

# Results

WEC Roundtable, hosted by Merck KGaA  
June 27-28, 2011, Mainz, Germany:



## “MANAGING SOCIAL RESPONSIBILITY CHALLENGES TO BUSINESS IN LESS DEVELOPED NATIONS”

### WHAT:

When doing business in less developed countries global companies face additional challenges such as extreme poverty, child labor, insufficient infrastructure, weak and often corrupt governance structures, low enforcement of the law as well as a lack of cultural and regional understanding. Under these circumstances, it is difficult for global companies to implement their sustainability commitments across all areas of their operations. To address these challenges, the Roundtable was structured into five parts and covered experiences from countries in Africa, Asia and South America:

- a. Understanding the additional sustainability challenges for business in less developed nations.
- b. Exploring a sustainable business model including sustainable sourcing strategies across the entire business.
- c. Securing ethical standards under weak legal frameworks within the boundaries of a company's influence.
- d. Minimizing the negative impact of business operations on local communities while maximizing the benefits.
- e. Practical solutions for managing social responsibility on the ground – access to medicine and water.

### WHO:

The Roundtable was structured to provide a highly interactive process of discussion amongst 22 sustainability experts from five countries. 64% of participants came from WEC member companies, 9% from non-member companies, and 27% from academia and NGOs discussing experiences from countries in Africa, Asia and South America.

#### HOST

**Merck KGaA: Dr. Martin Hostalek**

#### MODERATORS

**Development + Cooperation Journal:** Mr. Hans Dembowski  
**IMD International:** Dr. Aileen Ionescu-Somers  
**Marks and Spencer:** Mr. Mike Barry  
**WEC:** Mr. Frank Werner and Dr. Terry F. Yosie

#### SPEAKERS

**Bayer:** Mrs. Ursula Mathar  
**Boehringer Ingelheim:** Mr. Lars Murawski  
**Dow Chemical:** Mr. Dennis Merens  
**Earth 3000:** Dr. Maritta Koch-Weser  
**Institute for Human Rights and Business:**  
Mr. Björn Edlund  
**Merck KGaA:** Dr. Martin Hostalek  
**Puma:** Dr. Reiner Hengstmann  
**Unilever:** Ms. Karen Hamilton  
**WaterHealth International:** Mr. Sanjay Bhatnagar

### MAJOR POINTS OF DISCUSSION:

- (1) Within global companies, sustainability conversations (especially those focused on social responsibility) are frequently too narrowly focused. This occurs at a time when human rights issues are increasingly used by stakeholders as a normative framework for the social aspects of sustainable development. Successful companies are **taking into account the inter-related scientific, psychological and socio-political realities** they encounter in specific countries.
- (2) **Sustainable sourcing** is hampered by the lack of global standards or weak national standards. Companies must use existing standards and develop their own company codes and practices. These efforts must be supplemented by joint initiatives with competitors (consistent with anti-trust laws); partnerships with international organizations such as NGOs and multi-lateral institutions; and strategies whose aim is to obtain alignment across specific value chains. In trying to elevate global supply chain standards and reduce the number of suppliers in order to minimize business risks and costs, companies need to be mindful of other consequences (e.g. impacts on child labor, substitution of greenhouse gases).
- (3) Social responsibility is expanding the boundaries for corporate actions and motivating companies to respond in areas where government is failing. In the case of **child labor in global companies' supply chains**, the Roundtable addressed best practices such as: a zero tolerance policy for child labor; constructing and maintaining educational facilities that provide children with an alternative to work; extending micro-credit to women to eliminate poverty; and maintaining rigorous monitoring and verification of on-going programs and results.
- (4) **Innovative institution-building** is an important part of successful sustainability strategies. Key factors to success in delivering goods and services to underserved customers in emerging markets include designing the appropriate business model; regarding people not as aid recipients but as customers; developing appropriate market pricing and time-to-market strategies; creating decentralized partnerships with communities; developing on-the-ground knowledge of local conditions; and ensuring service reliability. There are a growing number of innovative institutions that integrate global companies, international lending bodies, government agencies and venture capital firms together with the capability to deliver products and services.
- (5) An effective starting point for **combating corruption** is to gain knowledge about communities and people, such as identifying the most corruptible points in a community, a company and an NGO, and understanding if earnings for business partners provide for a living wage.