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Where businesses fall short

A culture of responsible conduct is not merely altruistic. It creates sustainable business.

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One of the most important lessons of the meltdown of prominent Wall Street institutions is that many organizations still do not understand corporate social responsibility - and how to use it to create sustainable business.

In concept, social responsibility has been enthusiastically adopted throughout corporate America in recent years. Read the annual report of any large employer in America - recently failed Wall Street firms among them - and you can't help notice the litany of socially responsible acts and efforts proudly displayed.

Yet, good deeds notwithstanding, real responsibility was in dramatically short supply in these organizations. What caused this seeming incongruity? And what does it teach us about business responsibility?

Corporate social responsibility is the idea that business leaders ought to broaden their perspective from a narrow focus on profitability. It holds that they should also consider the social and environmental implications of their conduct. But it does not require that organizations swear off profitability.

In fact, corporate responsibility should come from the realization that shareholder value is enhanced by

recognizing the social and environmental implications of business conduct. A company's value is often diminished or even destroyed over time by a singular focus on short-term profitability and executive earnings. At its core, social responsibility is not about philanthropy, but rather sustainability.

One of the hallmarks of a strong social-responsibility program is the recognition that acting responsibly is in an organization's own best interests, provided that its goal is long-term sustainability.

A strong corporate-responsibility program is based on creating productive relationships with those representing social and environmental concerns. The values and concerns of these stakeholders can and should be aligned with the mission of the business.

Perhaps the leaders of the failed financial institutions did not understand the value - in fact, the power - of this broader perspective, despite their records of charitable activities. This would not be surprising. Often, corporate social responsibility is reduced to acts of philanthropy and other "good deeds."

After all, fundamentally shifting the way a business looks at itself and interacts with the world is not easy.

It is easy, however, for business leaders to make the mistake of treating corporate responsibility as essentially "reputational" - a problem for the communications department. Another common misconception makes it a matter of "compliance" - an issue for the in-house lawyers.

But real corporate responsibility stems from the realization that organizations and their stakeholders

are dependent on each other. It is in their mutual interest to build a partnership.

Such productive relationships require organizations to consider the long-term consequences of their behavior. Short-term thinking is destructive to a relationship that should be based on mutual trust and joint value.

These are not complicated concepts, to be sure. But their application requires an organization to simultaneously engage with multiple interests in disparate areas.

That starts with leadership. The tone at the top is the source for behavioral patterns throughout the organization. The leader drives the culture of an organization, and the culture drives behavior.

No one can know everything an organization must do to meet social and environmental needs. But we do know that, without the right culture, organizations will be unable to meet the challenge.

When CEOs worry about only the next quarterly report or their own compensation packages, they create a culture of irresponsibility that no code of conduct or amount of philanthropy can remedy.

Just as leaders have created cultures of innovation, engagement and, unfortunately, lawlessness, so, too, can they create a culture of responsibility.

A culture of responsible conduct is driven by leaders who recognize that success requires it. This is not corporate altruism; it is sustainable business.

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