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Dear Reader,

Governance, corporate responsibility, business ethics, sustainability - are these the new buzzwords or is our landscape changing?

This month we present you with what authors have described as perhaps the most important revolution since the Industrial Revolution - the sustainability revolution and the need of corporate social responsibility. If we consider the economic, social and environmental impact of decisions in a globalized world, nothing comparable has ever existed in human history in terms of wide scope and significance.

Corporations have a key role to play. It is our ambition by sharing this snapshot of a transcendental topic, to inform, provoke reflection and inspire action, in an area that LIM is putting special attention, also supporting corporations in this journey (<http://www.limglobal.net/progsvcs/csr.htm>).

Enjoy the reading, and find your way to act.

Isabel Rimanoczy
Editor

Quote of the Month

"When we fight the 'enemy out there' we are reacting, regardless of what we call it. True proactiveness comes from seeing how we contribute to our own problems."

Peter Senge - The Fifth Discipline -

LIM NEWS



20 YEARS developing your leaders while they develop your business

CORPORATE SOCIAL RESPONSIBILITY

By Isabel Rimanoczy

Corporations are more than ever in the spotlight, and the results of their business decisions are falling increasingly under the magnifying glass of public opinion. Insurance companies are looking at the environmental responsibility of their clients. Banks and investors are looking at the cost of decisions that impact the environment. Legislators and NGO organizations are looking at compliance and at the impact of current practices. Unions, employees and communities are looking at the values shown by the corporations through their actions. Customers are judging corporate behaviors and voting with their buying power. Competitors are gaining terrain by improving their public image through innovative social and environmentally responsible initiatives.

At the same time, power has been shifting. As Ben Cohen, co-founder of the socially and environmentally responsible ice-cream business Ben & Jerry^[1] observes, in the past the church was the locus of the power. In much of the world organized religion still exerts huge power, and we can see ample evidence in the architectural display of temples, mosques and churches, as buildings became monuments to power. From organized religion, the power transitioned to governments. Now, with globalization, we are witnessing a new power shift, this time to the corporations. Business has become the new locus of power. Corporations influence elections through funding of campaigns; they influence legislation through lobbying; they influence the habits and practices of consumers with the development of technology, services and goods; they influence employees and communities in which they operate; they influence education by setting the educational agenda of what needs to be developed in the job market. Corporations influence the media through ownership or advertising. Corporations have a transnational reach, way beyond the influence of governments: through outsourcing, through globalization of vendors, technology, know how and production, corporations have an economic and social impact on communities with a global outreach. Corporations impact demographic settlements and urban development. Corporations impact the health of employees and citizens through their products and decisions, through their treatment of effluents. And if this list was not extensive enough, the use of natural resources and manufacturing practices impacts the environment and the ecological balance of our planet.

This new power has grown beyond the borders of a single nation. As a consequence, there are new challenges emerging daily, that require ethical and business considerations, in a variety of aspects that are not anticipated in the countries' regulatory systems. Capitalism rules... but needs new rules, say Ira Jackson & Jane Nelson in their book "Profits with principles"^[2] (p.13). Everything indicates that corporate responsibility is no longer an option.

What is corporate social responsibility?

"The challenge goes beyond complying with laws, protecting reputation and controlling risks", indicate Jackson & Nelson (p.29). They suggest that the challenge is also about building future competitive edge, anticipating market trends, understanding the changing societal expectations and demographic shifts that are shaping the markets. And all this, in the context of a moving landscape of social and environmental instability.

In his book "Cannibals with forks" John Elkington^[3] warns that survival for humanity will depend on jumping on the sustainability bandwagon. Sustainability, as he defines it, is "ensuring that our actions today do not limit the range of economic, social, and environmental options open to future generations" (p.20). The sustainability revolution, as Andres Edwards calls it^[4] is signaled by "four Es: ecology/environment; economy/employment; equity/equality, and education". For corporations, this means beginning to operate with a triple bottom line, setting goals and developing measurements to account for economic prosperity, as it has always been, but also for environmental quality and social justice.

We are all connected

One thing that globalization has brought with it, is the clearer manifestation of absolute connectedness and interdependence of human actors, be it governments, corporations, or individuals. While it was easier in the 50s to watch the news and feel badly for those who were suffering in other parts of the world, it also was natural for those benefiting from peace or wealth to be grateful for "not being there". This is no longer possible. To take a simple example, by the year 2003 China was adding 11,000 cars a day on its roads, a total of 4 million new cars in one year. At that pace, 150 million cars are expected in China by the year 2015 – that is 18 million more than were driven in the United States in 1999.^[5] If car use and oil consumption by Chinese were to equal US rates, 80 million barrels of oil a day above current world production would be needed. This is difficult to imagine, as, according to Chevron public campaign, "*the world consumes today two barrels of oil for every barrel discovered*". To take another example, if Chinese per-person paper consumption were to match the US level there would not be enough paper or forests available.^[6] Now who could possibly think that this is a problem for individuals in Beijing, but not for ourselves?

And so the connectedness relates to many other aspects. Many scientists assert that greenhouse gas levels can change the climate, which impacts on harvests, wildlife, sea-levels, hurricanes and flooding. Industrial and household pollution impacts fisheries. Social inequity creates unrest and violence, which impacts stock markets which impacts employment which impacts consumption. Business needs stable markets to thrive. Wherever you focus the connection, we are all losing in this game.

New paradigms

All of the authors of corporate responsibility and sustainability agree that corporations are faced with a paradigm shift, which, for some, is comparable only to the changes generated by the Industrial Revolution. "Not since the mid 19th century has such a profound transformation with worldwide impact emerged onto the world stage. Like the Industrial Revolution, the sustainability

revolution is far-reaching and is having a profound impact, shaping everything from the places we live and work to the foods we eat and the endeavors we pursue as individuals and as communities. It is affecting the economic, ecological and social aspects of societies worldwide." (Edwards, p.2).

John Elkington provides a clear chart of paradigm transformations (p.3). In the markets, the paradigm is shifting from compliance to competition: those who make more visible progress to care for communities and environment step ahead in the public opinion and in the buyers' choice.

The values are also shifting, from the "paramount importance of the financial bottom line" to concern for future generations, for the earth's resources or for social impact. The actions of corporations are becoming increasingly visible, and while secrecy has been the norm, now transparency becomes the new need, to re-gain the lost trust of the public in business. The World Economic Forum released in January 2003 a major global public opinion survey that asked 34,000 people across forty-six countries to assess the trustworthiness of different institutions, including global companies and large domestic companies to operate in the best interests of our society. The survey found that the least trusted of the seventeen institutions are business organizations.

The most fundamental shift however is related to the perspective of time. In what Tom Peters used to call "the nanosecond nineties", time has become a competitive weapon. Speed is used to please customers with faster service, to reduce production times and cost, to make money faster, to offer more in a shorter period. Speed is also targeted in the returns of investments. This paradigm is the most challenging one, because the link between cause and effect of our actions is not visible through the lens of speed. The delusion is to think that because we don't see an immediate effect, there is none. We have instituted the fast fix mindset and have convinced ourselves that this is the law by which all works. Wrong.

The new challenges

Leaders are faced with new challenges. The opportunity for corporations to act in a way that builds a sustainable world is as significant as the risk we all face by not doing it. Corporate responsibility doesn't seem an option anymore, and the challenges are complex, requiring a systemic thinking and approach.

New scenarios of ambiguity have to be addressed in order to:

- satisfy financial analysts and investors as well as customers, employees, politicians, regulators, local communities, grassroots organizations
- demonstrate short-term profitability and long-term growth
- produce more in terms of products and services and use less in terms of the depletion of natural resources
- provide low-cost products and high quality customer service, seeking brand differentiation in an increasingly commoditized world
- cut costs, restructure, lay people off and continue to attract, retain, motivate and develop talented and skilled employees, while knowing the impact of unemployment on consumer behavior and on communities
- increase efficiency and to remain socially responsible
- to be sensitive of the global and local impact of decisions^[7]

The opportunities to make the needed turn are in all parts of the organization: in accounting to include the triple bottom line; in manufacturing practices; in new product development, logistics, location, procurement, investment, business development and HR. It is not easy, but it is our best choice. 

^[1] Cohen, B. & Greenfield, J. (1997). Ben & Jerry's double scoop: Lead with your values and make money, too. New York: Simon & Schuster.

^[2] Jackson, I.A. & Nelson, J. (2004) Profits with principles: Seven strategies for delivering value with values. Currency Doubleday.

^[3] Elkington, J. (1998). Cannibals with forks: The triple bottom line of 21st century business. Stony Creek, CT: New Society Publishers.

^[4] Edwards, A. R. (2006). The sustainability revolution: Portrait of a paradigm shift. Gabriola Island, Canada: New Society Publishers. pp.20-23.

^[5] Worldwatch Institute. State of the World 2004. W. W. Norton and Company, 2004, p.3.

^[6] Brown, L. R. (2001). Eco-Economy: Building an economy for the Earth. W. W. Norton and Company, pp. 17-18.

^[7] Source: Adapted from Jackson & Nelson, op.cit., p. 29.

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