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“Trust takes years to build, but oly a mistake or two to lose.”

Powerful economic and legal forces are reshaping—and complicating—the US business landscape. It is a time when trust in corporations is ebbing. Confidence in business, and in the markets in general, has been undermined by a steady dose of corporate misconduct that began in 2001 with Enron and spread to other sectors, most recently to financial services and pharmaceuticals. Each case is unique in its origins and consequences for investors, workers, communities, suppliers, public health and the environment. But collectively, the impact is clear: companies doing business in the US are under unprecedented scrutiny in terms of their policies, practices, and products and services.

For companies such as Henkel, a mid-sized, foreign multinational, these conditions present both challenges and opportunities. The challenge is to avoid the mistakes that have undermined investor and consumer confidence. The opportunity is that by doing so, reputation, brands and competitive position can be strengthened. Like other firms with a strong consumer orientation, trust—in Henkel’s own words—“is a brand’s most important capital.” At the same time, trust takes years to build, but only a mistake or two to lose. This is especially true for companies with strong lines of personal and home care products, a business where competition is intense, alternatives are plentiful, and reputation is central to customer loyalty.

Against this backdrop are a number of issues prominent in the US that will affect a company like Henkel in the coming decade. To some extent, all may be defined as sustainable development (SD) issues in the sense that they affect social, environmental and economic performance. In contrast to much of Europe, SD in the US business community has yet to attain the status of a generally accepted framework for assessing non-financial performance. Concepts and frameworks embraced by many European firms—the precautionary principle, the Global Compact’s ten principles, extended producer responsibility—are not widely accepted by the US business community. The reasons for this are varied—resistance to international norms in general, concern with legal repercussions, or simple parochialism. But to some extent, US-European differences are more vocabulary than substance. Issues facing business in the US resemble those facing multinationals operating in a global economy. Corporate responsibility, if not sustainability, is slowly moving toward occupying a permanent place on the US business agenda.

What, then, are these priority issues? To begin, **transparency** expectations and mandates with respect to non-financial information will intensify, opening the next chapter in the country’s twenty-year experience since the launch of the Toxics Release Inventory (TRI) in the mid-1980s. This next chapter reaches well beyond environmental information to encompass social, economic (beyond conventional financial) and governance aspects of companies. Expectations and mandates for disclosure will continue, driven by the confluence of new securities laws such as Sarbannes-Oxley; institutional investor pressure in the form of shareholder resolutions; and the emerging global non-financial disclosure standard in the form of the Global Reporting Initiative, now used by almost 600 companies worldwide, including some 60 based in the US. Though US national security concerns may temper the drive toward greater transparency standards at the facility level in the case of risky activities such as chemical and nuclear operations, the overall trend is irreversible.

Next is the issue of **product safety**, a perennial issue for the chemical industry and one that historically has intensified in sudden and unexpected ways. Two recent cases are illustrative: recent allegations by the US Environmental Protection Agency of possible information suppression of the environmental and health consequences of perfluorooctanoic acid (PFOA), a key constituent in the widely used material Teflon; and a series of revelations that has engulfed pharmaceutical firms related to drug trial information on child antidepressant and arthritis products. The latter has cost the pharmaceutical industry dearly in terms of public trust as well as share price. While non-prescription personal products manufacturers such as Henkel are, strictly speaking, in a different sector, spillover effects are inevitable.

Another prominent, and sharply politicized, issue for companies doing business in the US business is **job quality and security.** For the US economy as whole, the recovery from the recession following the post-dot.com bust has witnessed strong corporate profits accompanied by weak job creation—a net loss of well over one million manufacturing jobs between 2001-2004. The “jobless recovery” is further complicated by shrinking real wages, escalating health care costs for companies and workers, and continuing anxiety over outsourcing of both white collar and blue collar to China, India and other emerging and developing countries. While predictions of the long-term effects of outsourcing differ, such dislocation continues to unsettle major segments of the US workforce. From the vantage point of displaced workers, no amount of corporate philanthropy is a substitute for a steady job and a livable wage.

This anxiety among US workers is high and shows little signs of abating. For many, the disjuncture between corporate earnings and job/real wage losses goes to the heart of corporate responsibility. On one hand, Henkel, like most firms, publicly subscribes to the belief that, “The Company’s employees are its most important capital for the future.” But pronouncements of this type ring hollow if job security, real wages, and quality of work fall short. Companies seriously committed to continuous enhancement of human capital (e.g. through programs such as Henkel’s Employee assessment of Managers), represent potential competitive advantage in attracting and retaining top talent. At the same time, they represent an opportunity to advance the human capital component of a corporate responsibility agenda.

A last issue—and again an opportunity—for companies in the US is the **transformation of business models from product to services**, what some have called “servicising.” Henkel’s full service, onsite management of chemical procurement, use and waste exemplifies this approach. This business model, still in its early stages, is built on the notion that intelligence is the ultimate environmental asset. It points the way toward major advances in dematerialising the production of both industrial and consumer products. Servicising has applications across a broad spectrum of markets, such as household appliances and computers, in which customer priority is reliability and affordability of the *service* provided rather than the physical product that delivers the service. How far and fast servicizing will evolve is unclear, but for companies that pride themselves on continuous innovation, it is a business opportunity that deserves serious attention by top management.

A final issue for companies like Henkel is positioning **relative to broader, global imperatives**, most notably those defined by the Millennium Development Goals (MDG). Leading firms in the personal/home care and chemical sectors such as Proctor & Gamble and DuPont have used the MDG to inform their SD strategies in two ways: assessing how current products and services relate to the health, education, gender, poverty reduction objectives of the MDG; and evaluating *untapped or underserved markets* related to the MDG that the company might serve but currently does not? The US population of nearly300 million, despite its overall affluence, has tens of millions living below the poverty line. It is entirely appropriate that companies operating in the US, regardless of origin, should be asked if what they produce—and how they produce contribute to meeting the MDG in both the domestic and global context. The question is rooted not only in a sense of corporate responsibility, but one with significant business implications for firms searching for market opportunities among multitudes of consumers whose incomes are at the lowest tier of the countries in which they live. These markets, at the "bottom of pyramid," await the innovation that historically companies have applied to their more affluent customer base.