Exploring conscious capitalism: identifying barriers to creating socially-desired value

by

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Abstract

While calls continue for corporations to take a larger role in addressing social issues, little guidance is available to help change leaders within those corporations understand how to orient their organizations towards creating socially-desired value. The responsibility generally falls to those working in "corporate social responsibility" or "corporate sustainability."

This study began with a literature review focusing on the intersection of CSR/sustainability and organizational change. CSR/sustainability practitioners were interviewed, and described the difficulty of reconciling public pressure, day-to-day business realities, brand imperatives, organizational structures, and their own personal motivations. Interview data revealed a set of organizational motivators, strategies, actions and barriers to creating socially-desired value. And by employing a strategic foresight process of trend extrapolation, a set of uncertainties was developed. These helped guide the creation of actionable recommendations for change leaders to help their organizations develop greater commitment to creating socially-desired value.

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Introduction

Corporations are under increasing pressure from the public to play a role in addressing social and environmental issues. This public pressure is fed by scandals (i.e. Enron), the 2008 financial crisis, government bailouts to banks and automotive manufacturers, and growing income disparity. This pressure is manifested through actions like 2011's Occupy Wall Street, which attracted up to a few thousand occupiers in New York City, and which received strong support from the population at large (Montopoli, 2011). The public is aware of the actions of business and government, and don't trust them: 46% of Americans trust business "to do what is right" ("Edelman Trust Barometer", 2011).

It's notable that the Occupy Wall Street movement was directed at corporations directly, not at the government. This demonstrates a seeming lack of trust in the government to address the problem. Indeed, some suggest that the government has largely come under the indirect control of corporate interests.

In situating their occupation at the figurative heart of global capitalism, the occupiers identified the location of the problem, without suggesting a solution. In recognition perhaps, that as a complex problem, the solution may also be a complex one.

This contrasts with past movements, some of which have been directed at government, calling on officials to impose increased regulation on corporations. These regulations would force corporations to better address social and environmental problems.

Today, the public is calling on corporations to take responsibility and initiative in addressing these problems. Corporations acknowledge this call for them to play a role, largely by donating to non-profits and charities. These initiatives are often managed by a "corporate social responsibility" (CSR) department.

Some CSR initiatives have been seen as greenwashing, and consequentially, many people have a negative association with the term "CSR." In interviews, some practitioners emphasized that their work is *not* CSR, though what they meant was that it's not corporate greenwashing.

Separate from CSR offices are, sometimes, sustainability offices. Sustainability practitioners generally advocate environmental initiatives using a cost-savings rationale. However, the sustainability approach has much deeper implications for corporations.

Corporations are optimized for the creation of economic value for shareholders. If we now want them to also produce other kinds of value, there will be significant change required. Organizational change has been studied from many angles, but the general consensus is that successful organizational change is difficult. Historically, many change programs fail, or end up being quite different than originally envisioned.

There's no universally-accepted model for how corporations should create social or environmental good. Several approaches and terms have achieved popularity, such as triple-bottom line, blended return, for-benefit, and social enterprise. At a higher level, some use the terms corporate citizenship, long-term capitalism, or conscious capitalism.

In order to not get caught in the subtle differences between these ideas, and in order to focus on the change which facilitates the social value creation – rather than the nature of the social value itself – we will use the operational term "socially-desired forms of value" (SDV).

SDV does not exist in opposition to shareholder or economic value. SDV *includes* economic value, recognizing that corporations must reach a base level of economic success before they can sustainably pursue SDV initiatives. Once that level is reached, a corporation can continue on a path of maximizing short-term shareholder value, or can seek opportunities to create SDV, for the benefits explored in this paper, and including long-term economic benefit.

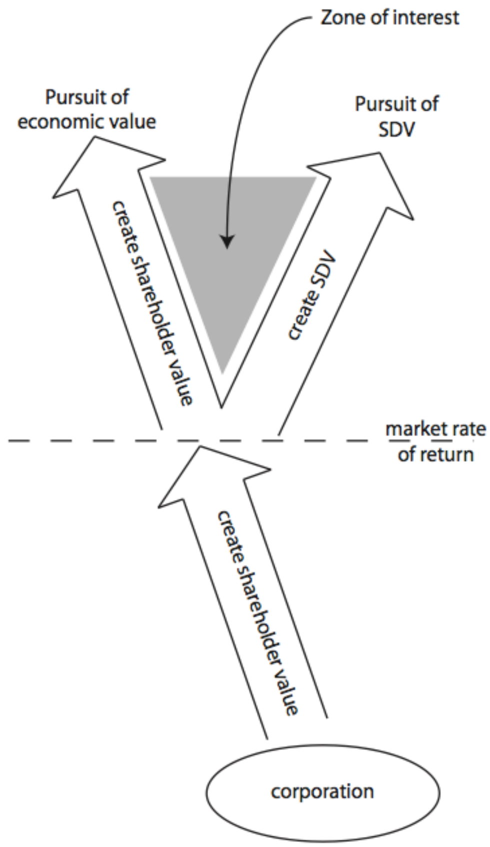

Figure 1: The zone of interest

The guiding research question therefore is: How can corporations sustainably create socially-desired value? In terms of Figure 1: how can change agents shift the company towards the pursuit of SDV?

Research Design

Overview

This project followed an exploratory research process, using a literature review, interviews with practitioners, and concluding with a basic strategic foresight process. The research concluded with analysis and the development of recommendations.

Scope

While there are many interesting developments related to SDV in the models of non-profits, social enterprises, and for-profit startups, these organizations and models are not included in the scope of this project.

Non-profits don't face the economic value creation imperative in the same way that for-profit corporations do, and balancing the two forms of value creation is a central challenge which this project intends to investigate.

Social enterprises and for-profit startups are typically small organizations with comparatively new, often unproven models. Some of the most interesting and innovative work relevant to SDV is happening in these contexts, but because their models are unproven, so is their ability to scale unproven. In addition, they don't face the challenge of changing long-standing internal processes and values (Christensen, 2003), which may serve to inhibit change.

The decision to limit the scope of research to medium and large for-profit corporations is based on the fact that these organizations:

- create the majority of economic value in Canada (TD Bank, 2004)
- are under increasing public pressure to create SDV
- are organized hierarchically
- have challenges in implementing change

However, non-profits, social enterprises and for-profit startups are relevant to this project when they undertake to change the way in which medium to large corporations operate. Respondents representing these organizations were included in the interview sample.

Literature review

The literature review began with Umair Haque's (2011) *The New Capitalist Manifesto*, and Porter and Kramer's (2011) article, “Creating Shared Value.” These are action-oriented, practitioner-directed texts, and that spirit carried through into the research question guiding this project.

Interviews

Interview subjects were sought who work either in a SDV-relevant area in a medium to large for-profit corporation, or at in an organization who consults for or partners with corporations in a SDV-relevant capacity. Fourteen interviews were conducted, in person or by telephone.

Sample

Respondents were sought through social network sampling, with the understanding that personal introductions would more likely receive a response than interview solicitations emailed "cold." (This turned out to be a good approach; over 90% responded. The response rate would have been much lower without those introductions.)

The intent with the sample was to get a range of perspectives from qualified respondents. Qualified respondents:

- have worked in an SDV-relevant area: sustainability, corporate social responsibility, or a similar area
- work either at a medium to large corporation, or in a role in which they are consulting for a medium to large corporation

- work in a capacity which at least purports to enable some kind of transformational change. For example, those working in public relations or philanthropy were not considered qualified.

The rationale for interviewing people who work in the fields of CSR and sustainability is that these are the areas within corporations which are tasked with addressing issues of social value. It's uncommon for other corporate departments to include social value creation as part of their mandates. Narrowing the sample to people working in CSR and sustainability provides the most direct path to finding people who believe that corporations have a potential to create SDV, and who themselves have experience with.

Breakdown of sample

Of the fourteen respondents:

- five work for non-profits
- one works for a government-owned for-profit corporation
- two are independent consultants
- three are consultants working for non-profits
- four are consultants working for for-profit consultancies or agencies
- three are on "internal" CSR/sustainability teams; all three are the senior-most people in a CSR/sustainability role in their organizations.
- seven are women

Table 1: Table of respondents and organizations

Respondent name	Respondent information	Organization information
Respondent #1	Consultant and educator about sustainable development	Not-for-profit offering advisory services on sustainable development
Respondent #2	Background in economics and international development, founder and CEO of startup	Privately-owned for-profit startup offering SROI (social return on investment) consulting to for-profit and non-profit clients
Respondent #3	Manager responsible for partnerships	Small non-profit creating new models to help those who have faced barriers to employment
Respondent #4	AVP-level sustainability lead	Major retailer with over 100 stores and 30,000 employees in Canada
Respondent #5	Consultant	Membership-based non-profit organization assisting members with CSR issues
Respondent #6	Director of Corporate Responsibility	Large Canadian bank
Respondent #7	Senior Account Director	Social strategy branch of a major international advertising agency
Respondent #8	Senior experience in social strategy at agencies, now founder of a new firm	New for-profit social purpose consultancy with non-profit and for-profit clients
Respondent #9	Director of Strategic Partnerships	International conservation-oriented NGO, which engages in strategic partnerships with for-profits
Respondent #10	Senior person responsible for CSR and sustainability	Crown corporation with 7000 employees
Respondent #11	Founder and president, with significant previous experience in the private sector	Small non-profit creating new models to help those who have faced barriers to employment
Respondent #12	Social entrepreneur with experience in business/finance and technology	Independent consultant
Respondent #13	Manager responsible for corporate partnerships	International conservation-oriented NGO, which engages in strategic partnerships with for-profits
Respondent #14	Founder and president	Social marketing agency, under 50 employees

The three large for-profit corporations represented (by respondents 4, 6 and 10) do not have prominent reputations for their progressive approaches to CSR and sustainability. All are taking steps, but would be considered by most as "dazed and confused," as per Figure 3.

Format & Questions

Interviews were semi-structured, with four core questions forming the basis of the interviews. These questions were designed to draw out the context, goals, strategies, tactics and barriers related to practitioners' work:

1. What's your professional relationship to (organizational change/CSR/sustainability)?
2. What kinds of initiatives do(es) your (organization/partners/clients) adopt?
3. What are the barriers?
4. What is your personal motivation for doing this work?

Two additional questions were asked when time allowed. These questions were intended to draw out additional context:

5. How closely do you and your colleagues follow theory and current writing about the field?
6. How would you compare the roles of external consultants to those of internal agents of change?

Data Collection and Analysis

In-person interviews were audio-recorded and transcribed. Notes on telephone interviews were typed during the interview. The notes were coded and included into a framework, using grounded theory analysis.

The design of the framework was dynamic. Categories emerged based on responses, with additional categories added and older categories merged or reorganized as additional data became available. This work was done in a large spreadsheet, with each row representing a respondent, and each row representing an issue addressed or statement made by the respondents. In some cases, some rows represent very similar issues or statements. This was done in an effort to capture the specific terminology or perspective presented by respondents, with the understanding that if the distinction is later determined to not be salient, the rows could be merged.

Rows/issues were clustered through a sorting process. Data analysis was done in several ways:

1. Columns were grouped by the sectors represented by respondents, to see if the data clustered by sector.
2. Sums were made of each row and column, to observe the frequency of responses.
3. Rows were manually clustered and weighted.

Strategic Foresight

The interview data was then used as the basis for a quick, exploratory forecasting exercise. First, the interview data was scanned for trends. In some cases, respondents had made their own predictions about the future. In others, weak signals were identified. By extrapolating on these signals and trends, ten "uncertainties" emerged. These were then mapped by level of impact and degree of uncertainty.

Background

Our concern is the intersection of two literatures: that of organizational change, and that of the creation of SDV by for-profit corporations. Both fields have rich distinct literatures, and there's a growing set at the intersection of the two.

The responsibility of corporations to address social issues has been a concern of business theorists since the mid-20th century. Yet, it remains "an eclectic field with loose boundaries, multiple memberships, and different training/perspectives; broadly rather than focused, multidisciplinary; wide breadth; brings in a wider range of literature; and interdisciplinary" (Carroll 1994, p14). In *A new look at corporate social responsibility*, Peter Drucker (1984)[1] wrote: "Only if business, and especially American business, learns that to do well it has to do good, can we hope to tackle the major social challenges facing developed societies today." (p. 20)

In this quote, Drucker is specifically referencing the approach to social responsibility represented by Julius Rosenwald, who turned the near-bankrupt Sears, Roebuck & Company into one of the country's most profitable and fastest-growing enterprises. Rosenwald did this, Drucker explains, by seeing "as no businessman, American or European, had seen before, that Sears, Roebuck's

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[1] This article was incorporated into a chapter of Drucker's 1986 'The Frontiers of Management', but without the quoted sentence.

prosperity depended on the prosperity of its customer, the farmer, which in turn depended on the farmer's skill, productivity and competence." (1984, p. 18)

Since the 80s, there's been a rapid increase in discussion/publication about CSR. CSR theories[2] can be generally categorized as instrumental, political, integrative and ethical (Garriga & Melé 2004). Instrumental theories are most commonly represented by Friedman: "the only one responsibility of business towards society is the maximization of profits to the shareholders within the legal framework and the ethical custom of the country" (Friedman, 1970). This perspective is tempered by the idea that shareholder value maximization is not incompatible with satisfying the interests of other stakeholders, which Jensen (2000) calls 'enlightened value maximization.'

In addition to maximizing shareholder value, instrumental theories also include strategies for achieving competitive advantage, in which, for example, corporations make social investments in their communities or clusters which result in increased competitiveness (Porter & Kramer 2003). Or, strategies for serving underserved markets, in which the poor are seen as an opportunity for innovation rather than as a problem (Prahalad 2002).

[2] Practitioners often use the term "CSR" to mean a fairly narrow set of methods. See 'Discussion.' In the literature, "CSR" is more commonly used as an umbrella term, inclusive of different approaches to addressing the relationship between business and social issues.

Instrumental theories also include cause-related marketing, which aims to increase corporate revenues or customer relationships by making associations between the brand and social responsibility (Murray and Montanari 1986, Varadarajan and Menon, 1988), because "customers typically assume that the products of a reliable and honest firm will be of high quality" (McWillians and Siegel 2001, p120).

Political theories of CSR take the approach that corporations have an inherent social responsibility, based on the power of business. This is driven by the increasing power of business through, for example, globalization and deregulation. Political theories guide approaches to CSR such as "corporate citizenship" (Matten et al. 2003), which relates largely to the idea that business must take into account the community in which it operates.

Integrative theories are based on the notion that corporations' social responsibility stems from business' dependence on society. Over time this has been addressed as "social responsiveness" (Sethi 1975), "issues management" (Wartick and Rude 1986), "public responsibility" (Preston and Post 1981), to the more recent "stakeholder management." Generally, these approaches relate to "the gap between what the organization's relevant publics expect its performance to be and the organization's actual performance" (Garriga and Melé 2004, p58). Helpfully, this dialogue with stakeholders "not only enhances a company's sensitivity to its environment but also increases the environment's understanding of the dilemmas facing the organization" (Kaptein and Ven Tulder, 2003, p208).

Ethical theories are based in approaches like human rights (i.e. UN Global Compact), sustainable development (i.e. the triple bottom line), and the common good approach (Mahon and McGowan 1991; Velasquez 1992).

Newer writing about corporate social responsibility, conscious capitalism, and Porter and Kramer's 'shared value' are also relevant. Further, the study of public and private interest, the history and evolution of the corporation, and the epistemology of 'value' are also relevant, but these are excluded from the project and literature review both because of the scale of the project, and because of the intent for this research to remain grounded in the concerns of practitioners.

Recent and influential texts about SDV are Umair Haque's (2011) *The New Capitalist Manifesto*, and Michael Porter and Mark Kramer's 2011 HBR article, "Creating Shared Value."

In "Creating Shared Value," Porter and Kramer introduce the idea of 'shared value,' as "creating economic value in a way that *also* creates value for society by addressing its needs and challenges" (p. 64). The authors point out that the legitimacy of business has fallen, and that business is often "viewed as a major cause of social, environmental and economic problems" (Porter & Kramer, 2011, p. 64). They blame this on "a narrow conception of capitalism [which] has prevented business from harnessing its full potential to meet society's broader challenges" (Porter & Kramer, 2011, p. 64). In the article, they address:

- That companies remain trapped in an outdated approach to value creation.
- The current 'social responsibility' mindset places social issues at the periphery, not the core. This mindset emerged largely to improve firms' reputations, and are treated as a necessary expense.
- Young people are asking businesses to take a larger and more active role in addressing social issues, and seek a greater sense of purpose in their own work.
- The purpose of the corporation must be redefined as creating shared value.
- Creating shared value will drive innovation and productivity growth.
- Companies will make strides when they treat these issues as productivity drivers, rather than responding to external pressure.
- Business and community are deeply interdependent, but this interdependence is rarely addressed by business, government or NGOs.
- Open and transparent markets have higher productivity.
- Collaboration is necessary; companies will be less successful if they attempt to tackle social problems on their own.
- Competitors may work together on precompetitive framework conditions for mutual benefit – something not common in reputation-driven CSR initiatives.

Porter and Kramer address how CSV changes the way a company relates to its context: communities, the environment, its competitors, regulators, etc. In this article, they *don't* address the challenges that companies will face when attempting to adopt their recommendations. These challenges are hinted at: "outsiders have been able to see the opportunities more clearly" (Porter & Kramer, 2011, p. 75), indicating that there's something about the way in which companies are currently operating which limits their identification of these opportunities.

They suggest that resolving this will require hybrid approaches; that because people in the public and private sectors have each followed different educational and career paths, they don't understand each others' approaches: "CSV represents a new approach to managing, that cuts across disciplines" (Porter & Kramer, 2011, p. 77). This doesn't begin to help us understand the change that companies will need to undertake internally in order to adopt the principle of shared value. (Hence, the research question behind this project.)

It's interesting to notice the way in which Porter and Kramer have adopted different language as their ideas have evolved over time. In their 2006 article, "Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility," they introduce "shared value" as a framework to help companies decide how to approach corporate social responsibility strategically.

They point out that companies were generally forced into adopting CSR practices, and consequently they've approached it neither strategically nor operationally, but cosmetically: as a project in reputation-improvement. "Internally, CSR initiatives are isolated from operating units, [and] externally, the company's social impact becomes diffused among numerous unrelated efforts" (Porter & Kramer, 2006, p. 83). Getting out of this muddle begins with recognizing the interdependence of business and society.

The authors differentiate responsive CSR and strategic CSR, the latter of which is characterized by a small number of initiatives whose social and business benefits are large and distinctive. They advocate for the measurement of social impact over the measurement of stakeholder satisfaction.

In this article, the authors touch slightly more on the need for internal change at corporations seeking to create shared value, but don't go into much detail:

- These changes "require overcoming a number of long-standing prejudices" (Porter & Kramer, 2006, p. 91) between operating managers and social value advocates.
- "Perceiving social responsibility as building shared value rather than damage control or as a PR campaign will require dramatically different thinking in business." (Porter & Kramer, 2006, p. 92)
- "Value chain and competitive-context investments in CSR need to be incorporated into the performance measures of managers with P&L responsibility." (Porter & Kramer, 2006, p. 91)

Finally, they suggest that "creating shared value should be viewed like research & development, as a long-term investment in a company's future competitiveness" (Porter & Kramer, 2006, p. 91). And that "the billions of dollars already being spent on CSR and corporate philanthropy would generate far more benefit to both business and society if consistently invested using the principles" (Porter & Kramer, 2006, p. 91) of shared value.

Their 2002 article was titled "The Competitive Advantage of Corporate Philanthropy." They've gone from "strategic philanthropy" to "strategic CSR" (in which philanthropy is seen as inadequate) to "creating shared value" (in which CSR is seen as inadequate). To their credit, Porter and Kramer have recognized when to abandon terms which they're unlikely to be able to rescue from the shame of poor industry practices.

Umair Haque's *The New Capitalist Manifesto* is as irreverent as one would expect from a manifesto. Haque doesn't cite precedents for the ideas he discusses, and ridicules business jargon by re-jargoning it. (Value chains become value cycles, value propositions become value conversations, cost advantage becomes loss advantage, etc.) He creates a new language of wordplay and oneliners, clearly targeted at a new generation of entrepreneurs ("constructive capitalists"), to create the "cornerstones" of "new capitalism."

In this context, Haque's book makes the case very well for the need for profound change in business. He arms constructive capitalists with arguments and examples.

Several of his statements resonate with Porter and Kramer's explanation of shared value:

- "[the new generation of renegades] aren't profiting *in spite of* making people, communities, society and future generations better off – but *by* doing so." (Haque, 2011, p. 42)
- "Creativity, as a source of constructive advantage, is the ability to achieve the economically impossible. [...] What does achieving the impossible mean from an economic point of view? Mastering socio-productivity means learning to create markets and industries for those whom orthodox capitalism is *unable* to serve." (Haque, 2011, p. 117) Haque is taking a page here from C.K. Prahalad (2004). And Haque's description of "impossible markets" is also strongly reminiscent of Christensen's (1997) model of disruptive innovation.
- "When a company focuses on happiness, the great conflict of interest between industrial-era business – premised on selling more outputs – and people, communities and society – made better off only by gains to well-being – vanishes, and becomes a *shared* interest in better outcomes instead." (Haque, 2011, p, 146)

At a few points, Haque's imagined future sounds much like Zuboff and Maxmin's, in (2002) *The Support Economy*: "twenty-first-century businesses don't produce goods, they produce betters: bundles of products and services that make people, communities, society, the natural world or future generations economically better by ensuring they achieve positive, tangible outcomes." (Haque, 2011, p. 150)

And in rare moments, he addresses the difficulty of change:

- "for most industrial age companies, empowering the community equals *dis*empowering layers of managers. Hence, responsiveness is more easily gained for start-ups, where there aren't layers of middle-managers fighting to retain their empires." (Haque, 2011, p. 76)
- "Make no mistake: thick value isn't easy to create. It's brain-crushingly difficult, not for the faint of heart. Most companies run from its challenge like hapless campers do from grizzlies." (Haque, 2011, p. 197)

Perhaps betraying the audience for which his book was intended, Haque's tool for organizations to "turn dumb growth smart" is called "the constructive capitalist game board." The game offers eleven "constructive strikes": ways to find opportunity to create "thick" value.

Haque points towards a compelling destination, tells us how much better it is than here, but neglects to inform of us what equipment we'll need to get there. If his approach is imbalanced and lacking in detail, it can perhaps be forgiven since it is, indeed, a manifesto.

Haque is more a Malcolm Gladwell than a Michael Porter: he's more storyteller than lead practitioner. His head is in high-level strategy, and wordplay. But his irreverence and compelling writing style stand to captivate the younger audience which he obviously hopes will take a strong role in leading change.

The literature of organizational change is rich, comprising several different fields: organizational development, business management, leadership development, etc.

Among the most well-respected writers on organizational change in business is John Kotter, whose *Leading Change* (1996) is accepted as the definitive text on change among a business audience. In it, Kotter outlines eight errors common to organizational change efforts, and maps these to an eight-stage process to successfully create major change. He distinguishes "management" and "leadership," explaining that both are required for major change. He mentions how many environments breed arrogance and insularity, and the role these have in stifling innovation.

He points out that while there's an increasing interest in addressing stakeholder needs, that these needs shouldn't simply be "balanced" – instead, new solutions needs to be found which at once address everyone's needs (i.e. higher quality *and* lower price). This idea, amplified and applied to social value, forms an important part of Porter and Kramer's idea of CSV.

Kotter points out common barriers to change, categorizing them as: structures, skills, systems and supervisors.

He explains that because of a rapidly changing environment, "the standard organization of the 20th century will likely become a dinosaur" (Kotter, 1996, p. 161), going on to describe how 21st century organizations will be different. And likewise with leaders: tomorrow's leaders employ a set of skills and behaviours which are markedly different from many with executive roles in today's organizations.

These observations are very valuable, though Kotter is addressing organizational change *in general* – not focusing on how the goals of the change might effect the methods used to achieve it.

In a chapter titled, "Is your organization capable of disruptive growth?" in Clayton Christensen and Michael Raynor's (2003) *The Innovator's Solution*, the authors present the RPV (resources, processes, values) framework. The framework is intended as a way to understand an organization's capabilities, and is presented as particularly useful in understanding how to undertake change.

- "Resources include people, equipment, technology, product designs, brands, information, cash and relationships with suppliers, distributors and customers." (Christensen & Raynor, 2003, p. 178)
- Processes are "the patterns of interaction, coordination, communication and decision making through which" organizations "transform inputs of resources into products and services of greater worth." (Christensen & Raynor, 2003, p. 183)

- "Values are the standards by which employees make prioritization decisions – those by which they judge whether an order is attractive or unattractive, whether a particular customer is more important or less important than another, whether an idea for a new product is attractive or marginal." (Christensen & Raynor, 2003, p. 185)
- "Once members of the organization begin adopting ways of working and criteria for making decisions by assumption, rather than by conscious decision, then those processes and values come to constitute the organization's culture." (Christensen & Raynor, 2003, p. 188)
- "When the organization's capabilities reside primarily in its people, changing to address new problems is relatively simple. But when the capabilities have come to reside in processes and values and *especially* when they have become embedded in culture, change can become extraordinarily difficult." (Christensen & Raynor, 2003, p. 189)

In Zuboff and Maxmin's *The Support Economy*, the authors explain that business today operates under a standard enterprise logic which came in at the same time as managerial capitalism and mass production. The crisis we face today is the result of the inability of companies operating under that standard enterprise logic to address the needs of "the new individuals." People have evolved much further than the organizations on which they depend. They see themselves first as individuals, and long for self-determination. They have been characterized as self-indulgent and narcissistic, but Zuboff and Maxmin believe that it's a milestone in evolution. The new individuals seek "deep support": a type of consumption which directly assists them in meeting the challenges of their intricate lives. But companies are failing them, leaving them on their own to absorb the shocks of historical change.

To better understand the current crisis, the authors studied the evolution of capitalism, pointing out that its capacity to evolve has been a source of capitalism's success, but that specific forms of capitalism have a limited range of adoption. Its next form, distributed capitalism, will be as different from managerial capitalism as that (and mass production) were from proprietary capitalism (and craft production).

> “Dreams make markets, and new markets combine with new technology and new enterprise logic to make economic revolutions. In the twentieth century, managerial capitalism created unprecedented wealth with an enterprise logic invented for the dreams of mass society. It emphasized consumption and mass production.” (Zuboff & Maxmin, 2002, p. 174)

While companies operating under today's standard enterprise logic recognize that consumers desire something different, they believe that they can deliver it through incremental change. Zuboff and Maxmin don't: “We have concluded that there is no methodology, no silver bullet, no amount of heroic leadership that can transform an organization as long as the tightly woven web of precepts, assumptions, and practices of managerial capitalism remain intact.” (Zuboff & Maxmin, 2002, p. 22)

If the last shift in capitalism came about through Henry Ford's technology and GM's managerial hierarchy, the next, the authors say, will be rooted in the Internet and the new capabilities that it affords.

Paradigm changes are difficult. Many books were published in the 1920s trying to reconcile the past and the present; part of a fierce cultural debate about the emergence of mass society. Today's organizations are strained to the limit, forced to confront challenges which they were never designed to address. They exhibit "organizational narcissism":

> "an orientation toward the product and its production, a preoccupation with the organizational politics that arise from the professional managerial hierarchy, an inherited tradition of contempt for consumers, and a twentieth-century sexual divide that injected that tradition of contempt with a supercharge of acrimony and estrangement." (Zuboff & Maxmin, 2002, p. 217)

Zuboff and Maxmin explore the barriers to significant change: “We conclude that organizations do not transform themselves from within [...] Why is transformation so elusive? Each of the explanations that we have reviewed has merit: failures of leadership, managers wedded to command and control, institutional barriers, short-term financial pressures.” (Zuboff & Maxmin, 2002, p. 271)

They conclude that "change in the deep structure of the organization cannot occur without change in the deep structure of the enterprise logic in which it must operate” (Zuboff & Maxmin, 2002, p. 271). Many things that look like change are incremental adaptations that occur at the margin, leaving the core of standard enterprise logic undisturbed. These innovations are essentially unsustainable because they're at odds with the enterprise logic.

They point out that the structure of organizations reflect the social technologies available at their time of origin, and so "the only hope of revolutionary change rests in newcomers and outsiders" (Zuboff & Maxmin, 2002, p. 286).

A wide range of perspectives are represented in the literature: from Zuboff’s perspective that for existing corporations to change significantly is all but impossible, to Porter’s and Haque’s suggestions that today’s corporations can lead us to the next big leap in capitalism, which is right around the corner. With a better understanding of the theories and approaches, the next step is to ask practitioners about how corporations today are addressing SDV.

Interview Findings

A semi-structured interview format was used to elicit stories from respondents, illustrating the opportunities they find, the processes they use and the barriers they face in encouraging corporations to create SDV. Through these stories, respondents described organizational motivators, strategies, actions and barriers. The relationship between these is shown in Figure 2. Additional interview questions elicited responses about terminology, the relationship between research/writing and practice, and personal motivations. Along the way, many told first-hand or second-hand stories about effective – and ineffective – SDV initiatives.

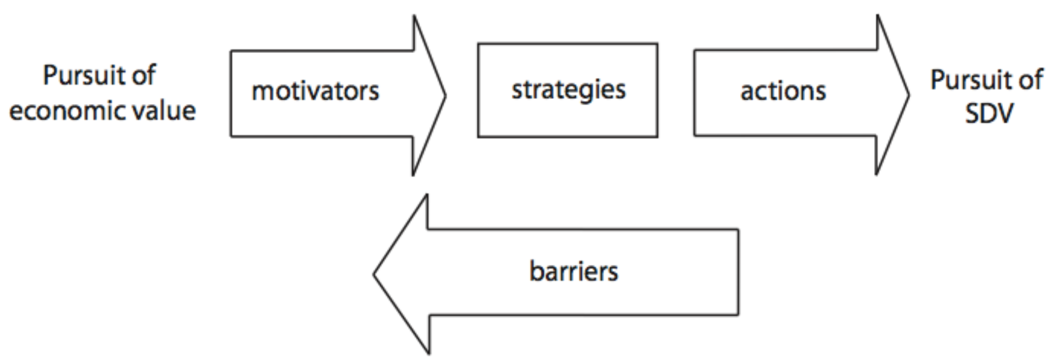

Figure 2: The relationship between motivators, strategies, actions and barriers

The sectoral- and role-based analyses were inconclusive: the data shows no significant correlation between sector or role and responses. Two possible (and non-exclusive) explanations are:

1. Opinions and perspectives on these issues are more strongly tied to personal values than to professional position or experience.
2. People in the field have an above-average degree of self-awareness when discussing these issues, affecting their positioning and choice of language. This reflects the potentially sensitive nature of the topics, since the organizations they represent may be under frequent scrutiny. Consequently, respondents may have a habit of adjusting their answers in an attempt to counterbalance the bias of their role or (more likely) sector. (One of example of this is the bank CSR lead who insisted that she's a socialist.)

It's very likely that there are some correlations to be made between sector or role and attitudes towards the creation of SDV, but these are not apparently in this project's data. The diversity of the data here may partially be explained by the diversity of the sample. A larger sample and/or different questions might establish sector- or role-based correlations.

Motivators

Respondents talked about the reasons organizations might attempt to create SDV. Typically this was expressed:

- as a case, explaining a situation they participated in or heard about, and the specific reasons why an organization took action
- as a description of the techniques they have successfully used when pitching to or consulting for other organizations
- as a description of what they believe would work in getting the decision-makers in their own organization to take notice

Respondents described these motivators in a wide range of ways, but eight primary organizational motivators emerged:

1. Brand Love
2. Differentiation
3. Risk mitigation / resilience / sustainability
4. Cost savings
5. Fear of “the watchers”
6. Employee demand
7. Duty / responsibility
8. Crisis

1. Brand Love

Corporations are motivated to create SDV – or be perceived to – in order to increase "brand love." Respondents used many different terms to describe this: improved perception, reputational equity, halo effect, etc. Marketers know that positive brand perception has all manner of positive effects, from greater loyalty, to increased word-of-mouth marketing, to premium positioning. By addressing SDV – and telling consumers about it – corporations can inspire greater brand love.

This is a dominant motivator for corporations who engage the services of an external CSR firm. Because the "authenticity" of this motivator relative to SDV appears low, corporations generally don't disclose externally that this is a motivator. For the same reason, this is the motivator which cynics point to in order to discredit CSR efforts as "greenwashing." However, for Friedmanite SDV non-believers, this motivation is the primary *legitimate* value of investments in CSR.

2. Differentiation

Related to the point above, corporations may be motivated to address SDV as an exercise in differentiation, to gain a competitive advantage. Differentiation can take two forms: the corporation may be the first in their market to significantly address SDV, or they may "claim" a certain social or environmental issue as their own, to differentiate from their competitors' SDV initiatives.

One example of the latter is the case of the large Canadian banks: RBC's focus on water, TD's on community, Scotiabank's on culture, CIBC's on youth, and BMO's on education.

3. Risk mitigation / resilience / sustainability

These three terms can be imagined on a spectrum: risk mitigation as a first step towards greater organizational resilience, and perhaps eventually sustainability. While a few corporations explicitly state sustainability as a goal (Interface being a common example), most corporations are most comfortable in the risk mitigation zone. This is in large part because it's common ground for both shareholders (who like risk mitigation) and social and environmental advocates, who may benefit from the risk mitigation activities.

A point on the spectrum *below* risk mitigation is "compliance," with regulation and ethical standards. In reality today many corporations barely exceed compliance with respect to their environmental and social initiatives. (This could be understood in an environment with rapidly escalating standards in environmental regulation.)

4. Cost savings

Closely related to risk mitigation is the motivation of cost savings. Though sustainability advocates see short-term cost savings as a convenient side-effect of long-term sustainability initiatives, it can be used on its own as a motivator in corporations where long-term planning is lacking.

Cost savings are a strong motivator for corporations, but it takes a lot of work to design an initiative which will deliver both cost savings and SDV. An example of such an initiative is the work of Social Capital Partners.

5. Fear of "the watchers"

"Watchers" can be large NGOs like Greenpeace, smaller local activist groups, or even individual concerned citizens. They're entities which externally monitor the activities of corporations, and have the capacity to call out or shame or launch campaigns against corporations who engage in practices they deem unacceptable. In some cases, corporations can be targeted even if they're not the major contributors to the problem – as with Nestlé and Coca-Cola on their use of water (Porter & Kramer, 2006).

In other cases, "the watchers" can have instrumental effect. One informant, a CSR consultant, told a story about meeting with executives at a disposable paper goods company. Their attitude at the time was "we sell essential products; consumers are not going to stop buying them; it doesn't matter how 'bad' we are." Two months later, an NGO launched a global campaign against the company, which brought the same executives back to the table to discuss CSR.

6. Employee demand

Many corporations are motivated to address SDV due to employee demand. This can take several forms:

- Increasingly, employees want to work for companies with whom they feel an alignment of values.
- Employees are concerned for their children's futures, and engage with their employer, as the largest 'lever' they have available to try to create change.

- Employees' children question them on the social or environmental records of their employers.
- Employers recognize that aligning their values with that of prospective employees can give them a competitive advantage in attracting talent.
- Employees self-organize environmental or social initiatives, and pressure company executives to offer resource support.

Employee demand can be a powerful motivator in responsive corporate environments, because of the recognition of the value of their employees. Employee demand, however, isn't always seen as an "authentic" motivator for creating SDV.

7. Duty / responsibility

While the sense of responsibility is the motivator many hope would drive corporate SDV initiatives, it's rarely the case. Corporations generally acknowledge a responsibility only to shareholders – this is by design. People, however, frequently feel a sense of responsibility, and in some cases, senior executives can turn personal concerns into corporate priorities. These may or may not be strategically aligned with the business; in the case of BCE and its concern with mental health issues, there appears to be none. These personally-motivated priorities, however, can be powerful for their genuineness: motivated executives honestly want to use the power of the corporation to help with a social issue. But on the other hand, they can be fragile – if the motivated executives leave the corporation, the issue is no longer likely to continue to receive attention.

In other cases, executives identify problems with their business, and in addressing these, take on a greater degree of responsibility. Patagonia CEO Yvon Chouinard tells the story of trying to uncover why the employees in the new Boston store were falling ill. An air quality analysis found that the air circulation system was bad, and that all of the cotton products in the store had been treated with formaldehyde. The company then decided that for the sake of their employees as well as their customers, they would make the effort to understand the details about the materials and processes used in their products, ensuring that they're safe. (Chouinard, 2011)

Patagonia is now known as one of the most responsible clothing manufacturers and retailers, and the CEO is an outspoken advocate of corporate responsibility. But that responsibility originated with a real business problem, not to do good for its own sake.

8. Crisis

Most of the motivations identified here might be dramatically amplified by crisis. While typically SDV initiatives would have several complimentary motivators, a crisis could inspire action based on a single, intense motivation. The authenticity and longevity of these initiatives should be scrutinized.

Crises are excellent motivators of action. In *Leading Change*, Kotter advocates creating "artificial crises" to increase the sense of urgency towards needed change.

These eight motivators demonstrate the wide range of factors which may be taken into consideration by corporations when deciding if, how and why to engage in creating SDV. These motivators can each be linked to one or more strategies.

Strategies

From the interviews, three strategies emerged. These strategies may or may not be followed intentionally, they simply help frame and align corporations' motivations and actions:

- Connect the dots
- Establish purpose and activate
- Focus on reputation

1. Connect the dots

Connecting the dots is about recognizing interdependence. At its simplest, it's recognizing that social and environmental issues are also business issues. Further, it's about recognizing that business, society and the environment are strongly connected, and that our understanding of that connection needn't be based on trade-offs, like a zero-sum game. And even further, it's about understanding the (social, environmental *and* business) imperative toward sustainability.

This strategy involves recognizing organizational resources, processes, values and needs, as well as those of the communities in which the corporation operates. Porter and Kramer offer the "inside-out" and "outside-in" frameworks for these analyses in their 2006 article.

2. Establish purpose and activate

The goal with this strategy is to define a purpose, and bring it to life. A corporation's purpose is the core of its identity.

The corporation's purpose must be greater than its function; function is presumed. Ideally, the corporation's purpose should be reflected in everything it does. At least, a corporation may define a social purpose. Defining purpose in this way is typically done by the CEO.

Activation is whatever actions result in SDV. This will vary widely from corporation to corporation, and so is outside of the scope of this project.

3. Focus on reputation

This strategy is about communicating the social value of a corporation's products and practices. At its worst, it's greenwashing. Some may point out, however, that this (talking about what they *should* be doing) is better than nothing at all; that it creates an internal tension which will seek resolution.

Corporations who create SDV deserve to take credit and celebrate their work. The external recognition it enables will likely trigger additional enthusiasm and support from senior executives and shareholders. In many cases, small wins in the form of external recognition are critical to the continuation of the work of creating SDV.

A corporation may take on some or all of these strategies, one at a time or in parallel, and in any order. If starting from scratch, it would *most likely* be advisable for a corporation to take these on in order. The appropriate strategy will depend on where a corporation currently is relative to creating SDV. Figure 3[3] shows a model for situating corporations in this way.

The vertical axis represents 'reputation,' and the horizontal axis represents 'action.' Based on the strengths of their reputation and their action, companies fall into one of the quadrants:

[3] Based on a diagram drawn by a respondent.

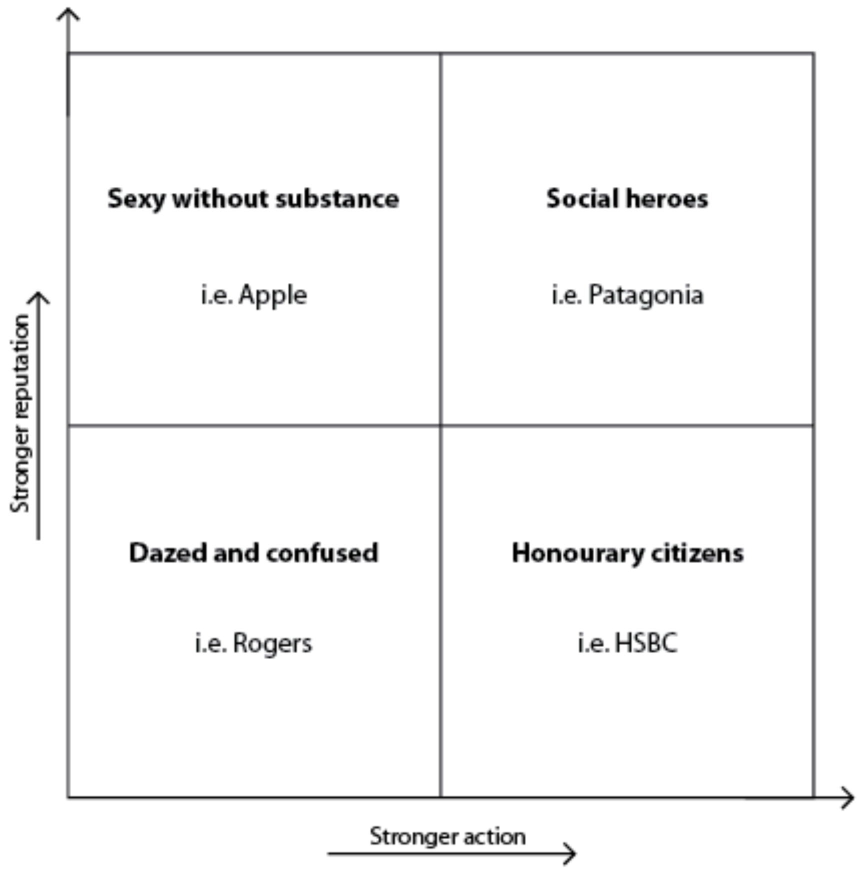

Figure 3: Corporations' social reputation

1. Dazed and confused: actions are uncoordinated, and communication is fragmented

2. Sexy without substance: actions are uncoordinated or lacking; their brand love is strong enough that they may not think that SDV is a priority

3. Honoured citizens: taking action, but not getting as much credit (reputational value) as they could, because their communication is lacking or fragmented
4. Social heroes: are taking appropriate action, and have an effective communication strategy

Corporations seeking to move to the right would employ the "establish purpose and activate" strategy. Ones seeking to move up would employ the "focus on reputation" strategy.

Strategies are realized through actions, which are covered in the next section.

Actions

Respondents talked about actions that companies *can* take to create SDV. But they talked about different actions, described them in different ways, and disagreed about their relative importance or effectiveness. So the actions here don't reflect the respondents recommendations, but simply ways in which companies *can* act or *do* act. From the interview data, eight common actions emerged:

1. Making the business case / making it easy
2. Quick wins / baby steps / piloting
3. Engage outside experts
4. Build internal capacity
5. Engage front-line / relevant employees
6. Measurement
7. Innovation
8. External communication

1. Making the business case / making it easy

A reliable way of getting support for an SDV initiative is to design it such that it delivers short- or medium-term business value. Corporations have no difficulty adopting initiatives with a strong business case. As one respondent (#11) said, "part of what makes this easier to sell is I really think I'm delivering something to them."

Of course, there is a more narrow range of SDV initiatives for which this will work.

Some respondents reported that, in response to hearing about a proposed initiative, colleagues responded "That just makes business sense. So how is that social/environmental value?" This is a strong indication that the colleague still believes that we must trade-off business and social value against the other.

Advice from informants on using this action are the same as when making any other kind of business case: be opportunistic, know the decision-makers, know the culture, and know the business cycle.

Case: Major retailer

Respondent #4 talked about his company – a retail chain – which recently spent millions of dollars replacing tens of thousands of lights in their stores across the country to LEDs. The amount spent is far, far larger than their annual sustainability budget, but the project was put forward by the sustainability team. To do so, the team simply made the business argument:

> “This is how many bulbs we have, how many hours they're on, how many kilowatts we use, this is average price per kilowatt, this is the 3 years of testing we've done, this is the 5 year warranty we have, here's the competitive bidding process we went through, these are the rebates we've got from the government. Their response was, 'Oh, yeah, that makes sense.'” (Respondent #4)

Case: Social Capital Partners.

SCP is a non-profit that helps to facilitate employment for people who face barriers getting jobs. They're currently piloting a new model, wherein they work with large corporations (to understand their hiring needs) and community employment agencies (to find candidates and offer training). There are 1200 localized community service agencies in Ontario, and neither they nor their funders (largely, the provincial ministry of community and social services) are able to think of employers as their "customer." Consequently, major employers and placement agencies don't engage with community service agencies when doing their hiring. The value proposition of SCP's model for employers is that it gives them access to a new pool of more loyal and more productive well-matched employees. Their goal is that in 10 years, every medium to large company in Ontario has a community hiring program. In order to achieve this, SCP recognizes that it's not just the hiring practices of corporations which they need to change (though that on its own would be enormously ambitious). A respondent representing the organization explained:

> "There are a whole bunch of other actors in the system. You need all of their behaviours to change, as opposed to just one. So it involves the government – the way they fund and think about offering employment opportunities for people who face barriers – and community service agencies, which are the existing vehicle through which a lot of the services are provided, and existing recruiting companies, who right now have

> nothing to do with this channel. So our theory of change is: we need to make it easier for employers to do this." (Respondent #11)

SCP recognizes that in the long term, they can't play the intermediary role between employers and community service agencies. Their pilot project is an attempt to build and prove a model: that employers are willing to pay for access to this talent pool (since hiring and training costs in general are quite high), and that they can incentivize community service agencies and their government funders to use those public funds in a way that will provide far more value to all stakeholders involved. Once proven, they will then freely *hand over* the model to recruiting agencies whose business models are comparatively similar, and have the capacity to deliver these services on a large scale.

> "We're realizing that there's terrific freedom being a non-profit because if we were a for-profit we'd have developed this intellectual capital – we'd see this hole in the marketplace that no one else is working on, and we'd say, 'ok, let's guard this intellectual capital and let's get a whole ton of companies on board and let's staff up so we can recoup back these startup costs.' [As a non-profit,] we can develop this model and then give it away, because we're not about making money. We've got a *non-ownership model*. We think we've found a terrific business opportunity for existing recruiting companies. And that can help solve a structural social challenge. So all of a sudden those businesses, in developing a new business practice area, are also going to be addressing a significant social challenge." (Respondent #11)

SCP is a non-profit, but they describe their approach as a "hybrid" one: they understand ths issue from both the corporate and the social sides, and are driven to find a solution which transforms the way the system works, and, once transformed, SCP can move on to address a different problem. (Their story actually gets even better from there, but I digress.)

2. Quick wins / baby steps / piloting

Many respondents cited "quick wins" as a good strategy for increasing organizational buy-in to creating SDV. Quick wins ideally show progress towards larger goals, attract positive attention, and may trigger new levels of support or resources.

Quick wins (or pilots) also offer the opportunity to prove a model or approach on a smaller scale before taking on something bigger. In some cases they also offer immediately-measurable return-on-investment, which can contribute to a financial argument for larger initiatives, through the reinvestment of savings.

Case: NGO's employee engagement program

One respondent (#9) described a program running in the Canadian office of a large conservation-focused NGO. The program is aimed at engaging and empowering employees of other corporations to drive environmentally-focused change within their organizations. It is designed with a keen understanding of the mechanisms of organizational change, and particularly oriented to a bottom-up approaching attempting to gain top-down support. (It's easy to imagine that this program also plays a 'partnership development' role for the NGO, which also offers conservation/sustainability consulting to medium to large corporations.)

The program is designed around achieving quick wins, and has been successful in programs such as: turning lights on later in the morning and off earlier in the evening, engaging employees in programs like shoreline cleanup, partnering with property managers to reduce the energy footprint, etc.

The challenge with quick wins is ensuring that they translate into larger company actions. Without that, in time, efforts may get labeled "mickey mouse."

3. Engage outside experts

Corporations often lack the skills and experience to assess and implement change towards creating SDV. They can turn to one of many outside consultants to assist them: sustainability consultants, CSR consultants, management consultants, NGOs, etc.

In addition to bringing skills and experience, the voice of outside consultants can be strongly validating of certain internal bottom-up campaigns, which senior management may otherwise have been skeptical about.

For organizations without the budgets to engage consultants, outside experts can be found through CSR- or sustainability-specific industry organizations, or in colleagues at other companies (and especially partner companies).

4. Build internal capacity

While outside experts bring general skills and experience, significant and sustainable change requires the help of internal employees. These are the people who understand how the business works, who can figure out how to adapt general guidelines to their specific case, and who will be responsible for implementation.

Building internal capacity can also take the form of: secondments for employees to learn in other outside environments, creating cross-functional teams, promoting CSR/sustainability department staff into other departments, and other educational initiatives.

Building internal capacity also means recognizing and rewarding employees throughout the organization who take on leadership roles; this is a component of the NGO employee engagement program mentioned above.

Greg Bourne, former Regional President of BP Australasia goes further:

"It is my observation that, whilst there is an inverse correlation between age and enthusiasm for sustainability, this does not tell where to look for leadership. Leadership comes from the passion of the change agents and identifying who those people are becomes very important. Building a network of committed leaders at all levels is a first step to change. Only when there is a critical mass does change take place. Leadership from below can work, but the layers above need to become 'surrounded' in order for the most intransigent to move. It is far better to have leaders near the top of the organisation, linked to enthusiasts throughout, driving the change." (Benn, Dunphy & Griffiths, 2007, p. 163)

5. Engage front-line / relevant employees

In large, hierarchical organizations there can be a significant communication gap between senior management and employees.

Respondent #11 – from a non-profit which works with corporations – said:

"We get senior management buy-in, but the person at the implementing level ... says "great, senior management has come up with a program that solves a problem that I don't have. ... and meanwhile, because of the economic environment, senior management has cut back all of my resources, [so it's even harder now for me] to solve the problems I *do* have."

Kotter (1996) points out that successfully communicating a vision internally takes far more work than organizations normally dedicate, partially because of the huge volume of organizational communication which employees receive in the course of a normal day.

But another aspect of this problem points to Zuboff's (2002) idea of organizational narcissism: specifically, the historical contempt felt by management towards end consumers. In managerial hierarchy, with its inward focus, a measure of status is one's *distance* from end consumers. While this may be less distinct now than it was in the mid-twentieth century, it remains, according to Zuboff, an inherent feature of managerial hierarchy.

Respondent #13, who previously worked at a social marketing firm, said:

> "I usually like thinking and talking and coming up with strategies for organizations, and I often forget the employee role. It's weird. We'd say [to our clients], "we'll help you get buy-in from management." But the roles that employees play at every level are so integral. When we think about CSR we think about it at such a high level, it's so backwards in a way."

> "...we'd have meeting after meeting of the same conversation and no resolution because we weren't involving the HVAC guy. We were talking about energy savings. We had the CSR people at the table, we had the foundation people, and corporate affairs and PR, and [...] there were all these other implications that no one else at the table had any idea about. And then we'd have the similar meetings [...], and they'd ask, "can we hang something from the ceiling?" And everyone would say "I don't know" because the wrong people were at the table. And that wastes time and wastes money and makes for useless meetings." (Respondent #13)

The high-level, strategic, "whiteboard" work is enjoyable, but – without engaging those who understand the day-to-day reality of the business – is at least sometimes "useless."

In *We Tried to Warn You*, Jones points out: “macro failures can be avoided if leaders pay attention to feedback, not from their pampered in-house executive councils, but from their end customers or "end users" or the products and services at the starting point of the value chain.” (Jones, 2008, p. 2)

Jones describes the emerging field of user experience, which fills this gap without requiring any significant change on the parts of existing parts of the organization: "A new organizational role is now possible, whose job is paying attention to weak signals and articulating insights to both suggest innovations and tactically frame the bad news from the field." (Jones, 2008,p. 3)

He adds (in conversation, Dec 1 2011) that this is not a single role, but a role played by any employee with access to customers and real users.

6. Measurement

Measurement makes it easier to see progress towards goals, to show impact, to trigger additional resources and support, and to celebrate success.

Measuring environmental impact has many challenges, and measuring social impact has at least as many. These challenges are in part due to the difference between outputs and outcomes, and the time lag which may often precede intended outcomes.

One respondent (#8) noted that some corporate philanthropy initiatives don't even attempt to measure impact. The money they're spending could be driving much greater reputational equity – and probably greater impact on social issues – if they were monitoring outcomes. The same corporation may at the same time be declining to engage in initiatives which create shared value, because their business case doesn't seem strong enough.

Another respondent (#1) pointed out that percentage reduction goals (i.e. for carbon emissions) at even rates have diminishing impact over time, and that a more useful and honest approach is to set a fixed (i.e. emissions) target, and monitor progress towards the target.

7. Innovation

In this context, innovation is both an action and an outcome. Innovation facilitates sustainability, but sustainability is also a driver of innovation. Looking at problems in new ways, and imagining creative solutions are methods for creating SDV. An HBR article (Nidumolu et al, 2009) points out the connection in its title: "Why sustainability is now the key driver of innovation". (Short answer: sustainability yields innovations which benefit both the top- and bottom-lines.)

Case: Panasonic

A consumer electronics case is described by Benn, Dunphy and Griffiths (2007). As an alternative to sending waste to landfill, proactive employees at a television factory near Sydney, Australia arranged the sale or free removal of manufacturing by-products: pallets, plastics, metal, cardboard, foam, etc.

The credibility gained from these small wins inspired senior management to roll out other energy-saving initiatives at other sites. "The workplace culture at Panasonic has supported the ready development of eco-efficiency practices. ... employee response to these initiatives is reflected in the low level of staff turnover."

In discussion of another case in the same article, the authors write: "The organizational changes illustrate the links between an organisational culture of innovation and one designed to deliver sustainability. Practices geared to enhance human sustainability and social capital within the organization (such as empowerment, teamwork and continuous learning) underpin the capacity to innovate and escape from rigid models of operation and production" (Benn et al, 2007, p. 161).

8. External communication

Taken too far, marketing celebrating a corporation's social or environmental contributions can be received negatively, especially if there's reason to question the legitimacy of the corporation's claims. But since brand love is such a strong motivator, and market research can provide such a seemingly-clear picture of a brand's status, and marketing is the most direct way of affecting that status, it's a tempting tactic for corporations.

On the other hand there are companies who are making honest progress in creating SDV, but inadequately communicating about it with the public. This prevents consumers from rewarding them for their efforts, and without visible successes, it may negatively effect attitudes internally towards SDV initiatives.

A third category are corporations who may be engaged in a fragmented set of SDV initiatives, sponsorship, philanthropy, and branding campaigns. Without a coherent message, it's more difficult for consumers to understand the company's purpose, or even their intended message. Respondents who work in social marketing were all extremely insistent that this is a widespread and dire communication problem for many corporations.

Barriers

Respondents were asked to identify the barriers to organizations' creation of SDV. Again there was a wide range of responses, but nine significant and common barriers emerged in the data analysis:

1. Perceived dichotomy
2. Resources
3. Political fear
4. Consumer confusion or skepticism
5. Competence / openness
6. Overburdened managers
7. Transient leadership
8. Readiness / commitment / buy-in
9. Organizational structure

1. Perceived dichotomy

Conventional business thinking has long held that business' responsibility is solely to shareholders: directly addressing social or environmental concerns would inhibit or distract from wealth creation. While few today would openly admit to holding this belief, it remains as a hidden assumption in many business decisions.

Advocates for the creation of SDV will encounter people who operate as if there's a dichotomy between creating SDV and creating wealth. (Indeed, there are many examples of corporate investments in social or environmental causes which provide no obvious business benefit.) They may be sincerely unaware of the possibilities for mutual benefit, or they may have temporarily (defensively/skeptically/argumentatively) lapsed into an old/learned way of thinking, or they may honestly not believe in mutual benefit.

Patience and education may get the person on-side. Otherwise, in the context of an organization, they can be compelled into action by being "surrounded" from below, or directed from above.

Depending on what the baseline is, beginning to take social and environmental issues into account may have a very clear financial cost. The head of Corporate Responsibility for a bank said: "Are we going to be Jantzi?" (a company which evaluates companies' ethical practices.) "No, some of our clients don't want it. When you compare sin stocks versus socially responsible ones, sin stocks do better!"

2. Resources

If social or environmental initiatives in a corporate context are not also seen as a business driver, they are likely to be under-resourced. Or, even in an organization which sees the benefit, policies or conditions may put resources at a premium.

Generally, lack of resources is reflective of: low managerial buy-in, poor value proposition, undemonstrated ROI, or unaligned organizational priorities.

Case: frugal company

One respondent (#10) explained that his corporation's president prides himself on running the company frugally. A few years ago when they created their corporate responsibility strategy, they didn't want the expense of setting up a new unit. So instead they set up six committees – one for each pillar of their CR strategy, and one steering committee – and assigned staff from across the corporation to each. The disadvantage is that staff now have additional responsibility, and their time is more strained. The advantages are that no additional staff were required, and everyone involved in CR already understands the business very well.

3. Political fear

Some social issues are affected by cultural taboo. While corporations may have strong incentives for addressing these issues, worry about other stakeholders' perceptions may prevent them from acting.

Case: Barrick Gold

Through the investigation of some local deaths, Barrick discovered a pattern of rape in the local area. Recognizing that this is a common occurrence in mining areas, the Stephen Lewis Foundation pitched them on a sexual violence research project which would help address the problem locally and globally. Barrick considered it, but instead opted to do local community development.[4]

4. Consumer confusion or skepticism

The complexity of social and environmental issues can certainly lead to confusion, and sometimes confusion manifests itself as skepticism. Corporations which may otherwise want to engage in SDV projects may hesitate because

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[4] As told by Stephen Lewis in his keynote speech at the CBSR Summit, Toronto, Oct 26 2011.

they're not sure that consumers will appreciate or reward their efforts. Or, if they do go forward with SDV projects, they may only make a minimum effort.

Additional stakeholder engagement, and a plan for 'quick wins' may help address this barrier.

5. Competence / openness

Some people within corporations may not have the capacity to understand the ideas of sustainability and SDV, and how these affect their work. Others may simply not have the willingness or openness to understand. If these people are in senior positions and are blocking change, they may need to be moved into a different role in order for progress to be made.

6. Overburdened managers

If managers are struggling to keep up with their everyday workload, any additional request will be met with resistance. This factor must be taken into account when deciding how to structure SDV initiatives, and how to schedule them relative to business cycles.

7. Transient leadership

Initiatives to create SDV generally require long-term commitments. It's likely that there'll be a leadership change over the course of the project, and the new leader may not want to continue the path started by another. Or, people are reluctant to make organizational commitments which have implications beyond the scope of their own expected tenure.

Since creating SDV has organizational benefit, it requires organizational commitment; not just individual commitment.

Case: a consumer packaged goods company

This situation was recounted by respondent #8:

> “[The client] came to us, and said, "we need a social purpose." We said, "are you sure you don't just want a superficial cause marketing thing? we can find an NGO, have a signature event, etc. Are you sure you don't want that?" "No! we want a real, committed, serious, social purpose." I asked them over 3 months: "Are you sure?" "Yeah, yeah, yeah", so we blew our brains out, we develop (what I of course will think was) a brilliant social purpose strategy and activation approach. The immediate client said, "love it!" We then went up the food chain and presented to her boss, and she said, "Get it, love it, think it's fabulous. But this requires a long-term commitment." By long-term we're talking 3-10 years. We said "yeah." "Well, we can't offer that, because I have 2 years in this role, and after me someone else will be taking up the brand, and he'll want to put his own stamp on it. He will change the brand a little bit, and that means he'll want to change whatever the social purpose activation is."

8. Readiness / commitment / buy-in

Without commitment, SDV initiatives will face frequent struggles. Commitment must be demonstrated through the allocation of resources, charting a path forward, and integrating SDV initiatives into existing goals.

9. Organizational structure

In siloed organizations where there are long-standing divisions and little collaboration across business units, it can be difficult to roll out SDV initiatives. It may be unclear where to house the initiative: an existing business unit, or a new one? In either case, establishing collaboration between units will be a challenge.

Case: grocery retailer

The CEO of a large grocery retailer decided that the company needed to make a commitment to stock only sustainably-sourced seafood. With a complex supply-chain, the difficulty of this task, currently in process, is enormous. The CEO's decree forced the various parts of the corporation to work together to find a solution.

Discussion

The interview data reflect the real-world challenges of practitioners attempting to shift corporations towards pursuing SDV. It particularly highlights the diverse and creative approaches that practitioners take in trying to make their case.

In practice, most corporate SDV initiatives fall plainly into the categories of 'sustainability' or 'CSR,' the former oriented around cost reduction, and the latter around reputation improvement. Some practitioners didn't appear to see that pursuing these approaches in these ways won't necessarily lead to more substantial SDV. The initiatives which are currently most commonly pursued are ones which provide measurable business benefit in the *short* term, without addressing longer-term commitments. Making longer-term commitments is more difficult for corporations because:

- it more likely requires fundamental change in process or values
- there's a longer delay between the investment and the return
- it may require justifying the investment to shareholders who themselves have only made short-term financial investments in the corporation
- the benefits may be harder to measure
- the situation may be fairly specific to the corporation, and so there are fewer comparable precedents to use to help make the case

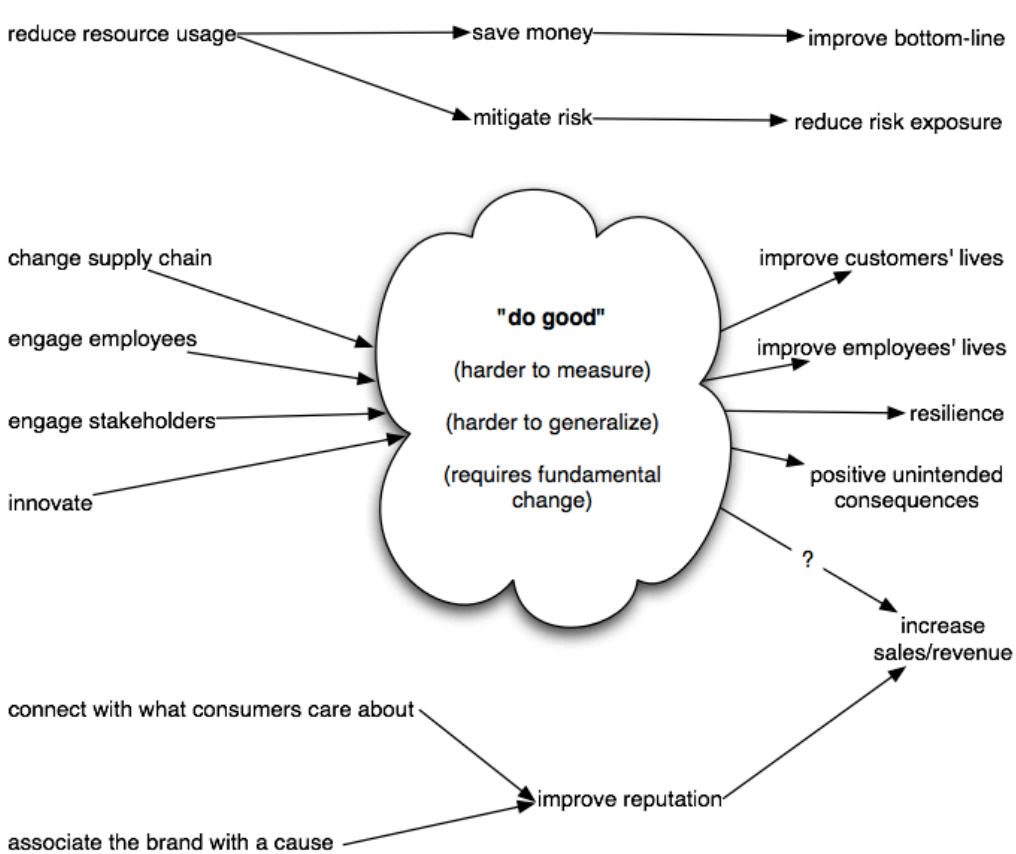

Figure 4: Corporations adopt simple initiatives for their short-term benefit

Figure 4 shows how short-term savings-oriented (top) and reputation-oriented (bottom) initiatives are more easily defined and justified, while more substantial initiatives (centre) – which are more complex and less well-understood – are more difficult to justify. The practice of CSR and sustainability have evolved *around* the fact that corporations typically don't make long-term commitments to SDV. Practitioners in these fields work on projects which point towards the centre, but remain at the margins. Respondent #7 noted:

> “...we're intellectually interested in the idea of change, doing things differently, considering what the future holds, and debating that. But when the rubber hits the road, especially in this country, it's really about the kinds of [client] questions we address every day: How do I better allocate my funds? How do I make it make sense so that people give me credit for it? How little do I have to give to do that?”

The challenges of adopting more substantial SDV initiatives are explored in a recent article by O’Toole and Vogel, ‘Two and a Half Cheers for Conscious Capitalism’ (2011). They point out (through several examples) that virtuous capitalism is difficult to sustain, particularly for publicly-traded companies. "A change in leadership, technology, competitive pressures, and takeovers will undermine the kinds of behaviors promoted by conscious capitalists" (O’Toole & Vogel, 2011, p. 66).

The claims of some prominent conscious capitalists – that creating a win-win business model is the only way to optimize value – is unrealistic. "Doing good" is, in fact, only one way to "do well": many or most successful companies haven't substantially adopted SDV practices.

They refer to the often-cited case of Walmart – which, in seeking to reduce their environmental impact, found efficiencies which resulted in substantial cost reductions – and ask, why didn't cost-conscious managers discover those savings earlier? It was because they had different priorities. They conclude that the 'consciousness' of capitalists *does* matter; it can enable them to uncover opportunities for virtuous behaviour that a more conventional bottom-line focus would overlook. And that the conscious capitalism movement is so attractive because it creates common ground for progressives and libertarians. But that it would be counter-productive for conscious capitalists to forget that government intervention and the actions of NGOs are essential to address many world problems.

Strategic Foresight

By applying a foresight process to the interview data, ten uncertainties emerged. These uncertainties help envision how the future environment may impact corporations and their ability to create SDV. These uncertainties were developed by extrapolating the trends and weak signals that were found in the interview data. The extrapolation was done with a 5-10 year horizon, and the uncertainties are described here, presented as mini-scenarios:

1. Consumer purchasing decisions increasingly informed by reputation
2. Young job-seekers avoid employers with weak values
3. Legislation mandates diversity on corporate boards
4. Socially-responsible investment skyrockets
5. "The watchers" become more aggressive
6. Legislation mandates standardized disclosure guidelines
7. Exposés on the dark side of CSR
8. Occupy Wall Street mutates, gains support, and continues indefinitely
9. The divergence of branding and socially-desired value
10. Restructuring CSR

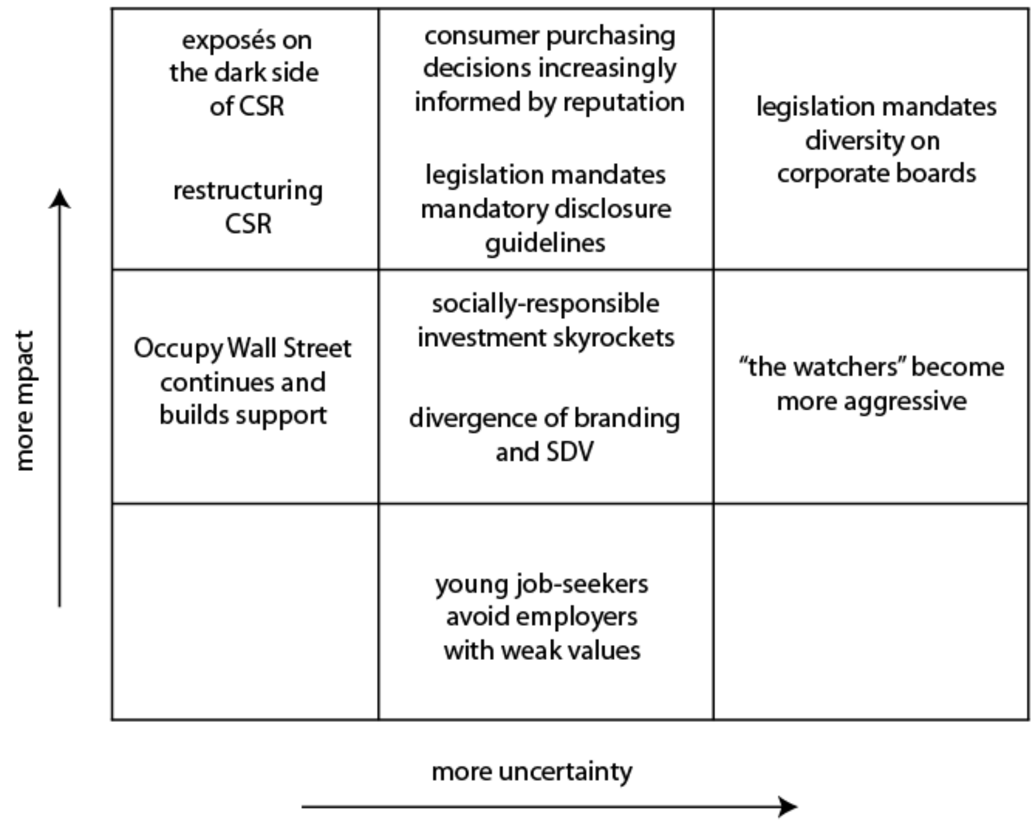

Figure 5: "Uncertainties" mapped by degree of uncertainty and potential impact

1. Consumer purchasing decisions increasingly informed by reputation

As consumers are increasingly well-informed about corporations' ethical practices, they increasingly 'vote with their wallet,' a boon to companies who take on the challenging work of improving their practices. Impact: high, Uncertainty: medium.

2. Young job-seekers avoid employers with weak values

Companies seeking to replace retiring baby boomers have a much easier time when their prospects believe in the strength of their purpose and values, *and* the company has a reputation for successful activation of their purpose. Impact: medium, uncertainty: low.

3. Legislation mandates diversity on corporate boards

Public pressure and international precedent drive lawmakers to pass legislation mandating minimums for diversity on corporate boards (or creating very strong incentive for corporation which meet minimum diversity requirements). Impact: high, uncertainty: medium.

4. Socially-responsible investment skyrockets

As Gen-Y-ers – for whom “making a difference” is a priority – comprise a larger percentage of the workforce (and income), socially-responsible investing gets a huge boon. Impact: high, uncertainty: medium.

5. “The watchers” become more aggressive

Activist NGOs see their financial support increase dramatically, thanks to the growing incomes of Gen-Y-ers. The NGOs invest further in their efforts to uncover unethical corporate practices. And are joined in those efforts by journalists, bloggers, and engaged citizens. Pressure on corporations to act ethically (or hide it better) are greater than ever. Impact: medium, uncertainty: high.

6. Legislation mandates standardized disclosure guidelines

Building on initiatives like the Global Reporting Initiative, and responding to public pressure and international precedent, lawmakers pass legislation mandating universal disclosure standards for corporations. Impact: high, uncertainty: medium.

7. Exposés on the dark side of CSR

As the first generation of CSR workers retire, they're finally no longer beholden to their agency employers or clients, and come clean about what happens behind the scenes in the world of CSR. Public skepticism about greenwashing hits new highs, putting a nail in the coffin of (old-fashioned) "CSR." Impact: high, uncertainty: low.

8. Occupy Wall Street mutates, gains support, and continues indefinitely

Winning huge public support for surviving its evictions and professionalizing its communications, the international OWS movement builds a broad base across society, from across the political spectrum. Its message is better understood, and people translate it into clear paths forward. Impact: medium, uncertainty: low.

9. The divergence of branding and socially-desired value

As consumer savviness increases, so does awareness of greenwashing. In order to distance themselves from greenwashing, brands diminish the prominence of their branding in SDV-related marketing. This increases as sustainable SDV becomes more widespread: the importance of marketing decreases because the corporation's motivation is less rooted in reputation-building. Impact: medium, uncertainty: medium.

10. Restructuring CSR

With a few major companies yet to adopt CSR or sustainability in some form, others have already restructured their CSR teams: eliminating it as an independent business unit, and integrating the responsibilities throughout the organization. Those responsible for creating SDV are increasingly the ones who have operational control. Collaboration increases through the use of cross-functional teams, and performance measures tie SDV to compensation. All of this results not only in more SDV, but improved innovation of all sorts for the corporation. See Figure 6. (SDV activities increase with the integration of CSR because the collaboration necessary to create SDV will then be easier.) Impact: high, uncertainty: low.

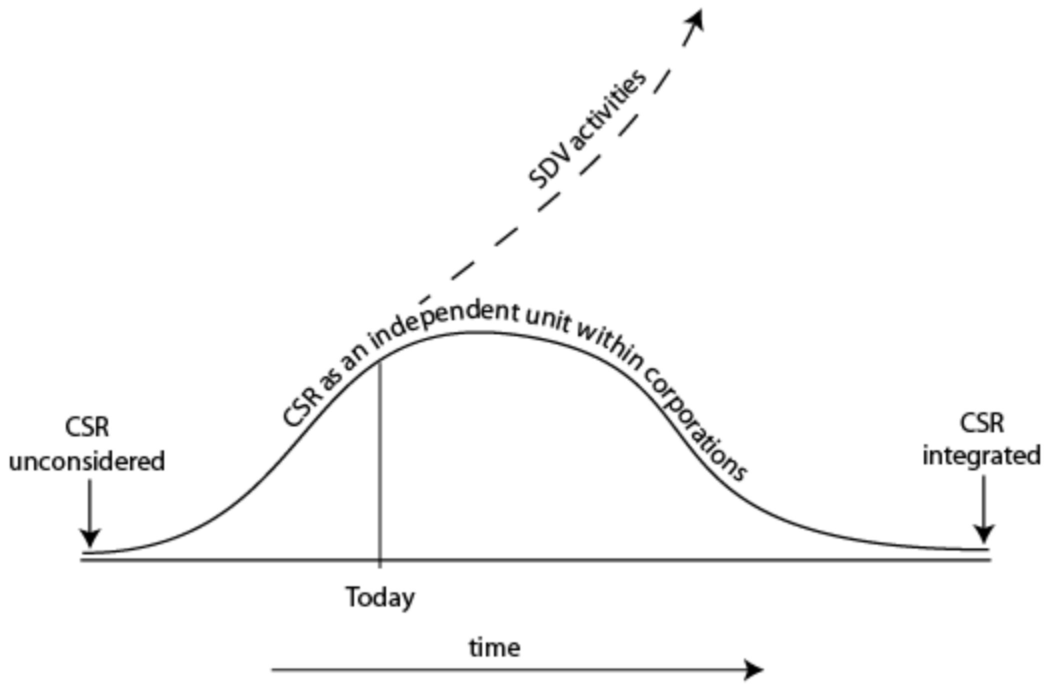

Figure 6: Adoption curves: Restructuring CSR and effect on SDV activities

These ten uncertainties result from the extrapolation of trends and weak signals identified in the interview data. They help us to anticipate how changes in the environment will impact the corporate creation of SDV over the next 5-10 years. They complement the barriers to creating SDV, identified above, to point to several ways in which practitioners can drive corporations to pursue the creation of SDV. These recommendations are explored in the next section.

Recommendations

Because of the complexity of the issues and the diversity of the contexts, it's impossible to create a universally-applicable set of recommendations to help practitioners push corporations towards the pursuit of SDV.

Clearly, the effort involved in pursuing SDV will be easier for some corporations than others. The most high-profile SDV initiatives have been made by very large, highly-branded, and very profitable global corporations. The case for SDV isn't currently strong enough for its widespread adoption, because the long-term business benefits aren't yet clear enough. As initiatives are made and studied, the 'cloud' in Figure 4 will slowly dissipate, leaving clearer paths to show the relevance to specific industries, and the long-term business benefits.

For now, we understand that there are some companies are well-positioned to reap the benefits of creating SDV, and a partially-overlapping group of companies that are well-positioned to make the changes that will facilitate the creation of SDV. Further, a corporation's context will suggest different motivators, which will suggest different strategies and actions. The recommendations for a corporation specializing in producing premium consumer packaged goods will thus differ from those for a corporation offering business-to-business services, and from one mining for natural resources.

Respondent #9 has some suggestions on what characterizes organizational readiness:

> "there need to be certain criteria or systemic features that will enable ... quick wins to jump to larger wins. Otherwise it'll be an incremental journey ... not all organizations are ready to jump to the next level. But ... we need to work with those that are ready to jump. So what are those criteria? I think there are a couple of them. A commitment from senior levels with the organization. A vision that they need to be different from what they are today, or a different place from where they are today, and a commitment to getting there. Which means that they allocate resources to it, human and financial resources. That they work to integrate it into their existing goals. It's not a siloed project. They recognize leaders within the organization, and they reward them for taking leadership."

For corporations without much experience with SDV (through sustainability, CSR or otherwise), the most useful work might be in 'connecting the dots,' as described in the 'strategy' section of the interview findings, above. These companies should spend time understanding their position and the opportunity, and preparing themselves for the changes required for effectively creating SDV. These companies need to take their first steps to create the narrowest sliver of 'grey triangle,' as in Figure 7.

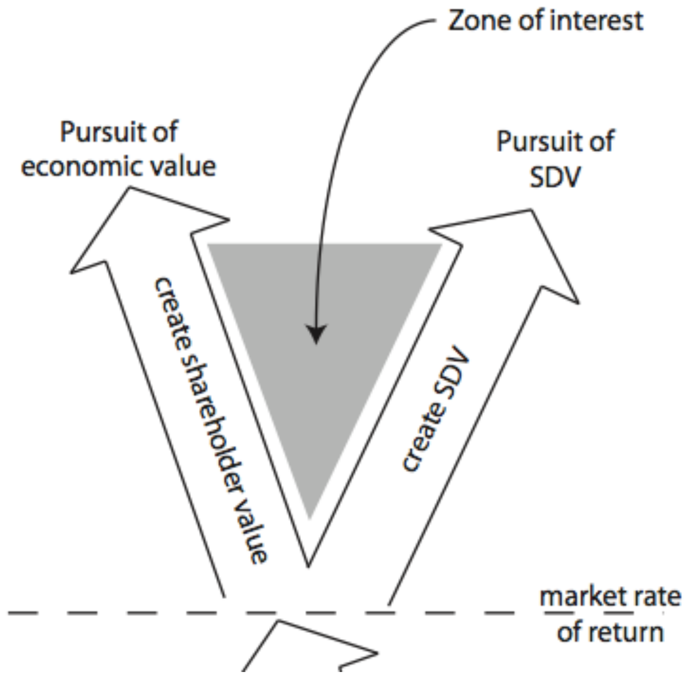

Figure 7: Zone of interest, recommendations

Once a corporation has gone beyond strictly pursuing economic value, and is prepared to more actively pursue SDV, several recommendations become relevant. The following recommendations are based on the interview findings, analysis, and the uncertainties uncovered through the foresight process:

- intensify collaboration
- approach consciously
- set realistic expectations
- communicate with transparency

Intensify collaboration

The terms 'CSR' and 'sustainability' have very specific meanings in practice, which have come to limit people's expectations. For many, CSR means cause-marketing, and sustainability means cost savings. Making progress in creating SDV requires going beyond the traditional boundaries of these practices. It may be easier to develop or adopt new terms than to change people's assumptions about the meaning of these conventional terms.

Not just the terms but the current practices of CSR and sustainability should be recognized as mutually complementary for the creation of SDV, and so to increase their effectiveness, the practices should be combined.

The task of creating SDV should not be isolated to discrete parts of the corporation. To be effective, practitioners must have an understanding of all aspects of the corporation's operations. Rich areas for the creation of SDV which are often overlooked are human resources, facilities and logistics. Ultimately, creating SDV should be a responsibility shared by all business units.

Some corporations have already taken a distributed and shared approach to creating SDV. These often involve the use of cross-functional teams, with participants from across the company. Inter-unit collaboration creates an integrated perspective on sustainability (Adler and Tushman 1997), and several respondents predicted that cross-functional teams will be increasingly used in CSR in the next few years.

In corporations without a history of inter-unit collaboration, a strong top-down approach may be necessary. As with financial targets, the CEO can decree SDV targets, thus forcing departments to figure out how to work together to achieve the goal.

Once an organization has "bought in" to the value of SDV, collaboration with external parties can be valuable. External allies in creating SDV can include suppliers, property managers, neighbours, other local industries, etc.

This recommendation anticipates uncertainty #10, ‘Restructuring CSR.’ It also addresses the barriers, ‘Organizational structure,’ ‘Resources,’ and ‘Perceived dichotomy.’ This recommendation will therefore be particularly relevant for organizations that have identified these barriers and uncertainties as important ones for their situation.

Approach consciously

As pointed out by O'Toole and Vogel (2011), it's possible for managers tasked with reducing costs to miss opportunities for savings, prior to adopting an SDV-creation mandate. This is demonstrative of that taking a new approach to an old problem can yield breakthrough solutions. While not explicitly stated by any respondents, this should be considered a strong motivator for corporations to pursue SDV.

It also supports the idea that little steps can make a difference. Even if a corporation's SDV initiatives are small and barely impactful in the real world, they may have an larger impact on the attitudes and approaches of employees and other stakeholders. The greater adoption of the language of CSR, sustainability and SDV could indirectly be promoting these ideas internally.

This isn't to suggest that corporations should aim only at taking little steps – employees are savvy and can easily detect a lack of authenticity or genuineness in these initiatives. But the little steps that corporations take *on the way to larger steps* may be having a greater impact than they realize.

To most successfully realize a conscious approach, corporations should find ways to reinforce reflection as part of work processes (Kleiner 2011). As one respondent (#8) explained, "think-believe-act" is a less effective approach to behaviour change than "act-think-believe." Ideas such as double-loop learning and the emerging field of neuroleadership provide guidance with implementing this in practice.

This recommendation can be used to address the barriers ‘Competence / openness,’ ‘Overburdened managers,’ ‘Perceived dichotomy,’ and ‘Political fear.’ It also anticipates the uncertainties ‘Consumer purchasing decisions increasingly informed by reputation,' and 'Young job-seekers avoid employers with weak values.'

Set realistic expectations

Some proponents of conscious capitalism and creating shared value are making unrealistic claims about the business benefits of virtue, and the potential for business alone to solve the world's problems (O'Toole and Vogel 2011). Pushing corporate decision-makers to think more ambitiously about how they use their power is essential, and is happening both internally (through the work of change agents) and externally (through initiatives like the UN Global Compact). Conscious capitalists must acknowledge that individual corporations, while powerful, don't have nearly as much flexibility to change industry practices as do groups of corporations working together, especially when in collaboration with government.

The idea that corporations can easily, on their own, make fundamental change to how a while industry operates might be rooted in an appeal to reputation-building and differentiation – ideas which resonate with the traditional (and less effective) CSR approach to SDV.

Practitioners are advised to set realistic expectations about the practical limits of individual corporations to change, and look to industry organizations, governments, NGOs and social entrepreneurs as important parties in the creation of SDV.

This recommendation anticipates the uncertainties '"The watchers" become more aggressive,' 'Legislation mandates standardized disclosure guidelines,' 'Exposés on the dark side of CSR,' and 'Occupy Wall Street continues indefinitely.' It also addresses the barriers 'Transient leadership,' and 'Readiness / commitment / buy-in.' While taking a conscious approach can not eliminate these as barriers, nor guarantee protection against uncertainties, it can assist a company in taking advantage of resources and opportunities, and reduce the loss to SDV activities that arise from changes in market or context.

Communicate with transparency

Corporations should encourage and facilitate discussion with employees about personal values and motivations. In interviews, there was a huge gap between the identified organizational motivators and personal motivation. In almost every case, respondents were proud and enthusiastic when talking about their personal motivations, and more measured and discouraged when talking about organizational motivators. This pride, enthusiasm and creative energy are resources which exist within organizations, but which are currently untapped. This is in some ways similar to Clay Shirky's idea of "cognitive surplus" (2010).

Talking about personal motivations and values – or talking about these in a way which implies that business decisions should be made based on them – may be taboo in some corporate environments. It will be most challenging for these organizations to adopt this recommendations.

These discussions stand to: help motivated and like-minded individuals find each other within the organization, encourage them to find creative ways of addressing their concerns, demonstrate that the organization recognizes and is supportive of employees' interests and values, and may contribute to a stronger innovation orientation among employees.

Respondents said that consumer knowledge and savviness is rapidly increasing, as is consumer skepticism. This will continue to be a challenge for CSR, because trust in corporations is low, and the task of measuring, evaluating and validating corporations' CSR and sustainability claims is beyond the scope of any independent entity.

In his keynote speech at the CBSR Summit, Stephen Lewis challenged the CSR community to go beyond telling stories about successful CSR initiatives, but to also call out corporations when their actions have a strong negative impact. This would have two results: first, companies would be under additional scrutiny, in that the CSR community would be another "watcher." Second, it would indirectly increase consumer trust in CSR: if consumers heard both positive and negative stories originating from the business community, they would feel that the message is more balanced, and therefore more trustworthy.

There are significant political challenges to the recommendation that the CSR and sustainability communities tell negative stories, not just good ones. But the benefit of reduced consumer skepticism would be impactful.

This recommendation addresses the barriers of ‘Consumer confusion or skepticism,’ and ‘Competence / openness.’ It also anticipates the uncertainties ‘Socially-responsible investment skyrockets,’ ‘Legislation mandates diversity on corporate boards,’ and ‘Restructuring CSR.’ Improving transparency is a difficult change to make in organizations, but it has some important benefits, and may serve corporations well if the identified uncertainties become pressing concerns.

These four recommendations don't constitute a comprehensive "recipe" for corporations that are ready to create SDV, they are responsive to the challenges faced by practitioners today.

Conclusion

The research data itself captures an important moment in time: in 2011 we have witnessed the occupation and eviction of public spaces around the world by the Occupy movement, calling for corporations to play a larger role in addressing social issues. Also this year, several influential books and articles were published on the evolution of both corporate social responsibility and capitalism. CSR today receives a greater degree of corporate acceptance, while simultaneously facing greater public skepticism. The CSR and sustainability communities have been informally responding to these events through discussions in conferences and meeting rooms. The outcomes of these conversations may take years to take the form of dramatic new practices.

While CSR and sustainability are receiving a greater degree of corporate acceptance, there's a recognition among many practitioners that something isn't working; that CSR practice currently is unsustainable and fragile. Sustainability practitioners are making slow progress effecting change, having difficulty finding a path from small, successful projects to larger, more ambitious initiatives.

Practitioners are passionate and committed to change, but generally don't have a strong theoretical background of the issues behind CSR and organizational change. In some cases, practitioners seem to be pursuing approaches that are unlikely to lead to the change they seek. This disconnect represents a missed opportunity, which practitioners and academics should both attempt to address.

There's a call for corporations to change, but many people are still wondering how – and even if – to effectively drive this change in practice. There are many approaches – confusingly many. This project has used the idea of SDV to overcome this, looking for the motivations, strategies, actions and barriers which are common across approaches.

There's a need for a more unified approach, free of the taint of greenwashing claims, which at once acknowledges the importance of reputation/marketing and also of sustainability, and which aims to deliver both business value and socially-desired value. This approach does currently exist, albeit with many competing labels.

This project's weaknesses include that while the recommendations were derived from interview data, the final recommendations were not subsequently validated by practitioners. Taking that additional step could provide some clarification and additional refining. Also, for practical purposes, the *nature* of the value in SDV wasn't addressed. Doing so may be revealing, opening up another dimension of analysis.

Future research could include a specific study about how practitioners can most effectively leverage quick wins to propel corporations to make larger commitments to SDV. Another opportunity would be further investigation of the interview data; the stories told my practitioners contain valuable information which went far beyond the scope of this project. Finally, a more robust foresight process could yield important findings; “the future of CSR” is a rich and largely unmapped territory.

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Appendix A: Research, writing and practice

None of the respondents claimed strong familiarity with scholarly work in their fields. A few had attended academic conferences, and while they agreed that the research was interesting, they said that it was difficult to make use of it in their work.

One respondent (#8) was outspoken on this subject:

> "Theory has fallen from grace because it hasn't figured out a way to translate into action. Which is another way to say that academia has proven itself useless. So now it matters who does the writing, in a way that it didn't used to. And those who matter when they write are lead practitioners, or they're great storytellers. The Malcolm Gladwells of the world who are great storytellers, or the Michael Porters of the world who are great practitioners. They're not great theorists, but they're good writers. [...] So i think writing continues to be important, but we pay attention to it for different reasons."
>
> "We coalesce around good ideas. But today we need those ideas crystalized and reduced – that's the legacy of marketing. If you can't give it to me in 15 seconds, I'm not getting it. [...] it needs to be done in really good, reductive, storytelling/creative communications." (Respondent #8)

In nearly all interviews in which Michael Porter's article came up, respondents said that he and Harvard Business Review bring credibility to the issue of companies creating SDV.

"...Michael Porter is talking about this shared value stuff. And to be honest,

> I think Jed Emerson was 10 years ahead of him, but when it's Michael Porter talking about it... [it gets attention]. Michael Porter is the guru in the mainstream world, so you've got the mainstream talking about it. You need HBR, not SSIR [Stanford Social Innovation Review]. And those things are beginning to happen. So that's good." (Respondent #11)

> "People in the sustainability/CSR space read [the 2011 Porter/Kramer article] and said: 'yeah, that's exactly what we've been talking about. There's nothing new here.' What's remarkable is taking one of the world's foremost business publications, and have them talk about social value. Porter is the father of business strategy – better than having a fanatical group of treehuggers. Without these HBR articles, it'd be harder to get buy-in." (Respondent #5)

> "[Porter and Barton, the CEO of McKinsey who recently wrote about 'long-term capitalism,' which is very similar to Porter's CSV] have a huge role to play in this. They're mavericks and leaders. Because people pay attention to McKinsey, so, they're as instrumental as Greenpeace in leading a charge." (Respondent #8)

Even though HBR has a broad readership, the Porter/Kramer articles – like most published in HBR – are written for C-level executives. These are the decision-makers who have fairly direct accountability to shareholders, and who (hopefully) will increasingly be receiving pitches from younger employees on SDV initiatives. Porter's credibility will hopefully earn those pitches additional consideration.

The articles are not intended, then, to explain details about implementing CSV, but simply to make the case in general. Their consulting firm, FSG, helps clients create shared value. Hopefully forthcoming articles by them or others will cover the practice in more detail.

Appendix B: Terminology

One of the challenges in this project has been to understand the terminology, its nuances, and the perspectives reflected by it. One of the reasons why Porter & Kramer's 2011 article has been well-received by practitioners is, I propose, because it doesn't attempt to reconcile existing approaches. Instead, they propose "CSV" as a unifying term and approach.

The dominant terms, CSR and sustainability, signal different approaches. Respondents can be divided into three groups, based on individuals' attitudes towards CSR and sustainability (the terms and/or the approaches). Four respondents are in the "sustainability thinking" category, seven are in the "CSR thinking" category, and three don't fit into either.

The "CSR thinkers," generally:

- are concerned about their work being perceived as greenwashing
- believe that generally "sustainability" is about environmental issues, and in a corporate context, largely about cost savings
- would agree with that, "sustainability speaks more to how we structure and operate our businesses, and csr is more like how businesses can create positive change in community"
- believe that sustainability initiatives are more likely to involve changing the way the corporation does business

- may also describe what they do as corporate citizenship, community investment, or social strategy – there are subtle differences in meaning and scope
- see strategic change as the domain of management consultants
- would most like to be working on projects which would result in transformational change, but acknowledge that they're working in a system with more mundane day-to-day requirements

The "sustainability thinkers," generally:

- see CSR as a marketing, reporting/disclosure, and possibly corporate philanthropy
- believe that CSR has no mandate or capacity to facilitate significant change
- are experienced in making the business case for their proposed initiatives
- are more likely to work on initiatives which reduce costs and provide environmental benefit

Appendix C: Outside consultants

External consultants can play a role in creating SDV. But corporations have several options to choose from:

- social marketing agencies (often branches of advertising agencies)
- CSR consultants: Article 13, CBSR, etc.
- sustainability consultants: MBDC, Blu Skye, The Natural Step, etc.
- non-profits/NGOs: Nature Conservancy, WWF, David Suzuki Foundation, etc.
- management consultants: BCG, McKinsey, Deloitte, etc.

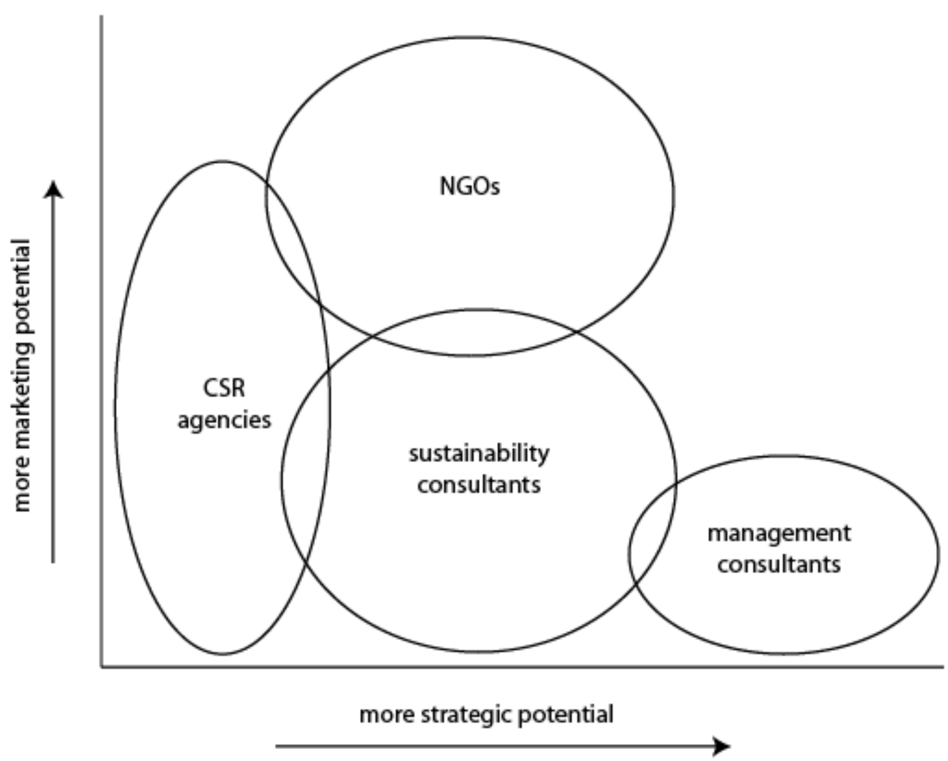

Figure 8: Map of potential outside consultants by strategic and marketing potential

NGOs

Non-profits/NGOs are a special case. Rather than consulting engagements, the relationships between corporations and NGOs are strategic partnerships around specific issues which are of mutual interest. The NGO shares their knowledge and experience to help address the corporation's problem, and the corporation contributes financially to the NGO, makes a strong commitment to impact, and is able to use the NGO's brand in their marketing. What I like about this is:

- these kinds of partnerships are a little out of the ordinary
- senior decision-makers on the corporate side are involved
- it addresses a problem which has implications for the business and the NGO (and, presumably, society-at-large)
- it leverages the strong goodwill which NGOs have built. The NGO's brand gives it leverage in negotiating with the corporation; a relationship which might otherwise be dominated by the (conventionally more powerful) corporation. As respondent #9 put it, NGOs have "the ability to tie into people's hearts," and "companies don't use that enough."

NGOs also engage in sponsorship projects with corporate partners. This kind of initiative has been around for a long time. They're a source of funds for NGOs, but don't result in significant impact, and they don't require much engagement on the part of the corporation. NGOs seek to convert these sponsorship relationships to ones with greater potential for impact, based on the readiness of the corporation.