

INSIGHTS AT THE INTERSECTION OF THOUGHT & PRACTICE

Global Challenges in Business and Corporate Responsibility

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CENTER FOR ETHICAL
BUSINESS CULTURES®

Global Challenges in Business & Corporate Responsibility

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This is an edited transcript of a speech by Klaus M. Leisinger speaking in Minneapolis on the topic of Global Challenges in Business & Corporate Responsibility at the Center for Ethical Business Cultures' 35th Anniversary event on April 30, 2013. The center is affiliated with the University of St. Thomas and its Opus College of Business.

Good afternoon. I have 35 minutes to explain some of the most difficult issues that the global community is wrestling with at the moment. I do this mainly for the sake of the students – and I in fact feel like one: Here sits Ken Goodpaster who has been and continues to be a legend in the field that I'm talking about now; so it feels a bit like I am in an exam situation – but I will try hard not to fail...

I do not have to explain to you the basics of business ethics and the basics of corporate responsibility. I just want to touch upon some questions that ought to be answered by the individuals who work on this issue, by the companies that commit to a responsible conduct, and by the global community – i.e., inclusive you and me. The easy one is: "Are there only legal responsibilities and economic ones?" Or is there more?

If you read through the literature, Milton Friedman said basically that the business of business is business, and business should stay out of things like social consciousness, like all the catch words of contemporary global reformers. He called that pure and adulterated socialism, and I know that in the United States this is not a good word.

Howard Bowen early in the 1950s said business should be compliant with the lines of action that are "desirable in terms of the objectives and values of our society." This is a very important and very modern approach that is still valid today. However, if you say "our society," it is the U.S. society here. "Our society" may be defined a bit differently in New York than in Minnesota, this I don't know. But what I know is that the definition of "our society" with regard to norms, customs, and practices is certainly different in Beijing, in Mumbai or Jakarta. It might be different in Rio de Janeiro and in South Africa.

So could it be that we have to deal with different culturally structured values, and, if so, how are we dealing with them, for example, as a transnational corporation? Very importantly: Whom do we want to serve? Who are the people we affect by our actions? Who are the people who can affect our actions? Most probably this is a huge number of people, too many to really attend to – so we have to select and to determine who are the important ones, what are their stakes and what is their relative strategic importance to the company. We need to know how they think, and we had better know what they want – they are as much part out our society as members of corporate management.

The basis of business was business in the 1960s – and it remains business today. In the societal division of labor, business has other functions from that of the judiciaries or the political bodies or the research bodies or civil society. So it has to use its resources to create value in a

legitimate manner and thereby also increase its profit; in this perspective, the Milton Friedman doctrine is still valid in principle.

To be fair to Milton Friedman, one has to remind people that he also said that business has “to stay within the rules of the game,” and I would say these rules of the game have changed significantly since 1962 when he wrote his book on Capitalism and Freedom. Corporate profits are not something to be ashamed of. As a matter of fact, from a social ethics point of view, to have profitable corporations is indispensable to increase individual and collective choices, create prosperity, and thereby make society flourish. Of course, complex issues such as “societal well-being” do not have mono-causal solutions – they also need good governance, i.e., a legitimate government that implements wise regulation and creates an enabling environment for people to prosper. Legitimate profits are not an isolated economic objective either. Profits ought to be achieved in harmony with societal values, doing no harm on the environment, with fair labor norms, and, very importantly, respecting human rights. We can come back to that if you want, because business and human rights is a very contested area of discussion.

At the end of the day, it is not the financial analysts who decide what are legitimate profits. It is societies. It is civil society. It is NGOs. It is media. These actors analyze the legitimacy of profits in terms of compliance with a perceived unwritten social contract.

Very obviously there are problems the market can solve, and business should be engaged there. And there are problems the market cannot solve. Business, as good as it is in solving problems, cannot solve all the problems in the world – a good example is public goods and the necessity to avoid a tragedy of the commons. The question, then, is often how far business should go in areas outside its corporate core competence and a narrowly defined corporate mission.

Last but not least, corporate leadership is not only about making money, about selling products, about cutting costs. It is very much about staying with their fingers and their brains on the pulse of society, anticipating what’s going on in society, analyzing what ought to be done in the light of changing societal expectations and dealing with them in a proactive way. This makes corporations “part of the solution” and not to be perceived to be “part of the problem.”

Just one example in this respect: If you looked at the societal value landscape ten years ago, it was obvious that issues like fairness, justice, equity would rise in importance. If you say this as a sociologist, people would say yeah, yeah he’s a sociologist, he must say that. However, if you look today at criticism of civil society, most of the debates have significant “fairness” and “justice” aspects, be it in the context of management remuneration, profits, or fairness toward future generations or other issues. Wise corporate managers have somebody in their staff who is able to analyze societal value issues and proactively analyze the corporate state of affairs in this respect. Such a company is better off because management knew earlier where critical areas would develop and where they should initiate reforms and be prepared to talk about them.

I believe that business leaders, like every one of us, should be explicit about what they believe in, should be explicit about their values and the axiomatic assumptions they make. We all have our value premises, we all make our assumptions. We all sometimes have very different value premises and therefore set different priorities. And we have different axiomatic assumptions and conclude from them, and wonder if other people do not agree. This is normal in pluralistic societies – but being more transparent about the value background or managerial decisions would create a better understanding of why certain decisions are taken.

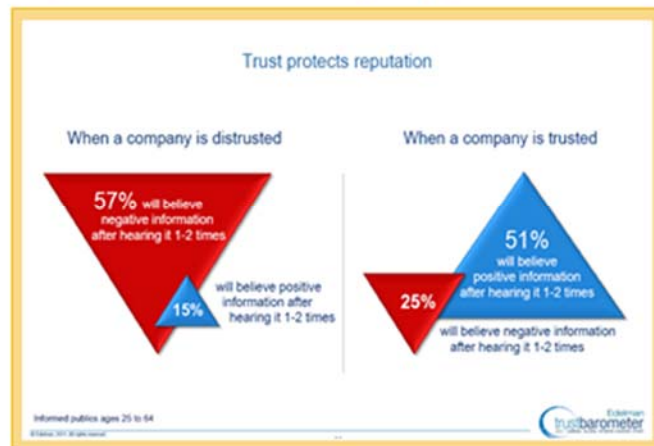
The more open we are, the less we have to hide (trade secrets excluded!), the better it is not only for the climate of dialogue, but also to be understood. From my experience, even if a company decides something that is not well received by those affected, as long as management can explain why it is doing that, it is better off. Decisions that affect constituencies in a negative way and are not explained will be perceived as arbitrary and create resistance and public outcries.

It is important, therefore, to know who the corporate stakeholders are, what are their interests, how are they affecting us, how can we become part of the solution, and where are the win-win opportunities. Business is part of society and has to act accordingly. Such behavior also facilitates the building of relationships and partnerships – and this is indispensable, because most of the problems we are grappling with today are of a complexity and dimension that no single actor can solve them. This again means that you need partners: different actors in society have different skills, have different resources, have different networks. If they all bring it to the same table, we are all better off because we find better solutions together.

Just two or three weeks ago I was teaching at Beijing University on corporate responsibility, and I was putting up potentially contentious issues for discussion like, e.g., income disparities, questions of fair labor norms, and the human rights and business issue. For me it is obvious that there are a lot of commonalities, and my life experience is whenever you start from common values, from ties that bind all of us, you are better off than if you start about the controversies. So whenever we have difficult problems to solve, the first step ought to be to look at what do we have in common, where we agree to agree and build up the trust that you need to go into the areas where you agree to disagree.

Trust at the moment is not a hot currency in the world; people are distrustful. These are the new figures from the Edelman Trust barometer. People don't trust governments, people don't trust business, people don't trust media – however, people do trust NGOs.

Trust drives effectiveness of communication, protects reputation and ultimately supports business



Source: Edelman Trust Barometer 2011

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We know as individuals, if you like somebody and if you trust somebody, even if they say unorthodox things you are kind of trying to accept it. If you don't trust somebody and if you don't like somebody, even if whatever they're saying is right, you dislike that they are right. Companies are not trusted very often these days. So if a rumor or if a critical issue is brought up by an NGO against a company, you have an uphill battle regardless of the facts. If you have Robin Hood fighting the perceived Sherriff of Nottingham, you are not likely to win.

Today less than 60% trust business and less than 50% trust government. Despite the pronounced lack of trust in government, a lot of people, at least in Europe, are asking for more regulation. What an impossible situation to be in!

Trust drives effectiveness of communication, protects reputation, and supports business. Trust can be defined that you expect the others to behave within the corridor of shared values, of shared norms. If you are trusted, people believe good stories earlier. If you are distrusted people, believe bad stories earlier. If you do not fulfill the expectations of a broad segment of society, people are not likely to trust you. Look at this: 80% of the people in OECD countries and in the emerging economies believe that business should place at least equal weight on social issues as on business issues. Only 28% think business is performing as it should meaning we [in business] are not fulfilling expectations of a lot % of the people who have been asked, and that's not a good basis for trusting somebody. That performance gap is putting up some questions.

Today we have an extremely different stakeholder environment than when Milton Friedman wrote his book on capitalism and freedom. We have rising public expectations on corporations and much more complex problems to solve.

As I am coming from the pharmaceutical industry, let me give you an example from that landscape: Health issues today are on top of many people's minds — everybody wants to remain healthy, live 100 years, and then die suddenly. For that you need a functioning pharmaceutical industry — at least partly. *[audience laughter]* On the one hand, modern societies expect effective weapons in the fight against cancer, Alzheimer, diabetes, or orphan diseases — on the other hand, intellectual property is under pressure because people also want "affordable" drugs.

We have much more sophisticated consumers. We have much more sophisticated stakeholders who do not want to be told — they want to be convinced. They do not want to be given something; they insist on having entitlements and rights. And last but not least, we have much more sophisticated stakeholder activism if you look at campaigns of Oxfam or Greenpeace. I sometimes wish corporate marketing specialists would be half as ingenious and compelling as their critics.

The fact is: If the stakeholder environment is different than in the past, companies have to act differently. There is more homework to be done — and more humbleness and modesty would be more appropriate. My grandmother was always telling me, "Klaus, God has given you two eyes, two ears, and only one mouth, so act accordingly." I wish that a lot of companies would learn from that wisdom. In my professional life I often dealt with managers who were so deep in their professional and private silo that they thought the rest of the world was exactly the same — they work with the same kind of people as they play golf with, share the country clubs, use the same acronyms, believe the same doctrines. This is fine — except if you assume the rest of the world thinks along the same lines: There is a world outside that silo, and there are people "out there" who matter for the success of the company. Corporate decision makers have to open up the "world out there" and act rationally upon requests and expectations.

The new corporate stakeholder environment

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|-------------|---|--|---|---|
| DRIVER | Rising public expectations and media scrutiny on corporate conduct and role of business in society (though difference between developed and emerging markets) | Complexity of health challenges and appearance of new group of stakeholders, committed to invest their resources into collaborative projects | Much more sophisticated consumers and other stakeholders want to be "convinced" not "told," want "proof" not "claims," insist on perceived "rights" | Much more sophisticated stakeholder activism using different kinds of channels and media for their message, work with emotions and "justice" argumentations |
| IMPLICATION | Need to be responsive to changing environment and to public scrutiny | Need for new models of cooperation with stakeholders to create business model innovation to serve patients needs profitably | Increased sense for socio-cultural diversity needed to better understand materiality of issues and drivers behind it | Need to redefine existing ways of communication and interaction and develop new ways of engagement |

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The example that I will run through with you has to do with the Millennium Development Goals and with the post-2015 Sustainable Development Goals. The Millennium Goals were decided by the world community in the year 2000 and stated that by 2015 one wants to cut extreme poverty by half; achieve universal primary education; promote gender equality; reduce child mortality by two-thirds; improve maternal health and reduce maternal mortality by three-quarters; combat HIV, AIDS, malaria, and other diseases; ensure environment sustainability; and develop a global partnership.

Now it is spring 2013. The Millennium Goals end point will be at the U.N. General Assembly in 2015, and we already know a lot of countries will have made a lot of progress. The 13 years since the millennium have seen the fastest reduction in poverty in human history: there are half a billion fewer people living below an international poverty line of \$1.25 a day. Child death rates have fallen by more than 30%, with about 3 million children's lives saved each year compared with 2000. Deaths from malaria have fallen by one-quarter. This unprecedented progress has been driven by a combination of economic growth, better policies, and the global commitment to the MDGs. Many countries, however, have not made good progress and will not achieve some very decisive development goals.

What is currently debated internationally is the question, What will happen after 2015? Will there be new goals, Sustainable Development Goals? The current communication is yes, there will be. The international thinking at the moment is "yes" there will be — this time, however, it will be a much more complex decision process, because the Millennium Development Goals were kind of developed in isolation by northern governments and NGOs and perceived to imply an attitude "We the rich in the North will help you, the poor in the South, to solve your problems."

This time it will be about sustainable development goals. This time the ecological footprint of the United States will be as much something to be debated as maternal mortality in Somalia. This time some will have to reduce perceived vested rights and others will demand transfer of technology, financial resources, and changes in the world trade system. All of this will make the negotiation process much more complex and much more difficult.

If you look at the world as it is today, it is not exactly an “ideal” world: There are still 1.5 billion people who live on a per capita income of \$1.25 a day; there are 2.5 billion who have \$2 or less per day. There are increasing income and wealth disparities. Life expectancy in the poorest countries of Africa — HIV-ridden, tuberculosis-ridden countries — is less than 45 years. We have still 1,000 women dying per day in childbirth or before and after giving birth.

In a world with the resources, knowledge, and technologies, this is a scandal to be ashamed of. The question is, How can we find the political consensus to put these things together and solve the problems? And what would be the role of the private sector, what are the corporate responsibilities for sustainable development goals?

This is a very difficult question, on the one hand, because the private sector is not a homogeneous affair. Even if you talk about corporate responsibilities, medium-size Chinese companies have a totally different action portfolio than the big multinationals in Europe or the United States. But nevertheless, Is there a role for business? And if yes, what is it?

If you look at the pharmaceutical industry and its stakeholders, you have a huge number of requests, you have a huge number of people who think their own issue is the only really important issue in the world. There are special interest organizations that myopically focus on this and only this one issue, and as a company you cannot fulfill all the demands that are coming from out there because you know some of them are even not compatible with each other.

Who defines the corporate responsibilities of “Big Pharma”?



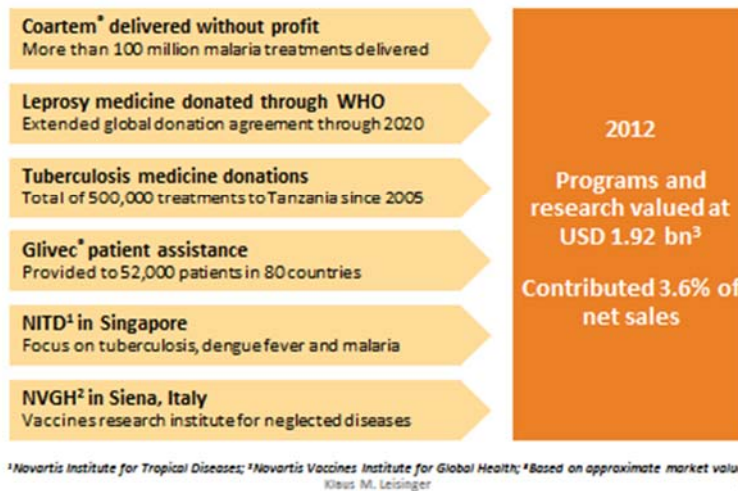
So what are you going to do? The first thing, of course, is you want to know who are the stakeholders, what are the stakes. You ought to have a landscape where you basically map who is of strategic importance, because some might be very loud but are not very important, and some might be not very loud but be very important. It is a question of wisdom. We have a catalog that describes good practices, that’s the Global Compact with its ten principles on human rights, on labor norms, on environment, and on anti-corruption.

The first and the most important contribution to sustainable development of any company is to create value within its core competence and do that with integrity, not violating human rights, being fair with labor, employing environmentally friendly technology, and working against

corruption and bribery. The Leadership Initiative of the Global Compact (LEAD) suggests that more can (and should) be done. It encourages companies to take action in support of broader UN goals and issues and to increase positive impacts on society. Issues like strategic philanthropy and other issues of importance are increasingly coming in to an extent that the legitimate question “where does the buck stop?” also has to be answered. Business cannot be responsible for all the evils in the world.

Permit me to use Novartis as a case study. I’m not running a commercial for my company and its foundation but using two or three examples of what can be done.

Novartis access-to-medicine programs reached more than 100 million patients in 2012



Novartis gives away all the drugs that are needed to eradicate leprosy from the face of the earth. The fact that the drug is given away for free, however, does by far not mean that it arrives to the patients who need it. You need doctors who make the right diagnosis. You need the health system that supports the logistics. You need the patients who accept the diagnosis and then for six or twelve months, depending on the specificity of the disease, take the drug the way it ought to be taken.

Take tuberculosis – Tuberculosis state of the art treatment today is a six-month daily observed short course (DOTS). That means patients have to walk to a health station, swallow the drugs, and walk back home. In Africa that might be two hours walk, one half hour queuing, and two hours walking back home. This is a time investment working poor cannot afford. So we had to change the system. Instead of bringing the patient to the drug, bring the drug to the patient, do daily self-treatment and supervision in the village.

But then the next issue arises: After about six months, most of the patients feel perfectly healthy. What do they do? Do they continue to take the drug? Most of them don’t. They save the drugs until they are sick again, and then they want to take it again. This is the road to drug resistance – something that makes any treatment more complex and more expensive.

The treatment of malaria poses similar challenges. Coartem, a Novartis anti-malaria that the company gives away in many cases without profit, has an excellent cure rate. Patients have to take two drugs in the morning, two drugs in the evening for three days. Most of the people feel

totally healthy after the second day, and they do not take the drugs on the third day. They keep it back in case they get a fever again – raising the same issue of resistance.

So, a lot of these things are nice to be done by companies, are noble gestures. However, if they are not interconnected with the health system, if they are not in cooperation with governments who are in charge of the health system or collaborating with NGOs who have social marketing skills, if the companies are not winning the trust of the patients – then little can be achieved in a sustainable way. The fight against leprosy is a similar issue: because of the mutilations the disease imposes if untreated, many patients are not looking exactly very beautiful. Yet they are human beings, like you and me, and they want to be treated with dignity. They want to be accepted the way they are – and that is the only way to gain their trust – which again is the precondition to expect them to do something that they probably would not fully understand. Leprosy is an infectious disease that can be cured with antibiotics. It's as simple as that. All the mutilations that you see are secondary infections that can be prevented if you diagnose it early enough and if you give the drugs then.

For very poor people, sickness is daily reality, and it is sickness that is “normality,” not health. If a poor person has upper respiratory diseases, intestinal worms, if a person is undernourished – then two or three white spots on the skin will make him or her run to a doctor. But if you wait with the treatment of leprosy until it destroys the nerves and creates a “claw hand” – then everything becomes much more difficult: the stigma starts with the claw hand because people know it is leprosy.

The leprosy patient numbers have come down from 11–15 million in the early 1980s to about 250,000 leprosy patients in the world today: We now know that the problems on the last mile are difficult to overcome – they are certainly different. Whatever a company does pro bono – e.g., giving away drugs for free is welcome and fine – only cooperation with skilled partners can really make a difference and bring this biblical disease nearer to eradication. That is the same story as with all the issues that we are looking at in the context of poor people's health.

Today for a company to be accepted by society as “part of the solution” is not easy at all. For most of the informed public – forget about the critical public – it is no longer good enough to do no harm and do some good. If you want to gain trust as a manager, you have to explain what you are doing and why – and what you are not doing and for what reasons. In today's modern societies we have normative pluralism as well as pluralism of interests. Therefore people make different judgments on what's good and not good, what is fair and what is not fair. That is so within our society, forget about if you go out to the rest of the world.

And there are new transcultural challenges: The fact that western values are acceptable by those who live in the West does not make them necessarily universally binding. The last thing that you should do if you discuss ethics in China or in India is come along with some ethical superiority complex and think you can teach your audience there what to do and what not to do. All you do is raise up another “Chinese wall” – and rightly so. What should we do when dealing with transcultural issues? How can we at the time prevent that we go into the slippery slope of ethical relativism just because there are different understandings of what's good and bad?

The German theologian Hans Küng and his work on “world ethos” shows that there are a lot of common pillars of normative convictions in Buddhism, in Islam, in Hinduism, in Christianity as well as in other religions that have been accepted over time and in all cultures. We ought to build upon these commonalities and start an interactive dialogue with representatives of other

religions and cultures. If there is a common tie that binds all of us, if there is a basic common normative conviction, corporate management will have to translate this into practical life, for example in the context of a global compact system.

But even then, management will have to deal with dilemmas. Profit orientation and social ethics (access to sophisticated innovative medicines that are beyond the purchasing power of poor patients) result in unavoidable dilemmas. Novartis usually invests about a billion dollars to get a drug to the market. For the 2 billion people who earn \$2 or less per day, any drug researched in Switzerland, developed in Switzerland, manufactured in Switzerland, and sold in Swiss francs is beyond their purchasing power. What is a responsible way to deal with this situation?

If a company produces only for markets, that access for the 2 billion is out of the question. Tough luck for those who have to die as a consequence? That would not be a responsible attitude – there is more one can expect from responsible companies. Solutions can be differential prices, patient assistance programs, or donations. The answer to the problem is not a “yes” or “no” to special endeavors for the world’s poor – the question is “where does our responsibility stop”?

The world is full of dilemmas. For the black-and-white issues you need some intelligence, that’s all. But the real important things are where you have to balance different issues, judge what is the weight of all the different issues, and look for what is the lesser evil in many circumstances.

The size of a company is another issue. A lot of people distrust size per se. If a company has 150,000 employees and makes billions of turnover and profit, most people are hesitant to trust, they react with diffuse uneasiness and stay at a distance. Another trust-inhibiting factor is the complexity of the work a company is doing in its core competence: talk about biologics, talk about genetic engineering, talk about stem cell research, this is not something all of us understand. Combine that with size and you are in a situation where you have to be very, very careful to explain what you are doing, why you are doing, and where are you stopping to feel responsible and wiser.

Last but not least, let’s learn again to talk in a language that is understood by the people on the street and not only by colleagues in the professional silo. That means that leadership in the future will not only be leadership in finance, leadership in marketing, it will be statesmanship where you participate in public discourses of strategic relevance, where you listen to and learn from constituencies that are outside the business silo.

In my experience, confronting people with dire social realities sensitizes and creates awareness: I was working for several years from Nairobi. I was in charge of difficult countries like Somalia, Ethiopia, and others – and the reality here was complex, to say the least. So every time a senior manager from Basel was flying in first class, residing at the best local hotel, visiting our offices that have been cleaned and polished for weeks before the visitors arrived to see most professionally done presentations – the impression they gained was: You are lucky, beautiful country, great office, all is fine, that’s almost like Basel.

So I always took the liberty of taking them one day into the slums of Nairobi with social workers, with priests, to at least show them “how the other 90 percent live” and make them understand that what they saw under the special circumstances of their visit might not be the whole picture of the country.

Top management also has to learn to talk explicitly about value premises, to make clear, this is what I stand for and – implicitly – explain the value basis of your decision. This has a positive

impact because it improves mutual understanding. Other people have their values, and their decisions might not be the same.

Sharing dilemmas, becoming personally involved, being visible is very important to be accepted. Communication – one could talk a whole day about that. Effective and credible communication is not that you send your communication professionals or your public affairs experts or your lawyers. They do not have negotiation power, they cannot change rules. If top management does not have the opportunity to learn and to decide, their view of the world will be unnecessary restricted. The company ought to send business leaders to make them understand different social landscapes, because it's the leaders who can change a position and can reform a corporate act.

So why should top management do all that? From a philosophical point of view it's easy, it's the *right thing to do*. You can't be a first-class economic actor in the long run if you are under the perception of being socially irresponsible, harming the environment or violating human rights. In my experience, however, moral philosophy and the derived arguments are not part of the dictionary of most managers, so you will have to look for the business case.

And all I can tell you here is that there is a plausibility of a business case – but please do not nail me against the wall that I am able to measure it within the next business year. Let us look at the business case in terms of an insurance premium. You pay your fire insurance premium despite the fact that your house wasn't burning down over the past ten years. By acting responsibly, a management can reduce its risk exposure in society, it can reduce the need for crisis management, but the value of that is only felt once a company is knee-deep in problems and facing public outrage. If a real bad problem occurs, then people all of a sudden realize how expensive it can be to get an issue off the table and return to normal business. Ask a company that has really had a big issue how much it was costing them in terms of time for crisis management, legal cases, penalties, and lawyers' fees. Serious problems are corporate nightmares and lawyers' dreams. Experience shows that it can be very expensive to get back to normal business. And with the reputation you built as a company, it's the same as with a human being. You build your reputation up over the years, and you can lose it in a week or two. This is not desirable.

And problems that affect the reputation have a negative impact on employee morale: If I talk to human resources people, they say we want the 2% best people from the best 2% of the universities. However, if you ask these people what makes them tick, why do they go to this company and not to that company, it always has (also) to do with values premises, with self-understanding, and with the perception of peers. For them the question is, "Is that company doing something that I can identify with and that I look good with my peers?" Companies that have a responsibility culture attract talent and prevent exits of good people because they have a "value affinity."

A good reputation due to a responsibility culture – on top of good products and services – also helps to attract customers and makes them loyal. A growing number of customers are sensitive to ethically responsible behavior of a company. Whenever they have a choice between two products – a choice from company A where they have a good feeling or from company B where they do not have a good feeling, they choose A.

And it pays to be a trustworthy business partner if and when you want to avoid more and more regulation. If you want to keep a liberal, a free market society, if you want to keep corporate freedom, if you want to keep entrepreneurial freedom and only "wise regulation," you will have

to deliver on the responsibility side – responsibility is the other side of the coin “freedom.” You only get the license to grow, the license to operate, if and when you are perceived to be part of the solution and not part of the problem.

Last sentence – The sustainable development goals, poverty alleviation, climate change, and growing disparities are the most important social, political, and ecological questions of our generation, and we will be judged by future generations by what we did with regard to solving today’s problems. We are the first generation that knows the problems and their roots, the first generation that has the resources, skills, and technologies to solve them. This is why our generation has more responsibilities than the one of our fathers and mothers – let us assume our responsibilities, each one of us in his or her sphere of influence – or, in Gandhi’s words “let us be the change we want to see on earth.”

Thank you very much.

END OF SPEECH

Below are questions from the audience for Klaus Leisinger.

QUESTION:

A questioner spoke of the challenge of competing internationally when some countries or cultures don't adhere to the same rules, where copying technology or unfair competition appear commonplace. In some cases, it seems our people are drawn to adopting these unfair practices while struggling to stay within our standards. Many around the world may declare support for the global standard at the UN, but in reality what happens in operations is often different from that declaration. The questioner asked, "How do we get a universal standard that allows us to compete?"

RESPONSE:

These are the important issues that we are currently discussing. The reason that I dedicate a lot of time to the United Nations Global Compact is that it is an international platform that has been signed by 175 countries and now 8,000 companies to create a kind of level playing field so that the good ones do not lose out in the international competition just because they stick to norms that we all believe in. The reflection of what the Global Compact could mean for your company is a good first step to deal with corporate responsibility. The Global Compact Principles, however, are defined in a very abstract way – that had to be to make them politically acceptable. The downside is that they can be interpreted – and indeed are: Managers in China, India, or Brazil will interpret them differently than their counterparts in Switzerland, Germany, or the United States.

However, as I said, there are a number of common normative convictions – a global ethos: People all over the world have a reverence for life and want to care for their children, all people wherever they live understand that broader shoulders should carry more than weaker ones. All the people in the world feel that partnership is something constructive. These are mighty ideas that people have in common. Now, you will always have people who, whatever ethical history that country has, couldn't care less because it is too profitable in some areas not to toe the line – we know that, that's *la comedie humaine*, that's how God created human beings – and we have to take precautions.

Responsible companies have an interest to work together to create a level playing field. The UN has the convening power to bring these together with civil society and with the states, so that is the best pre-condition that I can think of. And yet what will remain is that people with integrity (and let's forget about the rest for a moment)... people with integrity in China will make decisions in some areas differently than people with integrity in the United States or in Germany. This is most often not a moral issue in the sense of somebody being morally superior over somebody else – it is often just different and we have to learn to be more tolerant.

The challenge again is the question: Where do we have to be tolerant out of respect to the local traditions and local cultures and where do we have to be intolerant because it would be a violation of the norms and the values we believe in? What is important to define is a corridor of responsible actions in which a company has to stay to be on the safe side. If a management wants to go through the ceiling, fine that's leadership. But let us not allow it to go through the floor.

Another point of caution is communication: If you talk about values, if you use ethical language and make ethical commitments, you are judged in different terms from the very moment the words leave a manager's mouth. If you are not deeply convinced, you had better be quiet, because you will really create cynicism if you talk like a holy man and you live a different life.

QUESTION:

How do you go about getting the word out to the public about the positive things done by the organization in a way that will help sustain your license to operate?

RESPONSE:

Thank you for that question because it is a real issue. In my professional career I was always trying to err on the quiet side, because whatever is perceived to be public relations loses credibility – this is even more true in the context of poverty-related work. Good communicators bring their message over in a subtle way: you have to acknowledge the dimension of the problem and show your contribution in context, you must recognize other partners' contributions; you have to show the complexity – and you should not turn up the loudspeaker. But that's not sexy for many communicators – they would prefer a language of superlatives – we are the best, the most successful, the most sustainable, etc. Communication of this kind is not taken well by civil society and is often counterproductive to the desire of being perceived as credible.

On the other hand, my subtleness of my foundation's communication, the desire not to be perceived as "loud" had led to a situation where half of the employees of Novartis didn't know that we have a foundation I was in charge of. So: good communication in the field of corporate responsibility or social action is a complicated task and poses serious dilemmas.

But a serious company – and even more a foundation like the Novartis Foundation – should not want to compete with the yellow press. One should be able to reach those who have a serious interest and who go and get more information once they hear about it – and then hope to raise interest with others. If you are too loud, especially as a company, you will be heard but not listened to.

QUESTION:

I run an NGO, and it would be helpful to know what you expect of an NGO.

RESPONSE:

I would expect an NGO to say what are good practices for the solution of specific problems and to make people see what actors are doing good practices. There *are* good practices for many areas of work – be it with regard to access to medicine, be it with regard to gender, be it with regard to performance-based funding. The wheel doesn't have to be reinvented. NGOs have a very credible voice in explaining what is good practice – corporate foundations are in a different situation.

There are many win-win situations between the work of the private sector and the work of civil society organizations – and there is a lot of room for cooperation. In this context I perceive the American NGOs to be much more advanced and pragmatic – they are looking for areas where they can cooperate with the private sector in a win-win situation. WWF International is another good example: WWF is helping to solve a problem and bring good results and does not only name and shame those who do not deliver good ecological results. This kind of cooperation not only creates win-win situations but also advances common learning. If and when we are able to commonly develop a good practices concept, it will bring much more credibility than any action a corporation is taking in isolation.

About the Speaker

Klaus M. Leisinger studied economics and social science at the University of Basel. His professional career took him for several years to East Africa as CEO of the former Ciba Pharmaceuticals regional office. After his return to headquarters in Switzerland, he was responsible for the company's international relations. He engaged in corporate responsibility issues and actively promoted a corporate culture of dialogue with stakeholders in international policy, development cooperation and business ethics.



Prof. Dr. Leisinger is Chairman of the Board of Trustees of the Novartis Foundation for Sustainable Development (NFSD). Over the past 25 years, the foundation has pursued a coherent poverty-reduction strategy and served millions of poor people in low-income countries, e.g. by helping to cure leprosy, malaria or TB, by health education, agricultural development or the protection of vulnerable children. The foundation's activity portfolio also includes scientific work and stakeholder relations. The combination of field and academic work makes the NFSD unique in the private sector.

Klaus Leisinger serves as an advisor to national and international organizations, such as the UN Global Compact, the World Bank and the World Economic Forum (Global Agenda Council on Human Rights). In November 2012, he was appointed 'Special Advisor on the Post 2015 Development and Business Ethics' by the UN Global Compact.

In addition to his work at Novartis, Leisinger is Professor of Sociology at the University of Basel, where he pursues research and teaches a wide range of topics related to international development and health policy as well as business ethics, corporate responsibility, and business and human rights.

About the Center

Founded by Minnesota business leaders in 1978, the Center for Ethical Business Cultures (CEBC) assists leaders in creating ethical and profitable business cultures at the enterprise, community and global levels. CEBC is affiliated closely with the University of St. Thomas since 1988 and situated in the Opus College of Business. Through this core relationship, the center integrates the practical concerns and challenges of business and the research and scholarship of the academic community. The center provides services to organizations on ethical leadership, promotes public awareness through speakers and roundtable discussions, fosters research on ethical culture, and assists in educating the next generation of leaders. The center, a 501 (c) 3 non-profit organization, is supported by its member companies, fees for educational services, grants and contributions, and the University of St. Thomas.

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