



Beyond Philanthropy and Propaganda

Making the Most of Corporate Social Responsibility: Continuing the Conversation

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Many thanks to those who read and considered the ideas in our article “Making the most of corporate social responsibility”—and particularly to those who shared their thoughts and experiences on smart partnering. As many rightly pointed out, there has been a groundswell of interest in CSR, as well as a growing number of powerful examples of smart partnering. This momentum reflects an improved understanding of the potential benefits to companies and the increasing maturity of social organizations. Both see the potential for mutually creating value.

Our aim was to advance the debate on how to make CSR an integral part of core strategic thinking rather than a feel-good add-on to it. Where should we take this conversation? Many of the responses came from academics or from executives responsible for CSR activities in their firms. While this is natural, it raises the question of how can we engage (or help these executives to engage) senior business leaders who make strategic choices and set the direction of companies—particularly the next generation of leaders, who face more pressing global and societal issues than ever before.

Three challenges

Our work, that of others in this field, and the input of *McKinsey Quarterly* readers suggest that there are three basic challenges to making smart partnering a strategic imperative and opportunity for companies. They also suggest ways to overcome those challenges.

1. Get CSR on the strategy table

For CSR to achieve its potential, it must focus on key areas of interaction between a firm and its environment and address value creation activities at the center of the strategic agenda. The challenge is to get innovative CSR thinking on the table when business strategies are being explored and decided. How can we make CSR approaches an integral part of the strategic toolbox for business unit leaders?

First, the potential benefits of CSR, notably smart partnering, need to be demonstrated in practice if mainstream senior business leaders are to recognize the significant opportunities it offers. That is why sharing your and our examples is so important. Next, key CSR executives must be part of core strategy processes. Ultimately, CSR must cease to be a separate function and become part of the skill set of all business leaders as an innovative way to solve critical problems.

2. Stretch your strategic ambition for CSR

Several readers spoke of favorably received CSR activities within their organizations in the realms of philanthropy and partnering. As we suggested, the starting point in any CSR strategy should be to outline the CSR activities a company already undertakes and to be clear on their intent and fit within the overall portfolio. Where CSR activities are primarily philanthropic in nature, they can create a strong base for building a company's reputation and engaging employees. Philanthropy also has other obvious advantages: it is relatively easy to undertake, can often be set off against tax, and requires less effort and commitment across the organization.

The question with this approach is what benefits are being left on the table, both for society and the business? What opportunities are being missed? The challenge is to stretch strategic ambitions for CSR and to move actively toward smart partnering, where the biggest opportunities are to be found. Stretching means going beyond common practice. While it is extremely encouraging to see a growing recognition of the benefits of CSR for building employee engagement, this is only the tip of the iceberg. In the examples we described, the benefits matrices set out much broader ambitions and arrays of benefits (short and long term, tangible and intangible) for both society and core business strategies. How can you stretch your company's ambitions in a similar way? Whom do you need to involve, particularly among mainstream business leaders, to gain new perspectives and challenge conventional wisdom?

3. Reinforce your core values, internally and externally

When corporate visions and strategies are described, there is often a reference to core values, which shape individual behavior and expectations about how we work and interact together. But we often limit discussions about values to internal behavior and actions. As several readers noted, shouldn't senior executives also be held accountable for how companies live core values in their interactions with all stakeholders?

Businesses have an impact on societies, and vice versa, so there is a need to recognize the mutual responsibilities that this entails. Within societies, trust in businesses is low, public scrutiny of firms is constant, customer choice criteria include the reputations and values of suppliers, and the next generation of leaders will choose employers whose values match their own. For businesses, one potential challenge is whether the way they operate externally—not just internally—will ultimately have an impact on their "license to operate." Many companies that approach CSR strategically recognize this symbiosis and build on strong values, living them internally and externally.

Clearly, we do not advocate smart-partnering initiatives solely because they reinforce a company's core values; this is heading into the realm of propaganda. But as you consider the benefits of a potential initiative, do explicitly consider its impact on your corporate values. If you cannot see a direct link to them, think about how you could create one—for

example, reinforcing values through employee involvement or building additional external relationships based on the initiative.

Moving forward

What’s your next step? First, engage with key senior business leaders to identify two or three critical interactions with society. Then for each, map out what you have to offer in capabilities, knowledge, resources, relationships, and so on that would make a difference in addressing the challenges you have identified, both for your business and society. Consider what ideal partners could offer to complement the things you bring to these challenges. For the Unilever Kericho example in our original article, a critical interaction with society involved raw materials (in particular, tea). Mapping the possible complementary strengths of a partnership could produce a kind of balance sheet.

Unilever tea business	Ideal partners
<p>Strategic challenges: Ensure sustainable supplies of critical raw materials; enhance corporate reputation</p>	<p>Strategic challenges: Increase income and skills of rural farmers; ensure long-term source of income through sustainable agriculture</p>
<p>What we can offer:</p> <ul style="list-style-type: none"> • Ongoing, high volume purchases of tea—ie, sustainable incomes • Agricultural knowledge and experience to help improve quality of farming and crops • Long-term perspective to allow time to realize mutual benefits • Environmental commitment • Reputation and relationships to help build trust among and attract reputable partners—eg, NGOs, governments 	<p>What an ideal partner can offer:</p> <ul style="list-style-type: none"> • Critical mass of farmers and farming communities prepared to work together to improve sustainability and quality of tea supplies—ie, communities that recognize the potential for mutual benefits and are committed to realizing them • Local- and regional-government relationships (and potentially investments) to support improvements in sustainable agriculture and environmental management • Partners with local energy and habitat-conservation knowledge and experience

Use the balance sheets you have developed as a starting point in identifying issues and discussing them with key internal stakeholders and potential external partners. In a world of burgeoning technology, we may even one day see some type of CSR “dating agency” where

potential partners could share their balance sheets. As discussions progress, a balance sheet can also help you and your partners construct the benefits array and business case for your smart-partnering initiative.

In this sort of process, experienced CSR executives can really start to move CSR onto the strategic agenda by engaging executives on real business challenges. That means helping these executives to identify the opportunities, share concrete examples, think more broadly about solutions, and move forward.

Smart partnering is good business. Our readers' experiences and ideas confirm that momentum is building toward a time when CSR will be absorbed into core strategy and business activities rather than treated as an orphan in need of a special label. With your help, this momentum will build. Share your experiences, shape your activity portfolios, develop your balance sheets and benefits matrices, and challenge the business community to keep changing mind-sets for the better.

About the Authors

Tracey Keys is Director of Strategy Dynamics Global Limited and also works with the International Institute for Management Development (IMD), in Lausanne, Switzerland, where Thomas Malnight is a professor of strategy and general management. Kees van der Graaf is Executive-in-Residence at IMD, following his retirement from the board of Unilever, where he was also president of the European business.

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