

Corporate Social Responsibility - U.S perspective

December 5, 2006



Mr David T Hopper, Consul General, Consulate General of United States of America, Chennai while inaugurating the Post Graduate course on 'Public Relations' at Stella Maris College, Chennai, delivered a speech on "Corporate Social Responsibility from US perspective".

In his address, he has explained as to why CSR assumes greater importance for the Corporates globally in the current scenario. :

Address by Mr David T Hopper - Full text of the speech

It is a great pleasure to again be at Stella Maris. I am honored to be invited to address this seminar on fostering Corporate Social Responsibility and Community Based Organization Partnerships, and in doing so to help inaugurate the Department of Public Relations at Stella Maris College.

I understand that the Department of Public Relations actually was launched in August of this year and that the students have completed their first semester, in which the focus of study was community relations. The next specialization is the corporate sector and customer relations, hence this seminar that combines the corporate and the community. I further understand that students in the Public Relations program work multi-sectorally in the corporate, service, government and development sectors with the aim of being able to function in allied communications and media related positions. I congratulate the Department and the College on this innovative approach, which I am sure will provide the students with excellent preparation for a world where the abilities to understand a variety of sectors and to communicate effectively are keys to success. Please accept my best wishes for what I am sure will be both a popular and successful program.

When I learned that I was invited to speak on Corporate Social Responsibility from the U.S. Perspective I must admit that I wondered if that meant corporate social responsibility was considered well developed or under developed in the U.S. Whichever might be the case, I hope the U.S. perspective is a useful one. Two notes at the outset: America is a diverse country, just as India is, so I consider this an American perspective rather than the American perspective on this subject. Also, I should give credit for much of the following to Dr. Angel Cabrera of the Thunderbird School of Management in the U.S. state of Arizona.

Most admired companies in US

For some time *Fortune* magazine, a well known American business publication, has issued a list of the most admired companies in the U.S., a list that is widely read every year and eagerly anticipated. In 2005, the top 10 most admired companies in the U.S., included Dell, General Electric, Starbucks, Wal-Mart, Southwest Airlines, FedEx, Berkshire Hathaway, Microsoft, Johnson and Johnson, and Proctor and Gamble. I note that most of these companies either have operations in India or, as we recently have learned about Wal-Mart, plan to have operation here.

In addition to being the most admired, if you go to their websites, you will see that these companies have something in common that immediately jumps out. They all have a section, a very visible section on their pages that covers social or environmental issues. If you go, for example, to Starbucks, they still have a section where they're trying to raise funds for relief efforts in southeast Asia. If you go to Southwest Airlines' web page, you'll find Operation Hope. If you go to Microsoft, you'll have information about their engagement with educational institutions. And if you look at Johnson and Johnson's page, you'll see a link to what they call their "credo," with some of the actions they intend to take based on those principles.

Why is this, one might ask? Why are some of the most admired companies in the world and some of the biggest names in the business taking into consideration and giving so much attention to social and environmental issues?

How economists felt during 70s?

If you go back to the '70s and '80s, some economists were saying that it actually was a waste of time, a waste of money and waste of resources, and in fact, it could be irresponsible to give such attention. The argument was that businesses exist to deliver products to clients and to make money for shareholders. And that if a company utilizes its shareholder resources to do something else other than its business, perhaps it's not being a responsible manager. That was the dominant view at that time.

Why has changed? Is it a fad that will go away, or is this something more profound?

There are several things are happening. One is, virtually every non-government organization in the world and every aid organization in the world and every international institution has made it very clear that some of the biggest problems, the biggest issues in the world cannot be tackled without participation from the private sector. Most of the solutions are in the hands of the private sector.

Now that doesn't explain that companies would actually take the lead. Just because NGOs expect businesses to do something, that doesn't mean that businesses are going to go ahead and do it.

The present trend

So what else is happening? One thing is that customers have more power than ever before. The Internet has empowered customers to self-organize, to find one another, to boycott products, to put pressure on suppliers when they're not receiving the products they want, or when the companies that they're buying from actually behave in ways that they don't agree with.

Something else that has happened is that investors are putting pressure, increasing pressure on companies. The whole movement about socially responsible investment and shareholder activism is not large. When one looks at the numbers, the percentage of money that is invested through socially responsible funds is still relatively small, but the rates of growth are huge. All the big pension funds are now under big pressure from their stakeholders to have strong principles of governance and the like. So, that's also putting some pressure.

But all that is not enough. Although there are pressures that may incline some companies to do be socially responsible, a major force behind all this are the ideas of growing and developing global brands and global reputation.

In the last few years, we've seen how some of the strongest brands in the world like Arthur Andersen, the number one accounting and tax firm in the world, virtually vanished within months because of a mishap that happened in one of their practices with one client in the United States. Building a global brand brings with it vulnerabilities. If you have a global brand, something wrong that happens in one part of the world can upset your operations all over the world.

Global brands have become sensitive to social role

The companies that are really battling in the global field, that are building global brands, that are trying to take their products to all over the world, have become extremely sensitive to their social role. And now, even in management schools and research, there is talk about social strategy. The leading companies not only have a business strategy -- how they're going to position their product, how they're going to sell it; they also have a social strategy because brands are built not only around good quality of the product; brands also are built around emotions, around values that people ascribe to those products. When you see, for example, Starbucks offering coffee from free trade suppliers or offering coffee from sustainable development coffee fields, that is not just a nice added thing to their operation, it's becoming a core part of what they do.

I don't wish to overstate the case. One of the things we can be sure of is that companies are not charities. Companies do not exist to take the shareholders' money and turn it over to charities and good causes. Companies do things that are actually good business for them.

CSR should relate to core business

For companies to find good business in socially responsible actions, several conditions need to be met. One of these conditions is that whatever those companies do in the social realm should be related to the core business. It's not just throwing money at good causes. It's actually utilizing what the companies are good at. It's Microsoft providing free software to schools, or a food company utilizing sustainable agricultural techniques, or is a supply company or a transportation company applying their logistics to take food to those who need it -- it's really something that takes advantage of the core skills and competencies of the companies.

The second condition for this type of social behavior to make sense is that whatever the company does should help to create a more competitive environment. In other words, it's an action that is going to allow the company in the future to do better business. So it makes sense that you use some resources from your shareholders to do that because it's going to create a more competitive, a better environment for you to do your business.

Here is an example: The next billion personal computers are not going to be sold in the U.S. and Western Europe. The next billion personal computers will be sold in the developing world. That's where the growth is. That's where the volume is. And if companies actually become active players in helping the development of those communities, helping to create a big middle class, they're the first ones who are going to profit from them.

The third condition that companies have to take into consideration when they engage in the social realm is that it isn't purely a management directive; it isn't only top down. It's got to be something that is central to the company, that engages the organization, that permeates through the organization, and really makes employees feel part of it. That's the only way in which really makes the engagement a believable proposition for a company.

In summary: corporate social responsibility is not a fad. There are structural reasons why corporate social responsibility is happening and is happening so widely. I find it encouraging to think that corporate social responsibility is sustainable because not only is it good for the well-being of people and societies around the world, but it also makes good business sense.

Role of Government

Finally, as I represent a government, a few words about the role government can play. Government plays a huge role by setting the rules, and by

dictating what is acceptable and not acceptable. Bribery is one example of something that is rampant in some places and which has enormous negative consequences. I'm pleased to say that the U.S. has an anti-corrupt practices law that makes it illegal for American companies to engage in bribery. I cannot guarantee you that every American company follows this law, but the vast majority do, and the few that don't risk punishment.

Tax policy also can create incentives for corporate social responsibility.

Government also can encourage corporate social responsibility. My Department – the American equivalent of your Ministry of External Affairs, presents annual awards to American companies for outstanding corporate social responsibility. I'm pleased to be able to mention that last year, one of the finalists in the competition was Ford Motors India, based here in Chennai, for its support for tsunami relief and its engagement with community organizations.

In closing, I again extend my best wishes to Stella Maris College on the establishment of a post-graduate Department of Public Relations. I am sure it will be a great success. And I congratulate all involved on organizing this important seminar.

Source : <http://www.primepointfoundation.org/hopper.htm>