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Corporate Responsibility in a Global Economy: Accelerating Demands for Global Consistency *and* Nuanced Local Responses

While many view Corporate Responsibility (CR) as nice-but-extraneous philanthropic acts, a modern whole-of-company view of CR yields far richer rewards. CR tied explicitly to corporate strategy and the value creation process contributes to efficiencies and innovations along a firm's extended networks. Understanding energy, water, waste and carbon footprints, working conditions, treatment of employees, and safety of products, as well as sourcing and distribution networks in multiple markets creates opportunities for global integration *and* local responsiveness.

Corporate responsibility in a global economy—defined as effectively managing the policies, practices, and impacts of global businesses to co-create value with far-flung stakeholder networks—is increasingly difficult, yet more important, in a world of globally wired consumers, employees, and enterprises.

Combining, by design, the dual challenges of common, global, meaningful responses with nuanced, individualized and distinctly local commitments modern multinationals are re-defining CR. Creating consistent responses, a common purpose and enduring value, while adapting to local expectations are at the heart of corporate responsibility in a global economy. Broader than sustainability, CR encompasses the business's entire value creation process including supply chains and distribution networks.

The Challenge for Global CR Executives and Future Business Leaders

Two, seemingly opposing forces are in play: the “flattening” of the world and the demand for local, nuanced responses. On one hand the “flattening” perspective, as Tom Friedman has argued, suggests the world is getting smaller via tightly tied yet far-flung, interdependent networks. Examples such as call centers in India for Brazilian-based companies, copra grown in Fiji sold to New Zealand cattle farmers who, in turn, ship beef to Japanese consumers, and the far-reaching effects of the global financial crisis show that the world is indeed flatter, and that geographically disparate people and organizations have interdependent, common needs. CR initiatives, in turn, reflect demands for worldwide consistency, scale of economy efficiencies, and desire for corporate support in addressing global issues such as carbon, water, energy, waste footprints, global financing and corruption.

At the same time, multinationals face accelerating demands for local responses in tune with the world today. Embracing a ‘names and faces’ approach to business activity, working for an “employer of choice”, increasing accountability, and tolerating religious/political differences, modern multinationals are asked to be in and of the community where they operate. Nuanced CR initiatives capturing local expectations of local suppliers, employees, influentials and neighbors are creating a wide range of investments.

Global CR executives are seemingly caught in a “Catch-22”. For example, with deep pockets and a need for a stable, productive workforce, should BHP Billiton provide malaria treatments for just its employees (and their families) in the Andes, or all of Sub-Saharan Africa? Alternatively, mightn’t malaria treatments be best provided by a pharmaceutical company such as Novartis in conjunction with the World Health Organization, national governments, local non-profits, or some combination of this network rather than BHP Billiton who bears the brunt of decreased productivity and increased training costs?

Traditional thinking on CR suggests BHP Billiton wouldn’t be involved with malaria treatment of its employees. Emergent CR thinking looks more holistically, defining a unique role for BHP Billiton to innovate, invest, and be a first-mover while supporting its employees, communities and building respect with local governments.

Traditional Thinking on Corporate Responsibility

Traditional thinking about CR generally includes exercises in avoiding being in a parade of horrors: one of those firms in the headlines stemming from a one-off misdeed, or from labor-management conflicts, community insensitivity, or product failures. Traditional CR thinking might include centralized philanthropic discussions of how best to make cash, in-kind, discretionary, contributions—especially during times of disasters.

Traditional CR thinking generally delegates authority to local executives who know the local needs, the local socio-political terrain, and can fashion appropriate, nuanced responses fitting the local conditions. Delegating authority locally, when replicated worldwide, can lead to a mish-mash of locally desirable, eminently noble projects, activities, traditions, investments, and local best practices fitting local needs.

The challenge then becomes building upon the company’s unique products/services and capabilities to aggregate disparate worldwide CR projects. A lack of corporate consistency and cohesive decision-making of when to say “yes” can lead to inconsistent funding streams, lengthy approval processes, and a lack of enduring commitments ultimately undermining the firm’s credible commitments to CR.

The result is frequently a Tower of Babel of noble, yet often disparate, local CR activities.

Emergent Thinking on Corporate Responsibility in a Global Economy

Emergent thinking about CR in a global economy emphasizes a “whole-of-company” understanding of a firm’s cumulative socio-political, economic and local impacts. Focusing across the firm’s value chain of supplying, transforming, and distributing products/services, CR emphasizes socio-political, economic impacts on communities, the environment and the value creation process. Learning from innovations of suppliers of suppliers is relevant.

Emergent thinking about CR in a global economy explicitly examines expectations from suppliers, consumers, local communities and governments to meet market demands. CR focuses on innovating, investing in information networks, anticipating socio-political issues, exploring emergent opportunities, and co-creating value. Transferring management skills and training, building respect, and promoting social repair are among the benefits of modern, integrative CR.

Recognizing that a firm or CEO’s survival might be at stake without understanding “whole of company” impacts, emergent thinking on CR in a global economy has the potential to build loyalty, create resilience, brand an expertise, improve employee pride, sustain contracts with suppliers, and create a halo in times of uncertainty.

Finding the Sweet Spot, by Design: Global Consistency *and* Nuanced Local Responsiveness

Taking a “whole of company” approach towards CR in a global economy intertwines consistency with nuanced local responses. Global business leaders such as Unilever, Tesco, GE, BHP Billiton, and Microsoft are crafting global CR strategies designed to create resilience and halos in times of uncertainty, build pride within a worldwide workforce, become a respected partner of choice with NGOs and governments, enhance worldwide reputation, address global issues where they can make a significant difference, and brand their companies as more than just product or service providers.

Forward-thinking business executives are dovetailing CR thinking with corporate strategy to create innovative, mutually beneficial initiatives. By meeting the needs of core constituents while enhancing unique resources and capabilities, the CR sweet spot is expanding. For example, grocery stores and consumer product companies are leading in consumer and community-facing CR strategies. Pharmaceuticals, agri-based and beverage companies are building upon their unique resources and capabilities to address public health initiatives, hydrology concerns and water quality/access issues, respectively.

Similarly petrochemical and energy firms can lead in understanding carbon footprints and building out locally sensitive renewable energy strategies.

Emergent thinking on corporate responsibility in a global economy combines, by design, the dual challenges of a global response with meaningful local responses. CR in a global economy is rapidly evolving beyond nice-to-do philanthropic activities. Intertwining whole-of-company corporate responsibility with corporate strategy pays dividends in co-creating value, promoting social repair and meaningfully impact the future.

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