

ROLE OF BUSINESS IN GLOBAL PROBLEM SOLVING

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A new generation of creative and innovative business leaders has recognized the value of collaborating

with other stakeholders to create dynamic solutions.

By taking a networked approach to global problem solving, business has a significant role to play and can make vital contributions to designing our collective future.



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“ *Businesses can't succeed in a world that is failing.* ”

Idea in Brief

With a long list of challenges threatening the stability and even long-term habitability of the Earth, it is increasingly difficult for business to ignore its obligation to participate meaningfully in advancing solutions to global problems. Simply put: businesses can't succeed in a world that is falling. Ignoring environmental and social issues is not only bad for the Earth and its population, but can be devastating to economic prosperity and growth.

While companies have not always been viewed as legitimate players in institutions for global cooperation and governance, there is clearly a role for the private sector not just in wealth creation, but also in helping to advance social development and protect the environment. Unfortunately, companies that have elected to address social and environmental concerns have mainly done so in silos, with one-off partnerships or limited company initiatives.

A growing number of leading companies is recognizing that global solution networks (GSNs) offer much more powerful vehicles for addressing challenges, allowing them to tap into skills, perspectives and capabilities that they couldn't otherwise access. Indeed, the relationship between business and GSNs is synergistic. Just as companies can rely on GSNs to move key innovations forward, GSNs can harness the unique competencies and attributes of business to maximize their effectiveness.

For business, GSNs offer a fresh diversity of thought and experience that will help to maximize the impact on social and environmental challenges. For GSNs, business brings talent, management competencies, technology and financial resources to help bolster their efforts. And with the Internet, businesses working collaboratively with GSNs can bring forth novel solutions more readily, share knowledge across communities, and quickly amass the people and resources to give reach and scale to good ideas.

The Imperative for Business Involvement in Global Problem Solving

The world now faces some of the most daunting challenges ever encountered: climate change, perpetual conflict, poverty, hunger, water scarcity, income inequality, overcrowded urban areas, the quest for renewable energy, lack of healthcare, uneven educational opportunities, and inadequate sanitation are among a host of vexing and intractable issues that threaten the stability and even long-term habitability of Earth.



As these issues mount, it becomes increasingly apparent that the traditional tools of public policy, statecraft and multilateralism, while useful and necessary, are insufficient to the task. Global challenges have become more complex and issues have become more interconnected. The global institutions established in the wake of WWII and over the course of the Cold War, as well as national and subnational governments, have increasingly found themselves under-resourced and uncoordinated in the face of modern international problems. More often than not, national self-interests take priority when challenges like climate change or fisheries management have causes and demand solutions that transcend national priorities and borders.

Few doubt that nation states will remain important players in resolving global challenges. But the increasingly dispersed nature of power and authority in today's world means that other actors will have to be involved. The world needs all four pillars of society, government, businesses, civil society and individuals, to contribute ideas and collaborate around promising solutions.

Civil society organizations have capitalized on the digital revolution to get engaged in global problem solving like never before. Decades of participation in local and international development efforts have shown that non-government organizations (NGOs) can be effective change agents and make important contributions to decision-making with a blend of effective leadership and direct access to information and resources. Governments have even come to rely on NGOs in many cases to provide the information and insight to help create and implement policies that better reflect the needs and aspirations of citizens.



Business success is dependent on complex factors well beyond competitive advantage.¹

While business and industry have not always been viewed as legitimate participants in institutions for global cooperation, there is growing recognition among most parties that business must have a seat at the



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table too. In fact, it is counter-productive to leave businesses out. Corporations influence every facet of life: from the production of essential goods and services to the pursuit of research and development, to the formulation of technical standards and the location of industry and investment around the globe. Within these arenas, corporations have tremendous leverage in important aspects of economic and social evolution, such as which technologies are commercialized, which locations receive investment, which populations have jobs and what repercussions industrial activity has on the planet.

Most business leaders now recognize that it is in their own interest to be willing partners in solving global problems. Ignoring or perpetuating environmental and social issues is not only bad for the Earth and its population, but can be devastating to business growth, in the short- and long-term. Scarcity of resources, climate change and other global environmental risks can even undermine corporate longevity. Mindy Lubber, president of Ceres, a non-profit advocate for sustainability, puts it well: “You can’t run a business without enough water, you can’t run a business if you see hurricanes happening more regularly, or droughts if you’re in the agricultural field... you realize climate change is not only about national security, public health, the environment or scientists, it’s about the future of our economy.”¹ Paul Polman, CEO of Unilever, echoes Lubber’s comments: “We cannot thrive as a business in a world where too many people are still excluded, marginalized or penalized through global economic activity; where nearly 1 billion go to bed hungry every night, 2.8 billion are short of water and increasing numbers of people are excluded from the opportunity to work.”²

Business success increasingly hinges on the ability to respond to these challenges. So the question is not whether business should contribute to global problem solving, but how. Arguably, the best way for business to carve out an expanded role in addressing global challenges is to join forces with public and non-profit actors in what Don Tapscott calls global solution networks. As explained by Don Tapscott in “Introducing Global Solution Networks”:

Courtesy of the web, stakeholders from civil society, government, the private sector and individual citizens can collaborate like never before. Just as the Internet radically drops transaction and collaboration costs in business it is dropping the costs of collaboration and global cooperation—sometimes on an astronomical scale.³

As defined by the Global Solution Networks program GSNs are made up of diverse stakeholders that have organized to address a global problem, making use of digital technology, with governance that is self-organized. By combining knowledge, skills and resources from diverse stakeholders these networked arrangements move beyond traditional state-based cooperation and offer significant promise for strengthening global governance and improving the human condition.⁴ Our research suggests that GSNs are contributing to new solutions for many of the urgent issues humanity faces,



from poverty, human rights, health and the environment, to economic policy, conflict and gender and cultural violence.

Recent research for the Global Solution Networks program on issues surrounding environmental sustainability for the electronics industry, for example, has shed light on the vital role that global solution networks can play in solving problems that are global in reach. In this example, the digital revolution has caused an explosion in the quality and quantity of personal electronic devices. The pursuit of ever-increasing technological capability creates a vast proliferation of these devices across the globe, shortening product life-spans and resulting in an overwhelming volume of hazardous electronic waste.



Electronic waste is an increasingly urgent global problem.

As with global issues such as climate change, poverty and global health pandemics, the problem of e-waste cannot be solved by governments alone. Nor can it be satisfactorily addressed by individual private enterprises or non-profit organizations. The principle of “polluter pays”—also called extended producer responsibility, or EPR—has gained widespread support, and industries, including the electronics industry, increasingly must take responsibility for the safe disposal and recycling of their products. By creating transparency of supply chain management, fostering the use of sustainable design practices, boosting the supply and adoption of recycled and non-toxic materials for manufacturing, developing an international electronics repair and recycling infrastructure, and raising public awareness about the environmental and social consequences of e-waste. Networked responses that leverage contributions and resources from all sectors of society can tackle these far-reaching sets of challenges. And, increasingly, global solution networks are rising to the challenge.

A number of leading electronics firms are taking greater responsibility for adopting sustainable practices, pouring significant financial and intellectual resources into innovations that will enable sustainable manufacturing practices, and collaborating with universities and NGOs to re-engineer their



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products and their business practices. Governments are establishing global e-waste norms and policies in consultation with industry and NGOs. Civil society organizations are establishing third-party accreditation programs for sustainable products and helping to level the playing field by publicly exposing companies that seek to gain competitive advantage by ignoring the environmental or social impact of their products.

In the case of e-waste and numerous other issues, global solution networks help break down the old divisions between the sectors and then work to assemble the capability required to solve problems. Lubber explains, “As we take on these issues, we’ve got to break out of the old school [thinking] of ‘environmentalists like it, business people don’t.’ These are issues about our collective future. We have got to change the debate, change the discussion, and use these networks, amongst other things, to do just that. There’s a reason why we walk the halls of congress with Fortune 500 companies, not only with environmental partners. We’ve got to bring together a different group.”⁵ Indeed, it is no longer sufficient, or expedient, for companies to operate their sustainability programs in silos. When it comes to solving the really tough challenges, we need cross-sector, multi-stakeholder approaches that draw on the strengths of each sector, where intellectual and financial resources are shared and various disciplines and actors contribute complementary assets, perspectives and skills.

Furthermore, it is no longer adequate for business engagement in problem solving to be based solely on altruism or philanthropy. For business efforts and investments to be effective and sustainable over the long-term, they must be guided by sound business acumen. As Roger Ford, managing director, Accenture Development Partnerships, put it: “Corporations have a direct responsibility to their shareholders to ensure their own longevity. This is true, whether they have a mandate from their board or not. They need to have engaged workers. They need to make sure their market will thrive. Any company’s longevity will depend upon how well it solves these problems.” The concept of sustainability has become a shared ethic across the public, private and non-profit sectors. The private sector has a role and a responsibility to participate and provide leadership in global problem solving, alongside government, civil society organizations and individuals.

The ultimate goal of business engagement, and of networked problem solving more broadly, is not to replace existing institutions and their well-entrenched leadership in areas of policy and governance. Rather, the aim is to create an underlying “motor” that moves ideas, foresight and dialogue with greater speed and ingenuity. With the Internet, global solution networks can bring forth novel solutions more readily, share knowledge across communities, and quickly amass the people and resources to give reach and scale to good ideas. And for business, GSNs offer a fresh diversity of thought and experience that will help to maximize the impact on social and environmental challenges. In fact, the relationship between business and GSNs is synergistic; just as companies can rely on GSNs to move key innovations forward, GSNs can harness the unique competencies and attributes of business to maximize their effectiveness, including contributions of technology, management skills, funding and intellectual capital.



The Evolving Business Paradigm: Emerging Global Solution Networks

From Friedman to Corporate Social Responsibility

The growth of private corporations on the scale we see today presents a novel situation for humanity. Generally unheard of until the mid-nineteenth century, corporations are now ubiquitous and influential everywhere. Indeed, it is impossible to imagine our modern world without them. Private corporations are responsible for the vast majority of global employment and wealth creation, for enabling high standards of comfort and affluence, and for vastly accelerating the pace of scientific and technological progress. The most successful and prominent of these enterprises have become truly global, often operating in as many as 100 countries simultaneously with vast global supply chains that consist of hundreds, and sometimes thousands, of smaller affiliates and sub-contractors.

Over the course of this development, the goals and responsibilities of the private sector have undergone a transformation. In the now famous 1970 Time magazine article, economist Milton Friedman argued that the sole purpose of business is to generate profit for shareholders.⁶ Increasingly, however, Friedman's words seem antiquated—perhaps dangerously so. In the past, companies might have seemed an unlikely source for finding solutions to social, environmental and economic challenges. Businesses would create products and services for profit, while NGOs worked for the betterment of the world. The relationship wasn't often symbiotic. Previously, if a business wanted to "do good," it would make a hefty annual financial contribution to a charity or give its employees time off to volunteer for a local charity. They were welcome gestures, but often were just that: gestures. They were not enough, in view of their considerable corporate resources.

Over the past couple of decades, corporate leaders have been admonished to exercise their growing power and influence responsibly. Most companies have adopted sustainability or corporate social responsibility (CSR) programs and have committed to evolving industry codes of conduct that govern their behavior. Companies understand that if they pollute their local communities they risk poisoning their customers; ignoring the state of the local school system risks depleting the pool of qualified workers; and abusing workers risks higher turnover and training costs, also causing greater difficulty in attracting prospective employees. In the current era, growing transparency and well-organized advocacy networks put many key relationships and intangible assets at risk, including a firm's brand and



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reputation, partner relationships, access to capital, market share and social license to operate.

Corporations have found their operations increasingly constrained by social and environmental expectations for ethical behavior. In the 1990s, Nike became the unfortunate poster child for failed business morality in the apparel industry and fell victim to the power of changed consumer purchasing behavior. Exposés on Nike’s shoe production factories in Indonesia and use of sweatshop labor prompted protests throughout the 1990s, culminating in a US-wide boycott of Nike by university sports teams.⁷ In 1998, after a period of declining sales, then CEO Phil Knight stated, “The Nike product has become synonymous with slave wages, forced overtime and arbitrary abuse...I truly believe the American consumer doesn’t want to buy products made under abusive conditions.”⁸ Nike then went on to create the Fair Labor Association, to conduct extensive third-party factory audits, and was the first apparel manufacturer to trace and publish a complete list of the factories it contracts with.⁹ These efforts have restored Nike’s public image and the company continues to be one of the world’s most successful sports apparel manufacturers.

Changing consumer attitudes about health have had a large impact on the food industry, resulting in the rise of organic and fair-trade products. High profile companies such as Kellogg’s and Kentucky Fried Chicken were forced to stop using trans fats and to stop marketing sugary products to children by public pressure and threat of legal consequence. In response, Kellogg’s established criteria for what food products could be marketed to children based on nutritional content, agreed to stop using popular cartoon characters on their product packaging, and partnered with other major food corporations, including McDonalds and Kraft Foods Inc., to promote healthier foods and more exercise to children.

The horrifying images of the 2010 BP Deepwater Horizon spill that cost 11 lives and pumped 200 million gallons of crude oil into the Gulf of Mexico, spawned widespread public outrage and concern about the growth of the energy sector.¹⁰ Following an announcement that the US was launching a criminal investigation into the company’s practices, BP’s shares immediately fell 13%. BP launched a counter-campaign, apologizing to the American public on television and canceling the company’s dividends to shareholders that year and redirecting those profits to victims of the spill.¹¹ Subsequent investigations have blamed faulty construction, bad management and poorly done upgrades to the rig as being the cause of the disaster. In 2012, BP was barred from bidding on US federal contracts due to its “lack of business integrity,” a suspension that lasted 16 months. In 2014, a federal US judge ruled that BP had been “grossly negligent” and that it repeatedly “took measures to cut costs despite safety risks,” a decision which could result in up to \$18 billion in fines.¹² Research conducted by the *Huffington Post* in 2013 demonstrated that, despite BP spending millions on public relations following the crisis, 43% of Americans still had an unfavorable view of the company.¹³

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The BP Deep Horizon oil spill spawned protests and campaigns aimed at holding the company accountable for the economic and environmental costs of the accident.¹⁴

These and many other examples show that social or environmental negligence by corporations can have a drastic impact on consumer purchasing behavior and damage a company’s profitability and stability. For this reason, CSR programs have become ubiquitous in the private sector with companies looking for ways to limit potential risks to their reputations and to reduce negative social or environmental impacts that their operations may be having. Says Nestlé CEO Paul Bulcke: “For a company to be meaningful and successful over time it has to intersect with society in a very positive and constructive way. This is the fundamental way we want to behave as a company and as a person. We find that our customers trust in our brand and trust in our product.”¹⁴

The long-term reward for a company with a proactive mind-set is the ability to rework business strategy with the goal of shaping the future—capitalizing on the opportunities to devise win-win solutions that benefit communities and corporate bottom lines in the long term. Strong values and ethical behavior are not merely a matter of altruism, but are critical differentiators in an increasingly crowded global marketplace.

Beyond Corporate Social Responsibility: Towards a Networked Approach

As a result of the growing pressure to behave responsibly, corporate leaders now routinely participate in or implement socially or environmentally beneficial initiatives. Wal-Mart offers affordable fruit and vegetables in lower-income neighborhoods as part of a program to combat obesity. PepsiCo



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changed the supply chain equation in developing nations such as Mexico by teaching farmers how to use blue corn seeds to grow higher value crops, which then allows the company to source locally for a premium chips product and pay farmers higher prices. And CVS Caremark is aspiring to become a champion of wellness by banning the sale of tobacco products in its retail pharmacies.

To make a genuine contribution to solving global problems, however, companies have to step outside the issues that are immediate to their day-to-day operations and identify areas in which their corporate expertise can be brought to bear on problems that are larger than the bottom line. Such a move may require businesses to rethink foundational strategies, including stepping outside their typical planning cycles, putting long-term societal goals in front of short-term revenue goals, creating new ways of linking business action to revenue, and forming new partnerships. Throughout, they must maintain high ethical standards in their business operations, commit to heightened levels of transparency and consider the views and interests of other stakeholders when making decisions.

With the commitment and support of industry, the good work of many GSNs could rapidly accelerate. The widespread adoption of new industrial technologies and closed-loop production methods, for example, could conserve resources for future generations and substantially reduce pollution. A collective effort by governments, NGOs and pharmaceutical companies could help to control many of the world's treatable diseases. A principled and united business stance on corruption could ensure that more of the world's wealth is shared equitably.

Many leading companies are already taking steps. Qualcomm uses the power of networks, mobile technology and partnerships with local health agencies to improve air quality and health outcomes in rural India. Nestlé has joined with farmers and NGOs in Africa to improve living standards for its agricultural suppliers by building infrastructure, training farmers (with no obligation to sell to Nestlé), and paying producers directly, rather than involving middlemen. Unilever, the world's largest producer of packaged fish, launched the Marine Stewardship Council with the World Wildlife Foundation to certify that a growing percentage of their supply is harvested from sustainable fisheries. The Sustainability Consortium works with more than 100 of the world's largest organizations, many of which are competitors in the marketplace, in a “pre-competitive environment” in order to collaboratively hash out solutions that will drive a new generation of innovative products, and supply networks that address environmental, social and economic imperatives. Global solution networks have also emerged to address diverse issues such as conflict diamonds (The Kimberley Process) and slavery in the cocoa supply chain (Harkin-Engel Protocol and the International Cocoa Initiative).

Companies that have proven willing and able to make such shifts understand the liabilities of increased public scrutiny and the importance of societal trust. They also understand absorbing the costs of externalities within the framework of a sound business strategy and the importance of



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exhibiting industry leadership. Most critically, the companies embracing networked approaches to problem solving operate on the basis of a more complete understanding of how competitive advantage is created. They don't compete solely on the price, quality or availability of their products (although these fundamentals remain important). As price and quality are increasingly standardized, these enterprises compete on the basis of their ability to create and apply knowledge to drive innovation, to sustain value-adding relationships with key stakeholders and build a reputation as a great company. They become less dependent on the capital contained in land, factories, buildings and bank accounts, and more reliant on the human and intellectual capital from a wide range of stakeholder relationships.

The competitive advantage of networked enterprises lies in their superior ability to develop committed stakeholder relationships, which in turn is based on the ability to establish shared values, earn trust and build social capital. They weave the knowledge and contributions of employees, customers, investors and business partners, community members, public officials and non-governmental organizations into a dynamic web of value creation. The skills, experience and knowledge of these participants are fully brought to life when there is a digital infrastructure in place to facilitate learning and cooperation. The quality of the collaboration, in turn, depends on the social capital they create around a set of shared values and a sense of trust among people. Shared values provide a cognitive link between people that forms the basis for committed, trust-based relationships.

Increasingly, business leaders must ask themselves several important questions: How can their businesses contribute to make a better world? How can their considerable organizational and financial resources be used to help solve some of the world's toughest problems? How can they best contribute to broader networks that are engaged in global problem solving? And, perhaps most compelling, how can their engagement with global solution networks lead to superior performance, to faster and better innovation, and to lower costs and higher profits?

Strengths and Weaknesses of Private Sector Participation

A networked approach to the role of business in global problem solving could enable private, public, and non-profit leaders to amplify their strengths, while counter balancing their weaknesses. On the one hand, the private sector offers a number of crucial attributes needed for global problem solving. Private sector firms can have the resources, the human capital, the international reach and—in many cases—the long-term profit incentive to help solve some of the world's most daunting problems. The private sector is often able to move quickly and innovate, drawing upon all the resources of the firm. There is potentially great synergy in this relationship, as well. By applying the models that business employ in operations to resolving tough social challenges, business can also maximize profit and social impact.



PepsiCo CEO Indra Nooyi recently discussed the global reach of corporations and how corporations provide solutions regardless of goal, saying:

Businesses are the only [globally] functioning entities. They create the jobs and they are the engines of efficiency, and if we don't have private enterprise and business, I'm not sure economies can be successful, especially at a time when governments are unable to enact policy within countries or on a coordinated level around the world. If you don't put your trust in business whom are you going to put your trust in? We trust NGOs enormously, but they don't create jobs. They raise issues. Private enterprise creates the jobs. You need business to get economies going.¹⁵

By providing products and/or services that meet a need and also solve a wider problem, corporations around the world can effectively supplement the efforts of NGOs, governments and institutions.

There are limits to what businesses can accomplish in this area, no matter how well-meaning. There are many on all sides who argue that the private sector should not be involved in creating or protecting public goods. The ongoing discussion about public vs. private healthcare among industrial nations is representative of the pros and cons of government vs. corporate provision of an essential service.

A number of business experts argue that focusing on maximizing profits and achieving growth is socially responsible as corporations generate wealth and create jobs. Anything further in business operation is superfluous. In 2010, Dr. Aneel Karnani of the Stephen M. Ross School of Business argued that when business and public interest are aligned, all could benefit without the call for corporate social responsibility. For example, reducing the energy costs of a building increases profit and is good for the environment. However, in most cases, this alignment is not apparent. Dr. Karnani argues, "The movement for corporate social responsibility is in direct opposition, in such cases, to the movement for better corporate governance, which demands that managers fulfill their fiduciary duty to act in the shareholders' interest or to be relieved of their responsibilities."¹⁶ This type of conflict is exemplified by the case of social-mission-based Ben & Jerry's ice cream being absorbed in a hostile takeover by Unilever.¹⁷ Dr. Karnani goes on to say, "Managers who sacrifice profit for the common good are in effect imposing a tax on their shareholders and arbitrarily deciding how that money should be spent. In that sense they are usurping the role of elected government officials, if only on a small scale."

Mistrust of corporate participation in global problem solving has also been a significant barrier to collaborative problem solving. Global civil society is often painted as having an antagonistic position towards the private sector and public trust in corporations has been damaged following crises such as the Great Recession and the BP oil spill. Following the Rio+20 Earth Summit in 2012, many civil society organizations condemned the watered down



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outcome document that they argued was the result of undue influence from multinational corporations over the proceedings.¹⁸

Groups such as Friends of the Earth International (FoEI) have questioned the growing preference for market-based solutions to social and environmental problems, pointing out perceived hypocrisy between CSR programs and industry practices. FoEI argued in 2012 that a form of regulatory capture was taking place within the United Nations, “reflected in a shift away from policies and measures designed to address the role of business in creating many of the problems that we face, towards policies that aim to define these problems in terms dictated by the corporate sector, meeting their needs without tackling the underlying causes of the multiple crises.”¹⁹ In 2014, the group launched the Pinocchio Award, which awards multinational corporations for aggressive tax avoidance, incidents of greenwashing, and destructive environmental practices.²⁰ Trust in the private sector among the general public has also been demonstrated to be very low. The 2014 Edelman Trust Barometer, for example, found that only 21% of 33,000 surveyed respondents believe that business leaders make ethical and moral decisions. These types of perceptions around the private sector make problem-solving partnerships difficult to broker.

These arguments are, however, fading. A new business axiom—that companies can do well by doing good—is gaining purchase in all quarters. Corporate social responsibility is no longer optional and is becoming a core component in the organization of many major corporations. There are numerous potential benefits including, “reducing cost and risk, gaining competitive advantage, developing and maintaining legitimacy and reputational capital, and achieving win-win outcomes through synergistic value creation.”²¹ Over thirty years of research has revealed a positive relationship between CSR and financial performance. Yet, there remain significant challenges to corporate participation in global problem solving. Specifically, the first-mover and free-rider problems are enough to give many business leaders pause. In *Industrial Development for the 21st century*, Malika Bhandarkar and Tarcisio Alvarez-Rivero of the United Nations Department of Economic and Social Affairs outline a number of key obstacles to successful implementation of corporate social responsibility efforts:

- A lack of compliance throughout a corporation’s supply and distribution chains due to differing business contexts, individual belief systems and lack of understanding.
- A strong rhetorical commitment to social and environmental improvement, without adequate follow through and application of internal resources.
- Proliferation of differing “buyer codes of conduct” that create confusion and inefficiencies among suppliers.
- The uncertainty of being a first-mover. (Companies that take leadership and initiative to address a social and/or environmental problem must invest significantly in creating the infrastructure, establishing compliance



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mechanisms and convincing stakeholders to participate. If done properly, being a first-mover can provide a company with significant competitive advantage. However, if no one follows suit or customers don't buy in, the investment can turn into a significant loss. Furthermore, even if the venture is successful, there is the risk that other corporations will become free riders, benefiting from the first-mover's efforts without contributing to the new system's evolution.)

- A lack of adequate communication and reporting that demonstrates achievement of goals and builds confidence among investors and customers.
- The inability of government and/or civil society to adequately scrutinize industry performance and thereby identify companies that infringe on growing environmental and social norms.²²

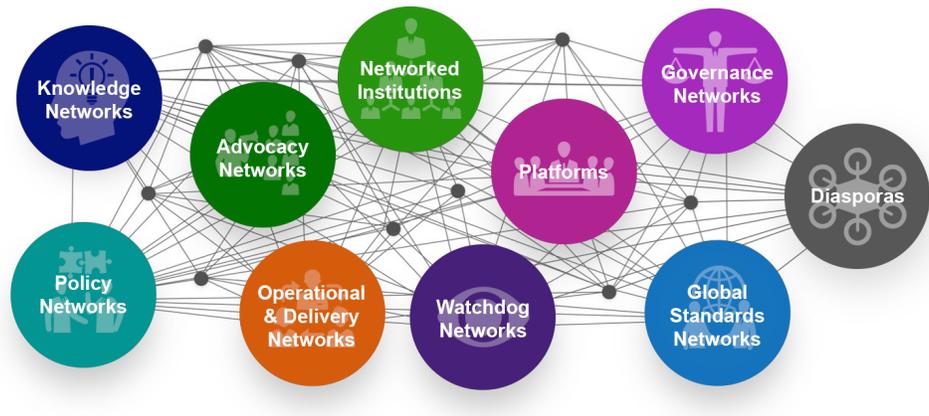
These remaining obstacles point to the need for partnership and cooperation between the private sector, civil society organizations, institutions and governments in order to fill the gaps and mitigate mistrust, free-riders and those who seek to undermine efforts. This is not just true for business; virtually all sectors have come to recognize the value of multi-stakeholder collaboration and cooperation in global problem solving.

Business can both contribute to and benefit from global solution networks. The ingenuity, resources and maneuverability of companies can fill the gaps and deficits that stymie non-profits, governments and institutions. Meanwhile, the credibility and legitimacy of these other actors can bolster corporate efforts and ensure that the risks of private sector participation are minimized. Global solution networks foster innovations, amplify individual efforts, spread risk and share cost. Indeed, by leveraging GSNs and collaborating with other stakeholders, businesses can access a much broader array of knowledge, skills and resources and thereby lower the cost and increase the effectiveness of their efforts to help solve global challenges. As companies work collectively with governments, NGOs and individuals, it is possible to make progress on many vexing issues.

The GSN Taxonomy of Solution Networks

The Global Solution Networks project has identified ten broad types of global problem solving networks. These categories are not mutually exclusive and many networks evolve and perform different tasks over time.²³





Description	Examples
 <p>Governance Networks provide a wide range of capabilities even similar to state-based non-institutional governance. These networks have been granted the rights and responsibilities for the administration of vital services.</p>	<p>The Internet Corporation for Assigned Names and Numbers (ICANN) is a multi-stakeholder, international and community driven organization. ICANN has been empowered to coordinate the protocols for the Internet.</p> <p>The Kimberley Process is a voluntary joint initiative involving government, industry and civil society aimed at stopping the trade of conflict diamonds. Launched in 2000, the Kimberley Process has successfully transformed the diamond industry to only include ethical suppliers and buyers, ensuring that diamonds purchased by end markets do not fuel ongoing conflicts.</p>
 <p>Networked Institutions provide a wide range of capabilities. They are not state-based but rather true multi-stakeholder networks. The value they generate can range from knowledge generation, advocacy and policy development, to actual solutions to global problems.</p>	<p>The United Nations Global Compact is the world's largest corporate citizenship initiative. It brings companies together with UN agencies, labor groups, and civil society to create and implement a principled framework for private sector practice that outlines expectations for positive human rights, labor, environment and anti-corruption efforts.</p> <p>Business for Social Responsibility is a global network that works with over 250 leading companies to embed sustainability in their operations. Offering research, consulting and facilitation of cross-sector collaboration, BSR has worked to help Microsoft integrate human rights considerations, assist ANN INC. to empower women and has reduced greenhouse gas emissions from the supply chain in China.</p>



 <p>O&D Networks actually deliver the change they seek, supplementing or even bypassing the efforts of traditional institutions</p>	<p>The Qualcomm Wireless Reach initiative works with over 450 partners to facilitate numerous O&D networks in over 40 countries. Qualcomm recently worked with Dulce Wireless Tijuana utilizing 3G technology to improve patient care for individuals with diabetes in the impoverished area of eastern Tijuana, Mexico. Mobile devices, applications and wireless connectivity were used to monitor and transmit patient information and medical guidance.</p> <p>Skills to Succeed provides online employment training for 15- to 24-year-olds to combat youth unemployment. Backed by Accenture, the initiative assembled a diverse group of experts, technologists, community partners and young job seekers to create the Academy. Skills to Succeed has since assisted over 700,000 individuals from around the world to improve their skills, gain employment and start initiatives of their own.</p>
 <p>Policy Networks create government policy, even though they may consist of non-governmental players. Policy Networks may or may not be created or even encouraged by formal governments or government institutions. Some policy networks support policy development or create an alternative for policy.</p>	<p>The Sustainable Development 2015 Open Working Group is a global network supporting dialogue on the post-2015 development agenda. The group is led by the UN, but is working with all stakeholders to develop a policy framework that places sustainability issues at the center of future growth. In 2013, this policy development process was opened up online to crowdsource proposals from around the world on what the sustainable development goals (SDGs) should contain.</p> <p>The Aspen Institute is an educational and policy studies organization with an international network focused on fostering leadership for enduring values. Their Corporate Values Strategy Group works to change corporate and investment practice as well as public policy, to support a change to long-term orientation in business decision making and investing. The group worked collaboratively in 2007 to develop the Aspen Principles, a set of aspirational policy guidelines for corporate practice.</p>
 <p>Advocacy Networks seek to change the agenda or policies of governments, corporations or other institutions.</p>	<p>Conscious Capitalism advocates to corporations to bring concerns about environmental and social sustainability into their business practices and organizational ethos. Conscious Capitalism fosters a growing network of local chapters and individuals that are committed to using capitalism to further human development and mutual prosperity.</p> <p>Slave Free Chocolate is an international coalition aimed at ending the use of child labor in West African cocoa farms. The group has worked the International Cocoa Initiative to get large companies such as Mars and Nestle to commit to ethical cocoa procurement.</p>



 <p>Watchdog Networks scrutinize institutions to ensure they behave appropriately. Topics range from human rights, corruption and the environment to financial services.</p>	<p>Friends of the Earth International (FoEI) is a global network of environmental organizations. One of its key activity areas focuses on economic justice and distributes the annual Pinocchio Awards. The awards call out corporations for greenwashing, abusive environmental and social practices, and for behavior that undermines society such as tax evasion and corruption.</p> <p>CorpWatch provides a central hub for information on incidents and evidence of corporate harm to social, environmental and economic systems. CorpWatch was the first organization to publish information on Nike's use of sweatshop labor in the 1990s and has since utilized its network of journalists, students, activists and policy makers to shine the light on corporations that violate labor laws or abuse the environment.</p>
 <p>Platforms seek to provide the infrastructure upon which other networks organize.</p>	<p>GivePulse is an online community that connects companies, non-profits and institutions to volunteers. The platform also gives organizations the tools they need to manage, track and report on their outreach and CSR initiatives.</p> <p>Initiated by Motorola, the Solutions for Hope platform was established in 2011 to source conflict-free minerals from the Democratic Republic of Congo and other ethical suppliers. The SfH platform creates a "closed-pipe" supply chain using verified smelters and processors, component manufacturers and electronics producers. SfH is part of the larger RESOLVE Solutions Network that draws in industry leaders and civil society to incubate and test ideas for environmental, social and health solutions.</p>
 <p>Global Standards Networks are non-state based organizations that develop technical specifications and standards for virtually anything including standards for the Internet itself.</p>	<p>The Forest Stewardship Council is an international not-for-profit and multi-stakeholder organization that provides a standard for responsible management of the world's forests. The FSC certification symbol has become ubiquitous on paper and lumber products, indicating that the producer of that item has complied with the 10 Principles for responsible forestry management.</p> <p>The Global Reporting Initiative is an international network, working collaboratively and iteratively to provide a Sustainability Reporting Framework for use by corporations and organizations around the world when measuring and reporting on their social and environmental sustainability efforts.</p>



 <p>Knowledge Networks develop new thinking, research, ideas and policies that can be helpful in solving global problems. Their emphasis is on the creation of new ideas, not their advocacy.</p>	<p>The Sustainability Consortium is administered by four universities in the US, Europe and China. TSC brings together academics, corporations and non-profits to develop transparent methodologies, tools and strategies based on improved understandings of sustainability issues.</p> <p>GeSI, the Global e-Sustainability Initiative, works in collaboration with leading ICT companies and organizations around the world to provide impartial information, resources and best practices for achieving integrated social and environmental sustainability through ICT. GeSI facilitates collaboration and innovative approaches to create technology-based solutions to climate change, energy efficiency, e-waste management, supply chain management and violations of human rights.</p>
 <p>Diasporas are global communities formed by people dispersed from their ancestral lands but who share a common culture and strong identity with their homeland. Thanks to the Internet these individuals and their affiliated organizations can now collaborate in multi-stakeholder networks.</p>	<p>Supported by USAID and Western Union, the African Diaspora Marketplace works to support members of the African Diaspora to establish sustainable economic growth and employment initiatives on the continent. The organization fosters greater connection between American and African entrepreneurs with the goal of supporting mutual growth, especially for countries in transition (such as Libya) and female entrepreneurs.</p> <p>IdEA, the International diaspora Engagement Alliance, promotes and supports diaspora-centered initiatives in investment and entrepreneurship, philanthropy, volunteerism and innovation in regions of diaspora origin. IdEA engages global diaspora communities, the private sector, civil society and public institutions in collaborative efforts to support economic and social development.</p>

Case Studies

The advantage of GSNs over traditional CSR initiatives lies in the fundamental ability of networks to weave the knowledge and contributions of employees, customers, investors and business partners, community members, public officials and NGOs into a more timely, productive and impactful solution to the problem at hand. Many leading companies have already embraced a networked approach to both CSR and global problem solving. The following case examples outline three distinct examples of private sector leadership in creating and participating in different kinds of global solution networks. First, the Wireless Reach initiative by Qualcomm sponsors numerous operational and delivery networks around the world. One of their most successful examples is represented by SootSwap, an app developed by a partnership



“Qualcomm recognizes both the value that wireless and ICTs can have in eradicating poverty and the need to foster the growing market for technology outside of the industrialized world.”

between Qualcomm and project Surya that translates the use of clean cookstoves by impoverished Indian families into carbon payments. Second, the Circular Economy 100 provides both a platform and a knowledge network aimed at connecting business leaders and increasing the integration of circular economics and sustainable practices into corporate operations. Last, the Sustainable Shipping Initiative is a governance network that seeks to address industry-wide challenges like rising energy costs and climate change by increasing efficiency, environmental protection and sustainability for all stakeholders including boat owners, shipping companies, port operators and energy providers. Combined, these case examples model the role that business can play in supporting and leading global problem solving.

Qualcomm and SootSwap

Qualcomm is one of the world's most significant multinational corporations, especially in the information and communications technology realm, operating 170 offices in 40 countries. The company ranks at number 326 on the Forbes list of the world's 2,000 largest corporations and has an estimated market value of USD\$68.34 billion.²⁴ Established with the goal of creating “quality communications,” Qualcomm has been a pioneer in the development of mobile and networked communications.

Qualcomm has integrated corporate social responsibility tenets into every aspect of its operations, including its governance, workplace, environmental impact and community outreach. One of the company's most interesting initiatives is the Wireless Reach initiative that “brings advanced wireless technologies to underserved communities globally, improving lives with projects that strengthen economic and social development.”²⁵ Qualcomm recognizes both the value that wireless and ICTs can have in eradicating poverty and the need to foster the growing market for technology outside of the industrialized world. The Qualcomm Wireless Reach initiative invests in the development of technology that provides a solution to ongoing challenges in education, entrepreneurship, public safety, health care and environmental sustainability within impoverished communities, at home and abroad.

One of the initiative's most successful ventures is the development of an app called SootSwap. The challenge that was identified for potential benefit by the Wireless Reach program was the use of traditional cookstoves in India. It is estimated that about 3 billion people around the world use traditional cookstoves, which utilize firewood, cow dung and crop residues for heat.²⁶ However, the inhalation of smoke and included toxins results in the deaths of about 4 million people globally, in addition to a significant carbon emission that contributes to climate change. An emerging voluntary market for carbon emissions in India presented the opportunity for impoverished families to finance a switch to clean cookstoves. However, there was a gap in the ability to track and measure the carbon offset produced by the use of a clean cookstove versus a traditional cookstove. If a carbon trader wanted to

purchase the carbon offset created by the switch and pay Indian families for producing those offsets, that trader would need accurate data.

In response to this challenge, Qualcomm partnered with Project Surya, which is a partnership between Nexleaf Analytics and The Energy and Resources Institute (Teri), to develop a mobile application to solve the monitoring and data problem. Project Surya works with leading academics, the United Nations Environment Programme and other NGOs such as The Global Alliance for Clean Cookstoves to reduce atmospheric concentrations of black carbon, methane and ozone, primarily by advocating against the use of biomass-fueled fires. Nexleaf Analytics is a nonprofit technology company that works to produce innovative cellphone-based applications that solve pressing environmental and public health problems. Last but not least, Teri is knowledge and research focused organization based out of New Delhi that promotes the use of sustainable energy and resources to support development. This collaboration between private and non-profit partners, combining technical, scientific and advocacy expertise, produced an innovative solution to the problem of quantifying carbon offsets from clean stovetops.

The SootSwap system is an innovative mobile-phone-based temperature-sensing application and thermal sensor that uses Android devices to wirelessly convey temperature data to a central server. The system has been proven to accurately track frequency of use and cook times for a family using a clean stovetop. The data is then analyzed remotely and translated into carbon reductions for market investors. From there, the investors purchase the quantified carbon offsets and transmit payment back to the families. It is estimated that the payment from carbon trading could finance the purchase of a clean stovetop (estimated to be USD\$50-\$100) over the course of 2 to 5 years for a family living on less than USD\$2 per day. By closing the loop between loan providers, impoverished families and carbon traders, SootSwap is the final piece in the puzzle of monetizing and incentivizing a switch to environmentally friendly alternatives. Qualcomm provided the necessary funding; Nexleaf Analytics developed the SootSwap system and conducted laboratory testing; and Teri provided grassroots training on how to use clean stovetops and the SootSwap system.

This example is one of many operational and delivery networks that Qualcomm is sponsoring through their Wireless Reach initiative. While currently a pilot project, once the technology is scaled to 100,000 stovetops it is expected to improve health outcomes for 500,000 people and eliminate 300,000 tons of carbon dioxide from being released into the atmosphere annually. Ultimately, it is expected that the demonstration of value in switching to clean stovetops will promote widespread adoption of the new technology across India and potentially around the world.



“*The circular economy is an industrial model that is ‘restorative by intention; aims to rely on renewable energy; minimizes, tracks and hopefully eliminates the use of toxic chemicals; and eradicates waste through careful design.’*”

The Circular Economy 100

Qualcomm’s Wireless Reach is a corporate-led initiative that draws in participants from civil society and government. However, private sector entities can also participate in global solution networks that are led by other sectors, lending valuable industry voice to collective problem solving. An example of this type of business role in GSNs is exemplified by the Circular Economy 100 (CE100).

Initiated by the Ellen MacArthur Foundation, the (CE100) is both a platform and multi-stakeholder knowledge network aimed at spurring business adoption of circular economic principles. Established in 2010, the Ellen MacArthur Foundation was inspired by its namesake, who was the fastest solo sailor to ever circumnavigate the globe. Reflecting on her experience, MacArthur stated:

Sailing around the world against the clock in 2004, I had with me the absolute minimum of resources in order to be as light, hence as fast, as possible. At sea, what you have is all you have, stopping en route to restock is not an option and careful resource management can be a matter of life or death—running out of energy to power the autopilot means you can be upside down in seconds. My boat was my world, I was constantly aware of its supplies limits and when I stepped back ashore, I began to see that our world was not any different. I had become acutely aware of the true meaning of the word “finite,” and when I applied it to resources in the global economy, I realized there were some big challenges ahead.²⁷

MacArthur has since worked with partners in the private sector and academia to explore and advocate for a transition of the global economy toward a circular, rather than linear, model. The Foundation was established with the support of private sector partners including B&Q, BT, Cisco, National Grid and Renault.²⁸

Circular economics is not a new concept, but it is one that has quickly gained momentum since the Ellen MacArthur Foundation took it on. The circular economy is an industrial model that is “restorative by intention; aims to rely on renewable energy; minimizes, tracks and hopefully eliminates the use of toxic chemicals; and eradicates waste through careful design.”²⁹ This is in contrast to the status quo economy that utilizes a produce-consume-discard model that exhausts natural resources, exploits human capital and damages the environment in the long-run. In the face of a drastically expanding middle class, increasing resource scarcity, and concerns of the social and environmental impacts of the current economy, calls for reform have grown louder.³⁰ Research by the Foundation, in partnership with McKinsey, estimates that transitioning to a circular economy potentially offers a 1 trillion dollar opportunity to the global economy. The idea of a circular economy has since garnered significant attention from businesses, governments and civil society actors.

The CE100, launched by the Ellen MacArthur Foundation in 2013, is a business alliance that provides corporations with the knowledge and tools they need to transition their operations to a circular model. The CE100 is a “group of pioneers that believe that individual people within individual businesses will struggle to create a circular economy, but by working together, they can.”³¹ The CE100 provides participants with three levels of support: a mechanism for collective problem solving; a library of best practice guidance; and a scalable framework for building circular economy capabilities within businesses. The platform allows global members to connect with one another through forums, workshops and summits. There are already over 90 companies involved in the CE100 including Apple, Coca-Cola, Ikea, H&M, HP, Unilever and Philips. The CE100 promotes the use of cradle-to-cradle certification (C2C) and shows signs of developing its own standards for measuring product and company circularity.³²

The Foundation reached out in 2013 to institutional partners such as the World Economic Forum to initiate Project Mainstream, which produces articles and research about the need for a transition to circular economics.³³ Representatives from virtually all industries including the consumer electronics, apparel and food industries are getting involved in circular economics. New companies are emerging in response to the increasing attention for circular economics and zero waste. Loliware is one such example—the company produces biodegradable and edible cups made from gelatin.³⁴ In September 2014, the EU adopted a zero-waste program, establishing a legal framework for an EU-wide circular economy. The policy initiative seeks to boost recycling and prevent the loss of valuable materials; create jobs and economic growth; show how new business models, eco-design and industrial symbiosis can move society towards zero-waste; and reduce greenhouse emissions and environmental impacts.³⁵

Clearly, the concept of circular economics has gained the attention and imagination of all stakeholders. As founding partners and participants of both the Ellen MacArthur Foundation and the CE100, business leaders such as Cisco, Philips and Coca-Cola are guiding the discussion on these issues, preparing themselves to take advantage of being first-movers, and anticipating a global consumer shift towards sustainable products and services.

The Sustainable Shipping Initiative

A third opportunity for business engagement in global problem solving is when the rise of an industry wide challenge serves as a catalyst for business leaders to create a global solution network that pools knowledge and shares risk across the industry. One such example is the Sustainable Shipping Initiative, an industry-centric governance network aimed at tackling a series of threats with the potential to undermine the sustainability of maritime shipping.



Global shipping is a massive and growing industry, with significant impacts on local communities, the environment and the economy. Some 90% of the world's international trade travels by sea and, as a consequence, the shipping is responsible for 3 to 4 per cent of global carbon dioxide emissions. A desire to reducing these emissions, and address other long-term sustainability issues, compelled leading companies in the industry to not only work together, but to draw in expertise from NGOs and academia to help them make the far-reaching adjustments required.

Initiated by a group of industry leaders in 2010, the Sustainable Shipping Initiative (SSI) was first outlined by Forum for the Future, an NGO that seeks to transform critical systems (food, energy and finance) to ensure their resiliency to modern challenges.³⁶ David Bent of Forum for the Future recalls being contacted by a leader within the maritime shipping industry who had become increasingly alarmed by the impacts of energy costs on the shipping industry and the broader global economy. Essentially, the business leader realized that “in order to compete, there has to be an industry that we’re competing in. If that industry shrinks or is made obsolete, then it doesn’t matter how fierce our rivalry is.”³⁷

A subsequent call to action report reviewed the landscape and identified three key challenges that the maritime shipping industry will need to address over the next 30 years: a changing economic context due to shifting global power and development dynamics; increased scrutiny of environmental performance and higher expectations due to mainstreaming of transparency and sustainability within global supply chains; and changing energy markets due to a shift away from fossil fuels and the consequences of climate change, which could create severe environmental disruptions.³⁸ The report discusses industries that have and have not been successful at predicting and adapting to change. General Electric is cited as an example of a company that was able to anticipate changes in expectation for sustainable products and successfully transitioned into producing energy efficient products. This is in comparison to companies in the aviation industry that based their business model on historical fuel prices and suffered a major collapse in the 00s.³⁹

The SSI is a cooperative network of maritime shipping companies that seeks to accelerate innovation and provide guidance on operational best practices and standards for transparency amongst stakeholders. In essence, the SSI provides a governance network that establishes protocols for shipping companies that will help ensure the entire industry's sustainability, while sharing costs and risks of developing technologies that can enhance environmental performance.

One year after its inception, the SSI articulated a shared vision of a sustainable shipping industry that protects the global economy from disruptions to maritime shipping and ensures individual corporate longevity. The SSI Vision 2040 was signed by 17 corporate partners including Cargill, Unilever and Bunge, as well as Forum for the Future and the World Wildlife Fund (WWF).⁴⁰ The Vision develops target areas for sustainable change in the maritime shipping industry such as creating energy efficient ships, using alternative energy sources and improving labor standards. The Vision also



“A number of corporations have proven to be credible and legitimate solution providers when social and environmental concerns are melded into the values that shape their businesses and the very fabric of how they operate.”

points to the need to work with government and civil society stakeholders to ensure a level playing field.⁴¹ The SSI became an independent charity in 2013, although the network is still “run by the industry for the industry.”⁴² The SSI has evolved to include representatives from all aspects of the shipping industry including ship owners and operators, engineers, insurers, technical standards organizations and shipping customers. The SSI is also establishing knowledge partnerships with experts from academia, the technology sector and NGOs to ensure that their work is well informed.⁴³

To date, members of the SSI have developed work streams that tackle the identified issues, introducing new eco-ship designs and reducing carbon emissions.⁴⁴ For example:

- BP is targeting “voyage optimization” that will reduce the use of fuel. This has entailed planning routes for efficiency, managing speed and ensuring just-in-time arrival at ports.⁴⁵
- Bunge Ocean Freight is working to upgrade existing vessels for environmental friendliness and support development of future eco-vessels.⁴⁶
- Rio Tinto is researching the use of wind propulsion to augment the use of fossil and bio-fuels in powering ships, reducing consumption while also increasing speed.⁴⁷

By establishing this governance network, leaders in the maritime industry are working together to reduce the cost of being first movers and reducing the risk of free-riders. The SSI is cultivating the future conditions in which their current efforts for change will be both corporately and socially successful.

Implications and Recommendations for Business Leaders

Private sector leadership in fostering, participating in and establishing global solution networks demonstrates the vital role business can play in multi-stakeholder approaches to problem-solving where success is contingent on cooperation and collaboration within and across sectors. In fact, all four pillars of society—government, civil society, individuals and the private sector—are necessary to make progress on many social and environmental concerns that the world faces this century.⁴⁸ A number of corporations have proven to be credible and legitimate solution providers when social and environmental concerns are melded into the values that shape their businesses and the very fabric of how they operate. With this in mind, there



are a number of implications and recommendations for industry leaders who are hoping to contribute more effectively to global problem solving.

Promoting a re-evaluation of long-term corporate interests is an important driver of business involvement in addressing global problems. Corporations are well positioned to be powerful catalysts for change. With skilled managers, sophisticated technologies, deep resources and transnational reach, corporations can advance causes such as sustainable development and poverty reduction, especially through partnerships with governments and civil society organizations. However, it is hard to enlist business engagement in GSNs when the industry players are myopically focused on short-term profits. Organizations such as Forum for the Future and Business for Social Responsibility, on the other hand, have done a good job helping companies understand that the long-term viability of their industries is dependent on their participation in ensuring environmental sustainability and social prosperity. The Sustainable Shipping Initiative, as one example, wouldn't exist today if shipping industry leaders hadn't paused to participate in a shared exercise of re-evaluating their long-term corporate interests.

Collaboration as a first, not last resort is more likely to produce mutually-beneficial solutions. It is tempting for corporate leaders to play hardball with people or organizations that criticize them. The problem with an adversarial approach, however, is that corporate responses to emerging problems are initially set within a narrow financial context, even when a more expansive set of social and ethical considerations is appropriate. And sometimes collaboration ends up being a desperate last resort for those in crisis, a point at which collaboration doesn't work. On the other hand, establishing collaborative relationships from the outset of a social or environmental effort builds trust amongst stakeholders and makes mutually agreeable solutions more likely to emerge.

The Cocoa Initiative, a multi-stakeholder effort designed to eradicate slavery from the cocoa supply chain, is a good example of how organizations on opposing sides can move toward establishing mutually agreeable expectations about acceptable corporate conduct. The issue first surfaced after investigations by human rights organizations revealed that child slaves were being forced to harvest cocoa in small West African farms where 75% of the world's cocoa is grown—cocoa that eventually finds its way into chocolate treats manufactured by companies such as Hershey's, Nestlé and Cadbury.⁴⁹ Chocolate manufacturers initially claimed that they bore no responsibility for slavery since they purchased cocoa on the commodity markets and had no direct relationships with the cocoa suppliers. NGOs painted the industry as villains and, in some cases, simplified the complex and sensitive social issues that underlie child and forced labor in West Africa.

The two parties came closer together after of months of dialogue, brokered by two members of the US Congress, Senator Tom Harkin and Representative Eliot Engel. The talks resulted in a unique regulatory partnership between NGOs, labor unions, cocoa processors and the major chocolate brands that is developing a transparent certification process for cocoa suppliers that don't rely on forced labor. The initiative also fosters community-level actions



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that change the way cocoa is grown. Today, such instances of collaboration have become increasingly common in the consumer goods industry where companies that sell items ranging from confectionery to running shoes have developed novel, transparency-based approaches to coping with workplace health and safety in the furthest reaches of their supply chain

Expanding participation in decision-making can help companies navigate an environment where issues and stakeholders are constantly shifting. In conversation with Don Tapscott at the Oxford GSN Summit, Mark Spelman of Accenture described good leadership in today’s economy as the ability to cultivate emotional and cultural intelligence, engage in meaningful collaborative relationship with diverse stakeholders and work across multiple timeframes. These leaders are able to recognize interdependence and common interests among stakeholders, rallying employees and consumers to their cause.⁵⁰ Spelman described dynamic leadership as opening up the decision-making process of the corporation to internal and external stakeholders—integrating them into the process and seeking comprehensive guidance.

GSNs offer corporate leaders the opportunity to tap into previously unavailable knowledge that can enhance and strengthen corporate efforts at creating positive social and environmental impact. Indeed, the most forward-thinking companies are adopting a more consensual and inclusive decision-making process for issues where the interests of other stakeholders are at stake. For example, Clorox recently made the entire list of chemicals used in their cleaning products publicly available and has said they hope the information will help shed light on allergic reactions to certain artificial fragrances. Consumers and advocacy groups lauded the move, arguing that genuine transparency empowers all stakeholders to participate in addressing problems.

The process of engaging with stakeholders can help corporations make better decisions, and the added effort upfront to arrive at reasonably consensual decisions can save a great deal of frustration and friction down the line. As they decide about when to open decision-making to scrutiny, firms should remember that decisions reached through inclusive processes garner more legitimacy and enjoy a higher rate of compliance. Strong external engagement also gives companies greater awareness of emerging issues and social changes, allowing them to anticipate and adapt at a more rapid pace. Sharing information and participating in GSNs provides companies with an early-warning system that helps them more accurately foresee the risks and opportunities in tomorrow’s social and political landscape. At the same time, Spelman suggests that CEOs and other executives with well-honed leadership skills can lead and inspire a set of networked stakeholders to achieve superior results.

Global solution networks provide valuable forums for sharing the risk and responsibility for addressing difficult problems. The kind of profound innovation required to solve many global challenges will not simply occur without significant investment of intellectual and financial capital. Indeed, there are a number of conditions that must be cultivated internally and



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externally for business to develop innovative products and processes that can help achieve sustainability goals. It is vital, for example, to foster an organizational culture that encourages employees to re-engineer products and services for sustainability and to work in partnership with industry peers and other stakeholders to identify and act on opportunities. This means instilling the desire to seek out new information, consider other perspectives, be more transparent about corporate policies, and even share intellectual property and other resources.

Global solution networks that facilitate multi-stakeholder collaboration have proven to be quite useful in helping to spread the risk and responsibility among stakeholders for moving toward a shared vision and outcome. The Circular Economy 100, referenced earlier, not only provides the convening power needed to bring diverse stakeholders together, it supplies mechanisms for collective problem solving, a library of best practices and a platform that allows members to connect with one another through forums, workshops and summits. With these supports in place, the 90 companies that participate in the CE100 are much better equipped to make progress on common goals like eliminating waste and boosting resource efficiency.

Companies are more likely to make authentic contributions to global problem solving when progressive values are embedded in the DNA of the organization. When George Merck II described the purpose of Merck & Company in 1935 he said, “We are workers in industry who are genuinely inspired by the ideals of advancement of medical science, and of service to humanity.”⁵¹ Merck’s vision wasn’t inspired by altruism, but by a form of pragmatic idealism. As Merck explained in 1950, “We try to remember that medicine is for the people. It is not for the profits. The profits follow, and if we remember that, they have never failed to appear.”⁵² The deep-founded commitment to social good championed by George Merck is a hallmark of the companies that tend to be successful over the long-term. Indeed, the conclusion reached by Jim Collins and Jerry Porras in *Built to Last*, their landmark study of the characteristics of visionary companies, was that, in the most successful, enduring and profitable companies, values lead and profit follows.⁵³

Successful participation in global problem solving and multi-stakeholder initiatives requires a values-based ethic and a deep organizational commitment to integrity, sustainability and social responsibility. This commitment is built by threading these values throughout every corner of the organization—not simply within the sustainability department. As stated by Seth Godin, “Marketing used to be what you say. Now, marketing is what you do. What you make. How you act. The choices you make when you are sure no one is looking.” In other words, what an organization says rhetorically and what it does in practice must be aligned. This is essential to differentiating a brand and changing consumers’ purchasing decisions, but also to establishing long-term and effective relationships within and across sectors. Partnerships and collaboration are contingent on hard won trust.

As Andrew Steer of the World Resource Institute put it, “There’s a big difference between companies that actually, really believe and live their



values and those that might list values but don't actually live or believe them and it's not easy until you get inside those companies to really know what they are. But my goodness me, you can tell it when you get there."⁵⁴ These values must also evolve over time in order to stay current. Dynamic leadership facilitates this evolution, taking into account the opinions of internal and external stakeholders to provide an iterative progression of the corporation's ethical foundations.

Identifying a clear ROI for contributing to global problem solving can help make corporate participation in GSNs attractive to management and shareholders. With its Wireless Reach initiative, Qualcomm is very open about the fact that its suite of initiatives in health care, education and women's empowerment is designed to help expand market opportunities and grow its business. Qualcomm started working with women entrepreneurs, specifically in Indonesia, right around the time that the GSMA report "Women and Mobile: A Global Opportunity" came out, stating that there is a 21-37% mobile phone gender gap, in which women are less likely to own a phone than are men. According to Angela Baker of Qualcomm there are 800 million working women in developing countries that don't currently own a smartphone. "That's a big market for us," she says "and our Wireless Reach initiatives can help us unlock it."⁵⁵ When the Wireless Reach team evaluates proposals for funding, it first considers the company's strategic goals for the following fiscal year. "We'll talk about regions of the world that are of significant importance to us," says Erin Gavin, also with Qualcomm. "So, let's say we want a big focus on India, China and Indonesia. We then look at the range of organizations that we could work with that will support our business development efforts."⁵⁶

While Qualcomm ties its Wireless Reach efforts to relatively short-term market objectives, Unilever is setting its sights on longer-term sustainability goals. CEO Paul Polman has been vocal in proclaiming the need for integrating environmental and social goals into overall business planning. Among his goals: doubling Unilever's size while sharply reducing its environmental footprint and increasing its social impact through partnerships like a recent initiative to improve the livelihoods of 4,000 vanilla farmers in the Sava region of Madagascar. The country produces 79% of the world's natural vanilla supply and Unilever uses vanilla as an ingredient in its leading ice cream brands, such as Magnum, Breyers and Carte D'Or. To help secure this vanilla supply for the long-term, Unilever is working with local vocational schools and the German government to support the farming communities with improved access to secondary education as well as training in agricultural best practices. The network, which is partly financed by the German Federal Ministry for Economic Cooperation and Development (BMZ), includes a comprehensive three-year program that will impact 32 communities and involve 44 schools and colleges, giving it the potential to improve 24,000 lives in one of the world's poorest nations. The program operates through farmer field schools to both increase vanilla productivity and also encourage crop diversification. As a result, farmers can earn more money from vanilla, and improve their food self-sufficiency.



Digital platforms for integrated reporting provide useful vehicles for sharing information, building trust and engaging stakeholders in dialogue.

Many firms cling to a culture of secrecy because they fear that, by arming critics with information, they make themselves vulnerable to hostile groups. Smart companies, by contrast, learn that withholding information, or failing to honestly and clearly communicate, can alienate stakeholders and strain important relationships. For this reason, they anticipate and disclose the information stakeholders seek to demonstrate the firm is a trustworthy partner. Over time, a commitment to transparency reinforces the notion that a company's commitments are reliable and that its behavior consistently aligns with the values and images it projects in the marketplace.

Cultivating a strong reputation for contributing to social and environmental issues, however, requires constant and meaningful reporting on their efforts, contributions and achievements. This is most easily done using digital platforms. Companies could abandon separate financial and corporate social responsibility reporting in favor of truly integrated triple-bottom-line reports that convey short-term gains as well as long-term vision. One of the leading companies in this area is SAP, which annually publishes its SAP Integrated Report. The report brings together the information usually shared in an annual report with the information normally contained in a sustainability report. The integrated report allows users to see clearly the links between 14 different economic, social and environmental performance indicators, demonstrating to stakeholders the business case for embedding social and environmental considerations into the business.

Business can leverage its experience in scaling programs and processes to help optimize the impact of GSNs. By leveraging their unique talent and experience in scaling products, programs and processes to the global level, business managers can help GSNs invent new solutions to global problems and develop the leadership and management capabilities required for successful operations.

Multinational companies are inherently equipped with the tools and resources to make seemingly overwhelming social issues more manageable and turn small local successes into larger and more global collaborative wins. Mary deWysocki, director of Strategy and Portfolio at Cisco, for example, references the company's leadership role in the Global Education Leaders' Program (GELP), a global network of thought leaders and key education leaders who are committed to transforming education to meet the challenges of globalization, demographic shifts and technological advancements.⁵⁷ Cisco participates in a variety of ways, but their core competencies include: the ability to establish a meaningful and searchable fact base on education with relevant data that can be cross-referenced and easily researched; the skill needed to deconstruct an issue and perform an analysis of root causes and solutions; the ability to identify useful potential partners and forge alliances across sectors and regions; the technology platforms to connect and empower participants that are located around the world; and the ability to develop an action plan to achieve quick wins to prove/disprove new models.



“Global solution networks that facilitate multi-stakeholder collaboration have proven to quite useful in helping to spread the risk and responsibility among stakeholders for moving toward a shared vision and outcome.”

Networks of companies, NGOs and governments can create a powerful synergy, and lead to a state in which each will think of the other when something needs to be done. This can be a valuable mechanism for growth. The consequences can be immediate and dramatic, allowing GSNs to reach millions more than previously possible. “An innovation—whether it’s a new vaccine or an improved seed—can’t have an impact unless it reaches the people who will benefit from it,” said Bill Gates, co-founder of Microsoft and co-chairman of the Bill & Melinda Gates Foundation.⁵⁸

Organizing collective action can help reduce structural barriers to effective corporate action on global problems. In some cases, the benefits of participating in a GSN will be clear and compelling, especially when the contributions made by companies are reciprocated by supportive employees, customers and investors. Contributing to community organizations and treating employees well are some of the easy wins. But how can values-based enterprises push the envelope to address some of the really hard problems, where the competitive or financial rewards of leadership are not quite as obvious? Problems such as reducing greenhouse gas emissions, halting the spread of HIV infections in Africa, and ending the corrupt practices that undermine economic development not only overwhelm the capabilities of individual companies to solve them (even when, as suggested above, they harness the resources and competencies of multi-stakeholder networks), the economics of unilaterally investing in solutions can often run contrary to interests of shareholders. Although corporate leaders may be motivated to help, there are structural barriers to effective corporate action.

Consider greenhouse gas reduction. In the absence of an international price on carbon, pursuing unilateral action could expose a company to substantial risks, including:

- Substantial investments in changing processes and adopting new technologies will not be recouped, and the end benefits might take years to manifest;
- Less environmentally committed competitors will take advantage of cost increases to undercut the marketplace;
- A commitment to reducing greenhouse gas emissions would fail to produce any significant environmental benefits unless it was widely emulated.

In this case, not only would the firm’s action cause financial harm to shareholders, the strategy itself would not significantly lower overall greenhouse gas emissions. Meanwhile, the same collective action dilemma plays itself out in other similarly complex issues. A large exporter may balk at paying bribes to foreign officials to win sales. But if its offshore competitors persist in the practice, the company and its shareholders are put at a disadvantage while the norms that countenance bribery in the first place remain unchanged. Thus, in many instances, principled action is stifled by risk and uncertainty. Because no firm can be sure how others in the



“...more transparent and participatory forms of governance will enable corporations to become more integrated with the societies in which they operate, more attuned to social and environmental concerns, and better equipped to develop pragmatic and profitable solutions for advancing the common good.”

industry will react, no firm can be reasonably expected to bear the costs and risks of acting alone.

Businesses need to build their strategy with these types of collective action dilemmas in mind. Their success in achieving goals will often depend on their ability to rally other firms in the industry around the same goals. This predicament creates a strong incentive for values-based enterprises to encourage like-minded leaders to join them in adopting higher standards and, where possible, to organize widespread industry cooperation. As Columbia Law School professor Charles Sabel put it, the goal of collective action is to provide an opportunity for firms “who once saw their interests as adverse to redefine them as compatible in the act of institutionalizing cooperation.”⁵⁹

The success of collective action varies across sectors and depends on many factors, including the size of the group, the degree of stakeholder interdependence, the ability of lead firms to influence laggards, and expectations about cooperation and reciprocity. Organizing collective action is not impossible, but it will take a combination of dexterity and diplomatic leadership to bring it about. Indeed, the most significant impediment to the growth of corporate virtue is a failure of vision among business leaders. Perhaps, on the positive side of the equation, this lack of vision leaves the playing field open for a new generation of creative and courageous corporate leaders. Their task will be to promote the notion that by working together as industries, and by enrolling the support of civil society and government, they can extend and enhance the benefits of economic activity for society.

Ultimately, leadership and participation of the private sector in global problem solving provide numerous benefits, although it may not always be easy. Designing broader forms of accountability, creating new institutions for collective action and sharing risk and responsibility—these will be challenging, and occasionally agonizing, advances. But the promise is that more transparent and participatory forms of governance will enable corporations to become more integrated with the societies in which they operate, more attuned to social and environmental concerns, and better equipped to develop pragmatic and profitable solutions for advancing the common good.

It is within GSNs that this vision of multi-stakeholder cooperation and collaboration, accelerating progress while reducing risk, can be achieved.



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About the Author



James Daly is a veteran journalist and media entrepreneur. He has launched magazines for filmmaker George Lucas (Edutopia) and TED Curator Chris Anderson (Business 2.0), serving as Editor in Chief on both. Most recently he was the Founding Editor of TED Books, an Executive Producer at Byliner, and Producer of the Reinventors web series “Reinventing Hollywood.” Daly has also served as a Features Editor at *Wired*, where he was the lead editor on cover stories that helped gain the magazine the National Magazine Award for General Excellence, and was Senior Editor at *Forbes ASAP*, as well as a new media columnist for both *Rolling Stone* and the *San Francisco Chronicle*. He was Editor in Chief of *Red Herring* and *Greatschools.org*, and has written and photographed for a number of publications including the *Los Angeles Times*, *Spin*, *Sonoma*, *ID*, and KQED radio.

He received his Bachelor of Science, in Journalism and Economics, from Boston University. He also has a degree from the New England School of Photography, and has done postgraduate work in economics and international relations at Harvard University. His projects have received more than two dozen editorial awards and been featured in “Magazine Designs That Work” (Rockport Publishing). He is the co-author of *2030: A Day in The Life of Tomorrow’s Kids* (Dutton), a book created for school children designed to get them excited about the world they will inhabit (and help create) as adults. He is also the owner of 2030 Media, a content-creation firm.

About Global Solution Networks

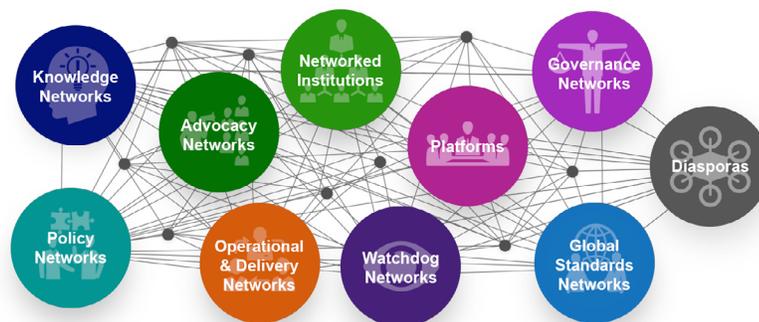
Global Solution Networks is a landmark study of the potential of global web-based and mobile networks for cooperation, problem solving and governance. This research project is a deliverable of the GSN program, offered through the Martin Prosperity Institute at the Rotman School of Management, University of Toronto.

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Ten Types of Global Solution Networks

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