

Why mainstreaming CSR still make good business sense

With the economy still experiencing a slowdown, one might expect interest in corporate social responsibility to wane, or perhaps even die a natural death.

Not so, according to Craig Smith, INSEAD Chaired Professor of Ethics and Social Responsibility. He believes that corporate responsibility has never been more prominent on the corporate agenda.

The financial crisis and its effects on the global economy have made it clear, he says, that the stability of our global market system depends on responsible behaviour, sustainable business models and proactive management of business impacts on society, as well as regulatory frameworks.



Smith is the co-author of a new book called *Mainstreaming Corporate Responsibility: Cases and Text for Integrating Corporate Responsibility across*

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the Business School Curriculum (Wiley 2009 forthcoming), which advocates the mainstreaming of CSR into business school curricula – which includes strategy, accounting, entrepreneurship, marketing and finance.

He explains that the book is really trying to do within business schools what many businesses are doing – accepting that CSR “can’t simply be some bolt-on to a ‘business-as-usual’ approach, but instead something deeply embedded in the day-to-day operations of the company.”

A disconnect from reality

In the book, Smith refers to the ideas of the late Sumantra Ghoshal, a professor of strategy and management luminary, who stated unequivocally that mainstream courses in strategy, finance and economics were disconnected from any moral reasoning or societal implications, and therefore needed to be de-masked as a root cause of the ethical deficiencies in business education.

Smith adds, however, that he and his co-author Gilbert Lenssen take the view that it’s not so much radical change that the schools need to embrace, but more incremental change; change that really gives a fuller account of what business is about.

“In contrast to Ghoshal, what we would say is, there is perhaps too much attention to maximising shareholder value and not enough attention to the broader purposes of the firm, as well as the assumptions and ideological underpinnings that go with this view of shareholder value maximisation.”

Maximising stakeholder value is, of course, an idea which has a substantial following, but it is not without its limitations. “The recent events seem to suggest that companies, or their managers at least, certainly haven’t been maximising shareholder value. We’ve seen one of the largest destructions of shareholder value in recent times – if not the largest destruction of shareholder value – and yet purportedly by managers who should be paying attention to the interests of shareholders... This socially irresponsible behaviour has wider repercussions and we’re all now suffering as a result.”

Out with the old, in with the new

That said, there’s never been a better time than now to regroup, and Smith advises the ditching of the old notion that CR programmes are oriented towards public relations and designed “to build goodwill as a sort of insurance policy, to be redeemed in case something goes badly wrong in the main part of the business.”

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He adds that the ‘decoupled’ approach by corporations to CR, which provides the appearance of conformity to socially-responsible processes and outcomes, needs to give way to an integrated policy which affects the day-to-day decision-making and actions of the organisation at all levels.

That, he explains, is the crux of mainstreaming, which requires a good understanding of the business case, as well as the case for business to seriously engage with CR beyond enlightened profit maximisation.

Mainstreaming, however good as it may seem on paper, does come with accompanying challenges and requires a process of planned and emergent change.

The book reveals that Shell, for example, which is known as a leader in corporate sustainability initiatives, faced a daunting task of mainstreaming sustainability, as this required both ‘hardwiring’ and ‘softwiring’.

Smith explains that hardwiring is about the integration of CR into organisational systems, processes and structures – the ‘brain of the firm’. Softwiring, on the other hand, is about integration in organisational culture, skills and competencies – the ‘heart of the enterprise’. Clearly, mainstreaming by organisational transformation is not a quick fix.

A sound investment

The upside is that more companies are realising that corporate responsibility and sustainability are linked to competitiveness; and sustainability could very well be the next major change businesses need to adapt to.

Marks and Spencer, for example, has a programme to invest up to 200 million pounds to position itself as the UK’s greenest retailer. According to its CEO Stuart Rose, the company has not not spent nearly as much money as it expected to date because it discovered many cost savings as a result of embarking on the programme.

“In many cases, particularly for companies that are concerned about their reputation and are here for the long term, this is an investment and it’s a necessary investment that they need to make to protect their reputation, apart from motives they may have for doing the right thing.”

Perhaps this even calls for a new kind of thinking. “The Archbishop of Canterbury, Dr. Rowan Williams, has questioned why governments are introducing economic stimulus measures and why they are prompting people to consume and to continue consuming when maybe that’s the wrong

approach ... Maybe we should think of a different approach, in not valuing materialism and consumption so highly. It's a provocative thought but the times perhaps call for this sort of thinking."

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