TECHONOMY NYC

The ROI of Social Responsibility

Speakers:

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Moderator:

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(Transcription by RA Fisher Ink)

Kampel: The next session, we're going to talk about, we're calling it The ROI of Social Responsibility. And really, the idea was, I think, when David and I, when we're talking about this idea of focusing on the U.N. SDGs and responsible growth, as we're calling it, people started to question, "How do companies actually put an ROI on it?" How do they make investments and align it with their core business goals, not make it just a PR spend and throw some money at some problems?

So, we have two people here. One, inside a big company, one, sort of inside a big company but looking at other big companies. So, we have Brian Deese, who is the Managing Director and Global Head of Sustainable Investing at BlackRock and Alice Lin Fabiano, the Global Director of Social Innovation at J&J.

And Alice, I want to start with you. We heard yesterday from companies like Citi and Airbnb about some of their initiatives and how they're giving back and contributing in this idea of social good. Talk a little about some of J&J's initiatives as well as—we all talk about measurement. We're talking about, we have so much more data and we're able to measure everything. How is J&J measuring the success of the investing you're doing in social impact?

Lin Fabiano: Sure. Thanks, Josh, for having us on the panel, for Techonomy for putting together a great conference. It's always nice to see the intersection of business and technology and society coming together and it's, I think, a real treat to be here and hear the conversation.

For us at J&J, what I'd like to start with is that we've been doing this for quite a long time. It's been coming to the fore in a lot of conversation. But as one of the largest healthcare companies, we've been looking at how do we bring health to the furthest populations in the world, the most vulnerable, for a really long time. We're one of the first to stand up around the original U.N. Millennium Development Goals, around saving the lives of women and children. And as we look towards 2030 in the goals today, I think our aspirations have gotten larger, our resolve has gotten stronger and you see within, whether it be my group, which is responsible for the global giving, or whether it be our employees across the business, there's a real excitement around how we can step forward and bring all of our resources at Johnson & Johnson to bear.

And so, in terms of some of the things that we're doing, we have a lot of commitments, largely related to healthcare. We like to think that, from an expertise perspective, beyond the dollars that we can bring that is really important; we want to bring our expertise. Our scientists, our supply chain, and more and more so, our balance sheet, to bear upon some of these big issues.

Kampel: Like today, we were talking, you said, "It's easy to write a check." For any of the big companies, it's easy to write a check and throw, but actually how do you bring somebody's—

Lin Fabiano: Yes, I really believe it. I think money is the easy part. I think the part around really coming to the table, staying in for the long term, knowing these are not easy problems, knowing that we need to find partners, like-minded individuals. I love the fact that we heard startups and companies and Wall Street and Main Street. I love our cameraman and the question asked this morning. Everyone's engaged, and everyone's really stepped up and said, "We're not ready to just sit here and have a conversation. We want to know what we can do about it and what we can do together."

And so, within the ecosystem of Johnson & Johnson, which is a family of companies, 250 around the world and counting, and 150,000 employees. For me, what's exciting is how can a big business, how can a global company take the entire platform we sit on and how can we deliver against some of these really serious problems. They're big, they're life and death consequences, they're here today. And if Johnson & Johnson, as one company, can harness some of that power, some of that platform inside our walls, and bring it out to deliver against some of the most vulnerable populations their needs, for me, that's a true win.

Kampel: Great. And Brian, a lot of people have been talking about Larry Fink's letter this year. And in talking to some people—he does a letter every year—but this year, for some reason, this idea of purpose has resonated and, I think, even come more into the forefront. Why do you think it's so relevant? Why do you think this year's letter and the sense of purpose, why do you think everyone's really so focused on it?

Deese: Well, it's a great question. Again, I'm excited to be here and be part of this conversation. First, a little bit of context to get to that letter. BlackRock is an asset manager. Which means, people hear $6.3 trillion in assets, but none of that money is ours. It's all our clients' assets and our sole function is to act as a fiduciary on their behalf. And so, what does that mean? That means we think about what are the long-term issues because most of our clients are investing for the long term. For their retirement or for other longer-term objectives. We think about what are going to be the drivers that will actually best position their investments that they're entrusting to us for the long term.

And so, our CEO, Larry Fink, has been writing these letters for the last couple of years. And in them, reinforcing that these ideas, these issues that are traditionally thought of as non-financial and they traditionally get bucketed into the world of ESG, or environmental social and governance issues, we believe do actually have material financial impact over the long term. And he's been saying that for some time.

I think that this year, two things changed. One was, I think that we more clearly encapsulated what that meant in this concept of social purpose. Which is, that for companies to succeed over the long term, they need to be able to define, and then defend, their social purpose in the communities that they operate in, with the customers that they engage with, with their own employees, and that that is a simple but powerful way of thinking about this underlying insight.

And the second is, I think that the world is changing and changing very quickly. And some of that is motivated by political changes and political forces where there's an increasing frustration with the lack of ability, across the globe, of big institutions, including political institutions, to solve some of the world's greatest challenges, which is turning more focus on to what role companies can play in that process. And some of it is about the increased empowerment and speed with which individuals, those consumers in those communities, can actually engage directly in these issues. So, the speed at which, if a company loses its sense of social purpose, the speed at which that can actually come and affect their operations is increasing as the world become smaller, as technology enables more interaction. So, I think those things all came together to create this increased focus.

Kampel: And you said every company can have social purpose. Even industries that some people think—I know we talked about fossil fuels and oil companies. Every company truly can have a social purpose. We're not saying that there's only a certain segment, certain verticals.

Deese: Yes, and I think this is the important part of the insight from our perspective where we sit, which is that our objective is not to try to define what is right or wrong, what the communities the companies interact with are going to accept or not accept. But instead, as a fiduciary, as an asset manager that wakes up every day thinking about what's in the best interest of our clients over the long term, we want to understand whether a company, in whatever industry they operate in, is actually able to articulate and defend that purpose across time. And so, we see companies that engage in practices that emphasize the short-term over long-term goals across industries. And as a result, they end up paying a penalty over the long term. But where this gets really interesting, and really hard, and where technology and data intersect, is how do you really measure that? And how can you, in a consistent and disciplined way, measure and assess whether a company is actually thinking about those long-term issues and able to defend their social purpose.

Kampel: Right. So, Alice, that means that you need buy-in at the top. You need CEOs, you need executives who really understand that longer-term play. They're not looking at quarterly earnings and just saying, "Hey, I need to focus on the short-term. I need to think more broadly." We were talking about that you had—there was a regime change, there was a change within J&J. How has the thinking changed from transition of CEOs, about this idea of social impact and social giving?

Lin Fabiano: Yes, what I would say is that the fundamental aspect of being a purpose-driven company has not changed since the founding. And I remember my first day, coming to J&J, and your boss sits you down and they talk to you about this thing we have called the credo. And everyone has a bit of a tag line, a credo of the responsibilities we have, and you sit there, and you say, "Ooh, this sounds like some words on a piece of paper." But you really see, as you sit within J&J, the way you live and breathe this, almost like your air. It's a purpose-driven company from the employees who start on day one, all the way to our CEOs and executives who have been there for decades. So, I don't think that has changed.

I think what has changed, and it's partially due to internal dynamics, but partially also due to external dynamics, is the expectation and also the willingness for those to see corporates as a part of the puzzle in solving some of society's biggest issues. In some ways, it used to be a little bit of separation of church and state and you had the philanthropy on this side and the business on that side. And that was just how things were done. That was what was expected. It was not seen as something where you should start thinking about them as a blend.

Now you got out there and you say, "Why are we not accessing our medicines, our consumer products, our people, our talent? Why are we not looking at our technology? Why are we not looking at our human design-centered principles and delivering those same know-hows and expertise within a field that we know a lot about?"

And so, for example, one of the things that we spoke with you a lot about was our MomConnect program. It was looking at the power, simply, of a mobile phone in order to change the delivery of health information for people who did not have access to good health information. And so, through a project that we launched with the minister of health in South Africa, they basically put MomConnect in all their clinics. Two pieces of information was pulled in from the nurses: the date of birth of their baby and their phone number. And they started receiving stage-based health messages on what to eat, warning signs, when to go in for delivery. And those messages were carved in concert with BabyCenter, one of our companies, that has been doing stage-based messaging.

I was on BabyCenter when I was pregnant. It gave me empowerment and health. And now that program is scaled to be in 95 percent of all South African clinics. One out of every two moms in South Africa is on MomConnect and it's expanding out beyond to, now, education messages, messages on child immunization. And when you talk to the [minister], he's very proud of his program. He's really proud about—we're very happy to have been part of that journey with him and to provide, again, more than a check, but our know-how, our resolve to stay in this. It's been five years since we started from a piece of paper. We're still going to continue on until we see that every mom is empowered through these health messages.

Kampel: Great. So, similar to when we talked about Airbnb yesterday, using their tech and their platform to connect refugees with housing, using the platform. I don't think people—we've gotten to know J&J fairly well, so we know you're a tech company as well and developing tech products. But I think people probably don't think of the brand, always, that way.

And Brian, again, I think we talked about the internal and the external. I think we talked about Pierre Omidyar and moving from philanthropy to social impact investing. But BlackRock has a variety of ways of thinking about social impact internally, in your own processes, externally, how you're investing. When you're looking at other companies, who are the companies—if you don't want to, by name—that are doing it well and what sort of tactics are they employing around these ideas?

Deese: Yes. Well, I would say that when we think about this from the perspective of sustainable investing, we really—our goal is to identify those markers of social purpose and those markers of positive environmental, social, and governance management that actually will drive long-term return. So, we don't think about it in terms of trading off value for values. We think about it in terms of identifying those markers of a company that's going to perform better over time because they are taking seriously these issues at their core. I think that that's—so, the question is, how to do that and how to—and this where we also—we view ourselves as a technology company as well because ultimately, this is about using data in ways that are disruptive—positively disruptive—to the way traditional financial services and traditional investment processes have been done.

And so, if you think about companies, to get to your point, if a company that is in a resource-intensive industry, isn't thinking really seriously about its environmental footprint and its energy footprint as part of its core business. And if doesn't have governance processes in place that make that clear that that's part of the core responsibility of management, then that's a signal about their operational excellence, in addition to a signal that they may be more exposed to regulatory risks around governments combatting climate change or other types of reputational risks because of environmental damages that they might be doing in their communities.

Companies that are thinking really holistically about their human capital policies, and not just about policies on the page but creating a culture that actually has more, encourages diversity, and has zero tolerance for discrimination and that is at the core of their operations, that's a signal of a company that is better positioned to succeed in the future because they're going to recruit and retain better talent and they're going to be less susceptible to some of the kinds of devastating scandals that we've seen recently in companies that clearly didn't have that at their core.

So, we try to focus on those issues that traditionally are not thought of as the core financial issues, but increasingly, as data is more available and as the world changes, we'll increasingly need to become how good investors think about doing their jobs.

Kampel: So again, I think it's funny, we keep coming back to this whole issue of data. We just heard about it in rare diseases in the last one, in the last session. So, Alice, I asked the question earlier about measurement. How are we measuring success of these programs? You talked about the penetration of the MomConnect project and program. But ultimately, at the end of the year, for you guys to say, "Yes, we did a great job around our plan around social impact." How do you measure that? How do you recalibrate each year?

Lin Fabiano: Yes, it's a great question. I don't think the world has figured out what the right way is to measure, but I do think for us internally, we start with health impact. So, we look at how are we doing across, improving the lives of the women and children that we're trying to touch. And whether that be the number of increased anti-needle visits, as in the MomConnect program that's linked to improved maternal health outcomes, whether it be around coverage and scale, whether it be around empowerment metrics since we're seeing some interesting gender dynamics, spousal dynamic changes, in some of these messaging as well, that's been an offshoot of giving women information, they are very much focused on health impact.

What I would say in the topic on the ROI, though, is that our approach is slightly different. I don't think anyone in our company says, "We should do good so that we can make a buck, or we can do well." It's not part of the DNA. We do good simply to do good. We feel that as the largest healthcare company, it's our opportunity and it's our obligation to do that.

So, we are measured by, at the end, did we touch the person's lives? Were we able to scale? Are there better cost savings that can be deployed towards even more individuals who are at need? Are we helping out governments and communities in a way in which we're really impacting lives with individual health? And so, that's how we start the conversation and from there, I think, it really just flows to some of the longer core business pieces that…

Kampel: So, Brian, just in the closing couple of minutes, you came out of government, coming from the Obama administration, into the private sector. And you talked about the private sector helping solve some of the problems where government wasn't willing to step in. What is that public-private partnership? What does that need to look like? What do companies need to do in engaging with government and vice-versa?

Deese: Well, look, I think that we make an error if we think about these things in isolation or if we put too much of our faith in either the private markets and companies solving all of these problems or that government alone can solve these problems. Ultimately, it's an interaction that needs to have positive—it needs to be a positive interaction and virtuous circle. And one of the things that we worked on when I was in the White House during the Obama administration was working with the U.N. on setting the Sustainable Development Goals. And the theory behind that always was that fundamentally, many of these goals are fundamental collective action problems, public goods in the world, that without long-term government policy signals, will not get solved. On the other hand, they are actionable goals that the private sector can play a hugely catalytic role in creating solutions and directing capital towards those types of solutions. So, ultimately, those have to work hand in hand.

And, I would say, one of things that I worked most closely on the last two years that I was in government was negotiating the Paris Agreement on climate change. And the good news there is, notwithstanding the U.S. government's short-term posture on that, outside of the United States, around the world, governments, conservative to liberal, have embraced that the Paris Agreement is the future, it's irreversible, and that's where we're headed. And what you're seeing outside the United States is that policy framework, that long-term policy framework, has generated the kind of certainty that private capital needs to actually accelerate investment. Again, outside the United States.

And so, that's the type of area where you see—if you can bring a policy solution, however imperfect, and the Paris Agreement itself was deeply imperfect in lots of ways. But you can bring a policy solution that advances the agenda and then ask more of private capital when there are those long-term signals. And I think that that's a model that you can think about replicating in solving other problems, whether they be healthcare, access to education, financial literacy, or otherwise.

Kampel: Great. Well, we're out of time. But thank you very much, Alice and Brian, for joining us today. And yes, I think we're all learning more how our governments can work with private sector and thank you.

[APPLAUSE]