

# white paper

Perspectives on business and brand

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## THE CITIZENSHIP ISSUE

## Shared value

### Business brand & citizenship

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### CSR MOMENTS IN TIME

#### 1940S

In post-World War II Europe there is a rise in welfare legislation by governments.

#### 1970S

The International Labour Organization (ILO) and the Organisation for Economic Co-operation and Development (OECD) adopt non-binding labour standards for transnational corporations (TNCs).

#### 1980S

The United Nations (UN) introduces codes of conduct related to specific products.

#### 2011

John Ruggie submits his report to the UN Human Rights Council set out guiding principles for the responsibilities of business enterprises with regard to human rights.

#### 2012

At the Rio+20 Conference in Brazil, the governments of Colombia and Guatemala submit a proposal for agreement on Sustainable Development Goals (SDGs) by the international community aimed at balancing socio-economic growth with environmental stewardship.

### WHERE BUSINESS STRATEGY MEETS BRAND STRATEGY, 'SHARED VALUE' LIVES

From a brand perspective, shared value is about linking the Emotional Quotient (EQ) of a brand proposition with the Intellectual Quotient (IQ) – the balance of the heart and the head. For Gen.a, brand is all about return on investment.

### The shift in discourse from 'corporate social responsibility' (CSR) towards 'shared value' in recent years highlights the need for businesses to embed CSR principles at the heart of their operations and brand.

In the 1980s renowned management consultant and social ecologist, Peter Drucker, said: "the proper 'social responsibility' of business is to turn a social problem into economic opportunity and economic benefit into productive capacity, into human competence, into well paid jobs, and into wealth." Since then public debate has ensued over the role of business in society – most acutely with respect to the social and environmental impacts of economic globalisation.

Around the same time as Mr. Drucker made his famous statement, the notion of 'corporate citizenship' crept onto the public agenda. Fuelled by activism amongst non-government organisation (NGO) networks, consumer groups and trade unions, issues such as fair trade, child labour, sweatshops, the rights of indigenous people and environmental protection put big business under the spotlight, paving the way for the birth of the CSR movement. In its wake came a growing CSR industry of service providers and the first wave of criticism about the blurred lines between business, government, the NGO sector and society.

### The changing roles of business, government, NGOs and society

As the Deputy Director of the UN Research Institute for Social Development (UNRISD), Peter Utting coordinates an international research programme on corporate social responsibility and development. In his 2005 paper on corporate responsibility and the movement of business, Mr. Utting addressed how the trend towards NGOs becoming active players in the CSR industry through various forms of service provision and 'commodified activities' has intensified, to such an extent that the distinctions between civil society and business, NGOs and companies, (or 'not for profit' and 'for profit') are becoming increasingly blurred. One of the risks, he says, of closer relations between NGOs and big business and increased reliance by NGOs on corporate funding, is the potential dilution of radical or alternative agendas.

"A growing number of NGOs that form part of the new CSR industry are being drawn into both the financial circuits and corporate culture of Transnational Corporations (TNCs). The distance between this sector of civil society and the corporate world is narrowing not only in terms of its direct relationship but also in relation to perspectives on the market, development, and strategies for reform," Mr. Utting said.

Some of the new multi-stakeholder initiatives are – or are perceived to be – excessively 'close' to business as a result of funding ties and the degree of corporate influence exerted through governance structures. The inference is that increasing NGO-business collaboration may lead to a decline in the kind of confrontational activism and advocacy for radical alternatives that drove change in the early days of CSR.

"It is important to avoid a situation where the 'modernisation' of activism homogenises tactical engagement with TNCs and undermines the very forms of activism that were crucial in launching the contemporary CSR agenda in the first place," Mr. Utting said.

Founder of the Body Shop and one of the initial architects behind the idea of ethical business practices, the late Anita Roddick, had similar concerns about the increasingly fuzzy relationship between business and government. In a 2007 interview with globalissues.org she argued that the original principles have been diluted since the movement became mainstream. She touched on the commercialisation of CSR and the power that big business wields over government, suggesting that governments and businesses have become far too obsessed with profit and economic growth.

"We didn't see the whole growth of corporate globalisation," she said, but the questions she and her contemporaries explored – 'How do you make business kinder?' 'How do you embed it in the community?' 'How do you make community a social purpose for business?' – now sit at the heart of not only contemporary CSR discourse, but also the broader public and media agenda.

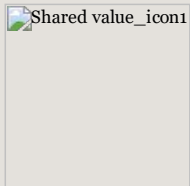
Somewhat ironically, globalisation, enhanced by technological innovation and the uniting force of social media and crowd sourcing has changed the game in a way that the activist role traditionally played by NGOs is now often played by increasingly conscious and engaged end-consumers.

As UK-based researcher at the Institute of Business Ethics, Sabrina Basran, highlighted in a recent article for CSR International, "recent cases of corporate human rights abuses highlight that there is another 'player' in the human rights game besides states, business and regulatory bodies – the general public." She cited the example of Apple, which, in February 2012, agreed to investigate working conditions in its supply chain after admitting that the company had a human rights problem. The decision was partly due to growing pressure from consumers and the general public, including calls to boycott Apple products. In another example, Hershey's agreed to buy Rainforest Alliance certified cocoa after more than 100,000 consumers lobbied Hershey's online as part of the 'Raise the bar, Hershey!' Coalition that began in response to forced and child labour problems in Hershey's supply chain.

In this sense, the CSR movement (whether forced by consumer demand or 'peer pressure' amongst multi-stakeholder initiatives such as the UNGC and Global Reporting Initiative) has developed in such a way that corporations are replacing states as governance actors.

The Brand Generation Model that sits at the centre of Gen.a's brand work is built around the simple notion of a tree. Before there is any consideration of a logo or tagline, the brand of any business, organisation or place requires a strong root system with a clear vision, set of values and beliefs, systems and standards, as well as a clear idea of positioning in the market.

Here business strategy meets brand strategy. It is also where 'shared value' lives. If it is not alive in the root system, understood and believed, the branches of the tree seen by the outside world will wither in distrust.



So, the world has changed in such a way that the consumer is now the activist and moral authority, NGOs are collaborative partners with big business, corporates are governance actors and governments are being urged to do more. In a world that is increasingly complex, interdependent and in need of collaborative solutions to global problems, we are all in it together. In this respect, business-NGO collaboration and public-private partnerships (PPPs) have become important as even the UN is realising (see In Conversation with Baroness Valerie Amos page 12). Enter the new era of 'shared value'.

#### From corporate responsibility to 'shared value'

With the concept of CSR now firmly rooted on the global business agenda, underpinned by the idea that corporations can no longer operate in detachment from broader society; traditional views about competitiveness, survival and profitability are being swept away. This comes with the realisation that Anita Roddick had a point when she said: "the corporate social responsibility movement has got to have a bit more courage. When we are measured by a financial bottom line that does include human rights, social justice and workers justice, and if we start listening to the real forerunners of the planet – the environmental movement, the social justice movement – to help shape our thinking, then something will change."

In this context, 'corporate social responsibility' has become an outdated expression. It implies a sense of volunteering to 'do good', which is admirable, but losing relevance in the post-GFC society we are living and working in. The new agenda, and language around it, is about social investment, social license and value creation. This was very much the theme coming out of the Rio+20 Conference last year with the proposal for agreement on a suite of Sustainable Development Goals (SDGs) that are similar and supportive of the Millennium Development Goals and aim to balance socio-economic growth with responsible environmental stewardship. While the principles remain the same, business leaders are increasingly focused on the economic bottom line, but with a societal conscience.

Advocates of the shared value approach argue that it recognises that societal needs, not just conventional economic needs, define markets; and has the power to unleash the next wave of global growth.

In their article in the Harvard Business Review in January 2011, co-founders of global impact consulting firm, FSG, Professor Michael Porter and Mark Kramer said: "companies must take the lead in bringing business and society back together". They argued that there are promising elements of a new model emerging driven by sophisticated business and thought leaders, but that there is "still a lack of an overall framework for guiding these efforts, and most companies remain stuck in a 'social responsibility' mind-set in which societal issues are at the periphery, not the core."

The solution they say lies in the principle of shared value, which involves creating economic value in a way that also creates value for society by addressing its needs and challenges. "Businesses must reconnect company success with social progress. Shared value is not social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success."

As Professor Porter and Mr. Kramer pointed out, a growing number of companies known for their 'hard-nosed approach to business' – such as GE, Google, IBM, Intel, Johnson & Johnson, Nestlé, Unilever, and Walmart – have already embarked on efforts to create shared value by reconceiving the intersection between society and corporate performance. Yet, they say, our recognition of the transformative power of shared value is still in its genesis.

According to Professor Porter and Mr. Kramer, realising it "will require leaders and managers to develop new skills and knowledge – such as a far deeper appreciation of societal needs, a greater understanding of the true bases of company productivity, and the ability to collaborate across profit/non-profit boundaries. And government must learn how to regulate in ways that enable shared value rather than work against it."

#### A brand (new) perspective

Through our work with clients in Australia and across the globe we have found that many businesses are doing lots of good things – everything from sound environmental practices embedded throughout all operations to socially conscious value chain management and outcome-based initiatives in local communities. In this way they are making a real difference to people's lives.

Businesses are often rich with stories about things that matter. But they are also often submerged in communications clutter. So the shared value principles that might be embedded in day-to-day operations are alien to the core brand and communications of the business.

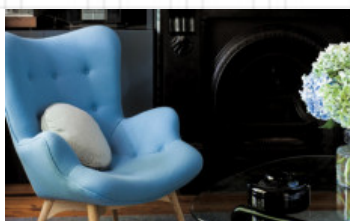
Reputation and brand value are often lost and it becomes a game of catch-up played out through public relations activities. When this activity is perceived in the market to be out of sync with reality, belief and trust are the casualties. Brand value, like shared value is based around trust.

Brand is all about behavior and sharing an experience that is valued by others. It is about what we do and how we do it – more than what we look or sound like. In this way, shared value directly shapes what we stand for and what that means for others.

At the end of the day this will result in stronger relationships, more customers and better returns. Ultimately, shared value equals market value and return on investment.

#### Gen.a loves

A quick look at the books, events, movies, music, websites and other things we love.



#### In the studio

- Australia Awards
- Penrith City Council
- Virgin Live
- UNGC Communication On Progress Report 2014
- UNGC Communication On Progress Report 2015



