

PART ONE

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CHAPTER ONE

Mainstreaming Corporate Responsibility: An Introduction

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Corporate social responsibility (CSR) has never been more prominent on the corporate agenda. The financial crisis and its effects across the global economy have once more made it obvious that the stability of our global market system depends on responsible behaviour, sustainable business models and proactive management of business impacts on society, as well as regulatory frameworks. Responding to the challenges of global climate change and growing social inequities also remain imperatives on the global corporate citizenship agenda. Public policy leadership by leading corporate players is now in sharp demand at the global and industry sector level. It is being claimed that a new paradigm of global governance is emerging in which government, business and civil society can engage in co-regulation (Lenssen, Arenas and Lacy, 2008).

Sometimes also referred to as corporate responsibility or corporate citizenship, CSR encompasses issues such as sustainability (meeting the needs of the present without compromising the ability of future generations to meet their needs), stakeholder management and corporate governance, as well as corporate philanthropy, although the latter is increasingly seen as a peripheral consideration.¹

The *case for business* to engage in addressing environmental, social and governance issues is based on the realization that a new global social contract between business, government and society is needed to enhance stability and long-term wealth creation (Davis, 2005). The *business case* at the level of the firm is becoming increasingly clear as more companies are coming to understand that, aside from any moral obligation, it is in their economic interest to address environmental, social and governance issues and in a manner that is integrated with their strategy and operations. But only a few companies have achieved deep organizational integration. Spending money on CSR programmes is often a tactical response to pressure from activists. However, society is typically more interested in the way profit is made (and with what impacts and externalities) rather than the way it is spent on CSR programmes.

Many companies have treated corporate responsibility as a peripheral issue – a bolt-on to a business-as-usual approach. This criticism was widespread five years ago. Commentators provocatively suggested that ‘CSR in most companies is in a ghetto: it is a marginalized and marginal activity, often left to a dedicated department with the task of getting the message out about a company’s good works’ (Smith and Cohon, 2004, p. 21). Indeed, civil society and the broader public are often sceptical of CSR and companies that have expressed a strong commitment to corporate responsibility have sometimes become the target of more attacks, not fewer.

The Polaris Institute, a nongovernmental organization (NGO), makes a Corporate Greenwashing Award to companies 'that have pushed profits higher while investing millions of dollars into covering up environmentally damaging practices with corporate social responsibility projects'. Coca-Cola, the first award winner in 2005, was selected 'after careful consideration, (because) the Coca-Cola Company stood out as the company that has worked the hardest this year to present itself as socially and environmentally responsible – while continuing to harm environments and communities through the production and distribution of its products.'² In its report, *Behind the Mask: The Real Face of Corporate Social Responsibility*, Christian Aid, another NGO, concluded that 'the corporate world's commitments to responsible behaviour are not borne out by the experience of many who are supposed to benefit from them' (2004, p. 2).

As Smith and Cohon (2004, p. 21) suggested, one of the main aims of corporate responsibility programmes is seemingly 'to build goodwill as a sort of insurance policy to be redeemed in case something goes badly wrong in the main part of the business. But the social effects of these core business operations are left largely unexamined'. We believe this is changing today. As Dunfee (2008, p. 346) asserted: 'Discretionary social responsibility actions by corporations benefit needy stakeholders around the globe. These actions have a total value in the billions of dollars on an annual basis.' Nonetheless, we agree that 'mainstreaming has become the key challenge for the corporate social responsibility movement' (Katsoulakos and Katsoulacos, 2007, p. 356) – and not only for the CSR movement, but also for business and policymakers. Mainstreaming requires a good understanding of the business case as well as the case for business to engage seriously with CSR beyond enlightened profit maximization.

WHAT IS MAINSTREAMING CORPORATE RESPONSIBILITY?

While writing primarily about corporate ethics programmes, Weaver, Trevino and Cochran (1999, p. 539) observed that 'corporations can respond to expectations for socially responsible processes and outcomes in organizationally integrated ways or in [an] easily decoupled fashion'. The greenwashing or 'window dressing' claims of Polaris and other NGOs are indicative of a decoupled approach to corporate responsibility. As Weaver, Trevino and Cochran (1999, p. 541, emphasis in original) explained:

An easily decoupled structure or policy provides the appearance of conformity to external expectations while making it easy to insulate much of the organization from those expectations. Although the structure or policy exists, there is no guarantee that it will regularly interact with other organizational policies and functions or that employees will be accountable to it.

In contrast, they wrote (1999, p. 540, emphasis in original) that:

Integrated structures and policies affect everyday decisions and actions; decisions are made in light of these policies, and people occupying these specialized structures have the confidence of and regular interaction with other departments and their managers. An integrated structure or policy is likely to be supported by other organizational policies and programs. Thus, managers and employees are held accountable to it, take note of it, and see it as having a valued role in the organization's operations.

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As Berger, Cunningham and Drumwright (2007, p. 133) have observed in relation to CSR specifically:

if something is mainstream, it is clearly seen to be on the company's agenda in a legitimate, credible, and ongoing manner, and it is incorporated into day-to-day activities in appropriate and relevant ways. For an issue to be mainstreamed within an organization, it needs to be included in the policy development, technical tools, performance measures, and political agenda-setting processes of the organization.

By contrast, they note that a cause-related marketing campaign is typically short-term in nature, easily terminated and not diffused through other aspects of the company. The same can be said of much corporate philanthropy and thus some observers suggest it should be seen as falling outside the domain of corporate responsibility.

Thus, *mainstreaming corporate responsibility is the embedding of attention to corporate social and environmental impacts throughout the business as an integrated policy affecting the day-to-day decision-making and actions of the organization at all levels.*

Much like corporate efforts to integrate attention to quality or customer orientation, mainstreaming corporate responsibility is easier said than done. However, this volume contains detailed illustrations of companies attempting to achieve this goal (see, for example, the case studies on Novo Nordisk, innocent and Hydro Polymers, in Chapters 9, 18 and 22 respectively). These companies realise that corporate responsibility and sustainability is becoming part of competitiveness (Lenssen, Gasparski and Rok 2006). Perhaps they are also sensing that after the customer revolution, the quality revolution and the information revolution of the late 20th century, the sustainability revolution could well be the next major change to which business needs to adapt in transformational ways (Lenssen, Tyson and Pickard, 2009). If mainstreaming means organizational transformation, it requires a process of planned and emergent change.

De Wit, Wade and Schouten's (2006) study of Shell's mainstreaming of sustainable development (SD), to use Shell's preferred term, suggests that this process requires both 'hardwiring' and 'softwiring'. Hardwiring is 'aligning key business processes within a governance framework of commitments, policies, standards and guidelines consistent with contributing to SD' (2006, pp. 491–492), with stakeholder engagement as a core activity.³ However, hardwiring is not enough; softwiring is also required. De Wit *et al.* (2006, p. 497) note:

It is one thing to write a manual of recommended procedures, but if that is all that happens, the manual will simply sit on the shelf. At best, a culture of minimum acceptance will be achieved; at worst, one of avoidance. What is also needed is to touch the hearts and minds of people, so that they feel it is the right way to do business and can see how business value can be derived. It is therefore vital that people at all levels are convinced of the strength of the business case and the practicality of your approach. In reality, this means translating SD into something that is tangible and relevant to both business teams and individuals.

Hardwiring is about integration of CSR into organizational systems, processes and structures: it re-conditions the 'brain of the firm'. Softwiring is about integration into organizational culture, skills and competencies: it affects the 'heart of the enterprise'. Both require equal attention in organizational transformation. Clearly, mainstreaming by organizational transformation is not a quick re-engineering effort. It must manifest itself as a learning journey based on a strategic intent (Lenssen *et al.*, 2007).

MAINSTREAMING AND THE BUSINESS SCHOOL CURRICULUM

Following the shock of the corporate scandals early in the 21st century, many business schools responded by adding more ethics and CSR courses to the curriculum. This move was lamented by the late Sumantra Ghoshal (2005, p. 75), a professor of strategy and management luminary, in an article entitled 'Bad Management Theories Are Destroying Good Management Practices', where he observed:

Business schools do not need to do a great deal more to help prevent future Enrons; they need only to stop doing a lot they currently do . . . business school faculty need to own up to our own role in creating Enrons. It is our theories and ideas that have done much to strengthen the management practices that we are all now so loudly condemning.

Ghoshal referred to the cynical ('bad') theories underlying mainstream courses in strategy, finance and economics, which he claimed were disconnected from any moral reasoning or societal implications and needed to be de-masked as a root cause of the ethical deficiencies in business education. Ghoshal argued that theories grounded in a neo-liberal conception of economics – such as agency theory, rational choice theory, transaction cost theory and game theory – advanced the relentless pursuit of self interest and profit, the externalization of as many costs as possible to society and the exploitation of natural and social resources, if possible with a strict minimum of regulation. Ethics courses would change little, according to Ghoshal, if the mainstream curriculum remained unchanged and stuck in its old ideologies. Adding an ethics course in response to the corporate ethics scandals could be seen as comparable to creating a CSR department and CSR programmes in response to challenges from civil society activists, while continuing with business as usual elsewhere in the organization. Both responses often amount to little more than window dressing.

Ghoshal's paper is a landmark in the debate on the deficiencies in the business curriculum. He pleaded for revolutionizing the business curriculum. We propose incremental change and evolution. Various commentators have suggested that the financial crisis is doing its work in de-masking the deficiencies of the old theories (Krugman, 2008). We suspect that new theories will emerge that better grasp the new contexts, complexities and connectedness of global markets and global business.

For business schools, mainstreaming means that CSR needs to become integral to the range of subject areas covered, at least in core courses, rather than being limited to a Business Ethics, Corporate Responsibility or Environmental Management course. This book seeks to enhance the integration of corporate responsibility issues into the core educational programmes for the next generation of corporate managers. To that end, it provides a fascinating set of case studies of mostly well-known organizations addressing critical issues of business and society that can be used in business and management degree programmes (MBA and final year undergraduate) as well as executive education. The book is structured around the major subject areas in the business school curriculum: strategy, accounting, finance, economics, entrepreneurship, marketing, organizational behaviour and human resource management, and operations management.

Two-thirds of the cases in the book have been developed as part of a major three-year curriculum development project on mainstreaming corporate responsibility, sponsored by EABIS (the European Academy of Business in Society)⁴ and led by Craig Smith, initially from London Business School and subsequently from the INSEAD Social Innovation Centre, with the support of a project steering committee comprising businesspeople and academics, as well as Gilbert Lenssen and

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other representatives of EABIS. The EABIS project cases have been supplemented by six further cases, four of which are award winners for their treatment of corporate responsibility.⁵

Formal requirements of integration, however, that are expected of faculty across subject areas will only go so far in mainstreaming. The soft-wiring of faculty embracing corporate responsibility is also required. With this in mind, the introductory chapter for each subject-specific module attempts to identify key points of connection with that subject. For example, Pettigrew (in Chapter 3) and Gabel (Chapter 14) show how corporate responsibility enters into strategy and economics. Bhattacharya and Sen (Chapter 20) show how consumer behaviour analysis in marketing is informed by corporate responsibility, and Oswald (Chapter 7) shows how the role of the financial accountant is now being extended beyond traditional financial reporting to include the measurement of performance relative to corporate responsibility metrics.

The cases and other materials in this book shed new and important light on how companies today are navigating their way towards a genuine mainstreaming of corporate responsibility. They provide a vehicle for exploring this topic in both traditional corporate responsibility courses and, more innovatively, in the standard core courses of the business school curriculum where, in most schools to date at least, too little attention is being given to these critically important issues of business in society.

NOTES

1. The terms corporate social responsibility and corporate responsibility are used interchangeably throughout this book. Although corporate social responsibility is the more established term, the term corporate responsibility is often preferred today because it does not appear to suggest a focus on corporate social impacts to the exclusion of environmental impacts.
2. See http://www.polarisinstitute.org/coca_cola_company_wins_corporate_greenwashing_award (accessed 30 October 2008).
3. A stakeholder is 'any group or individual who can affect or is affected by the achievement of a corporation's purpose' (Freeman, Harrison and Wicks, 2007, p. 6). Primary stakeholders are typically identified as shareholders/financiers, customers, employees, suppliers and the local community; secondary stakeholders include the government, media, competitors, NGOs/consumer advocacy groups and special interest groups (Freeman, Harrison and Wicks, 2007).
4. In 2002, deans from leading European business schools, together with business leaders, founded the European Academy of Business in Society, with the explicit aim to mainstream corporate responsibility into business theory and business practice. It is increasingly viewed as Europe's reference point for corporate responsibility knowledge development and learning. Gilbert Lenssen has been its President since inception. For more information on members and activities, visit: www.eabis.org.
5. Co-operative Group: Fair-Trade Chocolate won the European Foundation for Management Development (EFMD) award, Corporate Social Responsibility category, 2004; TPG-WFP Partnership won the EFMD award, Corporate Social Responsibility category, 2005. GlaxoSmithKline won the European Case Clearing House (ECCH) award, Ethics and Social Responsibility category, 2006; Wal-Mart won the ECCH award, Ethics and Social Responsibility category, 2008. As the book goes to press, it has just been announced that the following EABIS project cases have won awards: illycaffè, won the 2008 EFMD award in the Supply Chain Management category and innocent: Values and Value, won the 2008 award in the Corporate Social Responsibility category.

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