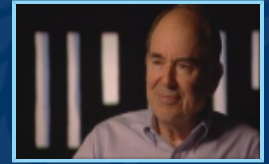


Profitable Philanthropy

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Companies need to think not only about how they create shareholder value and a service or product for customers, but also about how they contribute to society. Only companies with sustainable values will be able to stay the course.



SOURCE

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CATEGORY

Business and Economics

SUB-CATEGORY

Ethics and Governance

SPEAKER

John Abele

SPEAKER TITLE

Founder

ORGANIZATION

Boston Scientific

TAGS

Health Care

One of the most important things that any leader in any organization can do is to talk constantly about values. Boston Scientific was a private company for quite a while. It had a history for about a decade as Meditech, a company that I had been running before my partner and I formed Boston Scientific to acquire it. We had a further 13 years as a private company: we had received some investment from an outside firm but there was no venture capital in the business.

That firm made an investment that was very attractive to us, but the catch was that, after nine years, they had an option window to buy the rest of the stock that they didn't own when they had made this initial minority investment.

That window came in 1992. We were faced with the decision about what to do next when the company decided not to exercise their option. We elected the least undesirable of the alternatives: going public. We had been very quiet, so we weren't really known in the marketplace, even though we had \$250 million in sales, and you'd think there'd be some visibility to that.

As part of the process we had to go on a road show, which is the traditional thing for an initial public offering. We did not go with a traditional medical house. We went with the New York Stock Exchange, which is a bit more conservative, and we went with Goldman Sachs, which is not a medically oriented firm. We did that because we didn't want to be identified as just a medical technology firm; we saw bigger horizons and did not want to limit ourselves.

We had a crew of three or four people who would give the presentation. My background was in ethics and concerned the behavior of corporations - particularly with our audience. So when I talked, I actually introduced Boston Scientific as a profitable philanthropy.

It was rather amusing because the firms who were with us immediately came over and said: "You can't say that, it's just totally inappropriate." I was intrigued because I had known that that would be challenging; that was partly my motivation for doing it. So when we had our one-to-ones as opposed to group presentations, I kept doing it. I wanted to explore their view of the concept of a company that was very heavily built on values. I was struck by how motivating they found it, which contradicted what our advisors were telling us.

When you think about it, those companies that have sustainable values and sustainable growth are the ones that not only provide value to their customers, they provide fundamental value to society. It's very different from those companies that say: "Our mission is to enhance shareholder value." We are providing value for our customers, the physician and the patients themselves who are the real, ultimate customers. Beyond that, it's a society that is trying to figure out how we can enhance our health without going broke.

An awful lot of things go on today in the business world that it's clear to see are not sustainable over time. Maybe that's simply time for the company to get enough money to invest in something else, but I would like to think that a company like Boston Scientific has a long-term value.