

From YUPPIES to LOHAS

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Corporate Responsibility or CR means responsible corporate behavior going beyond immediate market interest. It includes humanitarian, social, and ecologically relevant activities. According to *The Green Book* of the European Commission defining a European framework for corporate social responsibility, we are looking at a basic concept for companies to voluntarily integrate social and environmental demands in their corporate activities and interrelation with their stakeholders. Occasionally, we also hear of a three-pillar system or a triple bottom line assessing a company's financial as well as its social and ecological performance. The results may be retrieved from the annual *Dow Jones Sustainability Index* among others, a cooperation between the index providers Dow Jones, Stoxx Limited and SAM Group. Despite all voluntariness, CR is seldom a purely altruistic act. In more than one case it is driven by self-interest and meant to satisfy both internal and external stakeholders. In addition, companies react to the pressure exerted by CR affine customer circles. One of the consequences resulting from the CR discourse is clear: "business as usual" is no longer an option. No company can currently afford to be seen as part of a social problem. The skid of the BP shares losing one-fourth of their value clearly shows at least one of the financial consequences. BP's image loss, as much as the impaired trust in the American regulator, will probably last as long as the environmental damage itself.

In this context, we only have to remember the spectacular disasters of the last decades: the ruined reputation of *Sandoz AG* after the major fire in 1986 and the subsequent contagion of the Rhine from Karlsruhe up to the Dutch border; the oil spill of the *Exxon Valdez* in 1989, which cost Exxon a compensation of 287m USD and led to an irreparably

damaged reputation; or the oil storage and tanker loading buoy Brent Spar of Shell UK, which was disposed of far too late on land rather than in the North Sea, as the media campaign and the Greenpeace activists had, by then, already influenced public opinion against the oil company.

One thing is also for sure: CR lip service or a company's so-called green washing won't be sufficient when it comes to CR reputation. Here too, BP is a negative example: Years ago the company claimed that in the future BP will stand for Beyond Petroleum instead of British Petroleum. Given their drilling beyond the allowed space, the "incident" of April 20, the 11 deaths and the oil spill, which has not yet been stopped, and the evasive behavior of BP management, "Beyond Petroleum" sounds like a cruel joke.

The difficulties companies generally have with respect to convincing CR behavior may have to do with where these demands originate. They mostly come from the outside rather than being generated from within. To take an example: companies that usually define customers' values are suddenly supposed to bend to customers defining corporate values. Such clients - led by a segment of so-called LOHAS - that is those adhering to "lifestyles of health and sustainability"- *expect* that companies commit themselves to pro-environment practices, guarantee fair working conditions, fair trade, food produced without the help of pesticides and chemicals, and preferably use renewable energies. In the United States, the LOHAS already build a consumer group of 40 million and are thus as big as the more traditional, politically inactive buyers of organic products, the so-called "naturalites".

To support companies worldwide in their CR and sustainability management, the Global Reporting Initiative (GRI), created by Investors and Environmentalists for Sustainable Prosperity and the United Nations Environment Program (UNEP), offers a framework for sustainability reporting. Their cornerstone, the current third generation of G3 guidelines, presents ways of reporting that "organizations can voluntarily, flexibly, and incrementally adopt" and emphasizes fundamental areas such as strategy, company profile, economic performance, governance, product liability, working conditions, employment, human rights, social and ecological performance.

Open is the question of how CR should be managerially applied. It is probably only a matter of time until there is a new management position- after the CEO, CFO, COO, CTO - a CSO,

a Chief Sustainability Officer. Pioneers here are the chemical companies Dow Chemical and DuPont. Equally possible is the partnership between company and NGO, like the one between Environmental Defense Fund (EDF) and FedEx, UPS, and Starbucks or the very successful one between Unilever and the World Wide Fund for Nature (WWF), which may contribute to Unilever's leading of the Dow Jones Sustainability Index for food for years.

Generally, CR ideas and impulses should come out of all corporate levels to be bundled, structured and managed in a special CR department.

Necessary prerequisites would be:

- empowering the various corporate interest groups to openly communicate and pursue their CR projects
- CR-related education of employees
- promoting the production of green products and services
- extensive information as to provenance, making, and composition of these products and services; including transparency rules for labeling
- appropriate consumer education and guidance
- reduction of travel and transport with increased investment into information and communication technology
- consumption of local products
- concrete and active support of underdeveloped markets rather than donations
- use of clean technology
- recycling of material
- investing in ecological innovation
- ecological building, engineering, and renovation of corporate real estate
- close cooperation with stakeholder groups
- hiring people who already possess CR awareness

What all CR initiatives require, though, is that company and stakeholders can truly identify with their goals so that everything turns into a logical unity - such as the Fish Sustainability Initiative of Unilever, the Initiative Global Sustainable Tourism followed by several hotel chains, or Timberland, where a highly successful series of outdoor shoes was as well turned into the recyclable Earthkeeper alternative.