

Corporate Social Responsibility: a time for change



***"Restoring Community, Protecting the Land and
Informing the Earth's Stewards"***

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The History and Future of Corporate Social Responsibility”

- 1953 *Social Responsibilities of Business* by Howard Bowen first time the term ‘social responsibility’ was used in a corporate book title.
- 1962 Rachel Carson’s, *Silent Spring* and Murray Bookchin’s, *Our Synthetic Environment* leveled serious critique of business’ failure of social responsibility.
- 1965 Ralph Nader’s, *Unsafe at Any Speed*, demonstrated the need to control the power of corporations which ignore the harmful impacts.
- 1975 3M created a Pollution Prevention Pays program.
- 1977 the first CSR codes addressed acceptable labour practices for companies in South Africa.
- 1978 Germany launches ‘Blue Angel Eco-Label.’
- 1979 First popular definition of CSR - that it is the economic, legal, ethical and discretionary or philanthropic expectations that society has of business.





A business approach that creates value by embracing opportunities and managing risks deriving from economic, societal and environmental developments.

Intended to help companies manage the business to produce an overall positive impact on society.

- **An enormous disappointment for poverty reduction, environmental sustainability or community well-being.**
- **At best, it has succeeded in getting companies to do less damage.**
- Still a valid approach with great potential but needs a new, holistic view; not a piecemeal approach.

UN Global Compact's Ten Principles



United Nations Global Compact

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

UN Global Compact's Ten Principles



Environment

- [Principle 7](#): Businesses should support a precautionary approach to environmental challenges;
- [Principle 8](#): undertake initiatives to promote greater environmental responsibility; and
- [Principle 9](#): encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- [Principle 10](#): Businesses should work against corruption in all its forms, including extortion and bribery.



International
Organization for
Standardization

ISO 26000:2010 provides guidance to all types of organizations on:

- concepts, terms and definitions related to social responsibility;
- the background, trends and characteristics of social responsibility;
- principles and practices relating to social responsibility;
- the core subjects and issues of social responsibility;
- integrating, implementing and promoting socially responsible behaviour;
- identifying and engaging with stakeholders; and
- communicating commitments, performance and other information.

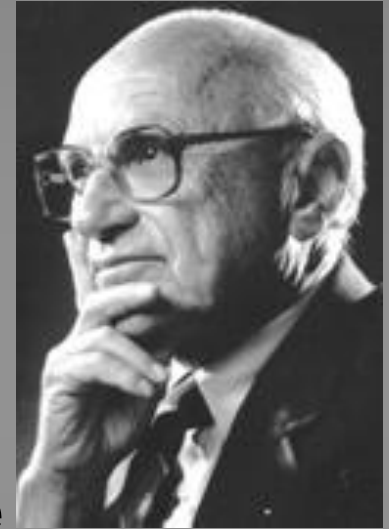
ISO 26000:2010 is intended to assist organizations in contributing to sustainable development and go beyond legal compliance. It is intended to promote common understanding, and to complement other instruments and initiatives, not to replace them.



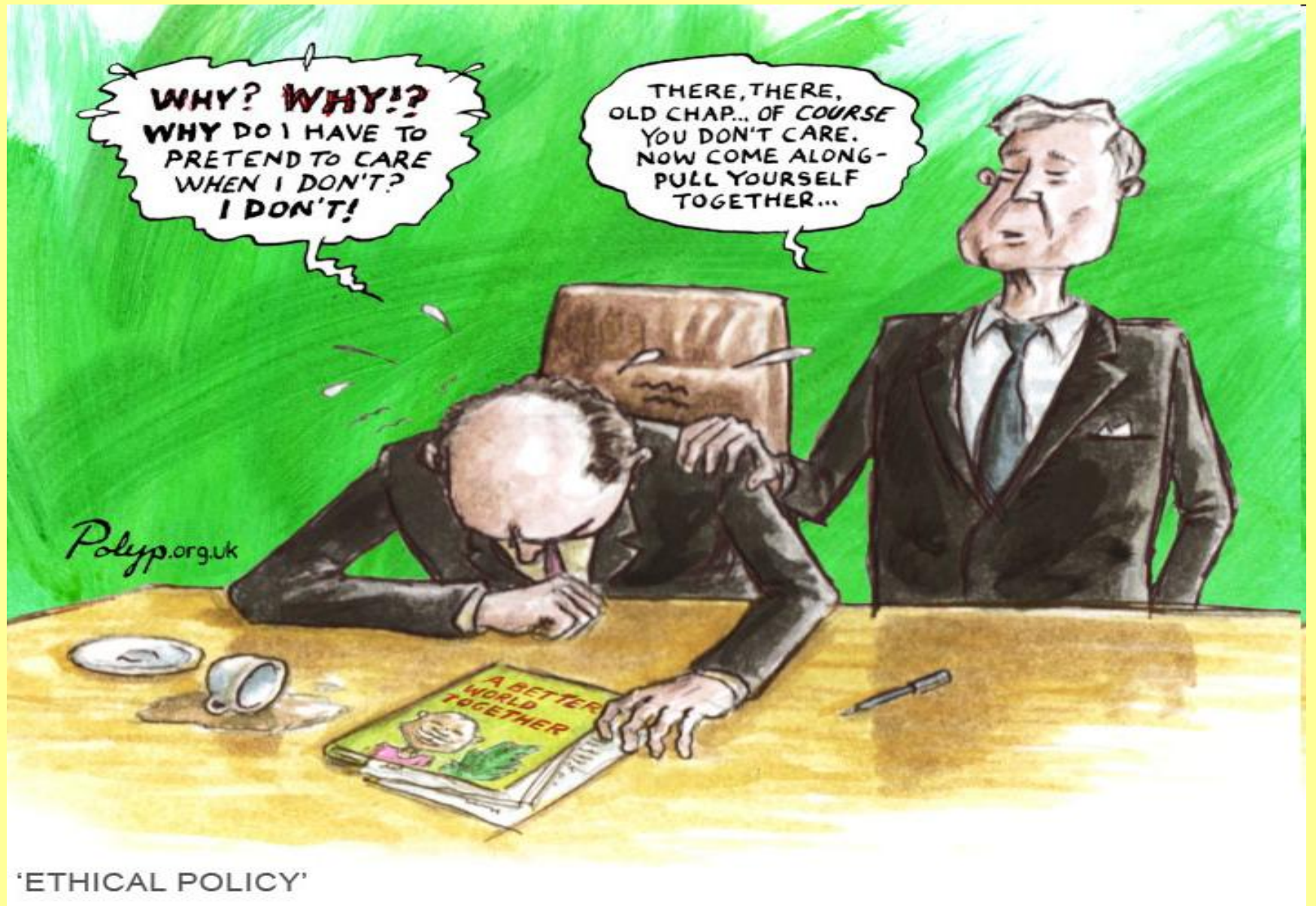
- As CSR becomes more mainstream, it is losing focus.
- Originally, it was a set of rules to protect the environment and human rights.
Nature's Perspective: The Ecosystem is too big to fail.
- In Danger of Degenerating into a philanthropic marketing scheme - 'Greenwashing'
Corporate Perspective: Economy too big to fail

Neoconservative Shock Doctrine

Milton Friedman in 1970 stated that the doctrine of corporate social responsibility is a fundamentally subversive doctrine.



He argued that corporations have only one responsibility, to increase profit. He does concede that ‘strategic philanthropy,’ might contribute to shareholder interests and enhance corporate profitability.



'ETHICAL POLICY'

The Corporation

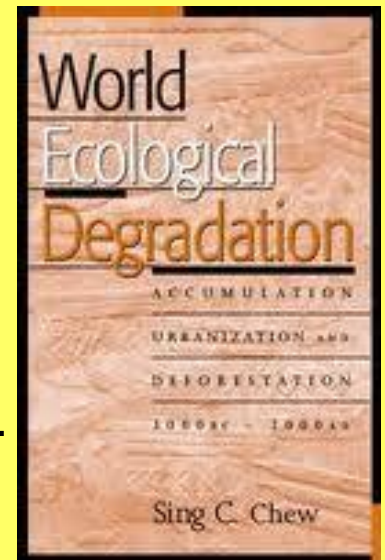
Originally, corporations were granted to a group of business people in order to exonerate them of liability so that they would **take responsibility to create something that was in the public good**. The notion that the sole purpose was about creating wealth for the owners was an alien concept.



‘If every company on the planet were to adopt the best environmental practice of ‘leading’ companies, the world would still be moving toward degradation and collapse.

- Paul Hawken, *The Ecology of Commerce*

- CSR should be judged by how business creates shared value in society. It should build rather than erode economic, social, human and natural capital.
- **CSR success is about making communities and ecosystems better not worse.**
- Most CSR programs are about being less bad rather than good. They are selective and compartmentalized rather than holistic and systemic.
- **CSR may become an unwitting accomplice to corporate crime.**



Ages & Stages of CSR

Wayne Visser, 'The Age of Responsibility - CSR 2.0'



Age of Greed

CSR - Defensive

Earth provides enough to satisfy everyone's need but not everyone's greed.

-Mahatma Gandhi

Two wolves were struggling with each other. The first is the wolf of peace, love and kindness. The other is the wolf of fear, greed and hatred. A young boy asked his grandfather, 'Which one will win?' 'Whichever one I feed.' is the reply. - Native proverb

Examples

- Barings Bank
- Enron
- Lehman Brothers
- Worldcom

Key Ideas

- Bigger is better
- Greed is good
- Privatize gains at social costs
- Trust the market.



Age of Philanthropy

CSR - Charitable

‘I resolved to stop accumulating and begin the infinitely more serious and difficult task of wise distribution.’
- Andrew Carnegie

‘As I started getting rich, I started thinking, ‘What the hell am I going to do with all this money?’ You have to learn to give. Over a three year period, I gave away half of what I had. To be honest, my hands shook as I signed it away. I knew I took myself out of the race to be the richest man in the world.’
- Ted Turner

‘Is the rich world aware of how four billion of the six billion live? If we were aware, we would want to help out, we’d want to get involved.’ - Bill Gates

Examples

- Andrew Carnegie
- Ted Turner
- Bill Gates
- Warren Buffet

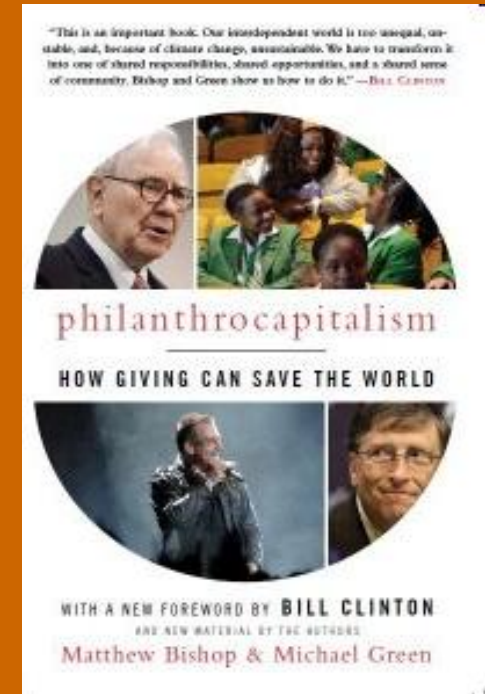
Key Ideas

- Business should give back to society
- Economic benefits trickle down
- First get rich than get generous
- With great wealth comes great responsibility



Philanthrocapitalism

- In the West, **philanthropy has become a public relations exercise**; failing to turn around the worst of our global problems.
- Business must change to become the leaders and reject the idea of business for short-term profit and **learn to do well by doing good.**



Strategic Philanthropy

- 2600 US Corporate Foundations gave \$4.4 billion in 2007. The same amount as the top four private foundations.



- Around the world corporate giving accounts for **1%** of pre-tax profits.

Reciprocity

seek to establish oneself, find a foothold for yourself and others, help others

Many non-Western regions have long and proud traditions of philanthropy

- Ottoman empire in 16th and 17th Centuries
Merchants pooled \$ to maintain mosque, pay for education, establish public works, build health care facilities and support the arts.
- Islam - Zakat
2.5% of wealth above an agreed upon minimum of (\$2640) donated to charity
Practice of love of humanity and to ease the economic hardship of others.
- Bulgarian - Chitalishta
- Mexico - korima
- South Africa - ubuntu
- Pakistan - waqf



Age of Marketing

CSR - Promotional

‘Industrialism created a limitless appetite for resource exploitation, and modern science provided the ethical and cognitive license to make exploitation possible, acceptable and desirable.’ - Vandana Shiva

‘The lavish spending in the 1990's on marketing and brand extensions has been matched by the never-before-seen resistance to investing in production facilities and labour.’ -Naomi Klein

Examples

- Chemical industry
- Finance industry
- Fast Food industry
- Tobacco, Oil and Gas industries

Key Ideas

- CSR is PR - Greenwashing
- Lobby against the public interest
- Reputation and brand matter the most



Ten Signs of Greenwashing*

- Fluffy language 'eco-friendly,'
- Green products by a dirty factory,
- Suggestive pictures with green images (e.g. flowers blooming from an exhaust pipe),
- Irrelevant claims,
- Emphasize tiny attributes,
- Best in class - declaring you are the best of the worst,
- Not credible - (organic cigarettes),
- Gobbledygook jargon,
- No proof,
- Lying.



*The Greenwash Guide by Futerra

Age of Management

CSR - Strategic

‘Increasingly we think in terms of a triple bottom line focusing on economic prosperity and environmental quality and the element which business has tended to overlook - social justice.’ - John Elkington

Examples

- Cadbury
- Nike
- Shell
- Starbucks



Key ideas

- Aligning CSR priorities to a strategy
- Embedding CSR through management systems
- Letting voluntary codes set the bar
- Making a business case for CSR
- Trusting business to self regulate



1990's Decade of CSR Codes:

ISO 14001, SA 8000,
Forest Stewardship Council,
Marine Stewardship Council,
Certification schemes (e.g. organic),
Green Globe Standard (tourism),
Corruption Perception Index, Fair Trade,
Ethical Trading Initiative,
Dow Jones Sustainability Index,
OHSAS 18001 (health and safety), Safe Quality Food (SQF), HACCP,
Carbon Disclosure, Global Alliance for Vaccines and Immunization,
Global Reporting Initiative (GRI), Kimberly Process (Diamond
Trading), Mining and Minerals for Sustainable Development (MMSD)
UN Global Compact, UN Millennium Development Goals,
Voluntary Principles on Human Rights, etc.



Three Curses of CSR



- **Peripheral** CSR is largely restricted to big companies and mostly for PR or individualized departments. Used for branding or reputation.
- **Piecemeal** CSR adopted a quality management style that **does not match the scale, urgency or root causes of the problems.**
- **Uneconomic** Business is designed to serve the economic interests of the powerful not the mandate of CSR.

CSR is in crisis

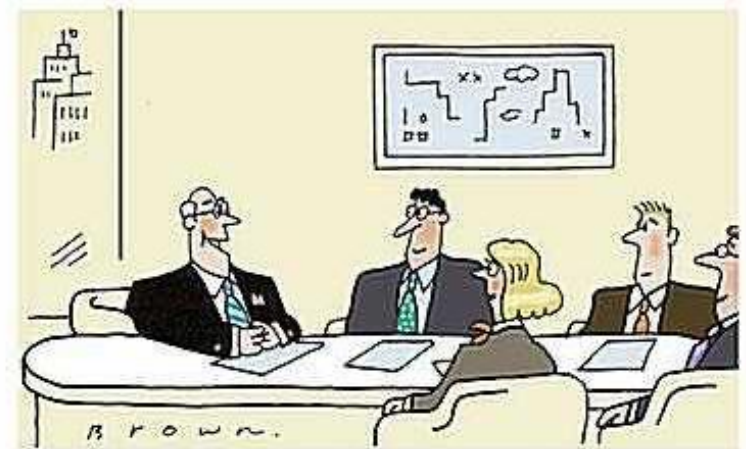
'It is not necessary to change. Survival is not mandatory.'

W. Edwards Deming

'Neither a wise man nor a brave man lies down on the tracks of history to wait for the train of the future to run over him.'

Dwight D. Eisenhower

At best, CSR has proven to be an effective tool for marketing and an inadequate catalyst for positive change.



"...and so it's agreed, in order to sharpen our crisis management skills, we're enrolling in an apology workshop."

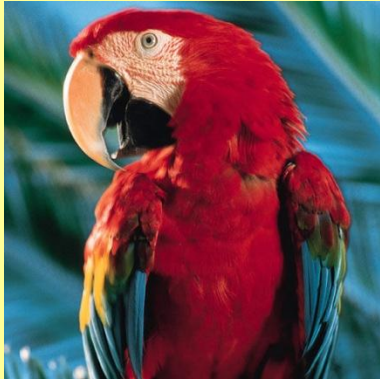
Most companies are struck in the Ages of Greed, Philanthropy, Marketing and Management

CSR fails to challenge the impacts associated with the nature of the business –
The consumption driven lifestyle of the resource and energy processes, products or services.

They are still in denial thinking there is no problem or it is not their problem.



Transformation of CSR



The way of the **Parrot** - tell it like it is, that **CSR is primarily a business tactic for reputation management.**

The way of the **Ostrich** - **pretend it is effective** and that more of the same will be enough.



The way of the **Phoenix** - **transformative change to reconceptualize commerce** offer genuine solutions to our global challenges.

The Age of Responsibility

CSR – Systemic Transformation

‘The first industrial revolution is flawed. It is not working. It is unsustainable. It is a mistake and we must move to another and better industrial revolution and get it right this time.’

- Ray Anderson, founder of Interface Inc.

Examples

Grameen Bank, Interface, Patagonia, Seventh Generation, Body Shop

Key Ideas

- CSR has failed because it is incremental, peripheral & uneconomic
- More old style CSR will not solve our global challenges
- We must unleash a new, Systemic/Holistic set of CSR principles
- Sustainability is the goal; Responsibility is the journey



The CSR Pyramid



Source: Carroll (1996)

*Mid Course Correction, and Confessions of a
Radical Industrialist**

‘ I am optimistic about Interface. I am not optimistic that the industrial system will change quickly enough to avoid catastrophe.’

*Ray Anderson’s biography



Interface Model:

- Green the Supply Chain,
- Eco-Dream Team - Eco-Metrics,
- Socio-Metrics
- Evergreen Lease
- Natural Step
- 1998 - 1st Sustainability Report & formed Global Sustainability Council
- Goal: To have no negative environmental impact by 2020.



‘Business is a renaissance concept, where the human spirit comes into play. It does not have to be drudgery; it does not have to be the science of making money. It can be **something that people genuinely feel good about**, but only if it remains a human enterprise.’

- Anita Roddick (The Body Shop)



'If you open your mind, the opportunity to address both profits and social conditions are limitless. It's a process of innovation.'

- Ben Cohen and Jerry Greenfield (Ben & Jerry's)
The Inside Scoop: How Two Guys Built a Business with a Social Conscience and a Sense of Humour



‘Most companies hire adults and then treat them like children. All that Semco does is **give people the responsibility and trust that they deserve.**’

- Ricardo Semler CEO of Semco



[Semco SA](#), a [Brazilian](#) company best known for its radical form of [industrial democracy](#) and corporate re-engineering. Under his ownership, revenue has grown from US\$4 million in 1982 to US\$212 million in 2003 and his innovative business [management](#) policies have attracted widespread interest around the world. [Time](#) featured him among its Global 100 young leaders profile series published in 1994 while the [World Economic Forum](#) also nominated him. *The Wall Street Journal America Economia*, [The Wall Street Journal's Latin American](#) magazine, named him Latin American businessman of the year in 1990 and he was named Brazilian businessman of the year in 1990 and 1992. *Virando a Própria Mesa* ("Turning Your Own Table"), his first book, became the bestselling [non-fiction](#) book in the history of [Brazil](#). He has since written two books in English on the transformation of [Semco](#) and workplace re-engineering: [Maverick](#), an English version of "Turning Your Own Table" published in 1993 and an international bestseller, and *The Seven Day Weekend* in 2003. He was 21 years old when he received his MBA from Harvard Business School.

‘As our planet’s life-support system begins to fail and Our very survival as a species is brought into question, remember that our children and grandchildren will ask not what our generation said, but what it did’

- HRH The Prince of Wales



Yvon Chouinard, founder and chairman of outdoor equipment and apparel company, Patagonia Inc.

- **The Zen master would say that profits are what happens when you are doing everything else right.**
- No animal is so stupid and greedy to foul his own nest.....except humans.
- How you climb a mountain is more important than reaching the top.

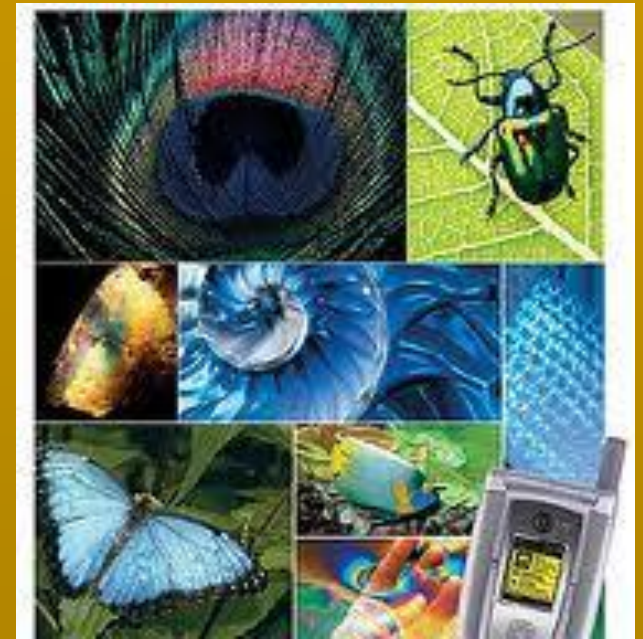


Key Principles in the Age of Responsibility

Considered Design-

Less energy, less waste, reusable resources

- Eliminate Waste,
- Generate Benign Emissions,
- Use Renewable Energy,
- Close the Loop on Production,
- Use Resource Efficient Transportation,
- Sensitize Stakeholders,
- Redesign Commerce



Life Cycle Assessment and Biomimicry

The CSR Revolution

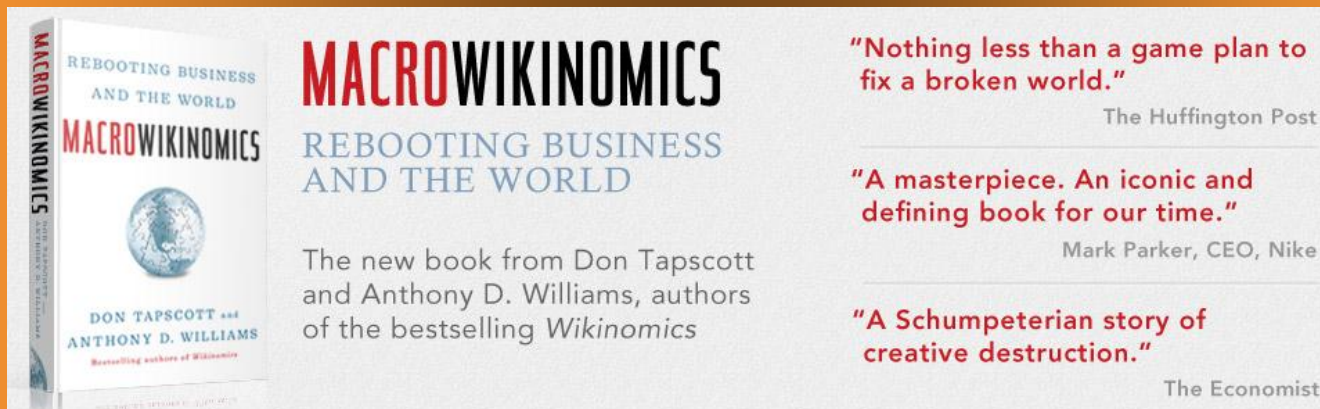
- Value creation, Economic development, Creating jobs, Investing in infrastructure
- Good governance, transparency, fair, ethical,
- Societal contributions, stakeholder engagement, community participation, supply chain integrity
- Environmental Integration, maintain and improve ecosystem sustainability

Examples:

- Cradle to Cradle - Netherlands, Israel, New Zealand, Wales
Interface and Shaw Carpets, Seventh Generation
- Green Index Timberland Shoes
- Water Neutral Coca Cola (India)
- Carbon Neutral Tesco - Carbon neutral stores and products
- Zero Waste Fuji Xerox (2009), Sony, Hewlett-Packard

Four Principles of 'Wikinomics,' by Dan Tapscott and Anthony Williams

- **Openness** - Standards and content and financial transparency and open to new ideas and resources,
- **Peering**- Collaboration(i.e. Linux)
- **Sharing**- Less proprietary products & intellectual property, shared scientific knowledge
- **Act Globally** - Local Solutions to Global Problems, Global Citizenship, Global Responsibilities



In the Age of Responsibility the company contributes to and becomes part of the community. It is not just something to invest in or work at. It is something to believe in.

From:

- Paternalistic Philanthropy
- Risk-based Defensive Responses
- Marginal impacts
- Western view
- Obsolete Products
- Annual CSR reports
- Stakeholder groups
- CSR Departments
- Brand/Image Public Relations

To:

- Collaborative Partnerships
- Reward-based Proactive Strategies
- Scalable
- Global Consciousness
- Service-based, take-back economy
- On-line, real time data flows
- Social networks
- CSR Incentives
- Social, Environmental, and Ethical Performance

Future Paths for NGOs

ThirdSector

Social Enterprise

- Platforms of transparency
 - Volunteerism
 - CSR Champions
 - Business Advisors
 - Agents of Government
 - Policy Reformers
 - Makers of Standards
 - Channels for taxes
 - Solutions
 - Catalysts for Creativity
- Investigations and disclosures
 - Providing opportunities for volunteers
 - Raise awareness and pressure for CSR
 - Consult on Responsibility
 - Work on behalf of regulatory authorities
 - Incentives for CSR
 - Developing standards and compliance
 - Receive and use tax revenues
 - Partner with business and government
 - Create and support Social Enterprises

Social Enterprise

Example

- Volans Ventures (John Elkington - 'Triple bottom line')
- Appro Tech (small scale appropriate technology)

Key Ideas

- Compassion, creativity and collaboration are tremendous forces for change,
- We can achieve large scale systemic & sustainable change.

Social entrepreneurs have:

- Innovative solutions to social problems,
- Potential to change patterns across society,
- Unrivalled commitment to bold new ideas,





- There are 1-2 million organizations working toward ecological sustainability.
- **The scale of this movement has gone largely unnoticed.**
- It is a movement without a central core. Rather than seeking dominance, social enterprise strives to disperse power.
- They are capable of bringing down governments, companies through witnessing, informing and massing.
- **Its clout resides in its ideas not in force.**

Scalability

Walmart

- From: Aggressive, bully, evil empire- **Saw full potential to serve not just customers but the community & world**
- **Goal:** 100% renewable energy, Zero waste, Sell products that sustain the earth and the environment.
- All fish: Maritime Stewardship Council certified
- 2008, Phase out chemically treated textiles became largest buyer of organic cotton and 'conversion' cotton.
- 2009, Sustainable product index
 - Step 1: survey suppliers
 - Step 2: develop database of lifecycle products
 - Step 3: by 2012 all direct import suppliers must come from sources with 95% rating
- 2010, Reduced 20 million tons of carbon emissions
- Still many critics re its Sustainability Index, labour practices and supply chain but it is working to make sustainability affordable for all.

Scalability

U.K. retail chain, **Iceland** (now Big Food Group)

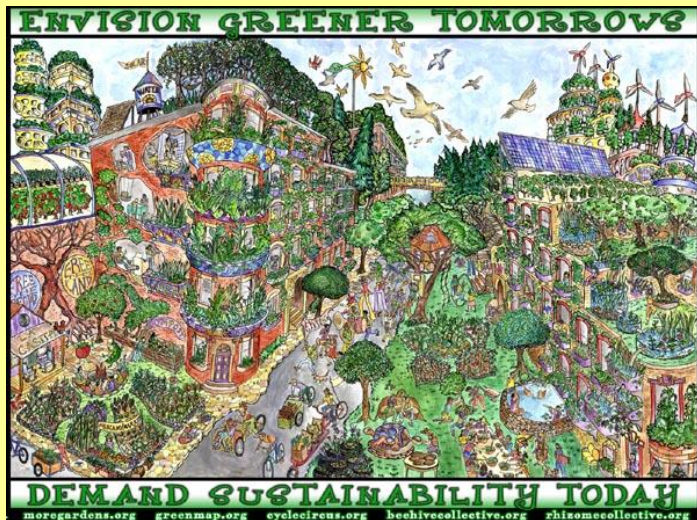
- 1997: banned all ingredients derived from GMO's
- 1998: banned artificial colours and flavours
- 2000: Purchased 40% of world's organic vegetable crop
- became an 'organic only' supermarket.



Social Responsibility Is Now a Business Imperative

"The future belongs to those who understand that doing more with less is compassionate, prosperous, and enduring, and thus more intelligent, even competitive."

Paul Hawken



"Business is the economic engine of our Western culture, and if it could be transformed to truly serve nature as well as ourselves, it could become essential to our rescue."

**Karl-Henrik Robert,
Founder of The Natural Step**

For nearly 11 years, now, we have been on this mission; we call it, "climbing Mt. Sustainability", a mountain higher than Everest, to meet at that point at the top that symbolizes zero footprint—zero environmental impact. Sustainable: taking nothing, doing no harm.

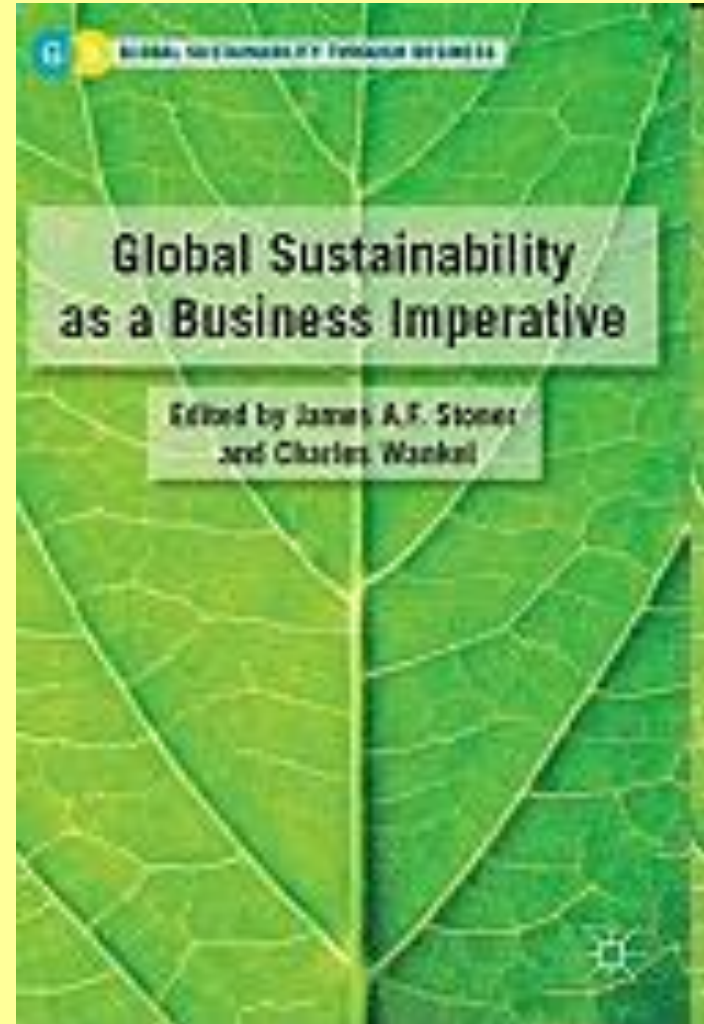
Ray Anderson

‘Companies still thinking about the environment as a social responsibility rather than a business imperative are living in the dark ages.’

Carter Roberts

‘There are those who look at things the way they are and ask why. I dream of things that never were and ask why not?’

Robert F. Kennedy



Thank you



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Phil Ferraro