

The Case for Inclusive Capitalism

BY JAMES D. ROBINSON III

*It is time for
America's business
leadership to more
fully engage.*

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220 I Street, N.E.
Suite 200
Washington, D.C. 20002
Phone: 202-861-0791
Fax: 202-861-0790
www.international-economy.com
editor@international-economy.com

Two issues should be major additions to the agenda of every boardroom in America: How public trust in capitalism itself can be restored; and is America truly governable?

First, some relevant context is in order. The Conference Board recently summarized the growing interest among shareholders in including sustainability performance as part of compensation. Shareholders are placing growing emphasis on long-term performance, and corporate sustainability will be prominent in future proxies.

There are a number of leading companies that offer great examples of what sustainability performance looks like in practice. But for now, let's fast forward to look beyond proxies and compensation to the very essence of capitalism.

The capitalist system is the greatest engine for economic growth and individual prosperity the world has ever known. Since 1980, it has lifted over six hundred million people around the world out of poverty.

Yet a confluence of factors has led many people to question the workings of capitalism. Some even believe it is broken. Mary Meeker of the venture capital firm Kleiner Perkins Caufield & Byers reports that 47 percent of 18- to 29-year-olds have a negative view of capitalism. Election night exit

James D. Robinson III is a general partner with RRE Ventures. This article is adapted from an address Mr. Robinson gave during his induction into the Directors' Hall of Fame of the National Association of Corporate Directors. Mr. Robinson is the former chairman and chief executive officer of the American Express Company.

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polls showed 54 percent of the electorate believes our economic system is unfair.

We all know the economic and jobs landscape has been dramatically altered as a result of globalization. A technology revolution has transformed how goods and services are bought and sold, robots and software have driven big productivity gains, and many jobs have become obsolete. Jobs requiring more and different skills and training are going unfilled.

Bad corporate behavior along with the financial crisis have alienated many people. Occupy Wall Street, the 99 percent, a shrinking of the middle class, and a perception that business puts profits ahead of the overall common good leave a pervasive feeling that the rich and successful don't really care about public issues beyond their own financial status.

Harvard economist Larry Katz paints a vivid picture: "Think of the American economy as a large apartment block. A century ago—even thirty years ago—it was the object of envy. But in the last generation its character has changed. The penthouses at the top keep getting larger and larger. The apartments in the middle are feeling more and more squeezed and the basement has flooded. To round it off, the elevator is no longer working. That broken elevator is what gets people down the most."

So, how do we get back on track and regain public confidence in our economic system? Surely, government alone or more government regulations are not the answers.

Business needs to take a much more proactive role on behalf of all of its stakeholders, and the narrow, traditional definition of stakeholders must be expanded. Hope for a better future for all Americans must be restored. Think of it as inclusive capitalism. Corporate boards, CEOs, and senior management must take up the call to broaden the universe of those positively touched by capitalism's benefits.

Corporate responsibility is an important aspect of strategic leadership. If the community does well, then business will do well. It is just good common sense.

Think of it this way: Who are going to be the customers if society doesn't have enough jobs?

Where will demand come from? The communities where our employees and customers live and work present both opportunities and challenges for business.

One organization helping companies explore the dimensions of inclusive capitalism is the Henry (Scoop) Jackson Initiative. It is a bipartisan group of trans-Atlantic business executives who believe that companies must make our capitalist system more inclusive, more transparent, and therefore more sustainable. All stakeholders, not just shareholders alone, must be beneficiaries.

The Initiative is highlighting companies that are already taking action in helping with education and employment, working more closely with small businesses, and encouraging shareholders to understand and accept the importance of longer-term results.

Business has a crucial role to play in all three areas. First, regarding education, many of today's workers do not have the industry knowledge or skills required to find good jobs. There's a clear mismatch in the jobs available and the workers with the skills needed to fill them.

There are a number of meaningful examples of organizations geared to meet the challenge. One example is the National Academy Foundation, which works at the high school level to help prepare students both for college and career readiness. It offers a joint degree for those graduating from high school.

The Foundation was established thirty years ago by Sandy Weill, the former chairman of Citigroup, with the objective of training young people for back-office entry-level jobs in financial services. It not only gives students relevant skills, but encourages them to go on to college.

Today, over sixty thousand students a year—many of them low-income, minority students—participate in one of the National Academy Foundation's five academy sectors: information technology, engineering, health sciences, finance, and hospitality and tourism. The National Academy Foundation operates through five hundred individual academies in thirty-nine states.

These kids are defying the odds. More than half of the National Academy Foundation's students are enrolled in STEM-themed academies. Last year, 97 percent of seniors participating in the National Academy Foundation graduated. And 81 percent of those students went on to college.

Companies such as Verizon, Xerox, Aetna, Citi, Travelers, and American Express—over 2,500 businesses nationwide—are working with the National Academy Foundation to expand skill-based education, coupled with meaningful and practical on-the-job training.

The second area of inclusive capitalism is small business. As a technology venture capitalist, I see the creativity and innovation of young companies every day. Our economy

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thrives best when barriers to the growth of new companies are low.

Stronger alliances between large companies and small businesses can play an important role in rebuilding public faith in capitalism.

Big companies need to adopt an “easy” button philosophy in order to streamline procurement processes and make doing business less cumbersome and less complicated for their suppliers, all the while increasing efficiency and productivity.

Companies such as IBM, AT&T, Bank of America, and others have built a consortium committed to buying more from small businesses, including minority- and women-owned, using web-based initiatives.

The internet in all its dimensions is perhaps the biggest change agent the world has ever known. Certainly, it’s the fastest. In this technologically driven environment, innovation and entrepreneurship are critical and change is inevitable.

That brings us to the third leg of inclusive capitalism: Shareholders, management, and boards collectively must strike a better balance between short- and long-term priorities if public trust is to be restored.

The Coca-Cola Company’s CEO, Muhtar Kent, noted that “Investment in a sustainable community is an investment in the business. It’s an investment in jobs and economic growth, an investment in a more vibrant, secure, and stable society.” Here is a great example of how he is putting this vision to work.

To help address the serious shortage of drinkable water in some areas, Coca-Cola entered a partnership to bring clean water to remote rural communities starting in Africa and Latin America.

Using a small vapor compression device called Slingshot, invented by Dean Kamen, communities will be able to purify enough drinking water every day for three hundred people, regardless of how contaminated the source water. while consuming less than one kilowatt of electricity. For its part, Coke will use its global distribution system to set up kiosk-type facilities.

Old cargo shipping containers (painted red, of course) will house the equipment. In thousands of rural communities, people will have access not only to clean water, but also to solar power for charging cell phones, to flat-screen TVs for viewing news and sports, as well as other services. Each container will be operated by women entrepreneurs,

Dean Kamen’s Slingshot
water purification system.

augmenting Coke’s previously announced program to empower five million women entrepreneurs by 2020.

This initiative with its long-term focus on healthy communities is one example that can help renew trust in our capitalist system.

This isn’t checkbook philanthropy. This is about connecting communities to the business, so that when they grow, business grows. That’s a formula for true sustainability, and a powerful reason to embrace inclusive capitalism.

What does this mean for us as corporate directors? Of course, we all have a role to play in building stronger, more profitable, and successful companies. But we have an even broader role to play in helping rebuild trust in the best economic system in the world.

The business community also has a role to play in the public policy arena in helping to encourage non-partisan and urgent action on critical issues. The hour is late for pushing our elected officials to get in the game. People are demanding solutions. Business wants a government that works. America needs clarity, creditability, and certainty that debt and deficits are addressed effectively.

So the issue of good governance goes beyond the corporate world. It entails governance by the White House, Congress, and state and local officials.

Is America governable? Business leaders must take a proactive, pragmatic, and visible role to make sure that it is.

Washington faces a daunting overhang of substantial economic, fiscal, and governance problems. Partisan rancor convulses an increasingly outmoded federal enterprise.

The business community, large and small, must take a greater leadership role. Our voices must be heard.

There are several initiatives underway, including Fix the Debt, which is supported by a large group of CEOs. This effort, along with others such as CNBC’s Rise Above, is making it clear to the White House and Congress that it is time to rise above partisan politics and deal with the deficit and our national debt.

Here is the challenge for every corporate executive and board director: It is not just what you can do for your company. It is what you, individually and collectively, can do to bolster an inclusive capitalism that benefits all Americans. ◆



These kids are defying the odds.
