

Turn your business into a cause and maximise your profits

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Charles Handy, one of world's most influential management thinkers, says "a business is no longer just an economic instrument, The principal purpose of a business is not to make profit, full stop. It is to make a profit in order to continue to do things and to do so even better and more abundantly."

Public expectations of corporations have undergone a profound change during the last decade. Kenichi Ohmae in his book "The Borderless World: Power and Strategy in the Interlinked Economy" has defined the role of corporations as follows:

"A corporation is a social institution whose responsibilities extend far beyond the wellbeing of its equity owners to giving security and a good life to its employees, dealers, customers, vendors and subcontractors. Their whole life hinges on the wellbeing of the corporation."

In a millennium survey about 60% of those polled stated that they will punish companies who were found to damage environment. This is a far cry from what Milton Friedman said in 1970 – "the social responsibility of a business is to increase profits". The irony is that in the new economy social and environmental good is the only sure route to make profit.

Triple Bottom Line

Today a company's market capitalisation depends on how they take care of the social and environmental issues. In traditional business one only watched a single bottom line i.e. reduction of costs to maximise profits. This equation is now considered irrelevant. Companies have to factor their impact on society and environment. A company that focuses on profit alone is certain to make no profit. Smart companies that focus on sustainable wealth creation look after 3 things - people, profit and planet. This is what is called a triple bottom line approach.

CSR is not philanthropy

While measuring capital, corporations have to also account for human capital, intellectual capital, reputational capital and environmental capital. These have to be accounted suitably in company balance sheet in order to arrive at net cost and benefit by company's efforts. Corporate social responsibility is a discipline that aims to embed business practices that would enhance human, social, intellectual, reputational and environmental capital in business to give it a competitive advantage. Unfortunately most of its past and some present practitioners have been do gooders who mixed up CSR with philanthropy and hence the criticism of Milton Friedman. Nor is CSR an act of affirmation. For instance community development work designed to encourage social inclusion, gender balance and diversity is a value driver and makes companies far more qualified to compete in an economy fuelled by innovation. Diversity sparks and nurtures new ideas and contrarian thinking. It is only through clashing of cultures and ideas that best solutions are found. It was in 1859 that Charles Darwin told us that adding variety to crops improves yield. We are yet to adopt it for humans.

Inequality is growing

At a recent lecture Joseph E. Stiglitz the noted Professor of Economics at Columbia University & former Chief Economist of the World Bank asserted that inequalities in developing countries have increased by 2% since the Uruguay Round which founded WTO 10 years ago. An evidence based review by World Health Organisation expert Professor Michael Marmorat finds sharp disparities in health among the rich and poor in the UK. He says that people living in the poorest neighbourhoods in England will, on average, die seven years earlier than people in the richest neighbourhoods, with the average difference in disability-free life expectancy between the richest and poorest areas at 17 years.

An OECD study called "Growing Unequal" says that its economic growth in recent decades has benefitted the rich more than the poor. In some countries, such as Canada, Finland, Germany, Italy, Norway and the United States, the gap also increased between the rich and the middle-class.

Countries with a wide distribution of income tend to have more widespread income poverty. Also, social mobility is lower in countries with high inequality, such as Italy, the United Kingdom and the United States, and higher in the Nordic countries where income is distributed more evenly. Such inequalities are time bombs for democracies and indeed the stability of businesses.

All this shows that the maxim of capitalism on which the globalisation was based such as that the free markets would lead to universal opulence through free competition spurring greater productivity has not worked and we need to recast our strategies. Lester Thurow wrote, nearly 40 years ago, in *The Future of Capitalism*, that, 'Paradoxically, at precisely the time when capitalism finds itself with no social competitors – its former competitors, socialism or communism, having died - it will have to undergo a profound metamorphosis'.

Sharpening disparities are time bombs

Maximising the shareholder's returns in a world of greed infested financial engineers can only heighten the disparities that have turned vast parts of world's largest democracy away from itself. It is dangerous to focus on profits alone and build islands of opulence and extravagance in a world characterised by grueling poverty and squalor. Such disparities pose the greatest threat to corporations and are time bombs waiting to explode. Corporations can ignore them only at their own peril. Their most important agenda, therefore, is to bridge these disparities through a triple bottom line approach focusing on people, profit and planet

Penalties on being found out are getting harsher

Public expectations of director's roles and responsibility have increased sharply. Directors who have been found wanting in the performance of their duties have had to pay a heavy price. Not long ago Kenneth Lay the former Chairman of Enron and Jeffrey Skilling were marched off in handcuffs. America's household goddess Martha Stewart was sentenced to 5 months in jail and 5 months of house arrest following her conviction for lying about a stock sale during government investigations. Bernie Ebbers, ex-boss of WorldCom has been awarded 25 years of prison sentence, something that will be more appropriate for a Mafia don.

In a landmark judgement the Delaware court has upheld the right of shareholders to sue management of Disney over the pay of its President Michael Ovitz for outrageous compensation. In another case, 10 former directors of the Worldcom (now MCI) have agreed to pay \$18 million out of their own pockets as part of a shareholder lawsuit. A few days later, 18 former directors of collapsed energy conglomerate Enron agreed to pay \$13 million as part of a settlement in a shareholder lawsuit. Rebecca Mark, who played such a prominent role in the controversial power purchase agreement for the now defunct Enron's Dabhol Power Company plant in India, is among those who will be paying out.

A great mutiny is raging at corporate boardrooms following the mayhem of 2008/9. 103 CEOs were shown the door in February alone. This was 11 more in January which was a record in itself. Sacked CEOs include high profile people such as AIG's Maurice "Hank" Greenberg, HP's Carly Fiorina and Boeing's Stonecipher.

Generation Xers will punish unethical companies

Good news is that our economy is not fuelled by the geriatrics who sit on the boards but teenagers who shop at high streets. Thankfully their value systems are vastly different from their parents. Dan is one of the Millennial generation - by far the most analysed of the three generations – the Baby Boomers born between 1946-1965, Gen Xers born between 1966-1978 and Millennials born between 1979-2001. It is a generation that has been shaped by the tragic world events such as 9/11 and natural disasters such as hurricane Katrina. The result is a group that has developed a strong social consciousness, amplified by internet and communication technology. Cone Inc. is a strategic communications agency that develops and executes cause related initiatives for companies and non-profits. AMP insights, is the strategic planning and consumer insight division of AMP Agency. Together they conducted

a survey in 2006 involving the Millennial Generation in the age group of 13-25 years-old. The survey came to following conclusions:

- 79% want to work for a company that cares about how it impacts or contributes to society.
- 69% feel that their company social or environmental activities make them feel proud or work there;
- 64% report that their company's social or environmental activities make them feel loyal to their group;
- 87% have purchased a product that supports a cause in the past year;
- 68% would actually refuse to work for an employer that is not socially responsible.

With tremendous resources at their command, the Millennial generation is skeptical of advertising they encounter on daily basis. This savvy generation will not respond to products/services of companies that are not genuine. They believe that the products/services need to be priced fairly, be of good quality and most importantly, have emotional relevance to their generation.

Turn your business into a cause and gain trust of the teenage shoppers

A significant way to gain the trust of Millennial generation is by “walking the talk” through substantial cause alignment. There is no room for green wash. 70% of Millennials believe that the companies are not doing enough to support the causes that they care about. Hence there is great opportunity for companies to effectively embed the causes that are dear to Millennial generation into their brand and engage that generation in a larger social purpose. To be truly effective cause related campaigns need to foster relationship between the cause and the consumer. By making an effort to engage the Millennial generation companies have the opportunity to create a new generation of fiercely loyal customers who are passionate about working with corporations to change the world.

Millennials are ready to reward and punish companies when it comes to their commitments to cause. They expect companies to raise the bar and meet their generations expectations by providing them with hands on cause related experiences as well as sufficient communication, transparent enough for them to feel engaged.

These Millennials are prepared to stand up and hence provide opportunities to companies to create generations of brand ambassadors who would remain loyal to the brands, companies and employers that they trust most. Tragic world events such as 9/11, coupled with natural disasters have motivated the Millennial Generation to develop a strong social conscience. Technology has given them a loud and powerful voice. As a result, Cause Branding® has emerged as a valuable tool for reaching Millennials. Cause Branding is a business strategy that integrates a social issue or cause into an organization's brand equity and identity. If authentically embraced and sustained, it allows businesses to gain significant bottom line and community impacts.

Maximise profits by harnessing the Millennial generation

The more that Millennials are engaged or involved in a cause, the more they internalize or relate to the message and the more likely they are to act upon that message. As a result, cause-related organizations as well as cause-related marketing efforts need to change how they approach Millennials. The bottom line is that the best way for companies to reach Millennials with causerelated

messages is to redefine the brand marketing experience.

Traditionally, the brand marketing experience or relationship is between the brand and the consumer. However, cause marketing alters that brand marketing experience by adding a relationship between the company and the cause.

Taking that idea further, this study found that, given Millennials' activities and mindset, there needs to be a third dimension added to the brand marketing experience. Figure 1 illustrates that in order for a company's cause-related campaign to be truly effective, it not only needs to establish a relationship with the consumer and with the cause, but it must also foster a relationship between the cause and the consumer. This idea is referred to as the Millennial Cause Engagement paradigm.

Because choosing to support a cause is personal and directly appeals to an individual's conscience, there must be a degree of engagement for a campaign to effectively resonate with its target. The cause-related campaign needs to foster a relationship between the cause and the consumer.

Pioneering companies are meeting Millennials' high expectations by aligning with social and environmental issues that are relevant to Millennials. In order to further appeal to these unique consumers, companies need to provide hands-on cause-related experiences and then clearly and consistently share the related societal impacts. Remember that while 74% of respondents are more likely to pay attention to a company's message if that company has a deep commitment to a cause, in order for that message to resonate with Millennials, the commitment needs to be authentic and relevant to both the brand and the consumer.

Launch of Plan A by Marks and Spencer

A 2007 Marks & Spencer customer survey said that 75% of British consumers are interested in green issues. Last November, in a survey which scored M&S with the best reputation in British business, the Confederation of British Industry concluded that customers will pay a premium for a great reputation, and that, as far as M&S is concerned, Plan A is already contributing positively to our wider standing.

On 15 January 2007, M&S launched an initiative, known as "Plan A", to dramatically increase the environmental sustainability of the business within 5 years and expected to cost £200 million.

The plan covered "100 commitments over 5 years to address the key social and environmental challenges facing M&S today and in the future" with the tag-line "Because there is no Plan B". The commitments span five themes: climate change, waste, sustainable raw materials, 'fair partnership' and health,^[37] with the aim that, by 2012, it will:

- Become carbon neutral
- Send no waste to landfill
- Extend sustainable sourcing
- Help improve the lives of people in their supply chain
- Help customers and employees live a healthier life-style

Despite an 18% fall in the share price in January 2008, following publication of their latest trading statement, the company confirmed that they would be continuing with the plan, saying that there were 'compelling commercial — as well as moral — reasons to do so'.

The now iconic brown, reusable, hessian bag was first introduced in 2007 as an early part of this plan. It is hoped that this will reduce the use of plastic carrier bags over the next few years.

May 2008 saw the introduction of the 5p carrier bag scheme at M&S stores, with customers now paying 5p per standard sized vest carrier bag for food purchases. This implementation was brought about through the Plan A scheme, to try to discourage use of the traditional plastic bag.^[41] All profits from the sale of food bags go to Groundwork UK.

In becoming carbon neutral the company has committed to only use carbon offsetting as a last resort,^[43] restricted to cases "where it is required by government or where the technology for green air or road transport will not be available for the foreseeable future".

As of August 2008 M&S had three wind turbines in operation, one at Methlick and two near Strichen, generating enough power to supply three stores via the National Grid. In April 2009 the company began purchasing 2.6 TWh of renewable energy (wind and hydroelectric) from Npower, enough to power all Marks & Spencer stores and offices in England and Wales.

Company chairman Sir Stuart Rose is personally committed to further promoting green issues and the recycling of plastic bottles. He has also pledged to reduce non-glass wastage by 25% and plastic carrier bag usage by 33% in the near future.

The result of Plan A was that Marks and Spencer profits for the 12 months ending 29 March 2008 topped the one billion pound mark. The profits registered an increase of 20% over previous year despite tougher market environment in second half of 2007/2008.

Sustainability drive by Walmart

Five days before he took over as CEO of the world's largest retailer Mike Duke, WallMart Executive, spoke to his employees of the troubling time ahead with new ideas and a global economic crisis. For the most part his talk was the usual exhortation of a CEO faced with recession. But he suddenly turned direction and asked all his employees "sustainability is even more critical now, isn't it?" During his discourse Duke described a myriad of environmental projects that WallMark had undertaken. These included reduction of transportation costs and energy usage across the company. He summed up: "My message to you today I hope will be real clear: we want to accelerate our efforts in sustainability, we want to broaden our effort."

Like Stuart Rose, Mike Duke did not slow down his green effort in \$400bn company because of recession. It is because the smartest companies are recommitting to sustainability and using environmental thinking not only to stay profitable but to drive innovation to cut costs while going green. Greening offers the best opportunities to smart companies to emerge stronger from the downturn. In my paper I talked about how green thinking can help spur an economic recovery both for companies and for countries. The recessions, depressions and downturns have propelled many a companies to achieve greatness because of the advantages that it affords to radicals.. those who are agile enough to respond to business turbulence.

Clean, green and lean is the smartest course

Contrary to common belief doing green is not expensive. Green is essentially about doing more with less. Pricing natural capitalism or committing to zero waste are not just altruistic slogans that designed to cut down costs and free up capital to invest in building a stronger and more resilient company, the one ready to outperform slow moving competitors. For those companies that are navigating the tricky and turbulent waters today but have dreams of world dominance, a focus on clean green and lean agenda could be the smartest course.

Sustainable Investment Revolution

The world is on the cusp of a sustainable investment revolution of unprecedented proportions. Opportunities are galore both for mature businesses and start ups for making money through clean and green agenda. Green has become the new color of money on the Wall Street. There is increasing evidence that pension plans and mutual funds which are not focusing on environmental and social issues are not performing as well as they could thus shortchanging the investors and savers.

The environmental and social issues are becoming increasingly critical in improving competitiveness and sustainable performance. In the coming years it is the ESG considerations that will redefine the contours of 70 trillion dollar plus global investment universe. The new world thus offers infinite opportunities to companies that are agile and small.

The DNA of capital markets is being reengineered to encompass environmental and social issues. Smart companies are increasingly turning their businesses into causes such as combating climate change, minimizing pollution, protecting human rights, access to affordable medicines and food for 4 billion people at the base of economic pyramid.

Sustainable development is defined as development that meets the needs of a present without compromising the ability of future generations to meet their own needs.

Causes driving SIR

The conceptual underpinning of sustainable investing is different from socially responsible investing. The latter remains a relatively peripheral and statistically insignificant segment of the market. Sustainable investing on the contrary is about environmental and social issues that actually matter for determining profits. While sustainable investing is far from being a magic bullet or a panacea for business competitiveness. For a growing number of top performers it is helping them to regain the market share, create new products and services, enhance customer loyalty, recruit, retain and motivate top talent, reduce energy costs and minimize risk of customer backlash and litigation. The causes driving the sustainable investment revolution include other than degradation of natural resources:

- The dramatically increased levels of public and consumer concern about company's ESG performance.
- The nakedness of corporation due to melting away of veil of secrecy by strobe like glare of internet.
- Tightening regulatory requirements for disclosure norms and transparency.
- Recognition of economic interdependence and that any economic, social and political shock in any single region will have global reverberations.
- Growing economic, social, political and competitive impact of major public health issues such HIV/malaria etc.
- The exponential increase of social networking through YouTube, Facebook, Twitter. A growing body of both academic and empirical evidence of a tightening nexus between company's performance and its approach to ESG's issues.

Getting worse is the new face of the normal

It needs to be remembered that resource crunch is much more critical than credit crunch. While credit crunch has almost disappeared the resource crunch is getting worse. The environmental challenges causing extreme variability of climate and water shortages continue to get worse. Mega forces of internet technology and strobe like glare that has melted the veil of secrecy and turned the corporation naked have brought new customers, new markets and new economies such as India, China, Brazil and Russia in the forefront. The customers have become a lot more demanding than ever before.

Pressures of a New Shift in Value System

There is a complete value shift from tangibles to intangibles; from capital to knowledge; from objects to relationships; from parts to the whole; from domination to partnership; from structures to processes; from individualism to integration; from confrontation to collaboration and from short-termism to long-termism. Companies have realized that they are unlikely to create value for shareholders unless they look after all the stakeholders – customers, employees, suppliers, local community and the environment. They are accelerating their pace from single bottom line approach to triple bottom line that incorporates concern for people and planet together with profits.

The pressures caused by the new value shift are driving the green wave across nations that are changing the business landscape permanently. In a graphic description of the challenges ahead Stavros Dimas, the European commissioner for the environment, colorfully described the need to handle many challenges at once: "If someone's basement floods and they lose their job on the same day it is certainly and unlucky day. But they would not wait until they found a new job before pumping the basement and fixing the leak". Luckily for business, the solutions to both economic and environmental problems overlap heavily.

Fortunately for business, the very process of fixing the leak is an opportunity for creating more wealth underscoring the fact that solutions to economic and environmental problems overlap. It is because of this that companies such as WalMart, DuPont, Microsoft , Procter & Gamble, Johnson & Johnson, General Electric, SISCO and IBM are all getting lean, keen and green. Procter and Gamble launched a new sustainability themed laundry product that generating a \$2bn in revenue. They all systematize innovation to build green into design, procurement, production, packaging and delivery.

Ten ways to serve the cause of green innovation

In my article on "Climate change – an opportunity after a million years" in 2008, I dwelt on the galactic advances in nanotechnology application to a variety of areas – solar energy, automobiles, precision farming , nuclear fission and other renewable energy sources - in our transition to a low carbon world. Green innovation is going to change the way we live and earn money. We will see innovation embrace every facet of the business. Automobiles that have been so lethargic to innovation are going to change so much in decades to come that even electric cars would seem relics from the past . We will see cars drawing power not from their batteries but from the roof or their bonnet or the boot. Here are the ten ways you can serve the cause of green innovation:

1. Look for innovation opportunities in all parts of business
2. Set aside money and people for the cause
3. Rethink packaging to find surprisingly big opportunities
4. Look for scalable actions and close parallels for quick wins
5. "Take cues from outside the category"
6. Get your data in order, and understand the life-cycle footprint
7. Look to reduce the customer's footprint
8. Find value in unexpected places
9. Find competition in unexpected places
10. Find innovation partners.

Innovation like global capital needs transparency

Curious though it may seem transparency is the key to innovation because it helps create awareness of the problem and lets everyone in on it. Transparency means a culture of candour , honesty, frankness and openness. Candour requires courage of conviction but it rewards by substantial increase in commitment, creativity, collaboration and confidence building.

In the current global economic scenario there is absolutely no dearth of capital . But capital is looking for homes which are transparent . Transparency drops transaction costs , reduces organisational politics and evaporates boundaries of class, caste or creed thus building employee morale and improving all round competitiveness.

There are now compelling reasons for turning your business into a cause and making ethics work for your business. There is increasing evidence of nexus between the cause and enhanced performance, cost reduction, driving innovation and profits and ability to manage risk and enhance profitability. As a consequence of cause related initiatives a new breed of young social entrepreneurs has emerged.

Social entrepreneurs – the new breed of wealth creators

Is social entrepreneurship simply a matter of altruism, moral duty or a matter of investment for the company's future cash-in-flow? Whether you like it or not, listed companies' activities including sustainability practices are constantly monitored by capital markets, and the stock price is usually of foremost concern for management. Yet evidence suggests that over a long term company's

investment in social and environmental causes more than pays itself so that you have both morals and money.

What does it mean to build and lead companies through social and environmental agenda? The leadership skills required would encompass all the elements that would make a business socially and financially viable. This is the real CSR challenge where the rubber meets the road. The challenge is to engrain social and environmental objectives in the company's business model and making sure these reflect in everything that a company does.

Social missionaries or social entrepreneurs are highly passionate people who lead companies from the front setting their own example. They are internally driven because of their desire to make a difference and leave a legacy. They are good in communication skills and build strong relationships with key external stakeholders – community groups, NGOs, policy makers and media etc.

Their intrinsic drivers consist of building trusting relationships to advance social and environmental causes and to embed socially responsible practices into all operations across organization boundaries. Social entrepreneurs are highly sensitive on how their performance impacts on others and measure and communicate their results in a transparent manner. They are conscious of the challenges of working with limited resources and augment their small support staff through volunteers.

Social entrepreneurs usually have the ability to lead without a title and inspire others through effective goal setting. They effectively manage tensions inherent in a highly competitive environment and have the ability to integrate citizenship practices into traditional operating models despite internal resistance and turf battles.

They are expert in identifying appropriate metrics and obtaining measures to quantify multiple, individual and departmental impacts on the performance initiatives. They are able to inspire others by finding win-win solutions that benefit the business as well as meet social needs.

Eight leadership competencies of effective social entrepreneurs

Recent studies have identified 8 leadership competencies of effective social entrepreneurs.

Personal Maturity: An ability to achieve satisfaction by empowering others rather than through personal recognition.

Optimistic Commitment: He/she draws on optimism and strong personal belief in the potential of a socially driven businesses to overcome social and business challenges.

Peripheral Vision: An interest in the world and social and business issues that enables one to see new opportunities and risks.

Visionary Thinking: He/she thinks strategically and creatively, connecting the dots to find new ways to enhance the social mission.

Systems Perspective: He/she uses an understanding of how elements of a system relate and interact to frame risks and opportunities.

Collaborative Networker: He/she uses empathy and interpersonal understanding to build mutually beneficial relationships and connect and engage diverse groups of people.

Change Driver: He/she combines vision with the persistence and drive to mobilize people around a higher purpose.

Strategic Influence: He/she leverages organizational awareness to influence others to commit to the company's social mission.

Making money by doing good ensures good sleep

The spectre of directors, promoters and powerful CEOs being marched off in handcuffs should provide a cathartic experience and make them internalise there is a better alternative – making money by doing good and having good night's sleep. It is a powerful trigger to change their behaviour. Leading their businesses with courage and candour to make a difference in the lives of local communities will create far more wealth that is not just sustainable but provides an electrifying experience that will last long after you have left the planet. With four billion people under fed and under nourished, glaciers melting though global warming and the CO2 degrading the environment to such a level that our lungs are getting seriously damaged , corporations would never have better causes to work to maximise their profits. Let us join Pablo Neruda, the Chilean winner of Nobel in Literature when he says "Rise up with me against the organisation of misery".

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