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Smart products can save the planet

By Bruce Piasecki and Peter Asmus

SARATOGA SPRINGS, N.Y. AND SAN FRANCISCO – Multinational corporations today shoulder an increasing share of social functions once reserved for governments. Trying to save the planet? These days, best to look to car companies like Toyota to develop better products such as the hybrid gasoline/electric car to solve our air pollution woes and reduce our consumption of increasingly expensive fossil fuels.

Cynics point to Enron, Tyco, WorldCom, and others as reasons why corporations cannot be trusted with guarding our future. Consider these companies, however, as examples of an aging, outdated, and even primitive form of capitalism. Social capitalists, on the other hand, embed new products with social values. They compete on price, technical quality, and social needs.

A few facts explain why corporations may even supersede governments and religions when it comes to providing the economic - and in some cases social - tools and services necessary to survive in the 21st century:

- Fifty-two of the 100 biggest economies in the world are now corporations.
- The 100 largest multinational corporations, such as GE, DuPont, Hewlett Packard, Home Depot, and Wal-Mart, now control about 28 percent of global foreign assets.
- Three hundred multinational corporations now account for 25 percent of the world's total assets.
- The annual sales revenue of each of the six largest multinational corporations now exceeds the GDPs of all but 21 countries in the world.

As government budgets retreat, the meaning of this larger social pattern deserves further inquiry. Take again the case of Toyota's Prius, a product that is transforming the auto industry. By tilting the playing field toward cleaner cars that can be on the road today, instead of betting the future on risky hydrogen road maps for tomorrow, Toyota is not waiting for the necessary infrastructure or public policy support to emerge. They are shaping tomorrow, as their well-advertised mantra promises. And the rest of the major car companies are now following.

Due in large part to the Prius, Toyota can boast a record \$10.5 billion profit in 2005. In contrast, General Motors, behind much of the recent hype over hydrogen, struggled with a \$1.6 billion third-quarter loss. Ford is not doing much better and is now jumping into the gas/electric hybrid market, too. But Ford is discovering that even as it tries to cash in on the hybrid craze, it is buying many of its parts from firms partially owned by Toyota.

In short, Toyota is showing the world how to exploit green technologies by first gaining market share, and then leapfrogging to the top. The sustainability of our modern world may depend upon social capitalists such as Toyota, which can link their own profits to society's progress as defined in the 21st century.

Yet social capitalism cannot be considered an advanced vehicle for social change until the products being scattered throughout the global marketplace consistently speak up on behalf of the social purpose of the firm, whether that purpose be providing fundamental services such as transport or more simply offering whimsical entertainment products such as the iPod.

A key shift now occurring within corporations is a more socially responsible way of defining social needs, rather than stimulating perceived social needs for products - fast food, for example - that actually exploit short-term impulses at the expense of long-term sustainability.

Perhaps the most lasting contributions of these social capitalists is that they have been busy finding ways to compete beyond price and technical quality by factoring ways to address pressing social concerns into the products they peddle all over an ever smaller planet. The world's fate may depend upon dozens of companies responding to terrorist threats, fossil fuel volatility, and global climate change with their portfolio of products.

What remains to be seen is how the rest of society will respond to these social capitalists - and whether they will judge this trend as good or evil - or even relevant. In the end, it all comes down to corporate leaders we can trust. Better products can only make a difference if social capitalists can convince us that we can shop our way to a better planet.

• Bruce Piasecki is founder and president of the AHC Group, a change-agent consulting firm that serves Fortune 500 and other companies. He wrote "In Search of Environmental Excellence" with Peter Asmus, a corporate social responsibility specialist.



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Contact Information

Bruce Piasecki
AHC Group, Inc.
4 Franklin Square, Suite B
Saratoga Springs, NY 12866
518-583-9619 / FAX 518-583-9726

bruce@ahcgroup.com

www.ahcgroup.com

Enroll in our upcoming workshops by contacting David Frazier at David@ahcgroup.com or 518-583-9615. You may also enroll online at www.ahcgroup.com.