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Has Corporate Social Responsibility made a difference to how companies behave? Elizabeth Howard gives an American perspective



A January cover story in *The Economist* entitled: 'The good company: A skeptical look at corporate social responsibility', was published just two weeks before the 2005 Leadership Conference on Global Corporate Citizenship in New York.

Attendees and participants read as a list of the most well-known American brands: Gap, Nike, Johnson & Johnson, and Pfizer, Inc., to list just a few.

Speaker after speaker referred, usually very early on in their remarks, to the *Economist* article, defending either the corporate social responsibility (CSR) programme in their corporation, or their consulting practice, against the charge that CSR is just window dressing. The clear fact is that CSR has become a business of its own in the United States, generating millions of dollars annually in consulting and other fees. The *Economist* article had become the elephant in the room and begged the question of what is the state of corporate social responsibility in the US?

Looking back it was in 1992 that the Business for Social Responsibility (BSR), the leading organisation supporting CSR programmes, was founded in San Francisco. The mission of BSR is to 'help businesses be both commercially successful and socially responsible'. Many of the companies leading the way to developing CSR programmes were the companies that were started by individuals who came of the age in the 1960s, companies such as Tom's of Maine, Ben and Jerry's Ice Cream and Patagonia. Like Anita Roderick's Body Shop in the UK, these businesses, while selling products were also advocating on behalf of human rights and the environment, amid the growing trend towards globalisation; and they were doing this when the internet was still in its infancy, just on the cusp of becoming commercially viable.

In the second half of the 1990s, the lens of the media captured young children stitching soccer balls for Nike and Reebok in South Asia and being paid pennies a day. Royal-Dutch Shell was attacked by Greenpeace when taking down an oil rig in the North Sea and then held responsible for not intervening to stop the execution of Ken Saro-Wiwa, an environmental activist, in Nigeria. The non-governmental organisations now had the power of the internet to mount and launch a campaign against a corporation or organisation around the world with the tap of a computer key.

The history of business being attacked tracks along beside the growth of business. In 1892, Edmond Morel campaigned against the companies working for King Leopold and doing business in Africa in Belgium. Mother Jones, wearing granny glasses and long skirts, was an activist against mining operations, specifically the Rockefellers, in 1913. While technology and globalisation had raised the stakes, Ken Saro-Wiwa's campaign against Shell was not dissimilar. Which brings me back to the original question: has CSR made American companies better citizens?

There are two models of CSR: the philanthropic model, where companies operate within the letter of the law, concentrate on the bottom line, and donate to 'good causes'. The second model is the integral model and in this case companies take responsibility to the host society and regard it as integral to the core business. In this model the companies see CSR as essential for 'enhancing competitiveness and profitability of the business; wealth creation in the host society and sustainability of the business so that every aspect of the way of doing business reflects strategic, as well as short-term impact management'.

*Can a CEO afford to stand up to human rights issues?*

Wall Street still drives business in the United States. If a CEO cannot produce quarterly profits and post a share price on the Big Board that pleases shareholders and analysts, he or she is replaced with someone who can. In the annual *Booze Allen Hamilton* study of CEO succession at the world's 2,500 largest companies (and not just in North America) more than 14% of the CEOs left office in 2004, many forced out for performance-related reasons.

Can a CEO in the US afford to stand up to issues related to human rights, sustainability, and the environment, in a developing country where the company is working to make a difference? Probably not, because the CEO and Board want to avoid the pressure and media noise created by activist NGOs who stand to benefit (and generate contributions by their organisations) by dogging

the company endlessly. Will a CEO take the time to participate fully in organisations like the International Labour Organisations (ILO) and other institutional groups working on global labour and educational issues? Spend three weeks at the ILO Governing Body meeting on Lake Geneva in June? Absolutely not. Instead, the CEOs will appoint vice presidents of human rights to travel around the world, interacting with local NGOs to make sure their company is in compliance with carefully constructed codes of conduct. The CEO will ask their employees to become involved in the Global Compact and the BSR so they understand the latest trends in 'philanthropic' CSR.

Somehow in the United States, corporate social responsibility has come to represent how a company behaves in a developing country or interacts with non-governmental organisations. What about how corporate leaders behave toward their own employees and shareholders?

The American model of CSR is neither fully philanthropic, as everyone has recognised that the interaction with local communities whether in the US or internationally needs to be much more than window dressing, yet neither is it fully integrated. Issues of corporate governance, ethics and compliance are a priority at all American companies, as no CEO wants to find him or herself spending time behind bars. For example, in reviewing the Standards of Business Conduct for ExxonMobil, I was struck with the fact that while the effort has the full support and backing of the Chairman and the Board of Directors, the 'International Operations Policy' is only two short paragraphs and focuses only on 'laws, rules and regulations applicable to its operations outside of the United States and to conduct those operations to the highest ethical standards'.

Various CSR organisations are making a difference by raising the awareness and bringing the dialogue about CSR to the business community, to the consuming public and to the media. Eventually, American corporate executives will understand the power of the 'integral model' of CSR to the sustainability of their businesses around the globe. ■



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