

# The Debating Group



A Parliamentary forum for Media and Marketing Debate

## **Do social responsibility claims by businesses amount to little more than posturing to gain commercial advantage?**

**“We need a new business model for the 21<sup>st</sup> Century that has sustainable growth at its core”. These were the words of Keith Weed, Chief Marketing Officer, Unilever plc. He was proposing the motion ‘Social responsibility claims by businesses amount to little more than posturing to gain competitive advantage’ at the Debating Group debate at the House of Commons on 28<sup>th</sup> January 2013. The debate was sponsored by The Chartered Institute of Marketing and chaired by Lord Hastings of Scarisbrick CBE, Global Head of Corporate Citizenship KPMG International.**

In 2012 Unilever topped Sustainability in Globescan’s corporate sustainability leadership list for the second consecutive year. It came top of the UK’s Most Admired Food companies for the third consecutive year and is in the top three Fortune’s Most Admired Food companies worldwide and ranked first in the Climate Counts scorecard. As the Chief Marketing Communications and Sustainability Officer for Unilever, it might be expected that Keith Weed would oppose the motion. He pointed out that the debate was not about whether social responsibility was good or bad. It is clearly good. But he differentiated ‘posturing’ CSR from sustainable responsibility at a company’s core.

Social responsibility at its most basic is traditional corporate philanthropy – allocating a small percentage of pre-tax profits to worthy causes – sending staff on community days to paint schools or sponsoring a village in Africa, both photo opportunities for the Annual Report to show a caring company. The main drivers are reputational benefits, a boost for staff morale and a feeling that this is ‘the right thing to do.’ There is nothing much wrong with this approach. However, it does not create a meaningful scaleable impact. And often when times get tough, financial support is swept away by rationalisation or a business manager arriving with new priorities and a new favourite project. Keith Weed argued that this approach does not go far enough if we want to tackle the problems of 21st Century living. For many other companies the notion of social responsibility goes beyond philanthropy in attempt to leverage compliance and even ‘license to operate’ into something more admirable. Social responsibility initiatives are more integrated and aimed at managing the reputational risks associated with conducting core business. As if a right in social responsibility cancels out a wrong elsewhere. Enron is a good example of this – a company which had won global conscience awards. Both these kinds of social responsibility are sadly too prevalent. Too many businesses and their shareholders feel that they can pay lip service to the expectations of wider society, either through ‘compensating’ for negative impacts with hand-outs, or by green-washing. This is little more than posturing to gain competitive advantage.

Keith Weed went on to argue that this approach has a limited lifespan. Business is at the crossroads and so is CSR. Currently we have 7 billion people on the planet; between now and 2050 another 2.5 billion people will join. 2.8 billion people already live in water-stresses regions. 2 billion lack access to safe drinking water. One in ten adults is obese while 1 billion go hungry. And global growth increasingly leaves many behind with 2 billion people still living below the poverty line. We need to invent a business model for the future with sustainable and equitable growth at its core. Responsible business has the opportunity to step up, regain the initiative and lead. An emerging class of businesses that includes companies like Kingfisher and Interface

understands these trends and their implications. This is social responsibility not posturing. In this model you won't find a traditional CSR department made up of mid-level managers without any real control over the business' direction and operating in a parallel universe to the real business. You will find an utterly hard-headed, commercial approach to sustainability that takes a long hard look at the planet, the nine billion people that will soon inhabit it and starts to think about its future business viability in relation to peoples' needs and increasing scarcity of our resources.

Keith Weed described Unilever's new vision, introduced three years ago. The aim was to double the business while halving environmental impact and increasing positive social impact. There are three objectives: sourcing all agricultural raw materials sustainably; helping a billion people improve their health and hygiene; and halving the environmental impact of the products across their whole life cycle, by 2020. The strategy is for all Unilever brands and in all the 180 countries in which the company operates.

Keith Weed stressed "We are not doing this to be nice, although we hope our consumers will feel an affinity with Unilever's products over our competitors. We are not just doing it to manage our reputational risks, although it will help do this. Our Sustainable Living Plan is our business strategy in an ever more fast-moving, interconnected and resource-constrained world and while you can call it 'responsible' it is also the only strategy that is going to ensure that we are in business 100 year from now". He argued that we need governments to change the rules of the game to reward the leaders and tackle the laggards and free-riders. We need a new business model for the 21<sup>st</sup> Century that has sustainable growth at its core with businesses working with governments on sustainability and the environment – we do not need businesses clouding the issue with social responsibility claims to gain competitive advantage.

### **Authentic business**

Opposing the motion, **Mark Lloyd Davies, Senior Director, Government Affairs and Policy (UK and Ireland), Johnson and Johnson**, argued that the motion was wrong and misleading. He explored three points:

- **Commercial advantage.** Of course business is there to make a profit. It is not a charity. Profit is not a bad thing: commercial advantage and profit are absolutely crucial for business to survive. Commercial advantage is a good thing: it means your company grows and is not made bankrupt. Commercial advantage motivates teams of people to innovate, take risks, invest, hire people and serve customers. In Johnson and Johnson's work in healthcare, the pursuit of commercial advantage has resulted in the high risk-reward model of medical device, diagnostic and pharmaceutical discovery, meaning that medical advance in the past 80 years has been astonishing. Cancer and HIV, for example, are no longer the swift, universal sentences they used to be. The model of free enterprise witnesses the discovery of thousands of new molecules and medical products. Commercial advantage results in competition and competition in the words of Adam Smith, converts "the private interests of men" into consequences "most agreeable to the interests of the whole society".
- **Posturing.** In stating that commercial advantage is critical for business, this does not mean posturing. Strong businesses are built on strong values: towards customers, employees and the wider community. These values help the business to win loyalty – the most important thing any business has – from its customers and employees. As Terry Leahy, former boss of Tesco wrote "customers are driven as much by emotion as by reason". The winning company wins loyalty based on trust. So, if businesses do not act properly towards the customers and their communities, they can lose that trust. Losing trust, be you a politician or a businessman is devastating. Being authentic and operating properly – not posturing superficially – is a commercial imperative. Businesses understand this and see the consumer also as a citizen with political power and a member of a community. Businesses that show they are contributing to the community grow roots and loyalty. Digital means more information and choice for the consumer. Twitter and Facebook mean brands can be created or trashed anywhere in the world in hours. Companies must build an emotional attachment to customers in an authentic way, which meets their needs. Customers can see through posturing faster and more decisively than the greatest of cynics.

- Social responsibility claims. Business creates jobs. This is socially responsible. Johnson and Johnson recently performed an Economic Analysis of its contribution to the UK economy and it was found that for every job hire it made 3.2 additional jobs were supported in the local community. And that for every pound spent by the company on outside services, an additional £2.1 was spent in the local economy. And for each job employed and pound spent, taxes are paid which pay for society's public services – for more teachers, police and nurses and better roads and railways. “Is not supporting these public services socially responsible?”, asked Mark Lloyd Davies. There is the nature of business itself – inventions, research, bringing better fresh food to otherwise deprived communities, more choice, more affordable quality products – all raising the standard of living. Are none of these socially responsible and evidence of the benefits that business brings to society? The charitable things that businesses do to help communities around the world are socially responsible initiatives, not for posturing, but because they make good business sense in the long run.

The clever business cannot afford to posture. The unforgiving customer will see through it and punish it accordingly. The very act of business, in employing people, paying taxes for public services and its own nature to provide products so that lives are helped, diseases cured and opportunities created, is authentic. But so are socially responsible initiatives, as they help build trust and a relationship between society and business. It is not posturing but authentic good business sense.

## Corporation tax

Seconding the motion, **Hamish Pringle, former Director General of the IPA and Strategic Advisor 23red**, pointed out that commercial advantage is at the nub of the motion. The UK is regarded as the world's leading market for investments made according to Sustainable and Responsible Investment (SRI) principles. 44% of the £3.9 trillion invested by UK asset managers is according to SRI principles. CSR thus provides the comforting higher order values on top of the usual rational and emotional ones. There is also academic research evidence that this can work in the company's favour. In their paper ‘The impact of Corporate Social Responsibility on firm value: the role of customer awareness’, Henri Servaes of the London Business School and Ane Tamayo of LSE write “CSR and firm value are positively related for firms with high customer awareness, as proxied by advertising expenditures. For firms with low customer awareness, the relation is either negative or insignificant”. So if a company is seen to be socially responsible this can add value. These companies need to make claims and this is where the posturing comes in to gain competitive advantage.

Posturing is defined as behaviour or speech which is intended to attract attention or interest, or to make people believe something that is not true. Hamish Pringle gave Starbucks and Google as examples of his kind of posturing. Starbucks would have us believe that it has not made a profit since it set up in the UK in 1971 and as a result it pays little or no corporation tax. Meanwhile there is a raft of information on its website on the good works it does in the community, for the environment, in ethical sourcing and in diversity. He quoted from the website “We’ve always believed that businesses can – and should – have a positive impact on the communities they serve. So ever since we opened our first store in 1971, we’ve dedicated ourselves to earning the trust and respect of our customers, partners (employees) and neighbours. How? By being responsible and doing things that are good for the planet and each other”. Hamish Pringle did not doubt that these are good things to do and plausible claims to make, but suggested they are essentially a fig leaf to cover up for the fact that the company is not paying its fair share of tax in this country. “This”, he suggested, “is posturing to gain commercial advantage over other UK chains and coffee shops which do indeed pay their corporation tax and thus compete on an unlevel playing field with Starbucks”.

Hamish Pringle went on to cite the case of Google which funnelled £6bn of revenues from international subsidiaries, including the UK into Bermuda last year in order to halve its tax bill. Meanwhile its letter to shareholders announced Google's strong commitment to making the world a better place. Hamish Pringle asked “Tell me how avoiding paying corporation tax in the UK, one of Google's biggest and most profitable advertising markets, is making the UK a better place? Especially when ‘You can make money without doing evil’, which relates specifically to advertising, is No.6 of its 10 founding principles”.

So often these and many other companies look at the world through a lens typified by the following quote from a professional services advisor “Social license to operate has been ranked as a top six risk over the last five years as it represents a consistent long-term challenge”. It is all about public relations in the defence of

the 'license to operate', something that needs to be done to fend off the risk of regulation and legislation, rather than a proactive programme to build social responsibility into the DNA of the business, like Unilever. There are far too many companies making social responsibility claims of a superficial and self-serving nature. Increasing numbers of people are looking beneath the surface to discover whether or not a brand is sincere. Authentic claims will stand up. Nowadays in order to be great you have to be good too.

## **Sustainable strategies**

Seconding the opposition, **Liz Bingham, Managing Partner of People & Talent for the UK and Ireland at Ernst & Young**, pointed out that the proposers of the motion were making somewhat sweeping statements about the business-to-consumer market, with the implied notion that some companies hoodwinked the consumer. She focused both on the business-to-business environment and the SMEs which are the heart of UK business. Reputation is as important in these environments as in the large public companies. Corporate responsibility is at the heart of businesses like Ernst & Young. Its clients did not really care about a corporate responsibility agenda, but it is critical to the brand and its business. She pointed out that people do not join the company because of its corporate responsibility agenda, but they might not do so if the company did not have one.

Liz Bingham cited schemes whereby employees took their skills to charities and deprived areas. They brought back learning because of effective interactions. Ernst & Young's CSR programme focused on diversity and inclusiveness. Part of this strategy was a scheme amongst hard-to-reach children in South-East London, bringing them in to meet chefs, receptionists, etc., and showing that it is not necessary to be a graduate to work with the company. "If there is commercial advantage in this", said Liz Bingham, "So be it". She stressed that we need successful collaboration between business, policy-makers and charities. This should be a sustainable strategy and not suffer from the ebbs and flows of austerity and global financial crises.

"Corporate social responsibility should be at the heart of every business, connecting with consumers".

## **Discussion from the floor**

Contributors made the following points

### **For the motion:**

- The contributor distinguished between philanthropy, which should be anonymous and obligation (although there is no legal mandate). The profit motive was usually the instigator of corporate social responsibility. The social responsibility obligation disguised as social responsibility, to avoid tax, is posturing.
- CSR is not an act of charity, but should be total responsibility which exists throughout the company. In some companies the profit motive is greater than CSR.
- Government has to show what is needed for society. Companies will try to avoid legislation to make their strategies less restrictive. Companies which are actually working against the government by tax avoidance are not practising social responsibility.
- This is a debate between old school CSR and a new, more sustainable model. The latter is a more progressive view taking account of what is actually happening in the world. The motion implies the need for a widespread change, adapting to the way the world will be.
- The banks support their local communities, but are they ethical? How do we assess ethics? Corporate responsibility is not on audits. People buy if the price is right. They do not ask if it is ethical. 2013 is a time for change.
- 'Claims' implies something that is in dispute. Things that are claimed are not necessarily true. It is not always the case that making a claim leads to competitive advantage. There is not necessarily a contradiction between claimed SCR and what is good for society.
- There is evidence about the CSR behaviour of companies that marketing claims are made to gain competitive advantage.

### Against the motion:

- 70% of global GDP is influenced by family firms and these are not necessarily small. Family businesses have been giving back to the community for many decades e.g. Cadbury, Wedgwood (a 200-year old brand), Lever. There is a long heritage of family-owned businesses giving back to society.
- Starbucks and Google are in the public domain. Don't blame the companies. Let the accountants sort it out.
- Body Shop is built on the premise that commerce can be a force for good. The contributor cited a Body Shop project against sex trafficking.
- The contributor suggested that the proposers were suffering from 'group-think' in saying business cannot be trusted and the government is tainted. If there is a problem about tax, this should be addressed by the tax people. We should promote business as business, not work to a set of standards which is anti-business.
- There is no benefit in inventing a new CSR model. There are a few bad companies, but most companies do not posture.
- The contributor stated that his company supported its clients with CSR because its vision is with its communities. The majority of businesses work well with their communities.
- Companies should not be ashamed to be active in CSR. A CSR agenda makes good business sense. The cost-risk of not having a CSR agenda is much higher.
- CSR is ethical behaviour. If you believe in CSR and are doing it properly, there is nothing to fear.
- 25% of the audience had bought from companies with a CSR agenda, but most people do not care about this.
- The contributor pointed out that his company paid for one in seven days for outside work in the community. This is not cynicism but true CSR.
- There is nothing wrong about benefits to society.
- The contributor was intrigued by the phrase 'little more' in the wording of the motion. Social responsibility is a 'lot more', not a 'little more'.

### Undecided/abstain:

- The contributor expressed her support for the concept of CSR. Working with big companies provided big possibilities for social responsibility. Large companies and family businesses have contributed a great deal to this country.
- Every marketing person knows that CSR is a marketing tool. It does good but it has a marketing advantage. If the company is involved in CSR just to be charitable, the shareholders will not like it. CSR is never altruistic. It is not posturing, but it is to get competitive advantage.

### Summing up

Summing up for the opposition **Mark Lloyd Davies** reported on a Johnson & Johnson Survey of Ethics, pointing out that the company cared about its reputation.

Although philanthropy is related to CSR it is not part of the motion. There are bad apples but companies which hide unethical behaviour behind a glossy brochure are exceptions. Ethics are incredibly important to CSR and there are millions of companies which operate ethically. Is paying tax the most corporate responsible thing a company can do?

We need to integrate CR into the needs of business, to use cause-related marketing to make the world a better place but all businesses need to be sustainable to win loyalty from their customers. Businesses do aim to make a profit, but are all the things we do for commercial advantage posturing? Business does good for society every day all over the world.

Summing up for the motion, **Keith Weed** stressed that he is passionate about responsible business. He cited the social good done by Lever at Port Sunlight. But his intention is to move on in a world which is moving fast to find holistic solutions.

There can be no health business without a healthy society. Businesses need to step up their strategies. Claims and posturing are clouding the real issues which are the need for businesses to serve society and the country in which they are operating.

CSR is a good thing but this is a debate about the new and the old. How do we encourage business to do the right things for their companies, for business and for society? In a joined-up digital world this means an integral department with responsibility for environmental and social sustainability. In a resource-constrained world this means that the marketing department, not a CSR department, must have the responsibility. Keith Weed cited an example where Unilever was encouraging millions of people to wash their hands properly. This kind of socially responsible marketing positions CSR as an integral part of the business with a clear social and environmental purpose. This is the path towards delivering sustainable, consumer demand-led growth which will benefit all.

### **The result**

The motion was carried.

### **Next debate**

The next debate will take place on **Monday 18<sup>th</sup> March 2013** sponsored by the Advertising Association. For more details contact Doreen Blythe, Debating Group Secretary, e-mail: [doreen.blythe22@btinternet.com](mailto:doreen.blythe22@btinternet.com) [www.debatinggroup.org.uk](http://www.debatinggroup.org.uk)