open until the end of June.

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I want to thank also, from the part of Nestlé for our partners today - Chuck Hagel, Fred Kempe, and everyone at the Atlantic Council who has been providing us with such great support, and also logistics.

Maria Cattai:

We're going to have to make him work for his thanks.

00:06:02

Paul Bulcke: But I want to thank you, also, and dare I say it - unparalleled moderator - Maria Cattai, who is truly the best in the business.

Applause

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Paul Bulcke: And, Maria, may I give you - hand you over a small token, as an expression for our appreciation of -

Maria Cattai: Oh my goodness!

Paul Bulcke: All these discussions ...

Maria Cattai: This is the sharing created value part, yes. This is the part that I like.

Paul Bulcke: Share some created value, yes.

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Maria Cattai: But I have to earn it first, because I've got to - oh my goodness! Oh that's absolutely magnificent. Look at this, will you. Will you look at this, Senator?

Chuck Hagel: That is spectacular.

Maria Cattai: Isn't that absolutely spectacular? No, you're not going to see it.

Laughter

Maria Cattai: It's kind of heavy. It's absolutely magnificent. And now I'm going to try and earn this by talking with you for a few minutes -

Chuck Hagel: You do not have disclosure rules?

Maria Cattai: No, no, no.

Laughter

00:07:05

Maria Cattai: Thank you very, very much, and look, one of the things that came out in our discussions today was the opportunities that arise for business in making a serious profit while also addressing societal issues. And that the two, rather than being in conflict, or rather than it being let's say a philanthropic effect, it is actually - as Paul has said - it is something that is embedded in the business plan and the operations and business in the profit making, if you wish, for both society and for the businesses.

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And we discussed at some length also extending this into companies around the world - stronger - it's the post, if you wish, CSR. It's the new approach that makes sense as we move towards a world with a lot more people and a lot less resources.

I guess the question I would have is - why should it matter? Why should we be spending this amount of time and this amount of effort? Why should companies do it? Why should it matter? And particularly in the US - should this be something that makes a difference also in the United States?

00:08:36

Chuck Hagel: Maria, thank you, and thank you for your service, and especially keeping this group of ne'er do wells on track today. I know it's not easy. Paul, thank

you. And on behalf again - I know Fred expressed this this morning - the Atlantic Council - we very much appreciate partnering with Nestlé on this event and others in our past associations.

As to the question; Paul used some terminology that he referenced has been used in good measure throughout the day. And it's a reference to confluence. Your question is about the confluence of interests. When a confluence of common interests comes together, then almost always there will be, at a minimum, some modicum of success that will be achieved. Profit, Paul talk about value added. Stability, security, making a better world.

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Because throughout history it is rather complete that it is the human condition that drives history. The Tunisian fruit vendor set himself on fire not because he was advocating a philosophical point of view or some kind of a governmental philosophy; he set himself on fire because he had been stripped of his dignity, he felt he had no hope, and he felt that his country and his people - and much of the region - were now locked into a cycle of despair.

So if a company is to do well and prosper, and enhance society not just their shareholders - because their shareholders are part of society - then that must include - yes, growth; yes, productivity; yes, that goes with prosperity. But also stability and security and hope, and the possibility my children will have opportunities to do better and make a better world.

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It all does come together, and I think you noted Fred's comment this morning that we are at one of those great historical confluences. We can not be wise enough to maximise these possibilities, but we are in the middle of - all seven billion global citizens - of building a new world order. That's what's going on here.

I was at this morning at the Bretton Woods Conference, and I opened the session with the President of the World Bank, Bob Zoellick. And we talked about some of these general themes. And we all understand, I think - we're getting to the sophisticated issue of this point that, without security, without stability, without hope, then the world is going to get pretty messy. Because the world that we live in is complicated; it's combustible, and it is completely integrated. And we need not to go much beyond the global financial crisis of the last three years. There wasn't a country, a population, a people, untouched by that.

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So, yes, it's important that all these factors come into play and that it is completely, totally, comprehensively in the interests of business to pay attention to all these social elements, because only through a resolution of many of these challenges - especially now in the 21st century - and some success in moving them to higher plains of achieving objectives and making a better world for more people - for all of society - the hope of that possibility. It clearly is in the interests of business, and business can't succeed without it.

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Maria Cattai:

No, very clearly. We don't want to keep you long, but we have you here. So we do want to see with you some of your thoughts right at the end of our afternoon. So we're a world moving towards 10 billion people very shortly - very, very shortly. And the last years, the last decade has seen this incredible growth. And as we do that, we were just wondering - your view; you talked just about a change in the way that the order, or the governance, will happen. Do you have any thoughts that you want to leave us with on that score?

00:13:30

Chuck Hagel:

Well, I wish I was wise enough to contribute something to that question. But I would make this observation. I think we are, all of us in the world, and as you know the demographers say it will certainly be 9 to 10 billion by 2050. We are, I think, working our way toward a more and more decentralised world, meaning that it will be the individual nations and people and communities that will take on more responsibility for their own actions versus, for example, the last 65 years, when a few nations really made all the decisions for everybody.

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The United States of America was uncontested completely since I was born, and I was born at the front end of the baby boom generation. My father came back from World War 2, married my mother six months later, and I was born nine months later. I did check that.

Laughter

In my business you don't leave anything to chance.

Maria Cattai:

No, check your birth certificate; exactly.

00:14:43

Chuck Hagel:

So I'm not the smartest guy, but I did figure that out early. And so, as you follow through where we are, where we've been, where we may be going, taking nothing away from the fact that the integrated institutions - and I think alliances and institutions will play as big a role - or maybe larger - than they ever have. And we formed a new world order, we being the United States and our allies after World War 2. We built coalitions of common interests, coalitions of common interests.

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What does that mean? That means that we built the United Nations, Bretton Woods in 1944; prepared a monetary system for the world - the IMF, World Bank, General Agreement on Tariffs and Trade, now WTO; multilateral banks, institutions, development banks - all those played a huge role in the great progress we made.

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Now the trouble - the most troubled areas of the world, and if you really want to flag that up - it's the arc from North Africa all the way across the Middle East, Persian Gulf down in the central south Asia - those areas were left behind. They didn't benefit. And so the common interests of the organisations and institutions did tremendous things for mankind - let's not forget there was no World War 3. And every one of our great leaders after World War 2 went to their graves concerned about a World War 3 or a nuclear exchange.

00:16:15 That's not happened. I think you could make a pretty strong case that in any endeavour, area of expertise, focus for humanity; we've made unprecedented historic strides. Food production, science, health, technology. Now it's complicated because we have to manage all that; but nonetheless that continues on a very important path - those institutions, those structures, those venues, those boundaries that give all of our nations and nation states and societies some boundaries to work within.

00:16:54 However, it does not negate what I think the decentralisation component is going to be more and more. And I'll give you one more example of this. What's going on in the Middle East today? North Africa? The United States of America has very limited influence on the outcome. Switzerland, Great Britain, NATO - I mean, NATO is, for example, divided on Libya.

00:17:23 And so it will be up to the people of those areas. We can help influence, we can help shape, we can help - the President of the United States' speech was today - I mean, that was his message today. But we can't impose. That has been one of the great lessons of the last 65 years. A nation cannot impose from the outside or dictate. You will be a democracy, you'll be damn happy about it, and that's the way it will be, and you'll all be little Americas.

00:17:56 Well, it hasn't work that way, and it won't work that way. And that's my point about decentralisation. The people of Egypt, for example, are going to have

more to do with the outcome of the Middle East than any one influence that I can think of. Now I may well be totally wrong - I've been wrong many times before. But I kind of see it happening that way.

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Maria Cattai:

One last question - when you talk about it - I don't want to call it fragmentation, but it's very localisation of things. There are many people who also think that, over time, as we move towards this highly urbanised world as well, that cities will become centres of gravity of governance. Just leave with you a final word on how you see the shape of our world as we will be governed over the next decades.

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Chuck Hagel:

Well, I wouldn't necessarily equate where we are today with the Treaty of Westphalia, but I think there are some parallels. Now I'm quickly out of my depth here. If we had Henry Kissinger sitting here, he could talk about it; but my expertise is limited. But I use the Treaty of Westphalia because, as we know, that really established the nation state concept. And that was critically important to civilisation and to boundaries and to unifying societies. It wasn't that long ago there were many of these present countries, like Italy and Germany, that were really not formed until the late 19th century.

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And so we're not that far away from - a few hundred years from the Treaty of Westphalia - but not that far away from the last part of the 19th century. So where I think this will tend to go to your point about

urbanisation, that's probably right - for a lot of reasons; if for no other reason than when Paul was talking about, when I walked in at the last panel, and I heard the last part of the conversation - is food production and resources.

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Your point about putting 9 to 10 billion people on the face of the earth by 2050; that means an astounding demand on resources. And the human condition, as I said earlier, always drives everything - it drives policy. Then you add to that budget restraints. Now right across the street, where I used to work, there's almost every - those are constraints that will have to be factored in that will project on policy and direction of a company, of a culture, of a society, of a nation.

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I'll end this way. I'm hopeful; I'm very hopeful. I see some tremendous historic opportunities. We could screw it up, and we might. But I tend not to believe that if for not other reason - it's just better, easier to get up in the morning and feel hopeful than the world's coming down on top of you.

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Maria Cattau:

Well in that case you join the business community which wouldn't exist if it weren't positive and hopeful. I would like, on behalf of all of the audience here and the people watching us on the webcast, to thank you, sir, to thank the Atlantic Council - Fred Kempe; and to thank Nestlé - Paul and Peter - for having hosted this. And I hope you have enjoyed and learnt as much as I have.

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Thank you all very much.

Applause

END