Snapshot Short Case: Nexus of Corporations, Societies, and Government

The Problem:

On April 22, 2002 in the southern Indian state of Kerala, over a thousand Adivasis, members of the indigenous minority population picketed a local Coca-Cola bottling plant. The Adivasis accused the plant of appropriating ground water resources and polluting the environment with improperly treated industrial waste materials. Over time, these protests grew larger, and were backed by a series of well-documented environmental reports citing findings of carcinogenic effluent and illegal dumping. These findings led to a sharp decline in sales growth and loss of contracts. Ongoing unrest eventually led the State of Kerala to ban Coca-Cola's production in the region.

Coca-Cola recognized that its water usage practices needed to change, not only to protect itself from this kind of risk in the future, but also to take a leadership position in its approach to water stewardship.

The Leader and Important Stakeholders:

Example: Jeff-Seabright

Enter Jeff Seabright, Coca-Cola's newly-hired VP of its Environmental and Water Resources Group. To take on the task of building a water stewardship strategy for Coca-Cola, Jeff needed to both align the company behind becoming a global leader in the field as well as build a collaborative strategy with the public and nonprofit sectors to tackle the issue together. Jeff was particularly well-qualified to take this approach, having had significant experience in multiple sectors, thereby gaining an appreciation for their particular cultures, incentives and resources.

Jeff displays a set of six characteristics common to tri-sector leaders. Jeff's many years in the public sector, at the State Department, USAID and the Task Force for Climate Change, spoke to his desire to pursue social good while building his career. When he was recruited to join Texaco to manage their environmental infrastructure, he welcomed the opportunity to create large-scale impact despite criticism from others in his field (Balanced Motivations, Prepared Mind).

Seabright's experience in the public and private sectors, as well as ongoing engagement on the boards of nonprofits, gave him a unique set of resources, skills and perspectives that helped him solve the challenge ahead. His public sector experience gave him the ability to motivate leadership into action as well as engage multiple stakeholders (Transferable Skills). His tri-sector experience also gave him insight into the culture of government bureaucracy, the language of corporate financial incentives and the community concerns and expertise of environmental nonprofits (Contextual Intelligence). Finally, he brought with him a wealth of knowledge from multiple perspectives, both about the subject itself (Intellectual Thread) and key players in the field (Integrated Network).

Impact on households:

Water is a critical component of everyday household survival. A lack of clean, safe water leads to sanitation challenges and water-borne diseases. In addition, as water becomes less accessible, people resort to storing water in their homes rather than making repeated trips over long distances. This practice attracts mosquitoes that are prone to carry malaria, dengue fever and damaging diseases, particularly in water stressed regions in developing countries. Over three million people die each year from water, sanitation and hygiene-related causes.
Water scarcity has social implications as well. The United Nations reports that 443 million school days are lost each year due to water-related illness. Further, women are largely relied upon for ensuring safe water access for families in the developing world, totaling 200 million hours spent each day collecting water – time that could be spent on other economically and socially productive activities.

Impact on industry:

Water scarcity presents a variety of risks to industry as well, including operational, regulatory and financial risks. Water can be a critical component in operations either indirectly as part of processes or as an ingredient itself. Further, as water becomes scarcer, the regulatory risk of water tariffs and pricing interventions increases. Collectively, these risks could result in increased cost for water access that reduces companies' profit. A broad range of industries increasingly recognize the business risks of water scarcity. Over three quarters of the worlds' largest 250 companies address water in their non-financial reporting in some way.

The Non-Profit Sector and Water:

The non-profit sector focuses its efforts on addressing the human and environmental crises associated with water scarcity. These crises include the lack of proper sanitation facilities, the lack of access to safe water for consumption, and the disappearing and damaged ecosystems that protect humans from food shortages and natural catastrophes. The three prominent organizations discussed below provide a brief introduction to the varying missions and activities of non-profits working on water.

The Public Sector and Water:

Governmental administrations and agencies around the world address water resources through policy development, implementation and regulation as well as infrastructure development and maintenance. Environmental agencies are particularly concerned with water supply, sanitation and wastewater management, as well as natural resource management and disaster preparedness. The two organizations discussed below briefly introduce ways in which the public sector addresses water

The Toolbox:

Jeff relied on these characteristics to build alignment in the organization and collaborative partnerships across the sectors. To first build alignment, Jeff led two key analyses – a geographic analysis and a risk model – to both quantify water scarcity and show how it affected Coca-Cola's bottom line. This activity demonstrated several strategies:

- Translate issue into incentivized language and measures:

- o The geographic analysis showed that margins were going to expand exactly where water pressures were most intense.
  - o The risk model revealed key operational risks related to current water usage practices.

- Triangulate issue to build up fact base:
  - o Conducting multiple analyses had the additional benefit of capturing the complexity of the issue while fortifying the water risk argument.

- Create buy-in across the organization:
  - o The risk model, adopted from mining company Rio Tinto, included a questionnaire for plant operators, asking them to assess risk from supply reliability, water efficiency, compliance, watersheds and other social risks.
  - o A striking 94% response rate showed these operators were invested in changing Coca-Cola's water usage practices and wanted a voice in building a new strategy.

- Create crisis mentality:
  - o Jeff used the stark analytical findings, combined into a global risk model for the company, to elevate the issue to crisis level, motivating Coca-Cola to be proactive in addressing it.
- Bring right people to the table:
  - o These two organizations were the right stakeholders to both garner enough financial support and research expertise to best address the challenge together.

- Build consensus around collaborative goals:
  - o Together with Coca-Cola, these organizations support community initiatives in developing countries, improving sustainability while ensuring water accessibility.
  - o This collaboration has also led to more sustainable hydropower, new wetlands and new water infrastructure, as well support for Coca-Cola's initiatives to improve its own water efficiency.

This snapshot is taken from Inter-Sector Project who have kindly allowed us to use the above case study. We will like to thank them for their support.