

Top leaders shift their thinking on corporate social responsibility

Gayle Avery

Since last May, I have noticed a seismic shift in how top business leaders are thinking and talking about the global environmental and social issues that affect their operating results. Yes, on Twitter and in their speeches they still worry about innovation, competition, attracting talented people to work with them, meeting financial targets and the usual things that occupy CEOs everywhere. However, these executives increasingly articulate the concern that corporate outcomes are also influenced by the global context in which the firm is operating.

CEO of Nigeria's Safaricom, Bob Collymore, put it bluntly: "There's no such thing as a successful business environment in a failing society." Since last November, 1,000 US businesses and investors have signed a letter to President Trump calling for a low-carbon USA. The signatories re-affirmed their "deep commitment to addressing climate change through the implementation of the historic Paris Climate Agreement."

These leaders recognize that the world is being threatened in many ways. Intransigent global problems include climate change; ensuring fair access to food, clean water, health, education and other resources; and the need for a fairer and more equitable world. Addressing these huge problems

was once left to governments and NGOs. However, leaders of the corporate world are now getting directly involved with these issues as a matter of corporate policy. Their public comments also acknowledge the need to focus on social and environmental issues that extend way beyond their own enterprises. It seems that a landmark statement of global goals by the United Nations has influenced both their corporate and their personal agendas.

In September 2015, the United Nations called on businesses worldwide to support its new Agenda 2030, which nearly 200 countries have signed. The 17 Sustainable Development Goals (SDGs) contained in Agenda 2030 aim at ending poverty, protecting the planet and ensuring prosperity for all by the year 2030. Instead of leaving this ambitious change agenda to governments and NGOs – as typically happened in the past – the UN has called on business to respond to the opportunities inherent in pursuing the SDGs.

The UN's call has produced some noteworthy positive actions. A number of major corporations are embedding the SDGs into their business development strategy. An outspoken advocate of such activism, Paul Polman, CEO of Unilever, had a hand in shaping the SDGs. In 2012, Ban Ki-moon, then

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the UN Secretary-General, picked Polman as one of 26 people to craft 17 goals for the world body – the only business executive in the group.[1]

In a recent *Fortune* article on Unilever, Polman backed the idea that it is the job of businesses to help fix these problems which obviously requires a mental shift for many companies. The article notes: “Typically, most firms have carved off issues like the environment and poverty into corporate social responsibility (CSR) programs, separating them from revenue-generating business. To Polman the distinction makes no sense. In 2009, when he landed as CEO at Unilever . . . he scrapped the CSR department, instructing Unilever’s 169,000 employees instead to embed the company’s extensive social commitments into their business targets.” The strategy extends company-wide with no exceptions, according to Unilever executives. In a recent interview Polman warned, “Businesses are also discovering that the costs of not doing things are becoming higher than doing things.”[2]

Another strong supporter of the SDG agenda is Richard Branson, founder of the Virgin Group, and co-founder and Co-Chair of The B Team which advocates “that the private sector can, and must, redefine both its responsibilities and its own terms of success . . . for concerted, positive action that will ensure business becomes a driving force for social, environmental and economic benefit.” Other prominent leadership voices backing the agenda are the

World Business Council for Sustainable Development and Klaus Schwab, founder and Executive Chairman of the World Economic Forum: “We must look past our own narrow interests and attend to the interests of our global society,” says Schwab. In addition to the moral and ethical dimensions, these leaders recognize the many business opportunities the SDGs offer and that creating a better world for all makes good business sense.

Business can help realize the SDG initiative by allocating resources to implementing the goals and by applying its technologies to the complex process involved in social and economic development. More and more businesses are making this commitment out of enlightened self-interest, realizing that multiple benefits flow back to business from such investments, for example, through expanded markets. It’s an eye-opening fact that the 4.5 billion people living at the bottom of the economic pyramid spend some US\$5 trillion a year, including US\$2.3 trillion on food and beverages alone. Marketing to people in developing economies requires product innovation and a well-thought-out supply chain strategy, but the potential rewards include the competitive advantage of a massive increase in scale, an expanded labor pool, and new sources of business value.

According to the Business Commission, embracing the SDGs could generate over US\$12 trillion of new business value each year by 2030, particularly in the developing world. It could create 380 million

new jobs during that period. According to Branson’s B Team, ensuring women’s equal participation in the global economy would increase GDP by US\$28 trillion.

What does business think? The consultancy PricewaterhouseCoopers (PWC) recently surveyed top businesses and confirmed the trend towards embracing the SDGs. About 71 percent of organizations surveyed are planning to engage with the SDGs and 41 percent said they want to embed the SDGs in their strategy.[3] PwC also found that 90 percent of citizens believe business should engage with the SDGs.

This resurgence is occurring on a broad scale at the top end of business in most parts of the world. It is as though these executives have rediscovered Peter Drucker’s 50-year old advice: “The best way for business and its leaders is to make the satisfaction of a social need an opportunity for a profitable new business.”[4]

Notes

1. <http://fortune.com/2017/02/17/unilever-paul-polman-responsibility-growth/> A version of this article appears in the March 1, 2017 issue of *Fortune* with the headline “Selling Soap and Saving the World.”
2. www.theguardian.com/business/2016/jan/25/unilever-ceo-paul-polman-the-optimistic-pessimist
3. www.pwc.com/gx/en/services/sustainability/sustainable-development-goals.html
4. Peter Drucker, *The Age of Discontinuity Guidelines to our Changing Society* (1969), p. 207.

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