

STAYING GREEN

WHY YOUR ENVIRONMENTAL INITIATIVES MATTER EVEN MORE IN DIFFICULT TIMES.

WITH THE ECONOMY IN THE RED

by Blythe J. McGarvie

By remaining committed to corporate social responsibility (CSR), your financial institution will be well positioned for market leadership after the economic crisis passes.

Financial services companies paved the way for me, as a chief financial officer, to understand new markets. When I first started doing business in emerging markets in the early 1990s, our bankers would inform us of business customs and provide data about local economic conditions. We also looked to them to shape our cultural expectations.

Last month, as part of a board of directors and CEO peer exchange for those of us doing business in China, I was struck by how many of the well-informed participants relied on their banking partners for both information and funds to develop their businesses in this part of the world. But many financial service executives were not assisting in another vital role: helping to develop a sense of corporate social responsibility (CSR) in emerging markets.

As emerging markets become more established and their populations become more affluent, lifestyles within these areas of the world begin to change as well. In researching the effects of the adoption of a supply-and-demand economic model

within emerging markets, I found a direct increase in demand for food products, natural resources like oil, manufactured goods and improved services from controlled market conditions. A major indirect effect resulting from the adoption of the supply and demand model has been a greater focus on the environment.

A SHIFT IN PRIORITIES

Globally minded citizens are rightfully worried about global warming and fear that additional automobiles and planes will increase air pollution. So, too, will the changes in food consumption. According to the United Nation's Food and Agriculture Organization, some 30 percent of the earth's arable land is used to support livestock production, which some scientists argue produces more greenhouse gases than all of the world's transportation systems put together.

American retailers, whose customers can afford marginal cost increases now to ensure a healthier future, are assuming a disproportionate burden in addressing these concerns.

Wal-mart, for instance, has already begun to push its suppliers in China — where Wal-mart accounts for about 30 percent of all foreign purchases — to adopt environmentally sustainable practices. Individuals who understand the rules of supply and demand and apply them to the conditions in the interconnected global market will sell into new markets, find sourcing opportunities and change how they do business. But these rules also mean that leaders need to think about the ripple effect their decisions can have around the world.

Using a sample of Chinese firms, globalization research published in the *Journal of the Academy of Marketing Science* indicates that companies get higher financial returns from their marketing investments when they have global partnerships and promote CSR. Yet, when economic conditions tighten, employee concerns tend to shift from the community to the parochial. Recent changes in the prioritization of environmental concerns reflect this tendency.

Given the current times of turbulence in financial markets, some people might recommend worrying about what you can control and focusing on stability to keep your firm in existence, while shelving concerns about the environment and your CSR. While some companies have made bad bets and must batten down the hatches in this financial storm, most companies will be letting a great opportunity pass if they don't distinguish themselves in this manner during these troubled times.

STAYING SOCIALLY RESPONSIBLE

Until very recently, promoting environmental concerns and "go green" campaigns spread like wildfire across the globe. In fact, having the reputation to support this cause served as a powerful recruitment and retention tool. In a broad, years-long survey conducted across 15 developed nations in 2006 by marketing research firm Ipsos Mori, 80 percent of respondents agreed that they "would prefer working for a company that has a good reputation for environmental responsibility." This figure was 81 percent in the U.S.

The Ipsos Mori survey continued country by country. In Britain, research showed that at the peak in January 2007, "19 percent of people, unprompted, named the environment as one of the biggest issues facing Britain today, compared with just a few percent several years earlier. But by January 2008, that figure had fallen to eight percent, while the economy was rated a top concern by one in five."

This decline in the prioritization of the environment reflects employees' more immediate concern of keeping jobs and household purchasing power, fueled by housing and banking crises, higher fuel costs and many other uncertainties. But when the economy recovers, the businesses that continued their CSR initiatives will emerge with a reputation for keeping commitments rather than letting them lapse. They will appear focused, stable and resolute in the eyes of their customers.

How will the market perceive your bank or credit union on the other side of this economic crisis? Making your CSR initiatives a continued priority is an excellent way to shape that perception in your favor.



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