Players to Watch in 2006

A pacesetter, Wal-Mart has expanded health insurance, asked for a raise in the minimum wage and committed to using less energy.

By Jeffrey E. Garten
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Dec. 26, 2005 - Jan 2, 2006 issue - Global corporations, as we all know, are important for the return on investment they provide, the jobs they generate, the new technologies they develop, the products they offer. But there is another reason to take an interest in them, too: many are at the cutting edge of some of the biggest public-policy issues of our times. Here are several with the potential to make a big impact on society in the coming year.

Start with General Electric. Last May, Jeff Immelt, its chairman and CEO, announced an "Ecoimagination" project that cuts across the conglomerate's 11 businesses—from aircraft engines to medical imaging. Immelt promised to invest billions to develop and deploy technologies that would protect the environment, promote energy efficiency, lower emissions, reduce the use of fossil fuels and increase the supply of usable water, creating specific targets and goals so the public can measure GE's progress. Immelt made it unabashedly clear that he sees an opportunity for substantial profits. As leader of one of America's most impressive companies—a giant that generates more than $150 billion of annual revenue and employs some 320,000 people—Immelt will surely draw followers. His move could even prod Washington to set higher environmental standards for the entire corporate sector.

A second case is Google—the world's largest Internet search firm. The company's stated mission is "to organize the world's information and make it universally accessible and useful." To achieve that aim, Google has assembled the technology to track the information requests of every individual who uses the site, and to store that data forever. It doesn't take much imagination to see how such authority could be seriously abused to monitor private lives, from political leanings to dating habits. In the United States, at least, the federal government can demand such information under emergency conditions. As privacy advocates square off against the implication of Google's technologies, 2006 could be a watershed year in the evolution of privacy protection.

In 2005 both McDonald's and Pfizer broke new ground in disclosing the inner workings of their businesses. Earlier this year McDonald's opened the kitchens of its restaurants in 30 European countries so its customers could view sanitary and working conditions, as well as see what ingredients were being used in the food. Pfizer and other pharmaceutical companies began to voluntarily post the results of their clinical drug trials on a U.S. government Web site. Under public pressure, many other companies have begun to make their business operations, in addition to their finances, more transparent, giving journalists, politicians, nongovernmental organizations, investors, consumers, employees and suppliers the world over an unprecedented ability to peel away layers upon layers of corporate opacity. This accelerating trend is sure to change the relationship between business and society. But will it enhance global trade and investing, or just slow it down, by piling on time-consuming reporting requirements? Watch what companies and their constituencies do in 2006.
In 2005 Wal-Mart—the world’s largest retailer with 500 stores and annual sales of $300 billion—has come under mounting pressure to increase wages and benefits and to otherwise make more positive contributions to the cities and towns in which it operates. Recently, it has responded with initiatives aimed at expanding health insurance for its employees with lower-cost premiums, asking Washington to raise the minimum wage, dedicating itself to using less energy in its stores and in its transportation systems and otherwise doing more to protect the environment. As a symbol of increasingly ruthless global competition that is driving down wages, Wal-Mart is a pacesetter. Its steps in 2006 will have implications for large retailers in the United States and abroad.

Finally, a judge will soon begin ruling on the bankruptcy case of Delphi Corp., America’s largest auto supplier, which seeks to cut hourly wages and health and life-insurance benefits for retirees. Delphi is consciously using the courts to resolve politically irresolvable claims among manufacturing constituencies—such as current workers vs. retirees. This case may be a harbinger of the growing role courts will play in deciding the future of old-line U.S. manufacturing. But similar health and pension challenges are mounting in France, Germany and other industrial nations, raising a tough question: can their consensual models of industrial-labor relations cope? Don’t bet on it.

The rules of Western society have often sprung from the interplay between global companies and government, but the tensions in this relationship are increasing as governments struggle to keep up with growing corporations. It’s a messy business, but the critical nature of the issues puts much more pressure on having government officials, including judges and regulators, with a highly developed sense of economics and commerce, as well as on having CEOs who are capable of real statesmanship. Let’s hope that in 2006 we see more of both.

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