



Saving Capitalism:

Next Generation Corporate Social Responsibility

Agenda

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Prepared for LIG International CSR Conference
Seoul, Korea



About US

VISION

Business will leverage its social, economic and human assets to ensure both its own success and a more just and sustainable world.

MISSION

The Center engages with companies to redefine business success as creating measurable gains for both business and society.

A research and education center at the Carroll School of Management at Boston College

Offers the only certified executive education training in CSR management in North America

International corporate membership: 350 companies, 50% of Fortune 100

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The economic downturn at Home

Total number of US Business Bankruptcy Filings

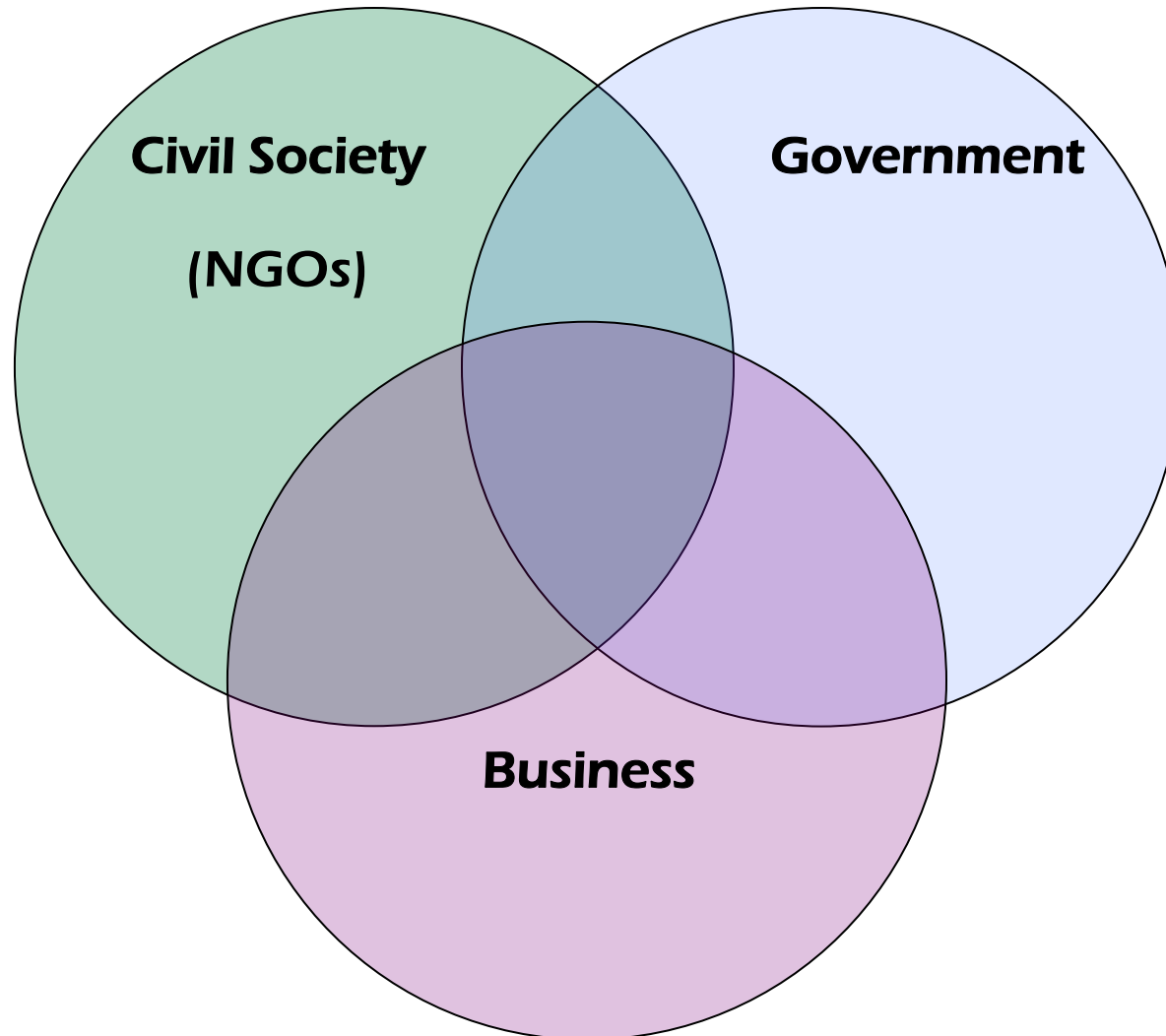
Business Bankruptcy Filings



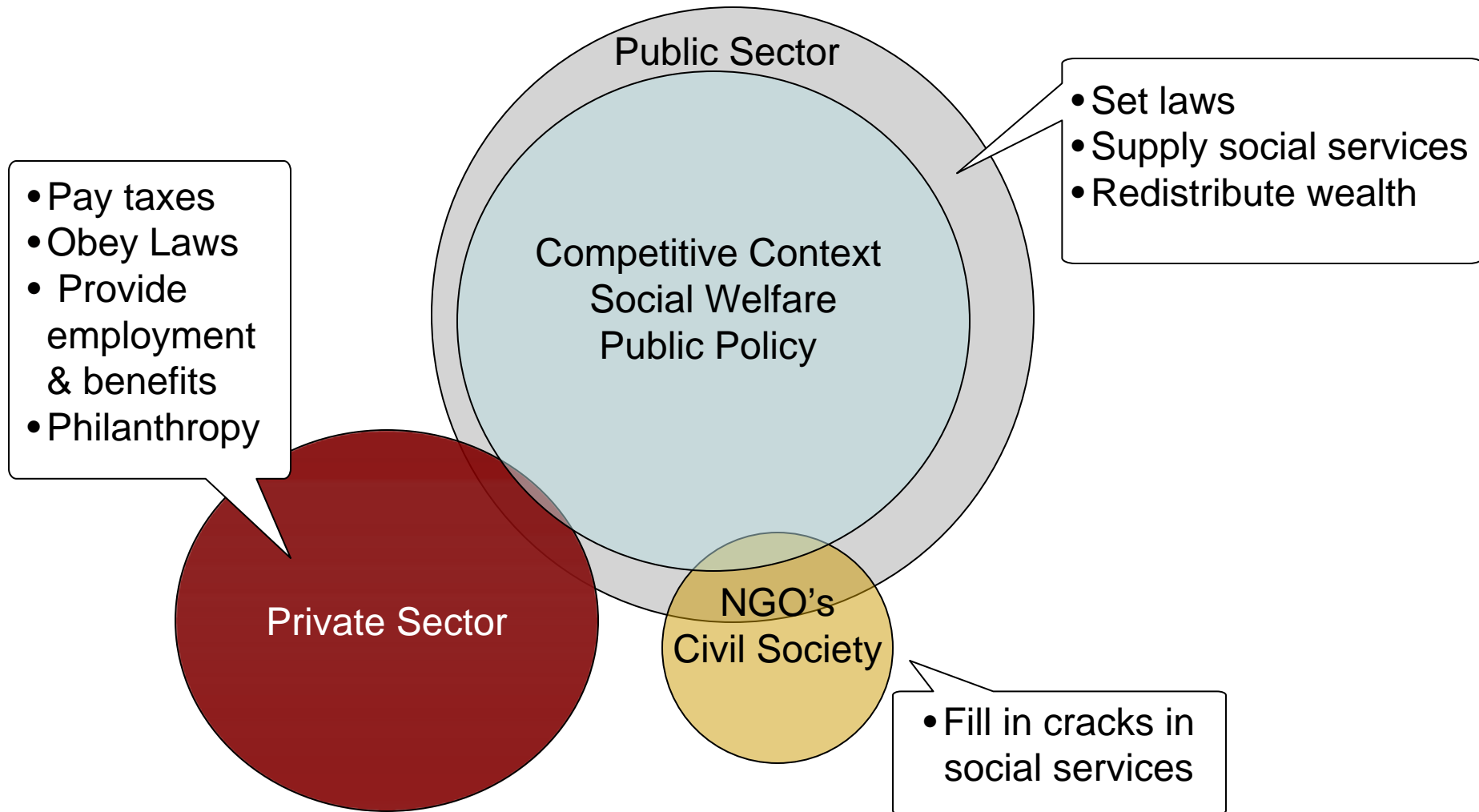
Emerging trends of change

- **Boiling pressures:** Around the world more and more key opinion leaders from all sectors of society are reconsidering the rights, roles, responsibilities, and relationship of business to society
- **No more business as usual:** Leading companies have already begun to change their governance, accountabilities, performance models, and modes of engagement with society to reflect social and environmental concerns
- **Rise of global insecurity:** Redistribution of power balance resulted in the rise of dominant powers of the world, mainly multinational corporations.
- **Piecemeal Globalization:** Many companies with global presence are now accepting more responsibilities for social and environmental footprints.

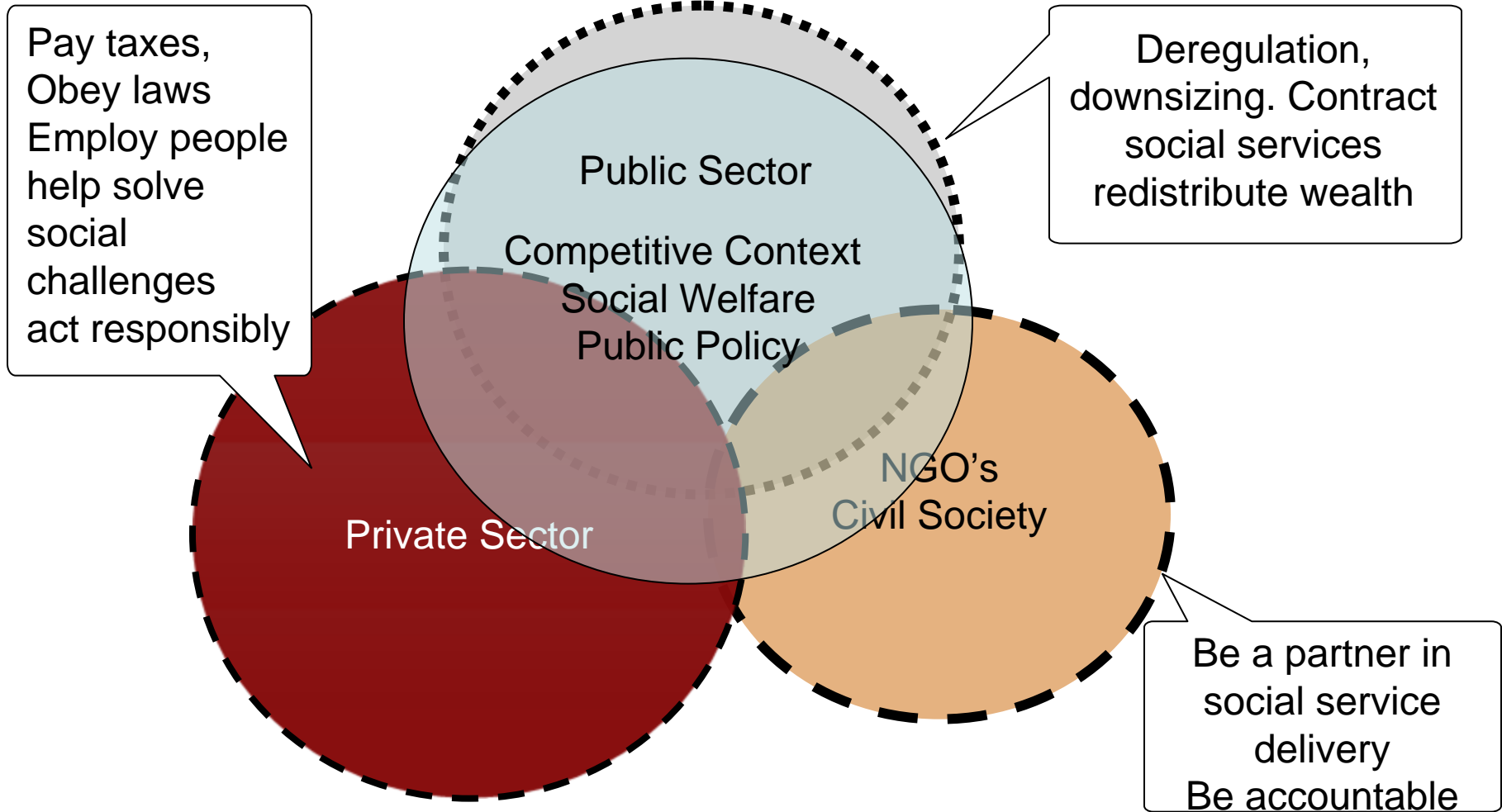
Three Major Forces of Change



Social contract in late 20th Century



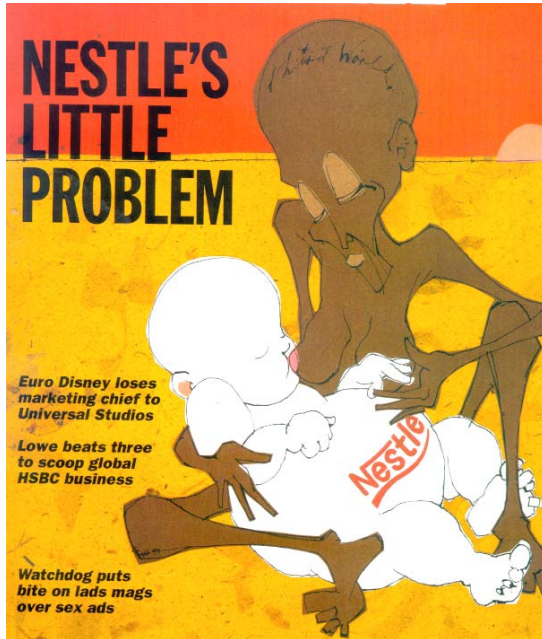
New Social Contract Business and NGOs as Central Players



Activists are responding to changes



Media & Pressure Groups



And many are calling for new changes



MOST SUSTAINABLE CORPORATIONS



GLOBAL 100



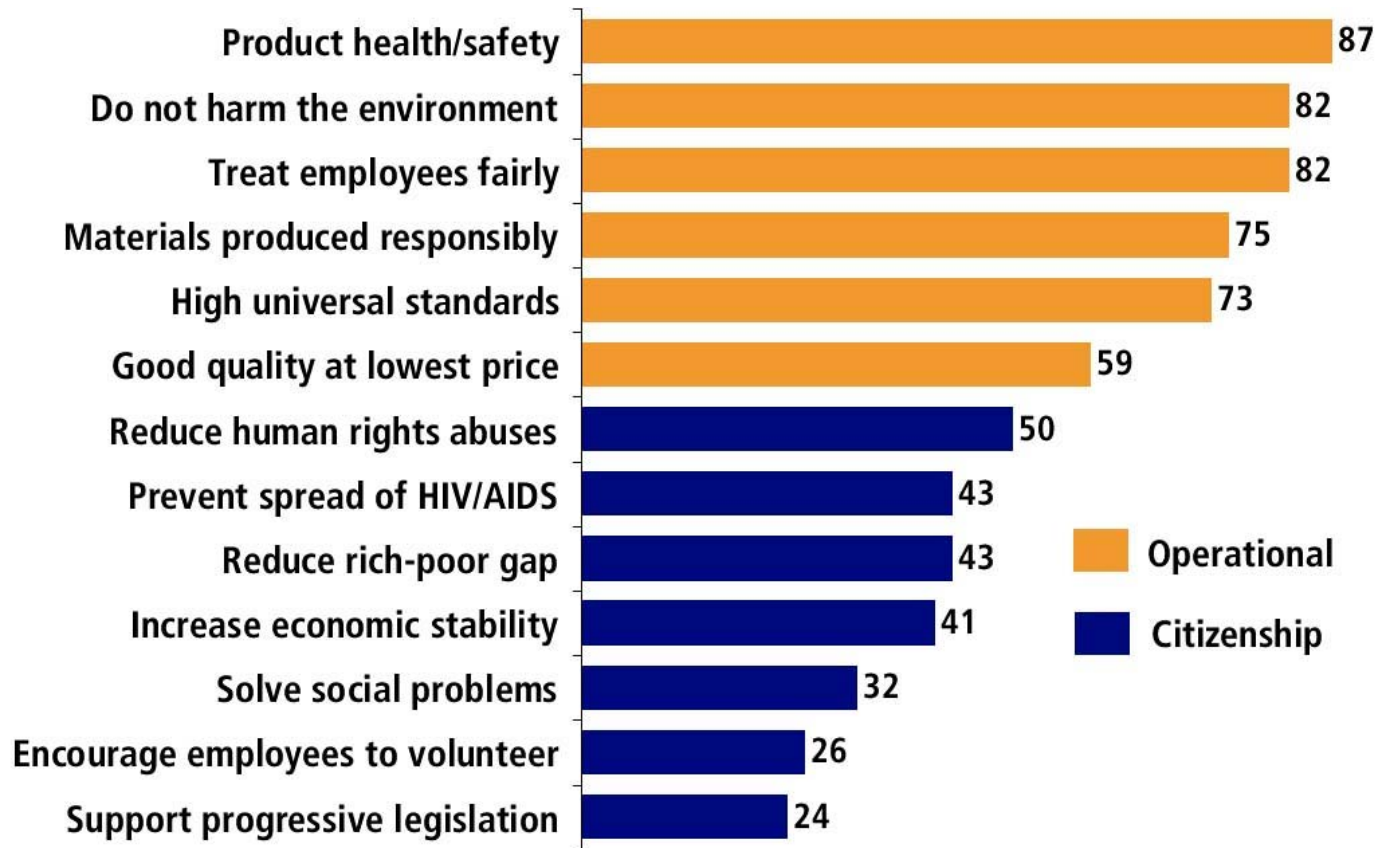
FORTUNE 100 BEST COMPANIES TO WORK FOR 2006

Hewitt Associates



Other names and brands may be claimed as the property of others

Society's expectations are changing

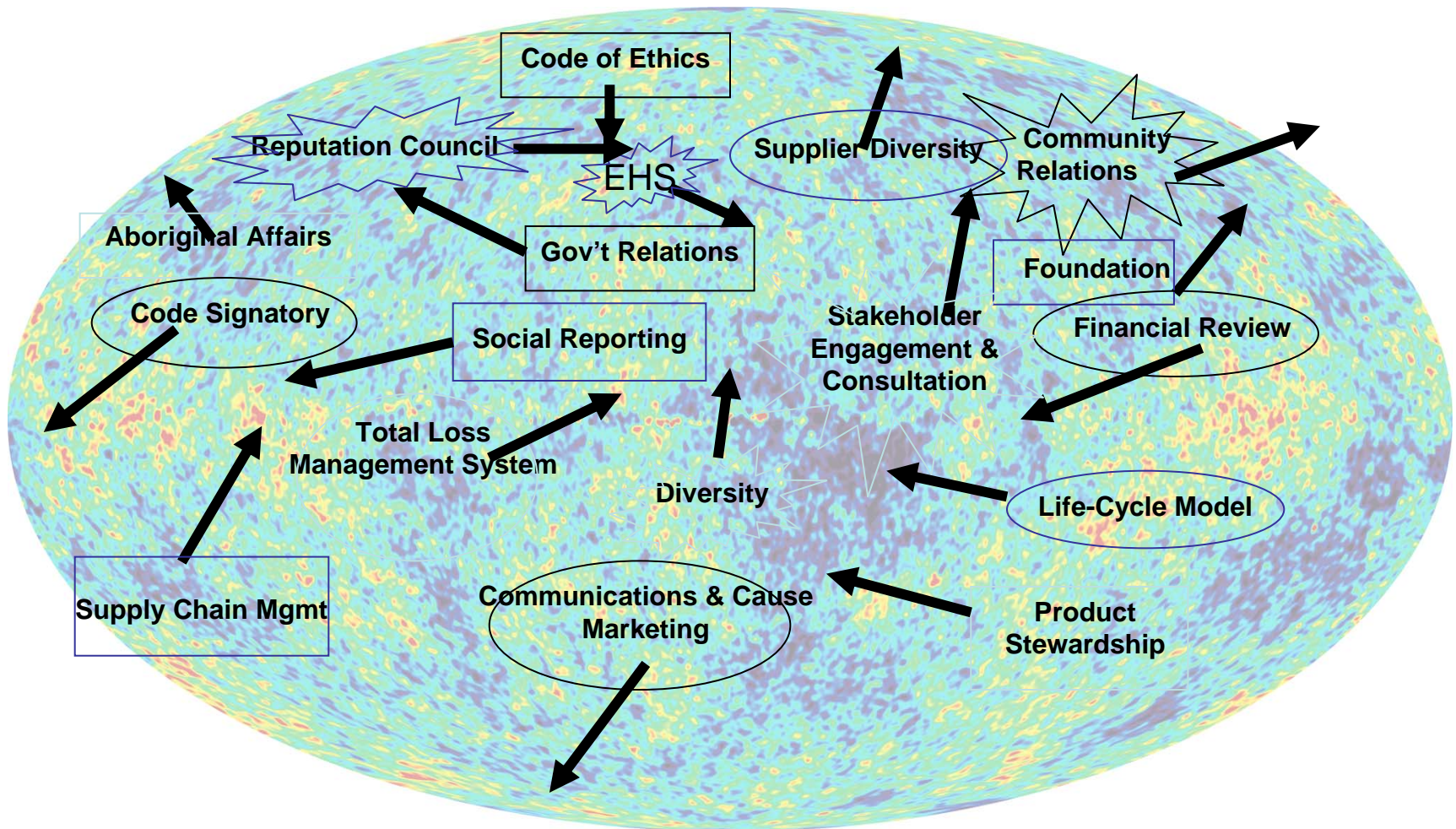


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Source



Being a good company is changing



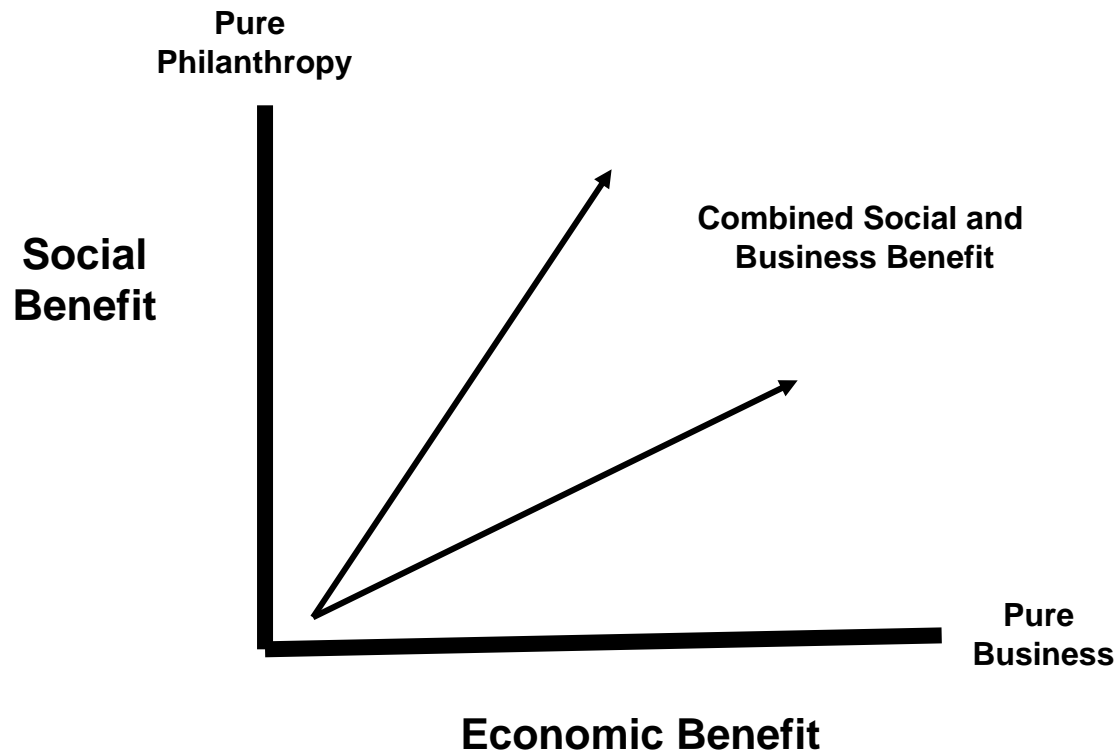
So, What can business do?

- **Defining issues that matter to both business and society** - By doing so, businesses will begin to shift corporate citizenship from business agenda to business strategy.
- **Developing relationship with broader stakeholders** - By doing so, businesses will begin to develop ways to collectively share responsibilities and promote sustainable market competitiveness and market-driven innovation.
- **Moving from compliance driven oversight to reward driven global governance system** - By doing so, businesses can increase transparency of industry that will decrease overall transactional costs of doing business.
- **Promote leadership from top to bottom** – By doing so, businesses can protect reputation of company and influence positive social changes.

Defining issues that matters for both Business and Society



Focus on the convergence of social and business interests



Source: M. Porter. The competitive advantage of corporate philanthropy

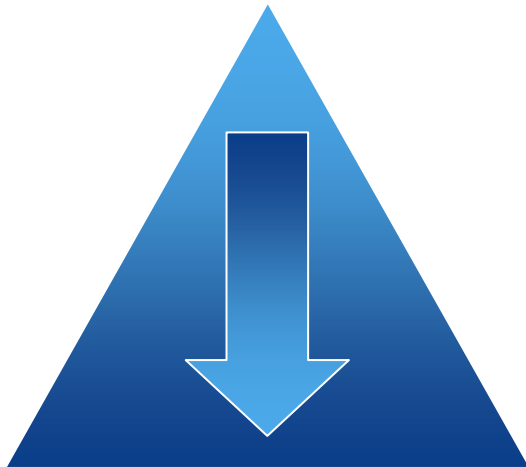
Developing relationships with broader stakeholders



Pyramid of Authority vs. Sphere of Cross Influence

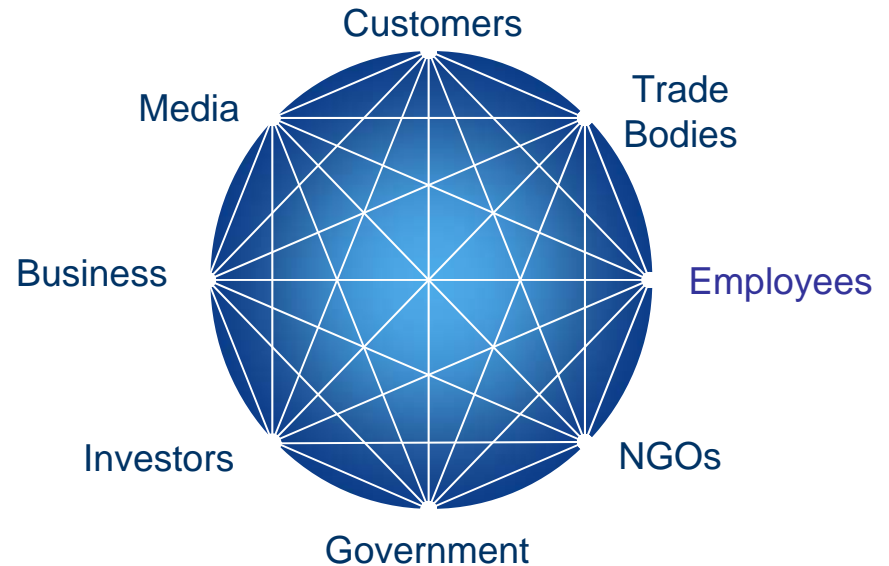
OLD MODEL

- Experts

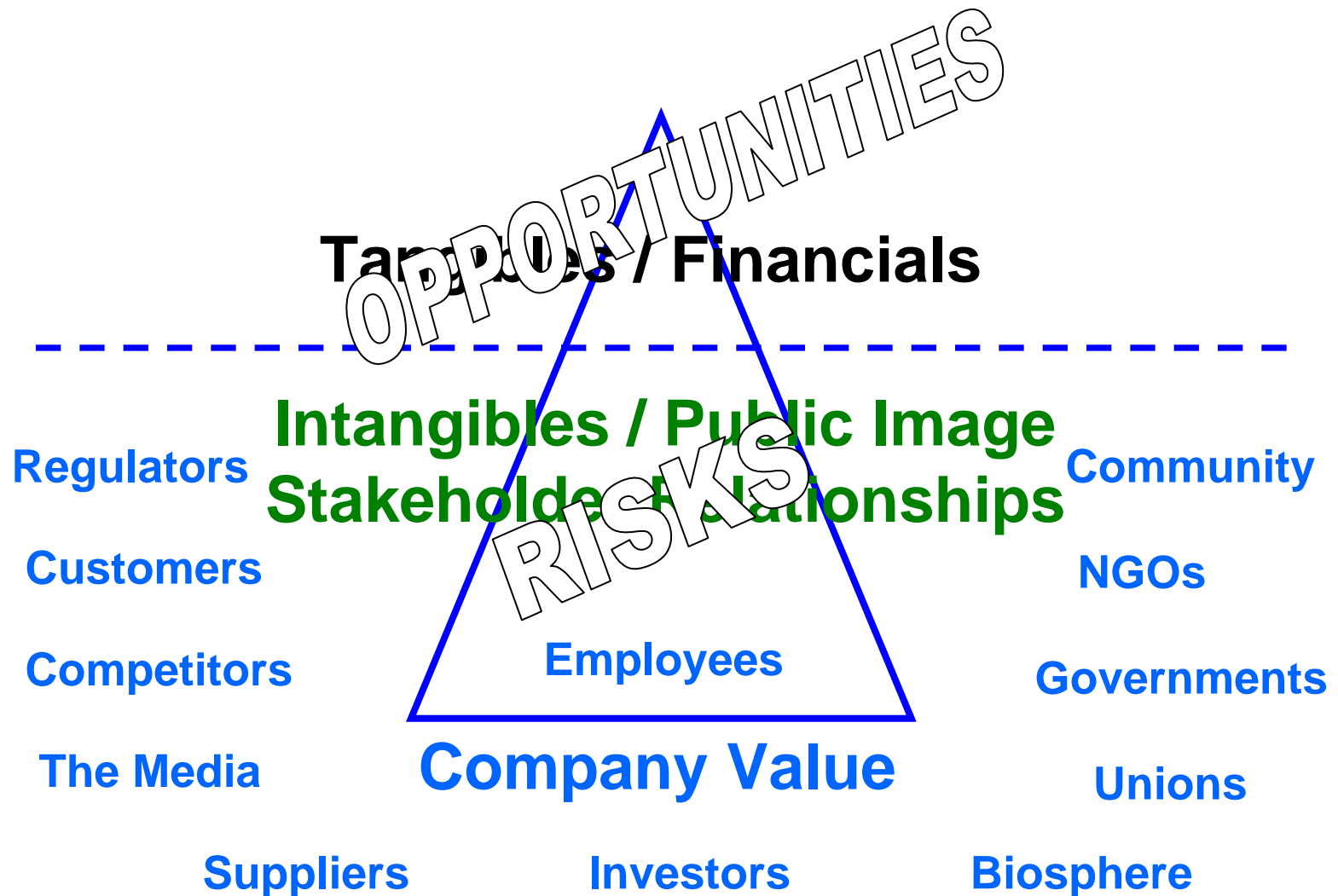


- Mass
- Audience

NEW MODEL



Moving from compliance driven oversight to reward driven global governance system



Promote Leadership from Top to Bottom



Leaders responsible for managing community must be effective in the following broad areas:

- **Strategy:** Ability to align business strategy with corporate citizenship to create value for the business and for society
- **Issues Management:** Ability to identify and track emerging issues and to develop effective resolution strategies
- **Relationship Management:** Ability to build mutually effective trust-based relationships with internal and external stakeholders
- **Communications Management:** Ability to communicate effectively both inside and outside the firm
- **Program Management:** Ability to operationalize strategy through the development of executable initiatives
- **Performance Management:** Ability to establish and track performance targets and drive continuous improvement
- **Change Management:** Ability to mobilize and shape organization-wide action and involvement

Key challenges for new CSR agenda

- **Leadership Deficit** – Senior management or chief executives buy-in to the corporate citizenship agenda is crucial for real changes to occur. Corporate Citizenship needs a strong seat at the board room.
- **Knowledge Deficit** – Doing corporate citizenship/sustainability programs requires holistic management competencies like issue management, strategy development, performance measurement, quality, communication, etc.
- **Innovation Deficit for Collective Values** – “Goals and Boundaries” of innovations must be changed to include a diverse set of outcome, benefits, participants, business model, and purpose.

Where do we go from here?

- The current trend of globalization and market driven liberalization is not sustainable.
- The lack of oversight is not the problem. Enforcement and implementation of policies to benefit all is required.
- Unilateral human or business activities will result in continuation of global insecurity that will be a major threat to all of us.

“What the world needs now is a collective Corporate Social Responsibility strategy!”

Implications for Financial Sector

Banking, Insurance, Global Markets

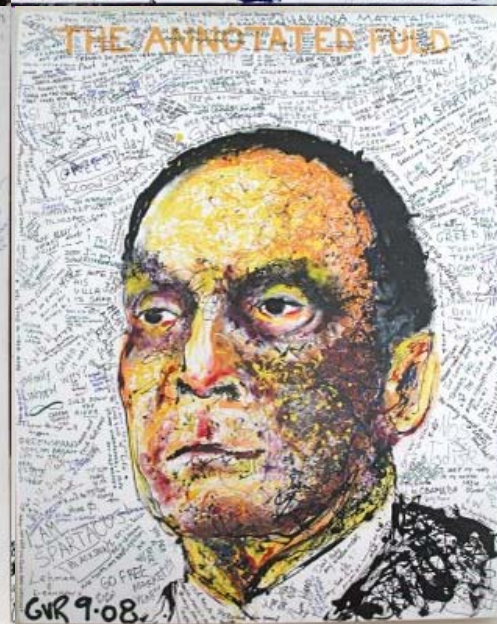
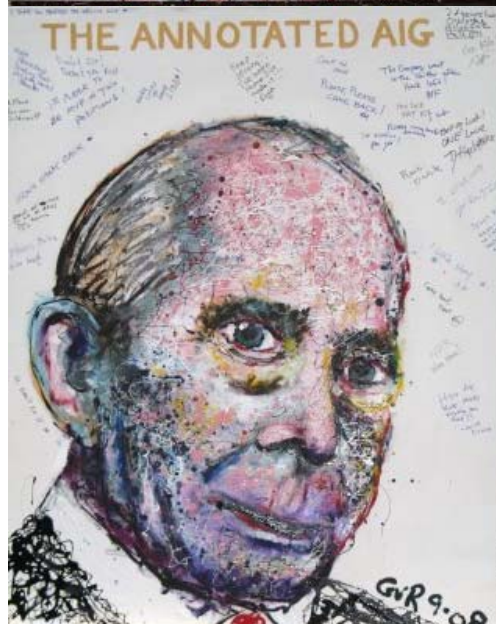


Today's Wall Street

Greed!

Fraud!

Bankruptcy!



CSR Drivers in Financial Sector

Definition

Activities

International Standards

Increasing Standards and global partnerships to link banks, insurers and fund managers to understand the impacts of environmental and social considerations on financial performance.



SRI

Rise of Socially Responsible Investment – estimated \$2trillion market in US alone.



Social Reporting – Public Disclosures

Nearly 80% of the largest 250 companies worldwide issued CSR reports



Building a Happiness Network
2007 Sustainability Report



Others

Globalization, Emerging market Opportunities, Governance

Emerging Risks for Financial Sector

Deteriorating fiscal position and further falling of asset prices is not the only risks that the financial service industry is facing today.

1. Environment

- Only 50% of AAA rated companies demonstrate a good environmental management practices.
- Voluntary disclosure on environmental data is lowest in Asia (9 out of 10 – excluding Japan).
- Climate change issue is critical linked to geo-political stability and energy security.

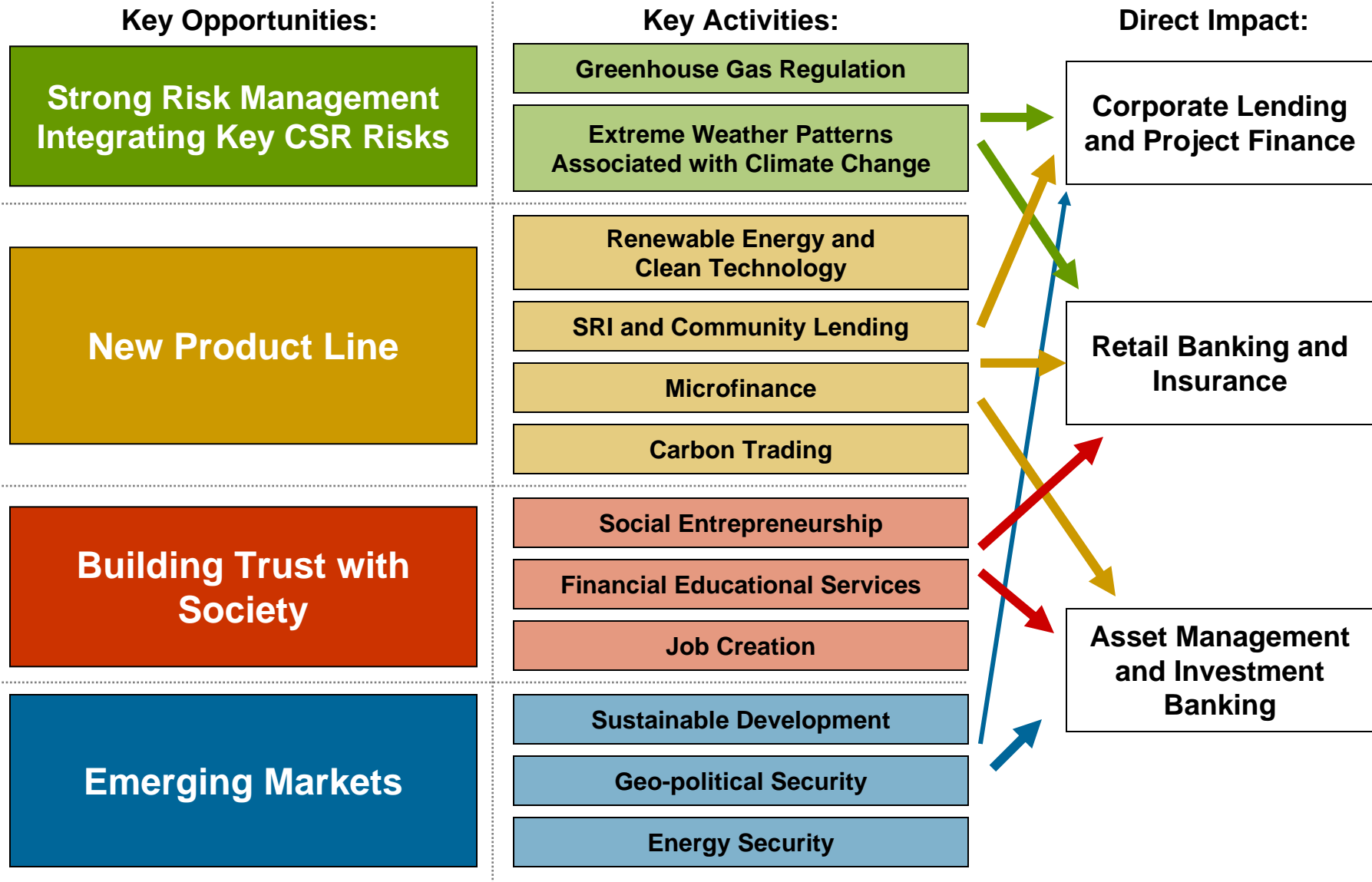
2. Public Trust

- Public trust in banking dropped 33% in 2008 (Edelman Trust Barometer).
- Lack of stakeholder engagement and full transparency of risks associated with investments.
- Government bailout, credit crunch and bankruptcy of the financial service companies will continue.

3. Profitability

- Limited opportunities in aggressive investments like the Sub Prime Market.
- Decline of corporate performance and investment markets (e.g. housing).
- The global thrift shift – An average household saving rates deteriorate in the US, UK, and Australia, in much of the developing world households save between 20 and 40% of their disposable income.

Emerging Opportunities for Financial Sector



Additional Readings and Information



BOSTON COLLEGE
CARROLL SCHOOL OF MANAGEMENT
Center for Corporate Citizenship

Institute for
Responsible Investment

Handbook on Responsible Investment Across Asset Classes



*Funded by the F.B. Heron Foundation
in collaboration with*



***“Handbook on Responsible Investment
Across Asset Classes”***

***“Corporate Social Responsibility
Reports Overview”***

“Non-Financial Corporate Disclosures”

***“Responsible Property Investing
Center”***

**Please visit Boston College Center for
Corporate Citizenship’s Institute for
Responsible Investment website to
gain access to cutting edge information
on responsible investment products
and practices.**

<http://bcccc.net/index.cfm?fuseaction=Page.viewPage&pageID=850>