

## expert's commentary

## Business Strategies for Sustainable Global Prosperity

Businesses with global reach like Hitachi are essential architects of social and economic progress. Before considering the role of business in today's world, it is crucial to consider the many ways that our world is changing, very fast, and in fundamental ways.

The world is changing in fundamental ways. Technology is connecting individuals and communities, and we are about to enter an era in which the "industrial internet" will enable smart buildings and smart transportation systems that lead to large advances in efficiency that reduces the need for natural resources. Empowered individuals and connected communities will also lead to "bottom up" solutions through social entrepreneurship. Importantly, all institutions are facing far greater transparency than ever before.

Changing demographics are also creating fundamental change. For the first time in human history, more than half the world's people live in cities. Mature economies in Japan, the US and Europe, as well as China, are getting older, while many large economies in the Middle East and many parts of Asia are facing the need to create jobs for large number of young people entering the economy. And around the world, family size is shrinking, which enables more and more women to enter the formal workforce for the first time.

These changes have contributed to steadily rising living standards for many people across the globe. These changes have lifted more people out of poverty in the past generation than at any other time in human history. Indeed, gross domestic product (GDP) per capita has increased by 80% in the past 25 years. Unfortunately however, we are also beginning to face natural resource constraints that raise the risk that future generations will not continue to enjoy these levels of progress. More and more regions of the world are considered "water-stressed." Biodiversity is decreasing, by 30% in the tropics over the past 30 years. And of course there is climate change, with carbon emissions increasing 36% since 1992, and the ten hottest years in recorded history occurring since 1998.

And, as has too often been the case, governments have not been able to provide enough of the solutions that we need, globally and locally.

In this context, both the challenge and opportunity for business to be a powerful engine on human progress is clear. But business as usual will not automatically deliver strong enterprises and a prosperous world. Companies will meet 21st century challenges by taking four key steps.

First, aligning business strategy with big global challenges. Businesses innovation has delivered the tools that have produced remarkable means of improving our lives, and we will continue to see remarkable leaps in the 21st century. To attain the goal of widespread global well-being, this creative force should be focused on the great challenges of our time: transportation systems enabling urban mobility; personalized health care for an aging global population, and an industrial internet that significantly reduces the waste of natural resources. Technologists and designers should be focused on the biggest human challenges to deliver great outcomes for a planet with nine billion people.

Second, businesses need to engineer powerful partnerships, with other companies, governments, and non-governmental organizations (NGOs). It is clear that no single sector of society, and indeed no single



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business, can create the outcomes our global community requires. It is therefore essential that companies focus increased attention on partnerships, to co-develop new technologies, to ensure that value chains operate in an optimal way, and with the social and non-profit sector to engage communities and other experts in tackling big global challenges. Companies without clear collaboration strategies will struggle to implement basic business strategies.

Third, businesses will be most effective if they have strategies that enable bottom up solutions that leverage the creativity of their employees and their customers. Social networks and the concept of open innovation are redesigning the ways that all institutions go about their business. Companies are now able to draw upon the creative talents of more people than ever before. The best new solutions will therefore be created by those businesses that learn how to promote individual initiative and open processes, using competitions, social networks, and incentives for individual and team action.

Finally, the businesses that develop creative ways of achieving quantum leaps in resource efficiency will shield their businesses from price volatility and limits on access due to spikes in demand. The “internet of things” will help in this regard, but it will also be crucial to significantly reduce water and energy use in manufacturing, and this will involve new incentives across widespread supply chains, and a “war on waste” both by consumers and enterprises.

With its social innovation strategy being applied in a truly global fashion, Hitachi is very well-positioned to put this approach at the center of its business. My colleagues and I at Business for Social Responsibility (BSR) are proud of our association with Hitachi, and look forward to supporting the company as it continues to pursue this approach to its business.

## About BSR

BSR works with its global network of nearly 300 member companies to build a just and sustainable world. From its offices in Asia, Europe, and North and South America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration.

