



Daryl Brewster, CEO of CECP, on The CEO Investor Forum and the problem with short-termism

[Transcript](#)

Mike Kearney:

Hello, everybody. Last year during our fourth episode of [Resilient](#) you may remember I spoke with Daryl Brewster, the former CEO of Krispy Kreme donuts, and the current CEO of CECP. And you know what? I have to reflect on the fact that one of my favorite parts of that conversation with Daryl was the difficulty that CEOs face with balancing the need to deliver on short-term expectations, we see it quarter to quarter on CNBC, with their aspirations to create an organization that really thrives in the long-term.

You know I love that Daryl and CECP are actively working to help companies re-focus our attention, investors, shareholders, stakeholders, on the need to create long-term sustainable businesses. And guess what? At the end of February CECP will be hosting its inaugural CEO Forum where a group of Fortune 500 CEOs will be sharing their long term business plans. It's the first time that this has ever happened and because of the importance of the event, I wanted to share a very short excerpt from Daryl's original podcast where he discusses purpose driven organizations and the advantages of integrating both social and environmental considerations into business strategy. Everything from enhancing a company's brand, to engaging employees and identifying new markets is the value of taking this approach.

I hope you enjoy it and, if this whets your appetite, I encourage you to listen to the full episode which can be found on iTunes, your favorite podcatcher, or even [Deloitte.com](#). And if you want to learn more about CECP's Strategic Investor Initiative just go to their website.

Mike Kearney:

So I think there's probably a number of people who may not be familiar with CECP. Can you maybe just spend a couple of minutes talking about what—you're the CEO of CECP.

Daryl Brewster: Yep.

Mike Kearney: What is it?

Daryl Brewster: Yeah. CECP is a for-purpose organization. Some people call those non-profits. But I think it's really about the purpose that matters rather than what do you do with the dollars at the end of the day.

Mike Kearney: The structure, yeah.

Daryl Brewster: That basically is the corporate force for good. So that is our notion. It was founded by Paul Newman, the actor/salad dressing maker, and leading CEOs John Whitehead of Goldman Sachs fame, Ken Derr from Chevron, Peter Malkin from Empire Realty. They were all leaders in their communities and were really able to make a difference in that.

And there was some pretty good evidence at the time that that was starting to disappear from what businesses were doing, where they were reducing their investment back into society.

Mike Kearney: How did Paul Newman get involved in that? Do you know the background on that? That's interesting.

Daryl Brewster: Yeah. As I'm told, Paul had the belief and he was showing up at annual meetings with companies and saying, "You guys should be spending more in your community." And, of course, it's Paul Newman, so everybody pays attention to him.

And it wasn't just words, which everybody tells everybody else what they should go do. But Paul had founded Newman's Own, a company which, you know, salad dressings, and popcorn, and pet food, and beyond. And 100 percent of the profits of this organization are spent back in the community.

So he lived the world that he was suggesting ... the companies ought to be able to do a bit more to help make the world a better place.

Mike Kearney: So he wasn't the Hollywood actor that was grandstanding.

Daryl Brewster: Not grandstanding. He actually put his money where his mouth is. He put his face on those things.

So he kind of got, as I hear the story, really engaged from that perspective, worked with the CEOs. And the CEOs said, "Rather than do that at the meeting, so that we'll come across as How do we really form an organization that can help companies become more focused on that?"

So CECP was founded—the letters stood for the Committee Encouraging

Corporate Philanthropy. Today we don't use the P word as much. It's a great word. It comes from the Greek, meaning love of mankind. But sometimes in the business world, it gets conflated with charity and giving away and all the rest. And this is shareholders' money we talk about in many instances.

So today we just use the letters. And we can say what we want. It could be "Chief Executives for Common Purpose" or "Corporations Engaged in Community Progress." We can use what terms we want.

Mike Kearney: You are really good with spinning these acronyms.

Daryl Brewster: Acronyms is actually one of my great skills. We all have one or two skills in life. So that's really what the group—today, the group has well over 200 companies. They are among the world's leading companies. Two-thirds of the Fortune 100. Our annual revenues of the companies we have are over \$7 trillion, close to \$8 trillion in revenue.

As an economic unit, it would be the third-largest economic unit in the world after the United States of America, if you compare revenue to GDP. And I think that's fair. China's second with—but with one more devaluation, we may move into second place here.

But these are big companies. They're global companies. And we've moved beyond the notion—although it's still an important aspect of what we do—of how companies might invest. I'll use the word "invest" back in their communities. That's one area. But how companies really can be a force for good in society. And why that is not just good for the community, but it's also good for the business.

And we're seeing increasing evidence that companies—and we shared the Krispy Kreme experience, right?

Mike Kearney: Mm-hmm.

Daryl Brewster: Had they not been making that investment in those doughnuts for your daughter's uniform and for hundreds and thousands of communities throughout the Krispy Kreme area, it's a brand that could have gone like everybody else's.

But that investment really helped that company survive. We think not only did it help the company survive, but increasing evidence that it really helps companies prosper by really being aligned with society.

In fact, I think it's almost a tautology. Companies that are not aligned with society will go the way of Circuit City and ...

Mike Kearney: Blockbuster.

Daryl Brewster: ... perhaps Peabody Energy and Blockbuster and others. That's also part of our other piece of thinking about where the world's going.

The way we kind of look at it is, companies are really good in what I'll call their "transaction chain." Well, they know how to buy and sell and all that.

Mike Kearney: Sure.

Daryl Brewster: But the community is the group who's going to be your next buyer. It's going to be your next employee. It's going to be the people who are going to protest in front of your store. But it might be also the group who's going to provide your company awards and give you funds to be able to expand your business.

And that's really the community. And we've got to connect with those as leading companies.

Mike Kearney: So it sounds like what you're saying is—I think oftentimes, especially over maybe the last 10 or 15 years when people would hear about corporate social responsibility and things like that, they would think about it as just kind of a "nice to have."

What I hear you saying—I think this is really important—is this is actually fundamental to do in business today.

Daryl Brewster: An essential part of business for two—one, the license to operate. Some have suggested that. And for some companies, it may be. You know, people who are kind of at the edge of what they have done.

But for many, it's a positive way to perhaps build your brand, to really get your employees ever more engaged with kind of a purpose-driven organization, which we're hearing a lot about. It is a wonderful opportunity to identify new markets.

Essentially, a lot of the community efforts the companies are doing are really meeting the needs of the underserved. But really, the role of business is to meet those unmet needs. So can those ideas be translated actually into business opportunities?

The good news, if they're business opportunities, they'll sustain themselves. So how do we really deal with those areas? We're seeing really clear evidence, pretty clear as people have outsourced things, about how you can really make sure your supply chain is good and strong.

What companies like Hershey and Nestle have done on [fair] trade chocolate and [fair] trade cocoa and how they've really raised the bar—still room to go—but how they've raised the bar in terms of how people are dealing with cocoa farmers in the Ivory Coast and things along those lines.

I mean, these are fundamental because if that supply chain goes away, you're in trouble. So, another—risk management.

Mike Kearney: Right.

Daryl Brewster: Huge area. In fact, the evidence—a great study coming out of Harvard that companies that are more aligned with where the community and their society, more transparent, can borrow at lower rates. They have a less risk profile.

Mike Kearney: What about Millennials? Is that impacting this?

Daryl Brewster: Yeah.

Mike Kearney: I imagine Millennial expectations—because this seems like it's totally in line with what hear on that.

Daryl Brewster: It's totally in line with that. Now, I don't know whether it was the time and Millennials are now here and Millennials are driving. I actually think Millennials are playing a key role in that.

Mike Kearney: Right.

Daryl Brewster: It used to be maybe you made money, and then in your will you gave it away, right? And then others said, "Okay. When I retire, I'll give some of my funds away."

I think today Millennials, and those who think like Millennials or maybe have a bunch of Millennials, want to be doing good throughout their career. It's not like I want to do something bad, take the end proceeds, and then donate them away. But what am I doing today that's good? How do I really get engaged in what I'm up to? How do I really have a purpose in what I'm doing?

We're looking at numbers now that 20 percent of American workers really feel they're engaged at work.

Mike Kearney: That's so low.

Daryl Brewster: Think about it. That's incredibly low.

Mike Kearney: Yeah.

Daryl Brewster: But we know when people have a real purpose. And that purpose of the organization, yeah, it includes making money. And very important. Nothing wrong with that.

But at that purpose is at a higher level that's going to get people more engaged in what they do. They're going to be less likely to do something dumb. They're

going to be more likely to do something smart and put that extra time and energy in.

Mike Kearney: I just think back in my career. And there's probably been two or three or four times where I felt like I had a deep sense of purpose, something that transcended the money I made, the role that I had, what I was doing. I was actually making an impact on this world.

Daryl Brewster: Right.

Mike Kearney: And I think what you're saying is the more that we can give our people in our organizations that sense of purpose ...

Daryl Brewster: Sense of purpose, right.

Mike Kearney: ... the better you're going to do as a company.

Daryl Brewster: Yeah, right, yeah. And I think people have an opportunity to create it on their own as well. I mean, I don't think it's just one way. It's a two-way street.

Mike Kearney: Absolutely.

Daryl Brewster: But I think companies that are involved in the community, seeing how their products interact with other people or their services, I think these are ways that we can really have business be, and be seen as, a force for good in society.

Mike Kearney: So one of the things I'm really interested in and you talked about the number of really incredible iconic companies that are part of CECF. Do you mind just mentioning a couple of them? I would love to be able to profile some of them.

Daryl Brewster: Yeah. I think we literally go from Aetna or AT&T at the A's, up to Xylem and Xerox at the ... So it's really an array of those companies across industries. And Big 4 accounting firms are part of our group. We have a lot of groups there.

We have groups like Vanguard, which manages trillions of dollars in investment funds. We also have leading companies in virtually every industry. If I call some, then I've got to call others.

Mike Kearney: Yeah, we almost should get the laundry list.

Daryl Brewster: But we will send the list on. But just really great companies that are really doing some really remarkable stuff. Unilever is part of our organization. I think in many ways leading the way in this notion of sustainable value creation, Paul Polman who's doing really a terrific job.

Every year we have a CEO conference, and we bring in the fine CEOs. And last year we honored UPS and David Abney, their terrific CEO, as a force for good CEO. We heard from CEOs from up-and-coming companies like The Container Store and Eileen Fisher, which were great.

We also heard from Aetna, Mark Bertolini, their CEO. We honored Ron Williams, who was their former CEO. A great conversation of passing the baton on and the wonderful stuff that Aetna's doing as we really transform the American health care system. Lots of challenges, but some of the progress made.

Mike Kearney:

Mark Bertolini is one of my heroes. I don't know if you've—the story behind the accident he got into and how he's transformed the organization.

Daryl Brewster:

Mark's an amazing guy. I mean, these stories go on. We had J.P. Bilbrey, the CEO of Hershey, who's doing some remarkable stuff we talked about in the supply chain. Fisk Johnson from SC Johnson, a family-owned company doing remarkable stuff. Mitch Barns, the CEO of Nielsen.

So those are some of the guys who spoke. We have about 50, 60 CEOs who participate. And a great chance for companies to talk about how the role of business within society, and how companies can make a positive difference, and do it in a way that can be positive for the business.

This isn't just charity. This is about good investment. It's not going to pay back in a month, but most good things don't. But it can really have a positive and a huge impact on the company.

Mike Kearney:

So you're talking to a lot of CEOs. Have you seen a trend in the last few years where more of them are getting on board?

Daryl Brewster:

I think so. I think there are countervailing forces. Let's face it. We're in a real world. I think there are companies that are looking at these, that are looking at the longer-term plans, that are understanding the power of really connecting with Millennials in today's consumer base.

People talk about social media. It's really the social message. And companies that are down deep—and it's so easy for companies to find out what companies are up to, what they're doing, and where they're sourcing from these days. And we're seeing enormous growth happening among companies who are kind of getting it right, both small and larger organizations.

So we are seeing a trend up, but we also have countervailing forces. The activist community and also short term—there's some longer-term activists as well—but short-term activist community. The short-term nature sometimes of Wall Street is a really countervailing force to this.

What's in it for me now? What's in it for me today? And I think that's an area that we see as that notion. I think companies that are doing it, the evidence is out from studies up at Harvard, the Conference Board studies, conscious capital work where they've looked at companies that have treated their customers, their employees, their communities, and their planet better They outperform the market over time.

They may not this quarter, but—I mean, the short term isn't going away. We need to deal with that. We certainly lived through it at Krispy Kreme. You had to do that. But I think it's just striking—while we talk about survival, we need also to talk about sustaining growth. And how do we strike that balance.

Today, we—the numbers I'll be off a bit. But a couple of professors had their graduate students look at quarterly earnings calls and counted the number of short-term versus long-term words. You can just guess what the answer would be.

Mike Kearney: Short-term.

Daryl Brewster: Right, yeah. I mean, overwhelming. And the notion isn't that those should go away. But maybe it's a better balance. Maybe instead of 95 percent, it's 70/30, 50/50. Or your short-term results are put in the context of your longer-term aspirations.

Mike Kearney: I have not heard about that study. But that's fascinating because words matter, right?

Daryl Brewster: Words matter.

Mike Kearney: And obviously—yeah.

Daryl Brewster: And that's what you're talking about. And by the way, that's not just the call. That was what you prepared for the last couple of days. That's what you took your board through. That's four times a year most companies are going through those.

And by the way, that's not to take away from the short term. It's very important. But we're just so overemphasized on that and not on the things that we need to be planting the seeds for long-term growth for the world's largest companies.

Mike Kearney: Well, I think the point that you also made, which I think is really important, short term matters, but in the context of what long term are you pointing towards. Interesting.

Mike Kearney: Thank you for listening to [Resilient](#), a Deloitte podcast produced by Rivet Radio. You can hear us by going to Deloitte.com or visiting your favorite podcatcher, keyword "Resilient."

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