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Google Cuts

Its Giant Electricity Bill With DeepMind-Powered AI

By: Jack Clark

ENVIRONMENT

17th Edition **2016**

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EBU ETHICAL BUSINESS UPDATE

Ethical Business Update

is an online magazine with a strong heritage in the fields of ethics, governance, corporate responsibility and socially responsible investing. Now available only on the web, but soon will be published and will be available for monthly subscription.

The mission of Ethical Business Update? Now, as then - is "to promote ethical business practices, to serve that growing community of professionals and individuals striving to work and invest in responsible ways."

We believe this is not only how to guarantee a future f or all, but makes good business sense.

A lot has changed in the more than two decades, ethics and governance have emerged as front-page news and lead agenda items in corporate board rooms and the halls of Congress.

Good corporate citizenship is now studied, advocated and sometimes practiced. Sustainability has become a goal f or well-meaning small businesses as well as many of the Fortune 500.

Whether that represents real progress is open to debate. The continuing fallout from the recent economic and financial crises is a constant reminder that many systems are not working. There's plenty to discuss. Ethical Business Update aims to serve as a guide.

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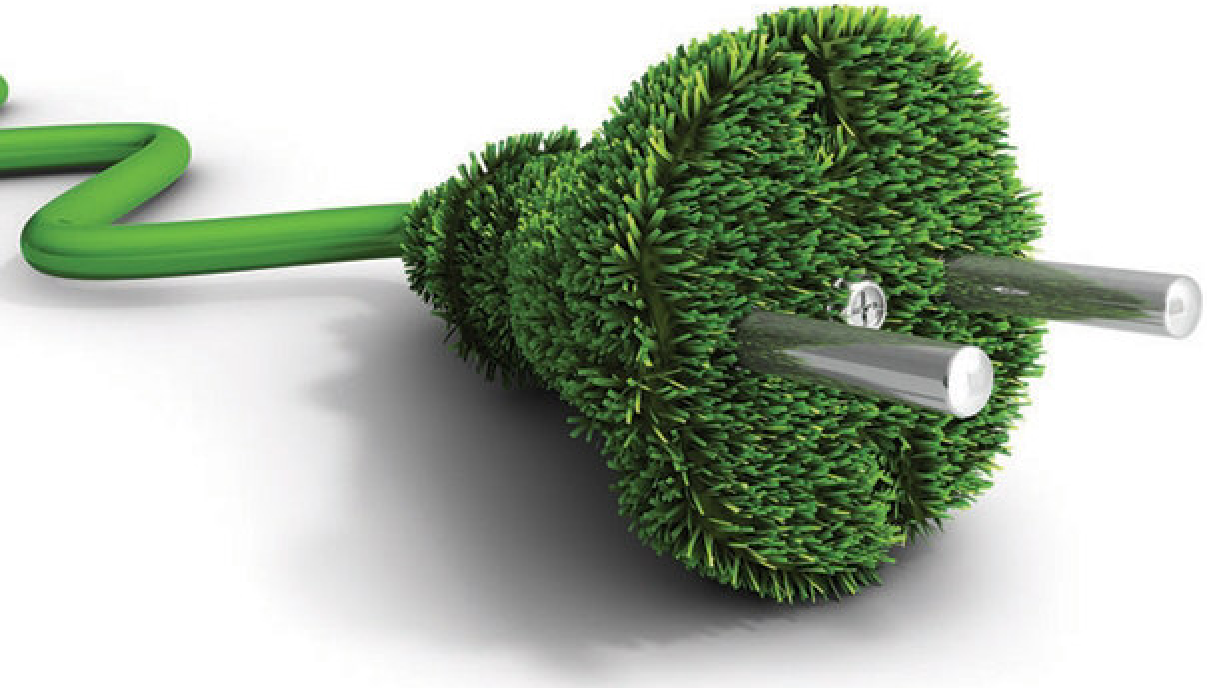

Google Cuts Its
Giant Electricity Bill With DeepMind-Powered AI

By: Jack Clark

Google just paid for part of its acquisition of DeepMind in a surprising way.

The internet giant is using technology from the DeepMind artificial intelligence subsidiary for big savings on the power consumed by its data centers, according to DeepMind Co-Founder DemisHassabis.

In recent months, the Alphabet Inc. unit put a DeepMind AI system in control of parts of its data centers to reduce power consumption by manipulating computer servers and related equipment like cooling systems. It uses a similar technique to DeepMind software that taught itself to play Atari video games, Hassabis said in an interview at a recent AI conference in New York.

The system cut power usage in the data centers by several percentage points, "which is a huge saving in terms of cost but, also, great for the environment," he said.

The savings translate into a 15 percent improvement in power usage efficiency, or PUE, Google said in a statement. PUE measures how much electricity Google uses for its computers, versus the supporting infrastructure like cooling systems.

Google said it used 4,402,836 MWh of electricity in 2014, equivalent to the average yearly consumption of about 366,903 U.S. family homes. A significant proportion of Google's spending on electricity comes from its data centers, which support its globe-spanning web services and mobile apps.

The application of DeepMind's technology builds on previous efforts by Google to apply machine learning, a type of AI, to its data centers. Back in 2014, the company said it used neural networks, a type of pattern recognition system, to predict how its power usage would change over time, letting it arrange equipment in more efficient ways.

The DeepMind work goes a step further. Instead of making moves in an Atari game, the software changes how equipment runs inside the data centers to get the highest score -- in this case more efficient consumption of electricity.

"It controls about 120 variables in the data centers. The fans and the cooling systems and so on, and windows and other things," Hassabis said. "They were pretty astounded."

This is just the beginning of the project, Hassabis said. Now that DeepMind knows the approach works, it also knows where its AI system lacks information, so it may ask Google to put additional sensors into its data centers to let its software eke out even more efficiency.

How Renewable Energy Is Blowing Climate Change Efforts Off Course

By: Eduardo Porter

Is the global effort to combat climate change, painstakingly agreed to in Paris seven months ago, already going off the rails?

Germany, Europe's champion for renewable energy, seems to be having second thoughts about its ambitious push to ramp up its use of renewable fuels for power generation.

Hoping to slow the burst of new renewable energy on its grid, the country eliminated an open-ended subsidy for solar and wind power and put a ceiling on additional renewable capacity.

Germany may also drop a timetable to end coal-fired generation, which still accounts for over 40 percent of its electricity, according to a report leaked from the country's environment ministry. Instead, the government will pay billions to keep coal generators in reserve, to provide emergency power at times when the wind doesn't blow or the sun doesn't shine.

Renewables have hit a snag beyond Germany, too. Renewable sources are producing temporary power gluts from Australia to California, driving out other energy sources that are still necessary to maintain a stable supply of power.

But in what may be the most worrisome development in the combat against climate change, renewables are helping to push nuclear power, the main source of zero-carbon electricity in the United States, into bankruptcy.

Continue reading the main story

The United States, and indeed the world, would do well to reconsider the promise and the limitations of its infatuation with renewable energy.

"The issue is, how do we decarbonize the electricity sector, while keeping the lights on, keeping costs low and avoiding unintended consequences that could make emissions increase?" said Jan Mazurek, who runs the clean power campaign at the environmental advocacy group ClimateWorks.

Addressing those challenges will require a more subtle approach than just attaching more renewables to the grid.

An analysis by Bloomberg New Energy Finance, narrowly distributed two weeks ago, estimated that nuclear reactors that produce 56 percent of the country's nuclear power would be unprofitable over the next three years. If those were to go under and be replaced with gas-fired generators, an additional 200 million tons of carbon dioxide would be spewed into the atmosphere every year.

The economics of nuclear energy are mostly to blame. It just cannot compete with cheap natural gas. Most reactors in the country are losing between $5 and $15 per megawatt-hour, according to the analysis.

Nuclear energy's fate is not being dictated solely by markets, though. Policy makers focused on pushing renewable sources of energy above all else — heavily subsidizing solar and wind projects, and setting legal targets for power generation from renewables — are contributing actively to shut the industry down. Facing intense popular aversion, nuclear energy is being left to wither.

As Will Boisvert wrote in an analysis for Environmental Progress, an environmental organization that advocates nuclear energy, the industry's woes "could be remedied by subsidies substantially smaller than those routinely given to renewables." The federal production tax credit for wind farms, for instance, is worth $23 per megawatt-hour, which is more than the amount that nuclear generators would need to break even.

California, where generators are expected to get half of their electricity fromrenewables by 2030, offers a pretty good illustration of the problem. It's called the "duck curve." It shows what adding renewables to the electric grid does to the demand for other sources of power, and it does look like a duck.

As more and more solar capacity is fed onto the grid, it will displace alternatives. An extra watt from the sun costs nothing. But the sun doesn't shine equally at all times. Around noon, when it is blazing, there will be little need for energy from nuclear reactors, or even from gas or coal. At 7 p.m., when people get home from work and turn on their appliances, the sun will no longer be so hot. Ramping up alternative sources then will be indispensable.

A report published last month by the White House's Council of Economic Advisers suggests there is space for more renewable energy on the grid. New technologies — to store power when the sun is hot or to share it across wider areas — might allow for a bigger renewable footprint.

But there are limits. "There is a very real integration cost from renewables," said Kenneth Gillingham, an economist at Yale who wrote the report. "So far that cost is small."

Nuclear energy's fate is not quite sealed. In New York, fears that the impending shutdown of three upstate reactors would imperil climate change mitigation persuaded Gov. Andrew Cuomo's office to extend subsidies comparable to those given to renewables, to keep them afloat. Even in California, where nuclear energy has no friends, Diablo Canyon, the last remaining nuclear plant, is expected to stay open for almost another decade.

Still, both New York and California expect to eventually phase out nuclear power entirely. An analysis by Bloomberg puts the cost of replacing Diablo Canyon's zero-carbon power with solar energy at $15 billion. This sum might be better spent replacing coal.

Displacing nuclear energy clearly makes the battle against climate change more difficult. But that is not what is most worrying. What if the world eventually discovers that renewables can't do the job alone? "I worry about lock-in," Ms. Mazurek said. "If it doesn't work, the climate doesn't have time for a do-over."

CSR Reporting

as an Important
Tool of CSR

Communication

CSR Reporting as an Important Tool of CSR Communication

The article focuses on Corporate Social Responsibility (CSR) and the importance of reports within communication of CSR. 1953 is considered to be a breakthrough year, when it was first referred to the definition of social responsibility.

CSR is a trend that appeals to change of business orientation from short-term to long-term goals and from maximum to optimum profit.

CSR reports, respectively triple-bottom-line reports have become tool of communication for Corporate Social Responsibility.

Those are a voluntary comprehensive reports involving not only economic data, but also information from environmental and social field.

These reports tell about the company policy in relationship to the environment, sustainability, or there are directly focused on fulfilling the commitments accepted by the company within the concept of social responsibility.

CSR report can help to bring a systematic approach into the management of socially responsible activities, identify future risks and opportunities and thereby contribute to increasing the competitiveness of business and maintain the possibility for long-term business venture. Information is not only for the company, but on the basis of them enterprise can partly to create decision-making process of different types of stakeholders. This article points out how the CSR report is used by businesses and how socially responsible activities through CSR reports are perceived by Slovak customer.

We will use secondary information collected from marketing agencies surveys and primary information collected from own survey. We will use these methods: analysis, synthesis and deduction.

Misleading
communication of risk: Editors should enforce transparent reporting in abstracts

In 1996 a review of mammography screening reported in its abstract a 24% reduction of breast cancer mortality (1) ; a review in 2002 claimed a 21% reduction (2). Accordingly, health pamphlets, websites, and invitations broadcast a 20% (or 25%) benefit (3). Did the public know that this impressive number corresponds to a reduction from about five to four in every 1000 women, that is, 0.1%? The answer is, no.

In a representative quota sample in nine European countries, 92% of about 5000 women overestimated the benefit 10-fold, 100-fold, and more, or they did not know (4). For example, 27% of women in the United Kingdom believed that out of every 1000 women who were screened, 200 fewer would die of breast cancer. But it is not only patients who are misled. When asked what the "25% mortality reduction from breast cancer" means, 31% of 150 gynaecologists answered that for every 1000 women who were screened, 25 or 250 fewer would die (3).

In 1995, the UK Committee on Safety of Medicines issued a warning that third generation oral contraceptive pills increased the risk of potentially life threatening thrombosis twofold.

The news provoked great anxiety, and many women stopped taking the pill, which led to unwanted pregnancies and abortions—some 13 000 additional abortions in the next year in England and Wales—and an extra £46m (€55m; $71m) in costs for the NHS.5 Yet how big was the twofold risk?

The studies revealed that for every 7000 women who took the earlier, second generation pills, one had a thrombosis, and this number increased to two in women who took third generation pills. The problem of misleading reporting has not gone away. In 2009, the BMJ published two articles on oral contraceptives and thrombosis; one made the absolute numbers transparent in the abstract, (6) whereas the other reported that "oral contraceptives increased the risk of venous thrombosis fivefold." (7)

An analysis of the articles published in the Annals of Internal Medicine, BMJ, JAMA, Journal of the National Cancer Institute, Lancet, and the New England Journal of Medicine, 2003-4, showed that 68% (150/222) failed to report the underlying absolute risks in the abstract. Among those, about half did report the absolute risks elsewhere in the article, but the other half did not (10). Similarly, an analysis of 119 systematic reviews in BMJ, JAMA, and Lancet from 2004 to 2006 showed that every second article discussed only relative risks or odds ratios (11).

Have editors since stopped non-transparent reporting? To check the current situation, we examined the abstracts of all free accessible research articles published in the BMJ in 2009 that reported drug interventions. Of the 37 articles identified, 16 failed to report the underlying absolute numbers for the reported relative risk measures in the abstract.

Among these, 14 reported the absolute risks elsewhere in the article, but two did not report them anywhere. Moreover, absolute risks or the number needed to treat (NNT) were more often reported for harms (10/16) than for benefits (14/27).

How can those who are responsible for accurate communication of risk do better? And who should be monitoring them to ensure that they do? Steps can be taken to improve the transparency of risk communication (12). Firstly, editors should enforce transparent reporting in journal abstracts: no mismatched framing, no relative risks without baseline risks, and always give absolute numbers such as absolute risks and NNT.

Secondly, institutions that subscribe to medical journals could give journal publishers two years to implement the first measure and, if publishers do not comply, cancel their subscriptions.

Thirdly, writers of guidelines, such as the CONSORT statement, should stipulate transparent reporting of benefit and harms in abstracts.

Why the Philippines is becoming less competitive for logistics

By: Nye Longman

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The report "Connecting to Compete 2016: Trade Logistics in the Global Economy" showed that the Philippines scored 2.89 this year from 3.14 when it ranked 44th in 2010.

Stalwarts of the Philippines' logistics industry have voiced concerns over a series of Bureau of Customs (BoC) directives instigated in the past year which, they say, have made live contracts with the Philippine Ports Authority (PPA) more uncertain.

Specifically, the directives hampered PPA's regulatory authority in licensing port operators, which port stakeholders considered as a midstream change in rules.

The Philippines' score in the WB report dropped in all criteria except in timeliness of shipments, which jumped to 70th year from 90th in 2014.

> The country's ranking in customs services dropped to 78th place from 47th based on the efficiency of the clearance process that included speed, simplicity, and predictability of formalities by border control agencies.

For quality of trade and transport-related infrastructure, the South East Asian nation dropped to 82nd from 75th. Its rank for easing the arrangement of competitively priced shipments criteria plunged to 35th from 60th. The ranking of the Philippines slipped to 77th from 61st for competence and quality of logistics services including transport operators and customs brokers. It also fell to 73rd from 64th on the ability to track and trace consignments.

XPO Logistics to

serve as official carrier of the Tour de France for 36th consecutive year

By: Nye Longman

XPO Logistics will once again serve as official carrier of the Tour de France, working alongside event organizer Amaury Sport Organisation (ASO) to transport support equipment for all 21 stages of the world's most famous cycle race. The 103rd edition of the Tour de France will take place from 2 to 24 July 2016.

For the 36th consecutive year, XPO Logistics specialist event teams have designed a complete solution that meets the Tour's logistical and security requirements. During the three weeks of the competition, XPO Logistics will provide transport for all equipment required at the departure and arrival villages; loading and unloading at each stage; intermediate check points; and items for the Caravan parade and the Tour de France shop. The company has dedicated 53 drivers and 44 jumbo trucks to this year's Tour, with extensive support personnel behind the scenes.

Beyond the Tour de France, XPO Logistics' provides world-class transport and logistics solutions to numerous other national and international events, including the Arctic Race of Norway, the Paris Marathon, the Freeride World Tour, the French Soccer Cup (Coupe de France) and the France Sailing Race (Tour de France à la Voile).

Adil Houem, head of event transportation and logistics for XPO Logistics, said: "Our teams are proud to once again play an instrumental role in the success of the Tour de France. We have tailored our services to this event's unique specifications, and are working closely with the organizers, ASO, to make sure that everything is in place.

"The Tour de France is a legendary event and it has been our privilege to serve as official carrier for 36 years."

11

Reasons Why New College Grads Should Pursue Non-profit Careers

By: Rosetta Thurman

11 Reasons Why
New College Grads Should Pursue Nonprofit Careers

By: Rosetta Thurman

All over the country, a couple million young people are graduating from college, including my little sister, Joelle! This weekend, she graduated from Howard University with a Bachelor's of Science in Nursing. I'm so proud of her, I can hardly stand it. It's been an amazing celebration weekend with all of our family in town from Ohio, Georgia and Virginia.

.But after all the partying and congrats we did as a family, our first question to Joelle was, "So when are you gonna get a job?" She's in the market looking for her first "real" job right now just like everyone else her age. Fortunately, her career field of nursing provides a very clear avenue for what to do next after school. After you graduate with a BSN, you take your certification test, then you go to work at a hospital or clinic. Even better is that in Washington, DC, the starting salary for nurses comes out to about $27 an hour. So new nurses have a pretty linear career path and a good chance that they will earn a good salary.

Nonprofit Doesn't Mean "No Money"

Many young people get turned off from the idea of working in the nonprofit sector because they think the term "nonprofit" means that they won't get paid. While most nonprofits aren't ever going to be able to pay you six-figures, many positions command a very competitive salary, especially in large organizations. So if you're that English major like me and you're good at technical writing and you learn how to write a grant proposal, you could be on track to earn quite a bit more than you thought. Higher paying jobs in nonprofits include: fundraising, marketing & communications, finance and policy.

Nonprofits Are Still Hiring

There are many bright spots for young workers who wish to pursue a career in social change. The Bridgespan Group's 2009 report, Finding Leaders for America's Nonprofits showed that nonprofits were still hiring in this economic downturn. According to the Bridgespan Group:

In the next 12 months, 28 percent of nonprofit organizations with revenues of $1 million and above plan to make one or more senior management hires, translating to 24,000 vacancies in 2009. Those projected vacancies are largely the result of retirement, since much of the existing leadership is comprised of boomers. Vacancies also stem from new roles being created due to an increase in organizational complexity based on growth in prior years.

According to Bridgespan, the need for new nonprofit leaders is especially strong in two areas: human services and arts organizations.

It's Easy to Know Where to Start Your Job Search

What happens when you ask a current nonprofit professional, how did you find your first nonprofit job? For many, there's only one answer to that question: Idealist.org. Like many people, I found my very first full-time nonprofit job on their website. And it was the perfect job for me in the beginning of my nonprofit career! Since for-profit job searching can be in many different specific fields, it can be difficult to know the best place to go to look for openings. Idealist, however, provides a one-stop shop for anyone who's just starting a nonprofit job search.

Your Degree is Transferable to the Nonprofit Sector

No matter what the financial outlook may be, great nonprofits still need great people with education, talent and passion. Bridgespan's survey respondents reported that 50 to 75 percent of the roles they will need to fill in the near future look to require traditional business skills (finance, general management, marketing/communications, planning, evaluation, operations, technology, and human resources). So whatever field you earned your degree in, a nonprofit organization can probably use your knowledge and skills.

Entry-Level Nonprofit Salaries are Similar to For-Profit Ones

When you're just starting out in your career, the salaries you will be offered are pretty much the same whether you work in nonprofit, for-profit or even government. A friend of mine graduated with a Bachelor's in Urban Planning and got offered $32,000 to start at a real estate firm. When I did a short stint as a county court clerk in Virginia right after college, they paid me $29,000. So the numbers game is really quite misleading. Nonprofit careers are just as profitable as any other when you don't really have any work experience yet.

You're More Likely to Get a Fancy Job Title

True story: I was offered a job as a Director of Development when I was 22 years old. I couldn't believe the organization wanted to hire such a young person to be in a leadership position to fundraise for the organization. Then I learned that the nonprofit only had one employee, and I would be the second. I wouldn't be supervising anyone and I would be the agency's first Director of Development. This type of situation may not appeal to everyone, but if you play your cards right and stay in a role with that title for at least a year, you can use it to your advantage when negotiating for future jobs. If you can obtain a job as a 'Director' in a nonprofit organization, it will look much better on your resume than being a mere 'Assistant' at a for-profit company.

You Gain Experience Outside of Your Job Description

Most nonprofits require all employees to work outside of their job descriptions. Office managers may get opportunities to write grant proposals and learn all about fundraising. Receptionists could be called upon to organize a group of volunteers for a rally on Capitol Hill. Joining the staff of a nonprofit organization can be hard work doing several jobs in addition to the one you were hired for, but you quickly become a generalist in many different areas of skill and knowledge. In the long run, this can will help you become a well-rounded professional who can add value to any type of organization.

You Get Access to the Higher-Ups

Most nonprofits have a small staff, so it's likely that your immediate supervisor will be the Deputy Director or CEO of the organization. That means you get to spend more time with top leadership than if you would at a large for-profit separated by layers of middle management. You could have the opportunity to create a great mentor-mentee relationship from the big boss, helping to cultivate your own leadership in the process. If you have a strong relationship with the CEO, it's also likely that they'll be able to serve as a strong references for you when you apply for future jobs.

Your Organization Will Have a Better Reputation Than Most For-Profit Companies

Think about it. Young people who work at Goldman Sachs right now probably hang their heads in shame when people ask them where they work. Between Wall Street's failings and the general "profit-first, people-second" nature of many for-profit brands, it's not a given that the company you choose will be seen positively in the public eye. In contrast, most nonprofits will be held in high regard because of their altruistic missions. Bonus: if you snag a job at a large organization like Girl Scouts of America, Teach for America, College Summit, etc. you also get to benefit from positive name recognition in the community.

You'll Have an Instant Network of Peers

As you begin your career, it's important to have access to low-cost professional development and a place to network with peers your age. Enter the Young Nonprofit Professionals Network (YNPN), a national movement to promote an efficient, viable, and inclusive nonprofit sector that supports the growth, learning, and development of young professionals. YNPN engages and supports future nonprofit and community leaders through professional development, networking and social opportunities designed for young people involved in the nonprofit community.

Over the past five years, YNPN has become the nation's premier organization for young nonprofit professionals to connect with like-minded peers. With over 30 YNPN chapters representing 20,000 young nonprofit professionals working in a variety of capacities, it's definitely something you want to be involved in. Most major cities have a YNPN chapter that you can plug into: find a chapter in your area.

Your Work Will Matter

Young people are becoming increasingly more disillusioned with government, Wall Street, politicians, and even our parents, whose fire for social change may have died out in the 70s. We're tired of our professors and our families telling us what to do and how to fit in with the crowd. We want to do something important with our lives. Something that has meaning. We want to work someplace where we can rock the boat, where we can make a huge difference in the lives of others. And nonprofits, by virtue of their missions are a perfect place to fuel that passion. Nonprofit work ain't easy, but it will certainly be the most important work that you will ever do. Can you say that about the average for-profit company?

Why it's time for stakeholder engagement 2.0

By: Stephanie Draper

Why it's time for stakeholder engagement 2.0

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When I started out in sustainable development — longer ago than I care to remember — we did something called a social audit. It was basically a corporate 360 degree-capture of feedback from a range of stakeholders. This was all about companies effectively managing risk through understanding what people and organizations that affected them or were affected by them thought about what they were doing.

These days it's strange to think of this as a new concept because it's so central to most leading companies' sustainable business approaches. But I wonder whether it is still adding the same value. The conversations at these sessions seem to have lost their luster. Stakeholders give feedback and a bit of advice, but they leave with no actions or responsibilities and it is often unclear what the company ends up doing differently as a result.

In a world where we are facing big urgent challenges, this won't cut it anymore. Companies such as Unilever, Nike and PepsiCo recognize they have to get involved in solving big sustainability problems such as resource scarcity and climate change because they have an impact on their future business. So we have an opportunity to do things differently and make stakeholder engagement an active, collaborative process where people work together to achieve something. Call it stakeholder engagement 2.0.

This is an approach focused on solving tricky challenges too big for one company to address on its own. It is about creating the big shift (#theBIGshift) that Forum for the Future advocates, where companies work not only to create more sustainable products and services, but also to shape the context in which those products and their wider business will be more successful.

Stakeholder engagement 2.0 is all about moving from feedback on company performance to solving shared challenges — creating more mutual value for companies and stakeholders alike. The differences are captured below:

Classic stakeholder engagement	Stakeholder Engagement 2.0
· A single focus on the company's performance	· Takes a 'Helicopter view' from of the entire sector/ system
· Classifies stakeholders based on key relationships and impact on the business	· Classifies stakeholders based on their potential for impact on the sector or system that the company is working in, not just the company itself.
· Tends to be a directional relationship centred around the company, checking in with critics, NGOs and industry bodies to inform organizational strategy	· Based on enquiry and innovation and asks 'how can 'we work together' to move the system?'
· Participants are geared toward addressing issues, often with single issue groups advising on distinct elements	· Identifies and engages early adopters in the system and their potential to create change
· Provides limited opportunities to come together outside the panel itself that is focused on feedback and guidance	· Maps not just the relationships, but the quality of those relationships, e.g. power dynamics.
	· Evaluates the appetite for change and identifies where the new thinking is within the system
	· Focuses on co-creation of new solutions and scaling them up. Participants steered towards addressing challenges at the system/ sector level rather than the issue level
	· Multiple stakeholder engagements and often the development of longer term networks

Nike's Launch is a good example of this new approach. In April, the company, along with NASA, USAID and the State Department, pulled together the materials system in a room to explore and support new sustainable solutions for materials. This was stakeholder engagement with a totally different focus — not Nike, but a critical system in which Nike operates. It demonstrates a willingness to work with stakeholders on an equal level to find new solutions without replacing the engagement that Nike needs around its own strategy.

Launch is probably more than most companies are able to do, but it is a strong indication of where we need to go. It is no longer enough to just they need to be involved in finding new solutions. That is what stakeholder engagement 2.0 is all about. It could be transformational for both company performance and sustainability. Ultimately, it will move us towards a really big shift when companies talk to stakeholders as a key route to value.

In a changing world, that is exactly how value will be created or destroyed.

16 companies' break throughs in stakeholder engagement

By: Laura Gitman and Sara Enright

Many pressures changing the landscape of sustainability are also influencing how companies engage their stakeholders. In response to mounting social, economic and environmental challenges and growing societal expectations that business should take a leadership role on sustainability issues, companies are finding themselves increasingly reliant on their stakeholders to help them identify and respond to the risks and horizon issues that may affect their businesses.

At the same time, the stakeholder universe — once limited to groups that most directly affect a company's operations — has expanded to a much wider set of individuals, connected through the power of technology and social media. In our increasingly transparent world, where a tweet can be as influential as an opinion in the boardroom, a company's strategy to engage with and learn from its stakeholders never has been more important, or more complex.

Additionally, companies are looking for ways to engage stakeholders beyond their direct line of control, including those that influence their sector or operations, and have embraced new concepts of stakeholders, such as future generations.

A continuum of approaches

On March 27, BSR convened a group of 16 member companies for a breakfast discussion on how companies can better manage their external and internal stakeholder relations through stakeholder engagement strategies.

The group confirmed the importance of developing a multi-pronged approach to engagement: Companies can optimize their reach by tailoring their strategies, methodologies and communications channels to the unique interests of each stakeholder group. Through stakeholder mapping, companies can identify their most important stakeholders and determine the level of engagement for each group.

Once companies have a clear understanding of what they wish to achieve, they can select their engagement approach, which BSR conceptualizes on a continuum, from simply monitoring stakeholder perspectives through platforms such as Twitter to actively collaborating through problem-solving workshops or partnerships.

At the event, we observed that new technologies help companies reach a wider set of stakeholders in new ways. Companies such asMarks & Spencer are experimenting with real-time, mobile survey tools to engage with line workers in their factories and those of their suppliers. The company surveyed more than 60,000 employees in five countries, offering the opportunity to provide anonymous feedback on working conditions. Through crowd sourcing platforms such as My Starbucks Idea, companies are also engaging the collective creativity of their customers and clients to conceptualize new products and enhancements to their services.

These new technologies are only pieces of a broader stakeholder engagement strategy: Success depends on whether the engagement approach is designed to achieve specific outcomes with a targeted set of stakeholders. The group agreed that tying a stakeholder engagement strategy to the company's most material issues is a foundational step toward more meaningful and impactful engagement.

Engagement along three axes

Finally, we examined BSR's view on how companies are evolving engagement with their most critical stakeholders along three axes, leading to new engagement models and breakthrough insights.

1. The purpose of stakeholder engagement

Companies are exploring opportunities to go beyond consultation on performance by engaging stakeholders through collaboration on challenges of mutual concern.

2. The type of stakeholder

Companies are moving beyond their direct stakeholders to include more diverse (and divergent) voices, such as marginalized populations, youth and the poor.

3. The level of engagement

By linking stakeholder engagement to corporate strategy, companies are committing to deeper engagement on material issues with their stakeholders, led in close partnership with executive teams across multiple corporate functions.

We believe that stakeholder input is critical for integrating sustainability within a company and that companies can only resolve complex global challenges through deeper stakeholder partnership. We are therefore launching a new collaborative initiative, the Future of Stakeholder Engagement, to help member companies learn how to transform their stakeholder engagement approaches toward more collaborative, inclusive and deep engagement that provides mutual value.

Business Strategy

The Courage to Change Before You Have To

By: John sviokla

The Courage to
Change Before You Have To

By: John sviokla

In January, GE announced plans to move its head quarters from Fairfield, Conn., to Boston. The move to the Seaport District, the city's innovation hub, is symbolic of the digital transformation the 123-year-old company has undertaken.

Central to GE's transformation plan is the decision to integrate its software unit, global IT and commercial software teams, and cyber security capabilities into a new digital business unit. GE's goal is to make its industrial products "smart": Connected to the company's ecosystem of apps, these machines will communicate automatically when they need maintenance, thus eliminating downtime and lapses in productivity. With this move — arguably GE's most ambitious undertaking since its Edison Engineering Development Program — the company is aiming to become the dominant player in the industrial Internet of Things.

GE is not the only company with an ambitious transformation agenda. GM, with its research in driverless cars and US$500 million investment in Lyft, is moving into the rapidly changing ride-sharing industry.

The companies understand that customer expectations are changing dramatically. GE sees that with machines getting smarter, customers are looking for greater productivity, while GM sees that with the advent of driverless cars and ride-sharing services, people are becoming more interested in transportation and less in car ownership.

When asked how they came up with the ideas for their blockbuster products or services, nearly all of the billionaires said they knew what their customers were going to want long before the customers themselves. They had what we call "empathetic imagination": They understood on a very practical level how technological, social, and market changes would affect customer needs, and they had the imagination to envision the products or services that would meet them.

This ability to predict the next big thing is characteristic of the most successful entrepreneurs, regardless of industry. Lurie, an avid sports fan, recognized in the early 1990s that with the advent of cable TV, football games were likely to become the next great TV entertainment. "Nobody really saw the fact that the NFL was producing hit television shows that were starting to dwarf anything that Hollywood was producing.... [With cable] the distribution of this was just beginning.... I felt there was going to be a significant paradigm shift."

A similar story can be told about Taylor. While working at a local printing shop, he saw that wedding invitations were the company's sole source of profit, and could be the source of a burgeoning business. Taylor asked his friends what they wanted in wedding stationery. "They said, 'I want stationery that matches my dress.' Or, 'I want something pretty on it other than just two rings intertwined,'" he recalled.

"So I went out and developed those products that the bride said she wanted."

What gives the GEs and GMs of the world the courage to reinvent themselves? The answer is complicated, but one thing is clear. They do it because they have a relative view of risk, like the entrepreneurs we analyzed. Case, Lurie, and Taylor all believed that what they stood to gain — an enormous untapped market — far outweighed what they stood to lose.

So, as you search for the next big opportunity, it's worth asking not only what it is, but whether you have the courage to seize it. See what the billionaires have to say.

"Bad" Innovation

Is Just What Your Company Needs

By: Andrew Hargadon

It's easy to spot and celebrate the innovations that change company fortunes: Apple's iPhone, Warner-Lambert's (and then Pfizer's) Lipitor, Microsoft's Windows, to name a few. What is harder to appreciate are those innovations that aren't the blockbusters and home runs but nonetheless play a critical role in a company's innovation strategy. I'm not talking about the incremental improvements, but rather the value of launching new products and services that hold tremendous value even though they don't shoot for the moon.

What follows are four perfectly good reasons, aside from world domination, to pursue innovations.

1. Innovation as placeholder. If you already have a dominant position in your market, chances are good that when a new niche product emerges in that space, your company would rather wait to see whether it matures into a clear threat before responding. But that could be a mistake. By the time the impact of that product becomes clear, you may have lost your window to launch a version that will gain traction. Instead, consider developing and launching a me-too product. Think of it as a placeholder to keep customers from straying. Once you have made the commitment, you can begin to refine your vision and build the right capabilities.

2. Innovation as proving ground. Smaller innovation projects can provide important but affordable ways to test new technologies, market opportunities, business models, and emerging talent. The interdisciplinary nature of developing and launching a smaller-scale project, and the reality of its outcome, can plainly show how a product or service is likely to do on the Broadway stage of your market, but with a community-theater budget.

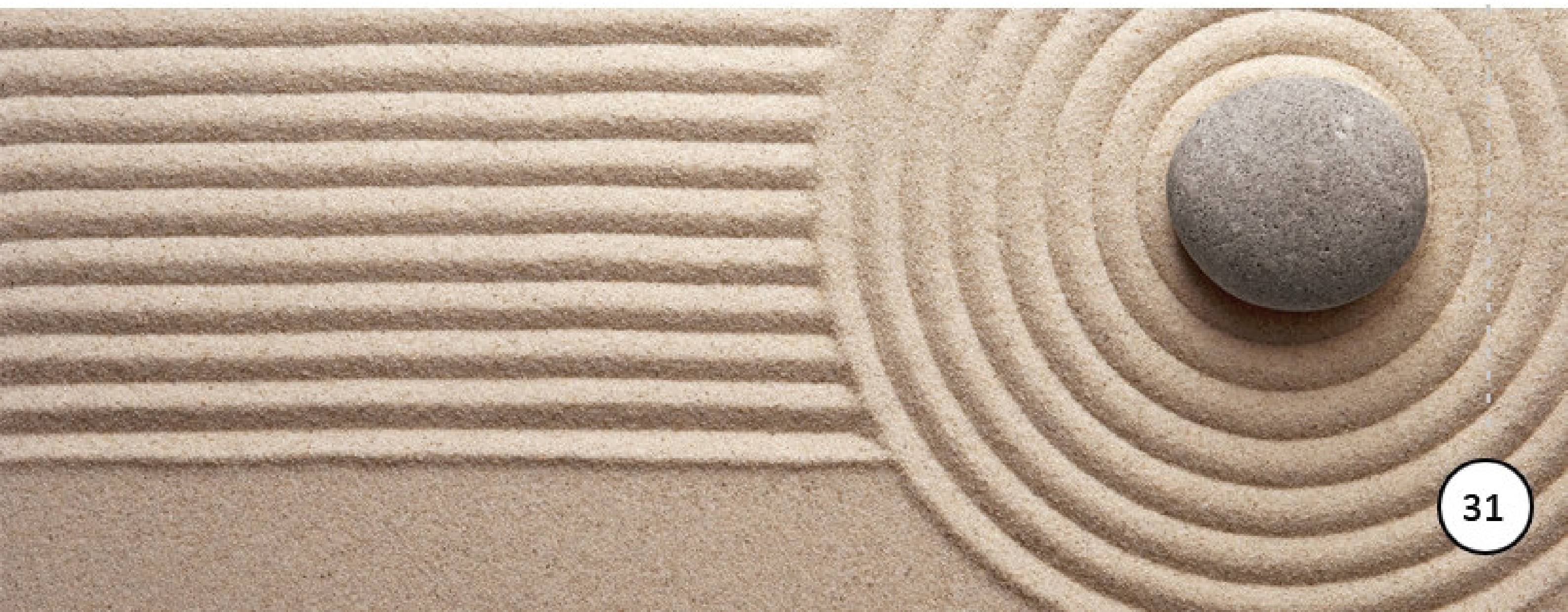
For example, before turning out high-grossing feature films like Toy Story andFinding Nemo, Pixar made a number of short films that were relatively inexpensive and weren't expected to turn a profit. But the shorts provided a low-cost road map to push new technologies forward and audition young directors. These kinds of projects test an organization's ability to innovate: propelling procurement managers to work with new suppliers, materials, or processes; marketing managers to engage with new customers, channel partners, or media; manufacturing to pilot new production; and sales to roll out new offerings.

3. Innovation as trust building.Backing an innovation isn't a single decision. It's a web of choices and actions to which everyone in the company must commit. That commitment is the core of the innovation process and requires enormous trust among coworkers and departments. No amount of talk can substitute for the level of trust that can be built through shared experience. If you wait for the really big innovations to form these bonds, it will be too late.

Imagine that your company is working on a project that is set to launch in just a couple of months. You discover that the various business units haven't yet committed the necessary personnel, budget, or training time needed to meet the launch goal. Why? They don't trust the development team or one another to deliver. If your company isn't regularly making commitments to drive new product or process innovations, you're losing your ability to do so. People stop believing in each new project, having learned from the last that if they just wait, this too shall pass.

4. Innovation as a long game. For many innovation projects, the need to promise a certain and significant return on investment can doom otherwise viable opportunities. The traditional planning cycle kills projects not because the outlook for them is bad, but because nothing less than an overnight blockbuster will be considered a success. It's called "giving birth to a 17-year-old" — and the class valedictorian or captain of the football team, at that. Some things just take time. Instead of thinking about whether the first product will be a success, consider whether the first product will enable you to build the right capabilities, understand the market potential, develop key partners, and guide the market toward where you want to be in five years.

Consider how Toyota introduced the Prius to the U.S. market. Hybrid cars represented a new category, one in which customers were skeptical, horsepower performance was poor, and the marketable price meant Toyota would lose US$10,000 on every Prius sold. Playing the long game, the company kept expectations low by limiting initial availability to only a few key markets. Annual Prius sales peaked in 2010, with just under 510,000 vehicles sold, but the hybrid technology has had much broader impact. It has appeared in more than 30 Toyota models, and the company has sold more than 9 million hybrid vehicles globally since the Prius's launch, including more than 1.2 million in 2015 alone.



What is the Best Cross - Cultural Managers Have in Common

By: Linda Brimm

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Cross-Cultural Managers Have in Common

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Most large organizations today are looking for leaders who can easily and effectively move between countries and cultures, taking on expat assignments, understanding disparate markets, and managing diverse teams. Where can they find such talent?

My advice is to look to a group of people I call "global cosmopolitans"— highly educated, multilingual professionals who have already lived, worked, and studied for extensive periods outside their home regions. Whether their international exposure started in their childhood or later, as a result of relocation for education or work, my experience and research confirms that these people often possess five key characteristics that leave them better equipped to tackle complex challenges than their less-global peers:

- They consider change as normal, positive, and a source of opportunity.
- They rely on creative, outsider thinking and adaptation to confront new situations.
- They are able to reinvent themselves and experiment with new identities as they move into new settings.
- They become experts at the subtle and emotional aspects of transition.
- They easily learn and use new ways of thinking, taking risks that lead to self-efficacy.

Identify. Conventional CVs may not reveal the depth of experience accrued in early mobility. Find out who in your organization or applicant pool has lived abroad and take the time to ask about and listen to the story of their journey. Prompt them to assess and discuss the knowledge and skills they acquired through those experiences. You might even help them identify some strengths they didn't even know they had. Even when international activity is listed on a resume, you'll want to explore the exact nature of the personal and professional experience.

For example, having worked in China tells only a part of the story. You need to understand what the person did there. Did he launch a business or turn a struggling initiative around? What was the nature and depth of the contact she had with the culture and the people? Did the person travel there, live and work alone there, or manage a team and family there?

Retain. Global cosmopolitans can feel misunderstood and poorly managed. They will be loyal to an organization that provides them with opportunities to use and be recognized for their multicultural skills, but they have a low tolerance for boredom. So give them work that keeps them intellectually stimulated and feeling appreciated – for example, frequent rotation into new and different expat assignments or leadership roles on cross-cultural teams. As they become more senior and choose to settle down in one place, you might also consider asking them to serve as a bridge and translator between headquarters and subsidiaries, relaying demands from above while validating local competence and managing potential conflict.

Remember to think creatively: for global cosmopolitans assigned to HQ, managing a virtual cross-cultural team, taking frequent business trips or presenting at international conferences can help to keep them engaged. As you see what they can do, also look at roles not obviously related to culture in which they might thrive. Their skills can be extremely valuable during any period of change or crisis.

What Leadership
Looks Like in Different Cultures

By: Tomas Chamorro-Premuzic & Michael Sanger

What makes a great leader?

Although the core ingredients of leadership are universal good judgment, integrity, and people skills, the full recipe for successful leadership requires culture-specific condiments. The main reason for this is that cultures differ in their implicit theories of leadership, the lay beliefs about the qualities that individuals need to display to be considered leaders. Depending on the cultural context, your typical style and behavioral tendencies may be an asset or a weakness. In other words, good leadership is largely personality in the right place.

The synchronized leader.

Follow-through is key to being seen as leadership material in regions such as Northeast Asia (e.g., Mainland China, South Korea, and Japan), Indonesia, Thailand, the UAE, and much of Latin America (Mexico, Brazil, Colombia, Chile). In order to ascend the organizational ranks, such leaders must seek consensus on decisions and drive others through a keen process orientation. Business cycles can take longer as a result. But once all stakeholders are onboard, the deal needs to close fast or there is risk of jeopardizing the agreement. Synchronized leaders tend to be prudent and are more focused on potential threats than rewards.

The opportunistic leader.

Leaders who self-initiate and demonstrate flexibility on how to achieve a goal tend to be more desirable in Germanic and Nordic Europe (Germany, the Netherlands, Denmark, Norway), the UK, Western countries on which the UK had substantial cultural influence (the U.S., Australia, and New Zealand), and Asian countries that based their governing and economic institutions on the British model (India, Singapore, Malaysia, Hong Kong). More or less individualistic, these leaders thrive in ambiguity. However, checking in frequently with team members is advised to ensure others keep up with changing plans. Opportunistic leaders tend to be ambitious risk takers.

The diplomatic leader.

In certain countries communication finesse and careful messaging are important not only to getting along but also to getting ahead. In places like New Zealand, Sweden, Canada, and much of Latin America, employees prefer to work for bosses who are able to keep business conversations pleasant and friendly.

Constructive confrontation needs to be handled with empathy. Leaders in these locations are expected to continuously gauge audience reactions during negotiations and meetings. These types of managers adjust their messaging to keep the discussion affable; direct communication is seen as unnecessarily harsh. Diplomatic leaders tend to be polite and agreeable.

The "kiss up/kick down" leader.

When organizations emphasize rank, emerging leaders tend to develop unique coping skills. It is a leader's job to implement mandates from above with lower-level employees. If overused, this strength can lead to a "kiss up/kick down" leadership style, characterized by excessive deference or sudden attention to detail when reporting up, and issuing fiery directives or refusing to compromise when commanding subordinates. Though never a good thing, this derailer is tolerated more in certain countries, such as Western Asia (Turkey, India, UAE), Serbia, Greece, Kenya, and South Korea. "Kiss up/kick down" leaders tend to be diligent and dutiful with their bosses but intense and dominating with their reports.

The passive-aggressive leader.

Some leaders become cynical, mistrusting, and eventually covertly resistant, particularly under stress. These reactions usually occur when the individual is forced to pursue an objective or carry out a task without being won over or in the absence of sound rationale. Though being overtly cooperative while maintaining a level of skepticism can be beneficial in group settings, these behaviors can also hinder execution. Leaders with this style are more widely accepted in Indonesia and Malaysia, where it doesn't seem to impede their advancement. Passive-aggressive leaders tend to be critical and resentful. Ironically, their aversion to conflict often generates a great deal of conflict.

To be sure, it is possible for any individual to adjust their leadership style to fit the relevant context. However, it requires a great deal of effort to go against one's natural tendencies and predispositions, and habits are hard to break. It is also important to take into account the culture of the organization, which requires a much more granular level of analysis to identify the qualities that promote and inhibit success. When senior leaders succeed, they often redefine culture in a way that is a direct reflection of their own personality. Thus culture is mostly the sum of the values and beliefs of influential past leaders.