Expanding the Value Horizon:
How Stakeholder Value Contributes to Competitive Advantage

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Stakeholder value, based on a company's economic, environmental, and social performance, is a new and largely untapped source of competitive advantage that is likely to grow in the years ahead. A disciplined approach that integrates stakeholder considerations into core business strategy and operations can help senior executives and line managers create above average returns. By identifying and acting on stakeholder-related business risks and opportunities, companies can reduce costs, differentiate products and services, enter new markets that serve unmet societal needs, enhance corporate reputation and influence industry "rules of the game." Success in capturing these opportunities requires new leadership and the courage to understand and engage a diverse set of constituencies, including those previously considered adversarial or marginal to the business.

In recent decades, massive changes in the competitive landscape have increased stakeholder power in nearly every industry, driven by information and communications technology, low cost transportation, globalization, and a tighter interface between business and civil society[1]. Consumers, employees, investor groups, and non-governmental organizations (NGOs,) to name just a few stakeholders, are now able to instantly access data about a company. For example, a quick search on Nabisco, maker of foods including Oreo cookies and Shredded Wheat cereal, reveals it is owned by Kraft, which itself is majority owned by Altria Group, formerly Philip Morris. Research further shows that the company has a nondiscrimination policy that includes sexual orientation, that it conducts animal testing and spent nearly $2 billion on federal lobbying in 2000. Based on such data, stakeholders are armed to make informed choices about a company's products, services, shares or employment opportunities.

A committed cadre of stakeholders is willing to act against companies who fail to meet new societal expectations and reward those who do. At the forefront are NGOs, who have grown in number from a few thousand in 1970 to nearly 60,000 in 2005. With unique ability to mobilize public opinion, NGOs at times coalesce with activist shareholders, government and consumers to create a "perfect storm" of pressures on business. As a result, the need to take a systematic approach to managing stakeholder impacts has become an important business challenge in addition to a moral one.

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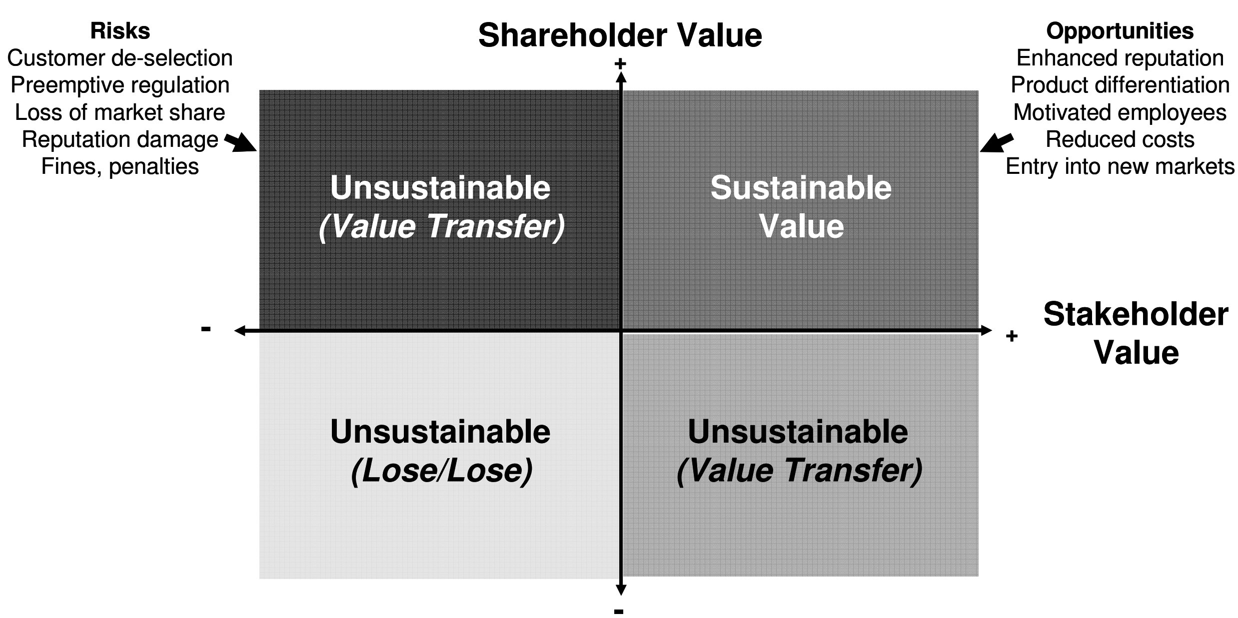
The need for a new approach

A stakeholder value approach requires managers to think "outside-in" about how their companies create and sustain competitive advantage. Outside-in thinking, which sees the world from the perspective of stakeholders, is a powerful new lens through which managers can discover new business opportunities and risks. Leaders who engage stakeholders and proactively address stakeholder issues can better anticipate changes in the business environment, discover new sources of value, and avoid being surprised by emerging societal expectations that can put shareholder value at risk[2].

Business leaders are familiar with managing financial value, whether in terms of economic value added (EVA) or other measures driving stock price performance. They are less knowledgeable about measuring and managing stakeholder value. Because a company's impacts on stakeholders are often unintentional, it faces hidden risks and opportunities that managers can no longer afford to ignore.

To succeed in a stakeholder-driven business environment, business leaders must think and operate in new ways, shaping strategies and actions with full awareness of their impacts on and implications for key stakeholders. Figure 1 describes company performance along two axes: shareholder value *and* stakeholder value. Managing in two dimensions represents a fundamental shift in how managers must think about business performance. In this framework, companies that deliver value to shareholders while destroying value for other stakeholders have a fundamentally flawed business model. Those that create value for stakeholders are cultivating sources of extra value that can fuel competitive advantage for years to come. Sustainable value occurs only when a company creates value that is positive for its shareholders and its stakeholders.

Figure 1. The Sustainable Value Framework



Starting in the upper left of Figure 1 and moving counter-clockwise, consider the following four cases of value creation and destruction:

1. **Upper left quadrant**: When value is transferred from stakeholders to shareholders, the stakeholders represent a risk to the future of the business. Leaded paint and asbestos are historical examples; today phthalates in cosmetics and toxic additives in children's toys, volatile organic compounds in carpet adhesives and paints, heavy metals in fabric dyes, and lead solder and brominated flame retardants in consumer electronics are examples of products that create risks to employees, customers and society while creating value for shareholders. Companies that avoid environmental regulations in their home markets through exporting production to countries with lower regulatory standards create similar risks. Also in this quadrant are firms that create shareholder value through a low cost strategy that tolerates management actions to cut costs through avoiding overtime pay, undertraining on employee safety or discriminating on the basis of gender and ethnic background. Shareholder value in these cases is created "on the backs" of one or more stakeholder groups, thereby representing a value transfer rather than true value creation.

   Financial loss associated with negative stakeholder impacts is illustrated in the case of Associated British Ports (ABP), Britain's largest ports operator. In April 2004, ABP experienced a one-day 10% decrease in share price as a direct result of environmental issues facing the company. Local environmental campaigners had waged a fierce, and ultimately successful, campaign to block the company's plans for a new container terminal at a site in the south of England, claiming that the terminal would wreck essential wildlife habitats. ABP is being forced to write off substantially all of the estimated $80 million of capitalized costs associated with the failed terminal's approval process[3].

2. **Bottom left quadrant**: When value is destroyed for both shareholders and stakeholders, this represents a "lose/lose" situation of little interest to either. Monsanto and its European competitor Aventis lost large sums of money by underestimating consumer and farmer resistance to their GMO crop products. Before Aventis sold its CropSciences division to Bayer in 2001, it is estimated to have lost $1 billion in buy-back programs and other costs associated with its genetically-modified corn StarLink. StarLink was approved only for use in animal feed but was found by NGOs to have contaminated a number of human food products.

3. **Bottom right quadrant**: When value is transferred from shareholders to stakeholders, the company incurs a fiduciary liability to its shareholders. Actions intended to create stakeholder value that destroy shareholder value put into question the company's viability. Environmentalists often unintentionally pressure companies to take actions in this quadrant without realizing that the pursuit of loss-making activities is not sustainable either. Avoiding offshore sourcing to protect American jobs is an example of creating stakeholder value (employee job security) while destroying shareholder value (higher operating costs). Campaigns to "Keep Jobs in America" may create short-term benefits for American workers, but they hurt the companies who end up with uncompetitive labor costs. It is interesting to note that philanthropy, when it is unrelated to business interests and represents pure charity, is also located in this quadrant. Unfocused philanthropy is implicitly a decision to take

financial value from the company's shareholders and to transfer it to one or more of its stakeholders[4].

4. **Upper right quadrant**: When value is created for stakeholders as well as shareholders, stakeholders represent a potential source of hidden value. Sustainable value is created only in this case. Shaw Industries, the world's largest carpet manufacturer with over $4.6 billion in annual sales, found a way to create a new carpet backing that offers benefits to both shareholders and stakeholders. Rising concerns among stakeholders about the environmental and health risks associated with traditional PVC backing led Shaw to search for an alternative. Its solution was EcoWorx backing, in which a thermoplastic polyolefin compound reinforced by fiberglass provides the same functionality as PVC backing with half the weight, resulting in savings on shipping costs. Shaw has made a commitment to pick up any EcoWorx product at the end of its life, at no charge to the customer, and recycle it into more EcoWorx, enabling the company to use these materials in a perpetual loop. Receiving a call when the customer's product reaches end of life also presents the company with a selling opportunity for new products. Within 36 months of launch date, EcoWorx production exceeded 50% of Shaw's total tile backing production and the company ceased production of all PVC backing at the end of 2004. According to company sources, the unit cost of EcoWorx is expected to fall below that of PVC by 2007[5].

Companies can use the sustainable value framework to think in strategic terms about their existing portfolio of products and services. Most managers are able to assess the overall value created for a business or product in both shareholder and stakeholder terms. For example, an industrial paints producer identifies solvent-based industrial paints as positive for shareholders but negative to stakeholders due to the presence of harmful volatile organic compounds (VOCs). By switching to water-based paints that are classified as non-VOC, it has the opportunity to create value for shareholders and stakeholders. By profitably recycling its water based paints, it creates a further win/win.

The opportunity for industry today is to understand its impact on stakeholders, anticipate changing societal expectations and use its capacity for innovation to create additional business value from superior social and environmental performance. The managerial approach described in the next section is based in part on our work with global industry leaders seeking to capitalize on this opportunity.

A product design example of stakeholder value creation: the Toyota Prius

The Toyota Prius is an example of successful product design that effectively integrates stakeholder considerations. Toyota, the world's most profitable and second largest automobile manufacturer, has its sights set on a global growth strategy driven in part by superior environmental and social performance. Well known and admired for its production system, Toyota also has a remarkable vision of the future of the automobile.

By some measures Toyota's environmental performance has worsened in recent years. For example, its sales of gas-guzzling SUVs have risen as a percentage of its total vehicle sales. Carbon emissions for its fleet grew 72% in 2002 compared to 33% for the industry as a whole.

Yet according to Toyota insiders[6], selling more SUVs and trucks is a pragmatic response to a market opportunity in the short term that also provides a means to fund long term growth. Part of its long-term growth strategy involves moving into environmentally responsible technologies: hybrids, hydrogen-powered internal combustion engines, and fuel cell vehicles.

The Prius, its first foray into new clean technologies, has become a surprising success with more than 100,000 units sold in 2004. The Prius hybrid drivetrain increases gas mileage and reduces emissions. At the same time, it reduces operating costs for the owner (especially at today's gas prices), while sacrificing nothing in performance or styling. The car has also created a small but growing cadre of passionately supportive customers, and added an environmental and innovative cachet to the Toyota brand's aura of superior quality. If gasoline prices continue to rise, Toyota will have a real advantage in the market as it extends hybrid drivetrains to a broad range of vehicle types. If global climate change creates increased pressure for reduced use of fossil fuel, Toyota's advantage will increase further. And, in addition to creating a competitive advantage in hybrid technology (which Toyota is already licensing to other car makers), the knowledge and experience Toyota has gained with the electric portion of the hybrid drivetrain positions it to be a leader in fuel cell electric vehicles as that technology matures.

A Disciplined Approach to Managing Stakeholder Value

Capitalizing on the opportunity to create additional business value from improved economic, environmental, and social performance requires companies to apply the same systematic discipline in managing stakeholder value as they do in managing other aspects of business performance. This kind of approach is still the exception in most companies.

Why stakeholder value is poorly managed today

Stakeholder value is often poorly managed in companies that are otherwise global industry leaders. Several factors contribute to this. An incomplete awareness exists about the company's impacts on stakeholders and how these impacts might in turn affect future business value. Responsibility and knowledge of social and environmental issues are typically fragmented across the organization and often delegated to those outside the core management team. Line managers are focused on traditional drivers of shareholder value and view stakeholder-related issues as a distraction from their business objectives.

These factors are often symptoms of what is the most critical barrier to effectively managing stakeholder value, our mental models. A new mindset is needed to capture the systemic interrelationships between a company and its societal context. In this mindset the goal is not only competing with industry rivals, but also understanding and managing the changing expectations of an ever growing and diverse set of stakeholders. We explore this leadership challenge in the next section.

The leadership challenge

Capturing sustainable value, as defined in Figure 1, requires the CEO and leaders with P&L responsibility to see stakeholder value as essential to the growth of their companies. The primary barrier to adopting a stakeholder perspective stems from the leader's mindset, not from whether or not there is business value to be found. Mindset can be understood as the hidden set of beliefs about the individual, others and the world. Much like underlying operating systems in computers allow only certain application software to run, our mindsets dictate the range of possibilities we draw upon to solve problems[7]. For instance, if an executive believes that an NGO's primary commitment is to put her company out of business, the actions that occur to her to engage with them will be very different than if she believes that they are both committed to solving a common problem.

Historically, the mindset required to rise to the top of a large corporation has run counter to understanding, much less applying, a stakeholder perspective in the process of value creation. Executives have tended to focus narrowly on maximizing shareholder value through activities that serve customers in ways that, often unintentionally, have externalized the negative social and environmental impacts of those activities. They have risen to their positions precisely because they are able to create shareholder value by maximizing 'efficiencies' that legally drive the externalization of costs elsewhere. The idea that maximizing the value of *all* key stakeholders is of interest (much less essential) for business success is quite heretical to what has made leaders successful in the past. Yet stakeholder power is now a reality in the new global business environment. Business leaders who fail to adopt a new mindset risk putting their companies and careers at risk. In Figure 2, key aspects of the new mindset are compared and contrasted to the old mindset prevailing in many companies today.

Figure 2. The "old" vs. "new" leadership

From → To

Old Mindset about Stakeholder Value	New Mindset about Stakeholder Value
It's not a core business issue	It's part of the core business target
It's a cost center	It's a source of innovation, profit & growth
It's a project for EHS specialists	"I own it"
I'm a victim (of the media, of NGOs,…)	I'm responsible for stakeholder perceptions
I'll deal with it if I'm forced	I choose it because I see its value
It's us vs. them (company vs. stakeholders)	It's us *and* them
Not part of short-term financial results	Both near- and long-term results are needed
It's an issue-by-issue problem	It's a whole system opportunity

There are two powerful motivators for leadership to integrate a stakeholder perspective in everything the company does. The first is *pain*, which is often the primary attention getter. DuPont mobilized its sustainability efforts in 1988 after Greenpeace activists scaled the wall of one of its plants and hung a giant banner "DuPont Number One Polluter" facing a highway used by thousands of commuters. DuPont CEO Chad Halliday recalls that event as the spark that led the company to clean up its act. The second motivator is a compelling *vision* that encompasses the company's societal contribution. Companies with CEOs who have personally espoused a vision for sustainability include Ray Anderson at Interface, Lord John Browne at BP, and Rick George at Suncor. In still other cases, a stakeholder mindset arises out of the company's culture and historic way of conducting business. Toyota's passionate focus on efficiency and getting rid of waste ("Muda") allowed it to adopt environmental sustainability as a natural extension of its existing business mindset. By building on what is best in a company's existing culture and business model, the risk of slow adoption or rejection is lowered.

Leaders who prove adept at mobilizing their organizations play to people's emotions as well as intellect. A stakeholder value mindset requires an ability to connect to others and to be empathetic. Perceptions of accountability, trust and reputation stem from the company's ability to live its values. Companies such as SC Johnson, Timberland and Novo Nordisk have cultures that successfully emphasize strong employee-stakeholder relationships in the field. Enron with its intellectual commitment to ethics but failed ability to live them is the perfect anti-example. At some level, Enron and other examples like it are failures to connect emotionally to the world around them.

The stakeholder management process described in the next section is contingent upon leadership that is willing and able to alter the dominant mental model of the organization. It is not necessary that every single employee buy into a stakeholder view, but the risk of failure is significantly elevated if the CEO and key senior executives do not actively promote it.

Three key phases

A disciplined process to create sustainable value requires three phases:

1. *Diagnosis*: Understand where and how the company is creating or destroying value for stakeholders. Anticipate future stakeholder expectations and identify key emerging issues. Assess the business risks and opportunities associated with current stakeholder impacts.

2. *Value creation*: Choose specific actions that create shareholder and stakeholder value, or reduce stakeholder value destruction while increasing shareholder value. Leverage strategic partnerships with key stakeholders, build a compelling business case for action and obtain the needed resources.

3. *Value capture*: Determine the requirements for execution, including stakeholder alignment. Carry out the activities to implement the actions. Measure progress on shareholder value and stakeholder value, validate results, and capture learning.

The Diagnosis Phase

The diagnosis phase expands the organization's view of value to include stakeholder-related risks and opportunities. It requires an understanding of the broader societal trends in the global business environment such as the advent of new technologies (genomics, nanotechnology), new warfare (bio- and cyber-terrorism), new demographics (more old people in developed countries, higher numbers of young people in poor countries), and environmental challenges (climate change, water scarcity). It also requires understanding the company's societal impacts in relation to these broader trends.

Each company needs to adopt a process of identifying and segmenting its stakeholders, decide which ones are important, and gain a clear understanding of the issues that matter the most to the stakeholders. The organization must develop a clear picture of where it is creating and destroying value for them. The company must also understand value flows *from* stakeholders (or coalitions of stakeholders) to the company. Where and how do stakeholders impact the organization, positively and negatively? The current state picture of value flows should be augmented by exploring how it might change in the future.

One of the biggest challenges in dealing with stakeholders is handling divergent views and conflicting positions. Actions that create value for one stakeholder segment can destroy value for another. Companies have to accept that in finding desirable solutions, some stakeholders may continue to perceive a loss of value. Some stakeholders may have legitimate issues that the company is not in a position to significantly alter. Other stakeholders may hold extreme positions that reflect a narrow slice of civil society. In most cases, however, the tension that arises from divergent views can be a source of creativity and propel the company to develop innovative solutions that would not have been found in the normal course of business. For an example of the kind of creativity that comes from engaging divergent views, see Brown & Williamson Tobacco's Social and Environmental Report 2002/2003, which documents creative efforts defined through identification of common ground with anti-smoking groups[8].

Another challenge in diagnosing stakeholder value is that perceptions are often more important than scientific facts. For example, polyvinyl chloride (PVC) producers defend PVC on the basis of scientific arguments such as energy efficiency, low biomass accumulation, and product safety in normal use. Companies such as Nike, Sony and Shaw Industries that have committed to eliminating PVC in their products, as a precaution for their customers due to perceived health and environmental risks, are unlikely to change their perspective based on additional scientific facts provided by the chemical industry. As in the PVC case, suppliers in a range of industries are vulnerable to value loss due to their customers' customers' perceptions of environmental and health risks.

The Value Creation Phase

In the value creation phase, managers with P&L responsibility take insights from the diagnosis phase and translate these insights into actions that create value. The key is to adopt a broad view of value creation: shareholder and stakeholder; near- and long-term; income statement, balance sheet, growth, cost of capital and real options; and at multiple levels of strategic focus as shown in Figure 3.

Figure 3. Levels of strategic focus

Levels of Focus	*Sources of Value*
Business Context	Changing the "rules of the game" to provide competitive advantage for sustainability strategies
Reputation/ Brand	Gaining stakeholder recognition and preference including attracting and retaining talent and employee productivity
Market	Entering new markets driven by customer and societal needs (sanitation, health, clean air, water,…)
Product	Creating product differentiation based on technical *and* sustainability features
Process	Reducing energy, waste or other process costs. Security of supply of raw materials
Risk	Compliance–oriented management of risks and protecting license to operate

Often managers addressing environmental and social performance look only at the bottom two levels concerned primarily with eco-efficiencies from reducing energy or waste; avoidance of fines, penalties, and litigation due to regulatory non-compliance; and reducing risks related to license-to-operate. The top four levels in Figure 3 represent opportunities that are significantly larger than those represented by eco-efficiencies. They are opportunities for innovation and top-line growth based on business solutions that integrate financial and societal performance. Examples of value creation at each level of strategic focus are given below.

Business context: Electrolux's strategy of setting product performance standards for energy use, water efficiency and end-of-life disposal is an effort to create value by anticipating government regulations that will favor efficient appliances. According to Henrik Sundström, Vice President of Group Environmental Affairs, this strategy is a way to capture business opportunities that arise from changes in legislation and consumer preferences. By promoting individual producer responsibility for recycling and disposal of household appliances, Electrolux helped shape the European Union's adoption of the Waste Electrical and Electronic Equipment (WEEE) Directive in late 2002. Individual rather than collective producer responsibility creates competitive advantage for players such as Electrolux, who make an effort to design products designed for disassembly and recycling.

Reputation/brand: In the oil & gas industry, BP is being recognized for strong environmental and social leadership in all areas of its business including resource and energy efficiency, climate change risk abatement, waste reduction and recycling, and overall environmental impact minimization. Its reductions in greenhouse gas emissions have already saved the company a purported $650 million over three years. Company executives say they are confident that another $650 million in value will be realized from a broader set of initiatives taking a lifecycle perspective along the full value chain. In the social arena, BP has integrated into its business operations new practices focused on ethical behavior, transparency, employee responsiveness, and stakeholder relations. In 2005, BP was ranked one of the world's top three Most Sustainable Companies in a Global 100 ranking[9], along with Toyota and Alcoa.

Market: In the world of construction materials Cemex, the third largest cement company in the world, is discovering a new and profitable segment while creating societal value in its home market. Its *Patrimonio Hoy* program supports home building among Mexico's poor by extending micro-credit to small groups of customers who commit jointly to repay the debt. The program has enabled 75,000 families to build houses one room at a time in a third of the time at a third less cost. According to the program's general manager, *Patrimonio Hoy* is generating positive cash flow from operations of over two million pesos per month[10].

Product: see insert on the Toyota's Prius.

Process: 3M's pollution prevention pays (3P) is a well known example of shareholder value created at the process level. 3P helps prevent pollution at the source - in products and manufacturing processes - rather than removing it after it has been created. The key to success has been a close collaboration between laboratory, engineering and manufacturing personnel. One major initiative involved the reduction of both volatile emissions and hazardous wastes from 3M's major product lines. According to the company, savings from this program totalled $950 million and 1.1 million tons of pollutants between 1975 and 2003.

Risk: After Union Carbide's chemical plant disaster in Bhopal, India in 1984, the chemical industry undertook an industry-wide initiative called Responsible Care to repair the loss of public trust related to this and other incidents. Established in 1988, Responsible Care focuses on the environmental, health, and safety performance of all member companies. Membership is mandatory in the US for all companies in the American Chemistry Council and has now been extended to 47 countries. In the US, member companies are required to submit annual data on environmental, health and safety performance that is subsequently made publicly available. Without Responsible Care, the chemical industry could have faced stricter regulation and increased risk of losing its leading companies' license to operate.

The Value Capture Phase

In the value capture phase, attention is focused on the conditions for successful implementation. A key consideration is how to use actions to change the dominant mindset and embed the stakeholder value perspective into the organization's management processes and operating model. In many cases this can be accomplished by expanding the frame of existing programs such as Six Sigma to include the full stakeholder perspective.The ability to measure in a credible way the impact of actions on stakeholder value is also critical.

Figure 4 summarizes the key questions that managers can ask in each phase to begin the process of assessing stakeholder impacts, identifying business risks and opportunities, brainstorming and priotitizing possible actions and framing the business case.

Figure 4. Summary of Key Questions by Phase

Diagnosis	Value Creation	Value Capture
• Who are your stakeholders? • What are their interests? • Where are you creating value or destroying value for them? • What potential future developments might change this stakeholder value picture? • What are the business risks and opportunities associated with this picture? • Which risks and opportunities warrant action?	• What actions will simultaneously create shareholder and stakeholder value? • At what level of strategic focus will they create value: risk, process, product, market, brand, business context? • What financial value will result: profitability, capital utilization, lower cost of capital, growth, intangibles, market confidence? • What are the critical success factors for the actions?	• What existing programs or systems could be adapted to include the stakeholder dimension? • What stakeholder alignment and support is required? • What social marketing is required to educate the key stakeholders? • How will you train the sales force? • What financial and human resources are required? • How will you track progress, measure results, and share learning?

A wide range of companies and sectors can benefit

High technology companies and those in the services sector may believe that because their environmental and social impacts are smaller than, for example, those in the chemical or extractive industries, the potential benefits from managing stakeholder value are also reduced. However stakeholder value is proving to be a competitive differentiator in a wide range of industries, regardless of the absolute size of their environmental and social impacts. Examples of sectors and companies in which creating stakeholder value has contributed to business success range from personal computers (HP's e-community effort to reduce the digital divide in underserved markets) to banking (Citigroup's promotion of the Equator Principles covering new environmental and social standards for project financing.)

The insurance industry is an interesting case of how creating stakeholder value can contribute to business advantage in the services sector. After heavy floods in the United Kingdom in the Fall of 2000 cost the insurance industry over £1 billion, Aviva plc, one of the world's leading insurance companies, embarked on a flood mapping initiative. In addition to digitally mapping areas at risk for flooding, Aviva lobbied the UK government for better flood defenses for homeowners and assisted homeowners in taking additional actions to prevent flooding. The result led to reduced social and health costs for homeowners, with more customers seeing their premiums going down than up. At the same time, Aviva benefited from more accurate underwriting, additional revenue from selling mapping data to third parties, and enhanced reputation as a good corporate citizen.

Conclusion

Until the 1980s most companies believed higher quality meant higher costs. Japanese players demonstrated that it was possible to achieve higher quality and lower costs simultaneously. Today companies across a range of industries are finding that they can achieve high quality, fast speed to market, high customer service and low cost all at the same time. The leaders of tomorrow will demonstrate the same thing about stakeholder and shareholder value. They will find ways to create business value while delivering value to their key stakeholders. Integrating the full range of stakeholders into strategic and operational decision-making will become best practice. Today, courageous business leaders can already create competitive advantage by understanding their key stakeholders' interests, anticipating societal expectations and using the insight, skills and relationships developed through this process to design new products and services, shape new markets, develop new business models, and ultimately reshape the business context itself to one that supports the creation of truly sustainable value. The new leadership vision and a disciplined approach to creating stakeholder value are key success factors in tomorrow's marketplace.

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[1] Pioneering works on the rise of stakeholder power in business include Freeman, R.E., *Strategic Management: A Stakeholder Approach* (New York: Basic Books, 1984) and more recently S. Waddock, "Responsibility: The New Business Imperative," Academy of Management Executive (May 2002).

[2] For a discussion of stakeholder engagement practices, see Andriof, J., S. Waddock, B. Husted, and S. S. Rahman, *Unfolding Stakeholder Thinking 2: Relationships, Communication, Reporting and Performance*, (Sheffield UK: Greenleaf Publishing, April 2003).

3 Innovest Strategic Advisors Issue Brief, "Associated British Ports" (April 23, 2004)

4 Porter, M.E. and M. R. Kramer, "The Competitive Advantage of Corporate Philanthropy," *Harvard Business Review* OnPoint, 242x, 2002

5 Communication with Shaw Industries on March 17, 2005

6 Talk at the National Press Club by Jim Olson, former head of external affairs, Toyota N.A. (September 16, 2003)

[7] For a discussion of mental models and the mindset shift required to see the world in a system's perspective, see Senge, P.M. *The Fifth Discipline: The Art & Practice of The Learning Organization* (New York: Currency Doubleday, 1990)

8Brown & Williamson Tobacco's Social & Environmental Report 2002/2003, page 28. http://www.brownandwilliamson.com/Index_sub2.cfm?ID=12

[9] Global 100 Most Sustainable Companies ranking (2005) by Corporate Knights Inc. using the methodology of Innovest Strategic Value Advisors, Inc., http://global100.org

10 For a University of Michigan case study on Cemex's *Patrimonio Hoy* program, see http://www.bus.umich.edu/BottomOfThePyramid/CEMEX.pdf