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A synopsis of the key strategic developments in corporate responsibility around the globe over the last quarter

Dolce and Gomorrah

PUBLICLY CHALLENGING CORPORATIONS is considered a dangerous business in many parts of the global South, as recognised by *Ethical Corporation* magazine in their selection of the Best Ethical Leaders of 2007, which included the anti-corruption journalist Lala Rimando, from the Philippines, the second most dangerous place to be a reporter after Iraq.¹ But when a leading journalist on corporate irresponsibility and crime in Europe required police protection during 2007, after a 'highly credible death threat', we had a stark reminder of the continued problems with organised crime, corruption and

related commercial interests in the 'developed' world.² Roberto Saviano had written a book on the Camorra, the lesser-known yet more powerful branch of the Italian mafia, based around Naples.

In November the English translation of *Gomorrah: Italy's Other Mafia* was published, and made the book review sections of leading newspapers, though not the business news or lifestyle sections. Perhaps journalists, or their editors, did not want to detonate the full explosiveness of this book, given the significant income they receive from high-end brand advertising. The book reports that a white suit

1 Ethical Corporation, 'Ethical leaders: Best of the Best—15 Leaders who Made a Difference in 2007', www.ethicalcorp.com/content.asp?ContentID=5561.

2 John Dickie, 'Gang Rule: Roberto Saviano's *Gomorrah*', *The Guardian*, 12 January 2008; books.guardian.co.uk/reviews/crime/0,,2239350,00.html.

worn by one of the world's most famous women, Angelina Jolie, on the red carpet at the Oscars, was made by someone employed by organised criminals accused of multiple murders. No wonder, then, that the publishers decided not to mention that the suit worn by Ms Jolie was from Dolce & Gabbana. Bloggers such as BabelMed made the connection, as could anyone searching Google for images of Ms Jolie at previous Oscar awards.³

Although this is a brand bomb waiting to explode, Saviona's analysis is wider than an attack on one company. He describes a widespread system of commercial dependence between Italy's fashion industry and organised crime around Naples, so extensive that it suggests many famous brands will be contaminated by association. He describes an auction process where multiple suppliers compete to try to meet an order, with the fashion brand paying only one of the suppliers: the one that meets the quality, quantity and deadline first. As they are not paid until after delivery, Saviano says most bidders are financed by the Camorra. He also suggests that the well-made products that are made for the fashion labels but are surplus to requirements subsequently find their way into the counterfeit market, through the Camorra. He argues this system keeps prices paid to suppliers by the fashion brands as low as possible, so they do not challenge the counterfeiting directly.

In December an Italian TV documentary on Rai 3, entitled 'Slaves of Luxury', dug deeper into the supply chains of leading Italian fashion labels.⁴ The programme detailed cases of illegal Chinese immigrant labour in Italy making accessories for D&G, as well as Prada and other

leading brands. The programme had an audience of four million and the forums on Rai's website were swamped with concerned viewers.⁵

'We asked to meet with Dolce & Gabbana also, considering that we found their trademark [in the factories with illegal labour], but their response was "no comment",' explained Rai 3's Milena Gabanelli. Given that Ms Jolie was still being photographed wearing D&G-branded products during 2007, the risk to her own reputation as a conscious global citizen remained.⁶ One option for her might be the Star Charter for responsible brand endorsement, launched in a report by WWF-UK in November, which offers six principles to guide celebrities.⁷

Some brands did respond to the TV journalists. One was Prada, whose group communication and external relations director Tomaso Galli explained that the company has 'two different kinds of inspectors, those who check quality and those who control the working conditions of the suppliers. But we're not the police and our inspectors do not have an unlimited access to all areas and documents. Regrettably, situations like the one described in the show, which we agree are unacceptable, may occasionally occur notwithstanding our controls, but they are odd and the show did not bother to mention what the overwhelming reality is.'⁸ This does not refute TV presenter Sabrina Giannini's point that companies such as Prada inspect labour conditions only after the contracts are signed, and take quality, price and punctuality far more seriously. 'The compliance with the rules could be verified from the start, thus five months earlier, and it was sufficient to ask the pro-

3 Catherine Cornet, 'Gomorrhah and Camorra', BabelMed, 22 June 2007; www.babelmed.net/index.php?c=450&m=&k=&l=en.

4 www.rai.tv/mpplaymedia/o,,RaiTre-Report%5E23%5E45413,00.html

5 Alessandra Ilari and Luisa Zargani, 'Italian television program alleges fashion misconduct', *Women's Wear Daily*, 4 December 2007; wwd.com/notavailable/archive?target=/issue/article/120663&articleId=120663&articleType=A&industryKw=issue&industryKw2=issuearticle.

6 www.pittwatch.com/angelina-jolie-and-zahara-jolie-pitt-go-shopping

7 Jem Bendell (author of this World Review) and Anthony Kleanthous, *Deeper Luxury: Quality and Style When the World Matters* (WWF-UK, 2007; www.deeperluxury.com).

8 The Business of Fashion, 'Made in Italy: Time for Accountability', 4 December 2007; www.businessoffashion.net/2007/12/made-in-italy-p.html.

prietor for the pay envelopes and registration numbers of the employees,' she explained. Furthermore, the programme shows that Prada's 'piattine' nylon bags retailing in Milan for €440 are bought from suppliers for just €28. 'Is the proprietor [of the factory] the one exploiting his workers, or is it Prada that pays too little and, right from the start, must realise that at these prices it is possible to produce only under certain conditions?' she asked.

Three judgements have been issued by the Public Prosecutor's office in Florence, against the owners of Chinese firms in Italy that exploited illegal labour to produce shoe soles for Christian Dior and Gucci, and handbags for Gianfranco Ferré. Despite these few cases, it is a situation 'that as a whole is tolerated, perhaps to prevent these companies from going directly to China,' argued Milena Gabanelli.

The programme discussed the damage these practices may have on the 'Made in Italy' label and brand. 'What the world envies us is precisely the prestige of our fabrics and the skill of our artisans. If this is not preserved, there is a risk of ruining a unique heritage. But instead, there are those who prefer investing a great deal in advertising, perhaps overlooking the substance,' said Sabrina Giannini. CEO of luxury brand Tod's, Diego Della Valle, agreed on the programme: 'I tell other important brands like our own that we must be very careful not to water down the great consideration that the world has of articles made in Italy . . . When people have money, especially in these emerging countries, they want to buy the major Italian brands, and also articles made in Italy, but this serves especially to preserve the great Italian handicrafts sector. Well, for 10 or 15 years now I have been saying that, if we

don't watch out, we will lose the "Made in Italy" little by little.'

Responsible luxury

HOW MR DELLA VALLE'S SENTIMENTS have translated into effective action is debatable, given that his company, Tod's, came bottom of the first worldwide ranking on the social and environmental performance of the world's largest luxury brands, which was published by WWF-UK in November. *Deeper Luxury: Quality and Style when the World Matters*⁹ was covered by over 50 newspapers and magazines worldwide, and numerous blogs, with the *Financial Times* headline 'Luxury brands fail to make ethical grade'.¹⁰ UN corporate reporting expert Dr Anthony Miller commented that the luxury goods industry looked like it was 'having its own Nike moment', referring to the mid-90s criticism of labour practices in Nike's supply chain which made the company invest heavily in its corporate responsibility programme.¹¹ FashionUK commented the report 'could herald a huge change in the way global luxury brands operate'.¹²

Leading industry executives speaking at the *International Herald Tribune* (IHT) conference on luxury, in Moscow, on the day of the report's launch, portrayed a growing awareness of the importance of ethical performance. Laurence Graff, chairman of Graff Diamonds, and Yves Carcelle, chairman and chief executive of Louis Vuitton, spoke positively of their companies' responsibilities. Tom Ford, the former Gucci top designer, said that 'we need to replace hollow with deep'.¹³ However, in Condé Nast Portfolio.com,

9 Bendell and Kleanthous, *op. cit.*

10 Vanessa Friedman, 'Luxury brands fail to make ethical grade', *Financial Times*, 29 November 2007; www.ft.com/cms/s/0/dbe49fbc-9dda-11dc-9f68-0000779fd2ac.html.

11 'Media response to WWF-UK report on luxury brands could be tipping point for the industry', Lifeworth Press Release, 12 June 2007; www.csrwire.com/News/10355.html.

12 FashionUK, 'WWF's Deeper Luxury Report', 29 November 2007; fuk.co.uk/news/wwf_deeper_luxury_report.

13 Alison Smale, 'At IHT luxury conference, ethics are in vogue', *International Herald Tribune*, 28 November 2007; www.ihrt.com/articles/2007/11/28/style/rlive.php.



TOM FORD, FORMER GUCCI DESIGNER: 'WE NEED TO REPLACE HOLLOW WITH DEEP'

Lauren Goldstein Crowe contrasted 'The Words v. the Reality', citing the WWF-UK report as an opportunity for needed leadership on this agenda.¹⁴

The industry response to the report was mixed. Within days, Just-Style.com reported that 'PPR Group commits to improving sustainability' as a result of the publication.¹⁵ Pierre Simoncelli, Managing Director of Sustainable Development at L'Oréal, which owns luxury brands such as Ralph Lauren and Giorgio Armani, said the report 'demonstrates that a quality product must involve a quality value chain, where everyone in that chain benefits and their environment is sustained. Bendell and Kleanthous' analysis should be welcomed as an important contribution to the strategic planning of all high-end brands and their suppliers.' However, the director of the Council for Responsible Jewellery Practices was not pleased,

slamming the report for what he saw as its negative tone.¹⁶ WWF-UK's co-author of the report Anthony Kleanthous explained in the *Guardian* that, although 'press coverage has focused on the ranking, and on what these companies are failing to do right for the environment . . . the main thrust of the report looks to a future in which the very definition of luxury deepens to include not only technical and aesthetic quality, but also environmental and social responsibility'.¹⁷

The longest chapter focuses on commercial reasons for that new approach to luxury. It examines key challenges facing the industry and suggests that greater depth and authenticity is a strategic response. These challenges include modern technology, which means that what's on the catwalk today can be copied and in high-street retailers within weeks, and growing levels of counterfeiting—both of which, the report suggests, require brands to offer something deeper than purely appearance. Sales growth in societies with high social inequality means that luxury brands face a crisis of legitimacy and a regulatory backlash, the report says, so their products will increasingly need to benefit the local economy with good jobs. The more youthful profile of luxury consumers worldwide means luxury brands need to find ways to build in value to casual fashion items, without making them non-casual, with sustainability and ethics an obvious approach, the authors contend. The report also argues that the increasing availability of luxury items means that brands must find new ways of maintaining their cachet, rather than relying on the memory they were once scarce and exclusive, and that superior social and environmental performance is a way to

14 Lauren Goldstein Crowe, 'Luxury and Ethics: The Words v. the Reality', Condé Nast Portfolio.com, 29 November 2007; www.portfolio.com/views/blogs/fashion-inc/2007/11/29/luxury-and-ethics-the-words-v-the-reality.

15 'PPR Group commits to improving sustainability', Just-Style, 5 December 2007; www.just-style.com/article.aspx?id=99314.

16 Jeff Miller, 'CRJP asks WWF-UK to withdraw "Deeper Luxury" report', Rapaport, 7 December 2007; www.diamonds.net/news/ExportItem.aspx?ArticleID=19927&Action=Print.

17 Anthony Kleanthous, 'Brand Awareness', *The Guardian*, 1 December 2007; commentisfree.guardian.co.uk/anthony_kleanthous/2007/12/brand_awareness.html.



KEN YEANG: ECOSTYLE AWARD-WINNER

restore that cachet. The report therefore offers a business case for responsible enterprise that does not depend solely on levels of consumer awareness. The consulting firm hired by WWF to research and co-write the report, Lifeworth, subsequently launched the Authentic Luxury Network to bring together executives, designers, analysts and entrepreneurs who want to lead the creation of more sustainable and ethical luxury.¹⁸

The scale of the environmental challenge is so great and pressing, and the reach of NGOs into Asian societies currently so limited, that, if the brands that affluent Asians esteem can excel in sustainability, then awareness of sustainable living may grow in emerging economies fast enough to curb global consumption and pollution within environmental limits. Other efforts to promote that awareness are growing. For instance, the Malaysian government embraced the concept of eco-fashion and luxury, through the launch of the ecoStyle awards, with entertainment company IMG. The award was established to honour several leading international designers, acknowledging their efforts to present stylish sustainable initiatives and opportunities to the world. Nominees included Anna Cohen, Q Collection furniture, Stella McCartney and

Terra Plana footwear. In December the winner, Dr Ken Yeang, a leading green architect, was announced at the ecoStyle Gala event in Kuala Lumpur.¹⁹

Outsourcing intellects

PERHAPS SENSING THIS GROWING attention to luxury ethics, in November the *Harvard Business Review* provided an in-depth case study on the commercial pros and cons of outsourcing the production of a fictional British luxury brand, which in many respects mirrored the situation with Burberry.²⁰ That British luxury apparel company had previously raised some concerns in the industry and with unions when it closed its Welsh factory in Treochy earlier in 2007 as it moved more of its production to Asia.²¹

Case studies have long been recognised as useful teaching aids for the way they can encourage debate and reflection. After the fictional case *HBR* included the feedback from four different fashion industry experts. However, what was surprising was that all commentators agreed about the commercial imperative of outsourcing production to places with cheaper labour. Research by marketing agencies, cited in the *Deeper Luxury* report, suggests that there are strong commercial reasons for luxury brands to maintain high labour standards throughout their supply chain wherever they source from, as well as maintaining a significant proportion of their workforce in the country associated with their brand. Affluent Asian consumers do not expect an expensive British brand to be made in factories on the outskirts of their own cities. 'Brand-savvy consumers in India and China are not happy to pay for a premium label assembled in their own backyard,' reported the

¹⁸ www.authenticluxury.net

¹⁹ www.ecostylemalaysia.com

²⁰ Julia Kirby, 'Mad about Plaid', *Harvard Business Review*, November 2007.

²¹ 'Keep Burberry British', 13 December 2006; braveman.wordpress.com/2006/12/13/keep-burberry-british.

fashion chronicler *Monocle*.²² This is one reason why the Chinese owners of MG Cars are investing in British production. The debate over ‘Made in Italy’ sparked by Rai 3 also illustrates awareness of the importance of providence, but also the importance of maintaining what values and practices a region is meant to embody. Luxury brands involve building in value to the product more than taking out cost. If luxury industry executives are blinkered by mainstream management models into simple cost-cutting strategies, then they may be liquidating the cultural capital of the brand: its heritage and its current contribution to society.

Although the importance of providence and country of origin is being recognised as important in the high-end marketplace, economic globalisation is doing more than shift the geographies of production beneath the brand. They are also shifting the geographies of ownership. This is not new. For instance, Gucci has not been owned by Italians since the early 1990s, but by Arabs, and then the French group PPR, while the British luxury brand Mulberry, known for its attention to heritage and British values, is owned by Singaporean billionaire Christina Ong. In addition to MG Cars being owned by a Chinese firm, Lotus Cars has been owned by the Malaysian firm Proton for many years. Despite this, towards the end of 2007 some high-end brand managers expressed concern over takeovers by firms from the global South. There were debates about the effect on brand value, management and employment practice of Tata taking over Jaguar Cars. Then the management of Orient-Express gave a snooty response to interest from Tata’s hotel busi-

ness.²³ Tata Hotels then protested to the Securities and Exchange Commission for what they called Orient-Express’s ‘fossilised thinking’.²⁴ As this globalisation of ownership continues, so high-end brands will be less able to rely on consumers’ assumptions that the national identity of a brand defines its quality and style. The values beneath those national identities will need uncovering and upholding.

Sustaining conversation

IN NOVEMBER *THE A TO Z OF CORPORATE Social Responsibility* was published, including over 300 entries spanning 544 pages.²⁵ A useful resource, it also highlights the growth in terminology concerning companies’ relations with society. Some of the terms used the most in the West in the last two decades feature: such as environmental management, sustainability, stakeholders, corporate social responsibility, corporate accountability and corporate citizenship. As the *Lifeworth Review of Corporate Responsibility 2006* identified, the meeting of people and organisations in discussion about CSR is a phenomenon that could tip cognitive frames about the role of business in society, so definitions are important. The concept of ‘luxury’ was identified at the top of a pyramid of cognitive frames about progress and quality that influence the business environment and need to change as part of a cultural shift towards sustainability.²⁶

One term that began being used quite extensively during 2007—sustainable enterprise—does not appear in the *A to Z*.

22 *Monocle* 4 (2007): 121.

23 ‘Tata’s Orient-Express bid hits hurdle’, *Business Standard*, 12 December 2007; www.business-standard.com/common/storypage_c.php?leftnm=10&autono=307269.

24 ‘Tata wants US hotel chain to apologise’, *India eNews*, 20 December 2007; www.indiaenews.com/business/20071220/87348.htm.

25 Wayne Visser, Dirk Matten, Manfred Pohl and Nick Tolhurst (eds.), *The A to Z of Corporate Social Responsibility: The Complete Reference of Concepts, Codes and Organisations* (London: John Wiley, 2007).

26 Jem Bendell et al., *Tipping Frames: The Lifeworth Annual Review of Corporate Responsibility 2006* (Lifeworth, 2007; www.lifeworth.net).

In 2007, conferences in California²⁷ and Cornwall employed the theme. The University of North Carolina has established a Center for Sustainable Enterprise, as has the Stuart Graduate School of Business,²⁸ while Cornell University now has a Center for Sustainable *Global* Enterprise.²⁹ Coventry University, UK, is launching an MA in Sustainable Enterprise, and Griffith Business School, Australia,³⁰ has made the promotion of sustainable enterprise its overall mission. At the British House of Lords, ‘The Roundtable in Sustainable Enterprise’ met throughout 2007 to discuss policy innovations.³¹ The buzz continues in 2008 with the Impact Conference *Leadership for Sustainable Enterprise* in June.³²

The growing popularity of the term reflects a number of trends. First, that corporate social responsibility (CSR) is still often regarded as, and practised as, corporate philanthropy, whether by its advocates or critics. Commentators from McKinsey, Foundation Strategy Group Advisors and the Eden Project, among others, often describe a ‘straw man’ of CSR as a form of guilty philanthropy that can distract us from the commercial opportunities in addressing societal needs.

Second, that corporate citizenship has become an unclear term more of intellectual discussion than practical use. It was promoted in the late 1990s as a way of emphasising corporate leadership in addressing societal problems, helping

move the focus away from internal operational responsibilities to a broader focus on partnerships.³³ The notion of it actually describing corporations behaving as citizens, and thus as members of political communities that govern their rights and freedoms, has not taken off in the business world, although it remains in civil society, academia and policy fields as ‘corporate accountability’.³⁴ The term has now been further elaborated and reworked to suggest that, as people are dependent on corporations for the realisation of their rights as citizens, we are somehow in an era of corporate citizenship.³⁵ The debate about problems with corporates having rights in US courts of law and in some international trade agreements complicates this further, and thus the term is not as widely used in the business world.

A third reason is the upsurge in interest in entrepreneurship coming from California. That interest is backed by billionaires in their thirties, who founded companies such as eBay, Google, MySpace, etc. They have poured funds into projects and people that use entrepreneurial approaches to solve social problems. The term being used by groups such as the Skoll Foundation and Schwab Foundation to describe this approach is ‘social enterprise’. Some use the term purely to describe for-profit enterprises and entrepreneurs that solve social problems. Others make no distinction between whether the enterprises are for-profit, not-for-

27 *Together for a Better Tomorrow: Sustainable Enterprise Conference 2007*, 4–5 May 2007, Sonoma Mountain Village, Sonoma County, California; www.sec2007.com.

28 www.stuart.iit.edu/cse

29 www.johnson.cornell.edu/sge

30 www.griffith.edu.au/school/gbs

31 ‘By Invitation: Sustainable Enterprise—Redefining Capitalism’, *Ethical Corporation*, 11 March 07; www.ethicalcorp.com/content.asp?ContentID=4938.

32 www.impact-dtg.com/conference

33 For an early popular proponent of this usage, see M. McIntosh, D. Leipziger, K. Jones and G. Coleman, *Corporate Citizenship: Successful Strategies for Responsible Companies* (London: Financial Times Pitman, 1998).

34 For an early introduction of the notion of corporate citizenship implying submission to a new global governance framework in return for current and growing economic freedoms, see Jem Bendell, ‘Civil Regulation: A New Form of Democratic Governance for the Global Economy?’, in *idem*. (ed.), *Terms for Endearment: Business, NGOs and Sustainable Development* (Sheffield, UK: Greenleaf Publishing, 2000): 239–54.

35 For the latest on these intellectual discussions, see A. Crane, D. Matten and J. Moon, *Corporations and Citizenship* (Cambridge, UK: Cambridge University Press, 2008, forthcoming).

profit or charitable. This leads to a situation where people who would previously have identified themselves as activist, or community worker, now win prizes as social entrepreneurs. The pen is mightier than the sword, when signing cheques. Muddying the distinction between those who use market approaches but do not seek to make profits for shareholders, and those who do, will only be useful to the latter—and their investors. The focus on and excitement with enterprise is, however, relevant, as it reminds us of the transformative role of disruptive innovations that move markets to new patterns of social provision and power relation.

Fourth is the resurgence of interest in the environment and how the commercial implications of this are now clear, with vast amounts of money flowing into environmental technologies. Consequently, 'sustainable enterprise' appears to capture the new mood. A definition might be: sustainable enterprise describes innovative commercial activity that generates sustainable development. Expect to see it in the second edition of the *A to Z*. Also expect to see debates, papers and perhaps even conferences about the difference between 'social enterprise' and 'sustainable enterprise'. Then expect to see CSR champions who want some of that enterprise buzz rebranding themselves as working in 'responsible enterprise'. While we are at it, let us offer a definition: 'responsible enterprise' describes innovative commercial activity that actively considers its social and environmental effects; it may help resolve social problems or promote sustainable development but the foremost purpose is commercial.

That is not to be facetious, but to recall the use, power and limitations of language. Terms that become popular—as 'social enterprise' is, and 'sustainable enterprise' is becoming—are useful as they help convene people to share ideas. Hundreds of people conferencing in rural Cornwall in October are a reminder of that. The emphasis on enterprise is use-



MALCOLM MCINTOSH:
EDEN PROJECT
CONFERENCE IS ABOUT
HOPE AND EXCITEMENT

ful, as it is hopeful and encourages a practical and action-oriented focus. Yet the power of language is also to exclude. Thus, growing attention on social and sustainable enterprise may draw attention away from how to deal with unsustainable and anti-social enterprise, and how to address challenges that cannot be solved through the marketplace, let alone the system of wealth accumulation and financing we call capitalism. Issues of governance and power may be marginalised by the concept, yet working for policy frameworks that guide innovation and profit seeking towards more socially and environmentally appropriate activities is important.

Just as a map is not the terrain, language is not the reality it describes but a reality of its own. Words are our choices about how we wish to conceive of the world. French painter Georges Braque once said, 'to define a thing is to substitute the definition for the thing itself'.³⁶ That is not inevitable but a risk. Intellectual debate and teaching can be constrained by not seeing beyond the words used. Critical discourse analysis, the deconstruction of the meanings in terms and the power relations they embody and exert, can help us to see through words; but this analysis needs to be connected to and integrated with practical experiences of the matters at hand if not to be lost in itself.

36 www.historyofpainters.com/braque.htm

When looking at the issues discussed in the name of sustainable enterprise, what is new? At the Eden Project in October, Professor Malcolm McIntosh, from the Applied Research Centre in Human Security at Coventry University, explained, ‘this conference is about hope and excitement’. Stories from successful entrepreneurs such as Cate Le Grice Mack, founder of Norwood Rare Breeds Organic Farm, enthused the participants. Representatives from larger corporations, such as Phil Smith of CISCO systems, explained how a commitment to sustainability helped energise their staff. The existence of a niche for eco-products and of a motivation-based business case for large corporations is not new. Neither is the disbelief from informed delegates when they hear speakers such as James Smith, chairman of Shell UK, saying ‘sustainability can’t be bolted on. It has to be part of the core business strategy’ during his opening address. Shell’s core strategy is investing in high-technology approaches to access unconventional or difficult-to-reach fossil fuels. Discussions ‘revealed a split of opinion between those calling for fundamental change to match the size of the problem and others who backed incremental steps to achieve the same goals’.³⁷ It’s a debate that has raged throughout human history, and been a fault line between those working towards more mandatory corporate and capital accountability and those who propose more active responsibility.

The event closed with Tim Smit, co-founder of the Eden Project, boldly stating that ‘within 30 years almost every major company will be a social enterprise’. Whatever the changes in business culture and regulation in the coming decades, it is likely we will witness a new buzz term before then. New terminology may sustain a conversation, but not necessarily a change. Whatever people label people in future, let’s hope it empowers us all to act.

Silence is golden

IN OCTOBER, A CONFERENCE WAS HELD at INSEAD outside Paris to discuss the findings of a major EU-funded study on corporate responsibility that had been coordinated by the European Academy of Business in Society (EABIS). It focused on the extent of alignment between stakeholders’ views and demands for corporate responsibility and companies’ own views on that and whether more alignment correlated with business performance.³⁸ The summary report concluded, ‘those that have established processes for managing dialogue with their stakeholders are no more likely to have achieved high levels of alignment than those that take a more ad hoc approach to monitoring and responding to external concerns. Stakeholder engagement is an established touchstone of CSR best practice—but could it really be that it is a waste of everybody’s time?’ The overarching finding was that positive stakeholder relations are important to business performance and that these cannot be achieved by processes such as structured stakeholder dialogues but perhaps by aligning core business with the interests of the most stakeholders. If companies are naturally aware of societal challenges, then stakeholders will not complain, and costly add-on initiatives to engage them beyond the normal course of business will not be required. In a free society, stakeholder silence is golden. The findings were not entirely new, but the fact that an EU-backed project involving esteemed management institutions and a large data set now back them up will be useful to champions of real change in corporations to create business models that benefit a broader set of stakeholders.

The report and conference discussed implications of these findings. One insight was that fewer resources should be paid to

37 Nathan Skinner, ‘Towards Sustainability’, *Strategic Risk*, December 2007; www.strategicrisk.co.uk/story.asp?storycode=368291.

38 ‘RESPONSE: Understanding and Responding to Societal Demands on Corporate Responsibility’, www.insead.edu/ibis/response_project/index.htm.

formal stakeholder dialogues and more attention to creating organisational cultures and systems that reconnect staff with their communities and personal values, so that they can organically innovate new business models that are inherently more aligned with societal needs. One limitation in both the report and conference appeared during the discussion of how non-business stakeholders could change in light of the research.

The study is limited in its understanding of the stakeholder universe and this impairs its conclusions. A key limitation is in understanding the strategies of non-governmental organisations. For instance, the report recommends that, as ‘companies with high alignment are more often found in countries, industries and competitive niches characterised by rapid change than by those where business models and social norms are more stable’, so NGOs should focus their engagement on these companies. That might make sense for market researchers but NGOs often choose to focus on the companies that are most resistant to change, and seek to create contexts that will shift them, deciding who to focus on for broader concerns about what will drive social change. The WWF work on the luxury sector discussed earlier is a case in point. Another example of a mistaken assumption about NGOs is that they will decide to invest their resources in better engaging in internal change dynamics of companies. The report says NGOs ‘need to substantially upgrade their understanding of corporate processes and their skills in coordinating and cooperating to drive and support internal change’. However, NGOs will need to assess whether CSR will deliver a sufficient scale and pace of social change compared to other activities they could be involved in, such as lobbying for regulation, before deciding to invest in such skill development. Some would argue that if business wants these changes then they can pay consultants. NGOs’ management would also assess whether investing in such skills relates to their own business model in terms of maintaining a distinctive role

in society that will attract sufficient media attention to generate public and donor support. Calling on pensioners to donate \$10 a week to finance you being skilled at understanding accounting or marketing is not an easy sell.

A second key limitation of the Response study’s understanding of stakeholders is that it does not account for differing states of civil society across Europe. In Eastern Europe the history of civil society is very different from the West; so not finding dissonance in expectations of stakeholders and companies there is a function of a relative lack of a tradition of independent informed critical civil society and media.

These mistakes are inevitable given that stakeholders were treated as sources of data, not objects of study, nor played any role in guiding the objectives of the inquiry. It is ironic that a research project about stakeholder engagement had no real stakeholder engagement in its design, governance or assessment. It is also ironic that one of the conclusions of the report is the importance of managers developing social consciousness (through various relaxation techniques), and thus an ability to appreciate interconnections and different points of view. What is the social consciousness of EABIS and the research partners? Asking for data from stakeholders and then chatting together about it in the safety of an elite management institution, pontificating on what the implications might be for stakeholders? That would appear to manifest a hierarchical and protective mind-set, rather than an open and boundary-crossing consciousness, which would involve recognising the equal dignity and autonomy of others, not just their relevance to you and your employers.

On the cover of the Response report was a picture of an iceberg. Stakeholders are the iceberg under the water in this study and have been frozen out of EABIS and many top business schools. To bring them in from the cold will require not only humility but a preparedness for discomfort in grappling with insights from interdisciplinary areas such as development

studies and civil society studies, which more effectively integrate sociology and political science with the traditional theoretical bases of management studies. EABIS could make a start by commissioning a stakeholder assessment of the implications and limitations of the study, with sociology, political science and development studies specialists in support, and then base a research project on the findings of this assessment. They might also assess what stakeholders could get from

EABIS and what they could bring, and consider changes to organisation membership and governance as a result.

The Response project has been important in suggesting CSR should not be a practice, a profession, a department, but that companies can evolve so all staff in all departments consider both financial and societal value. We need top-to-bottom sustainable enterprises. Oops, it's that term again.

