Can Business Save the World?

A Four Part Series on
Corporate Social responsibility

By Tom Salonek

Introduction

Have you noticed all the articles and blog posts lately about corporate responsibility, sustainability, philanthropy and ethics? I was especially intrigued by a post on Fortune magazine's website by author Rob Asghar about the 2015 Oslo Business for Peace Summit and a subsequent Business for Peace award ceremony.

Asghar writes that the participants "described a new, urgent corporate pragmatism that goes beyond idealism or kind intentions. . .Within a global society increasingly vexed by income inequality, conflict and environmental challenges. . . participants argued that the only smart long-term business move is to demonstrate a tangible commitment to the larger good."

He also reports that "proponents of the 'business for peace' approach argue that the future opportunities are breath-taking for those companies that seek the larger good in meaningful, demonstrable ways. But they also argue that this will require a shift from corporate social responsibility being a discrete corporate department to becoming the very DNA of an organization. Enlightened self-interest, they argue, will be pragmatic, urgent…and very profitable."

Whatever happened to providing needed goods and services, being a great employer and giving back to the community as much as possible? I view my primary business responsibility as taking good care of employees and customers, first and foremost. I'm not sure "corporate social responsibility" needs to become "the very DNA" of Intertech or other for-profit businesses either.

I'm certainly not proposing a return to the robber baron era, but I do believe running a responsible profit-making business is a noble calling in its own right. Whether your business is helping to feed people, like the family farm I grew up on, or developing software to help other businesses serve their customers better, it's important to believe in the integrity and clarity of your mission.

Earlier this year, Harvard Business Review (Jan-Feb. 2015) shared an article about balancing corporate social responsibility (CSR) with overall business goals. That article, "The Truth about CSR," had a refreshingly down-to-earth message: "Most (CSR) programs aren't strategic—and that's ok."

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Effective CSR

 "Most companies have long practiced some form of corporate social and environmental responsibility with the broad goal, simply, of contributing to the well-being of the communities and society they affect and on which they depend. But there is increasing pressure to dress up CSR (corporate social responsibility) as a business discipline and demand that every initiative deliver business results. That is asking too much of CSR and distracts from its main goal: to align a company's social and environmental activities with its business purpose and values." – "The Truth about CSR" by Kasturi Rangan, Lisa Chase and Sohel Karim (Harvard Business Review, Jan/Feb 2015).

This is the second part on the proper role of business in society. I'd like to now share some interesting findings from the article quoted above and to encourage other business people to weigh in on this topic too.

First some background about the HBR authors and the research behind their article. Kasturi Rangan is the Malcolm P. McNair Professor of Marketing at Harvard Business School and a co-founder and co-chair of the HBS Social Enterprise Initiative. Lisa Chase is a research associate at Harvard Business School and a freelance consultant. Sohel Karim is co-founder and the managing director of Socient Associates, a social enterprise consulting firm.

They conducted interviews with scores of managers, directors and CEOs during the past decade to learn how companies devise and executive CSR programs. Their findings included:

- Many companies' CSR initiatives are disparate and uncoordinated.

- Most CRS initiatives are run by a variety of managers without the active engagement of the CEO.

- Most firms are not maximizing their positive impact on the social and environmental systems in which they operate.

Not surprisingly, these CSR experts recommend that firms develop coherent CSR strategies. Specifically, they advise "dividing CSR activities among three theaters of

practice: philanthropy, operational effectiveness and transforming the business model to create shared value."

To make it happen, they advise four steps:

1. Pruning existing programs to align with the firm's purpose and values

2. Developing ways of measuring initiatives' success

3. Coordinating programs across theaters

4. Creating an interdisciplinary management team to drive CSR strategy

The Truth of CSR
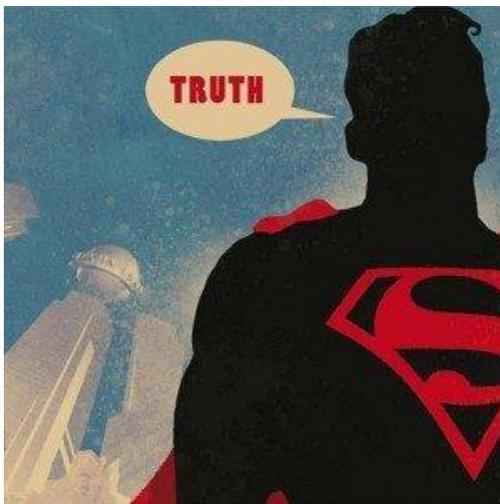
In the last part I shared the four steps described in the HBR article, "The truth about CSR" (Corporate Social Responsibility), which the authors recommend for developing a CSR program that makes sense.

The first recommendation, "Prune existing programs to align with the firm's purpose and values," surprised me because having a single focus typically is recommended for philanthropic activity. "Aligning," they write, "is not about putting all your eggs in one basket, though that sometimes helps. It is about collecting activities that are consistent with the company's business purpose and that have a valuable social goal that the company cares about."

If you know my company, you probably already are aware of the Intertech Foundation. For years, the Foundation focused on a single mission: relieving financial stress for families with terminally ill children. Our employees also have been involved in hosting many birthday parties for seriously ill children and their siblings staying at the Ronald McDonald House in Minneapolis.

How does helping families in unimaginable distress fit with our business purpose? We make software not medicine after all. A local reporter asked me this question once and, for me, the answer was simple and logical: "Business should give life, not take it."

That simple philosophy underlies how we run our company, treat our people, and engage with our community.

The authors' second recommendation, "Develop ways of measuring initiatives' success," appeals to my logical right-brain thinking (I was a software developer!), but that can be tricky when your goal simply is to reduce some of the stress in parents' lives when they are losing a beloved child. There is simply no way to measure or quantify that "success" because the ultimate outcome always will be unbearably sorrowful. And, yet, we continue to feel that this is a valuable aspect of how we give back to our community.

The final two recommended steps: (3) Coordinate programs across "theaters" (CSR program components) and (4) Create an interdisciplinary management team to drive CSR strategy are logical for large organizations and major corporations.

For small- to medium-sized companies like Intertech, it's a whole lot simpler. We do work to ensure that our firm "gives life" by creating a work environment that is flexible, rewarding and fun. And, in recent years, we've expanded our philanthropic focus to include grants for students involved in science projects and, most recently, a college scholarship for budding computer scientists.

CSR Benefits

Now I'm ready to share some of the benefits of engaging in CSR. These findings are from a survey of 142 business people representing a diverse range of industries: manufacturing, consumer packaged goods, extractive minerals, financial services, media, telecommunications and others. All were managers who attended Harvard Business School's CSR executive education program sometime during the past four years. A surprising 60 percent said they were "dissatisfied with their firms' CSR activities and wanted to improve them."

The research team divided the responses into three categories, based on how each respondent's company CSR programs were organized:

- Philanthropy = 48 percent of respondents

- Operational Improvements = 39 percent

- Business-model Transformation = 13 percent

Those who fell into the purely philanthropic category rated the benefits as follows:

- Improves company's social standing (84 percent)

- Supports company's philanthropic priorities (77 percent)

- Increases employee motivation (67 percent)

- Increases revenue (13 percent), with 41 percent citing increased costs

Among the managers whose companies' focused CSR on making operational improvements, the benefits were identified as:

- Improves company's social standing (94 percent)

- Improves company's environmental impact (62 percent)

- Protects resources on which company depends (58 percent)

- Increases revenue (32 percent), with 35 percent citing increased costs and 32 percent citing increased costs

And among the 13 percent of respondents representing the "radical fringe" defined by "Business-Model Transformation" CSR programs, the following benefits were reported:

- Creates an important solution to a social/environmental program (89 percent)

- Promises long-term gains (82 percent)

- Addresses senior management's social/environmental mission (82 percent)

- Increases revenue (31 percent)

- Reduces costs (35 percent), with 36 percent citing increased costs

While we started our foundation and volunteerism activities for altruistic reasons, there are benefits any firm can receive through philanthropy:

- **Position and branding in the market place.** Think of a friend who's a "taker" versus one that's a "giver"… which one do you hold in higher esteem?

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- **Recruiting**. Most people, and especially millennials, want a multi-dimensional life and that includes where and how they work.

- **Engagement**. Volunteering outside of work gives us time to get to know one another in a non-work setting and build understanding and comradery.

- **Perspective**. I remember having a tough day at work, which was followed by going to volunteer at our local Ronald McDonald House. Within minutes, I was reminded that my "problem" was really a nuisance.

- **Strengthens our industry**. With our STEM scholarship, Intertech is helping build tomorrow's technical talent pool. For more on our STEM scholarship and the 2015 recipient, see my blog post: Intertech Awards STEM Scholarship to Stanford Student.

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