

# Terms of the social contract

Today's leading businesses create value for society, say Brunswick's JON MILLER and LUCY PARKER

**T**O STAY COMPETITIVE AND MAINTAIN THEIR social relevance, businesses need to stay connected to society. Today's CEO is expected to be capable of juggling the many demands of an increasingly complex and noisy stakeholder universe – including shareholders, employees, customers, consumers, NGOs, politicians, regulators and society at large.

These questions are coming from all quarters: Is your business adding more to the world than it is taking out? Are you playing a positive role in society? Why should we trust you? Social engagement has moved beyond the traditional CSR (corporate social responsibility) function or sustainability team; it has taken its place on the boardroom agenda and shines a light on the character of the company itself.

Among leading businesses around the world, it has become a priority to show how they create social value alongside financial value. This is driven by a mix of motivations, including:

**License to operate** Companies that demonstrate social value can secure the goodwill of key stakeholders and build public trust.

**Employee engagement** Being a part of the solution to social challenges makes work more meaningful, makes the company a more attractive employer, and can result in greater creativity and productivity.

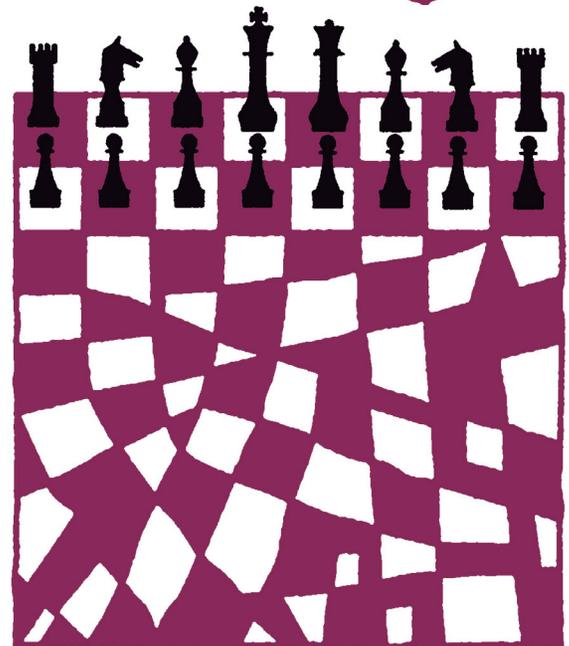
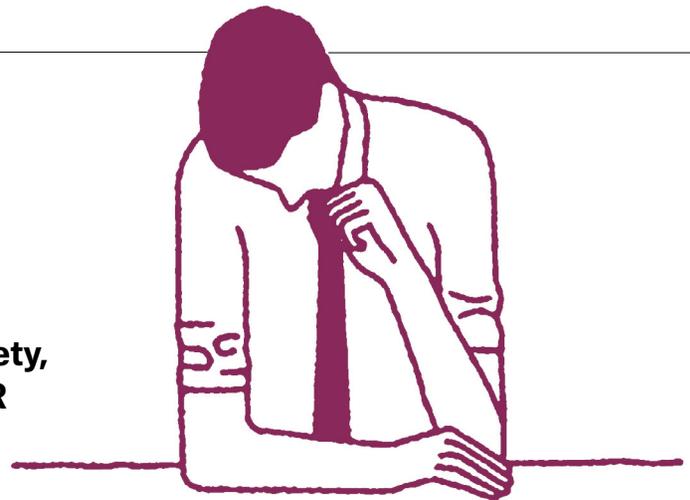
**Brand strength** Taking real action on social issues that matter to consumers can be a strong driver of brand affinity.

**A more resilient value chain** Companies that focus on social value are better at creating win-win outcomes at all stages as they produce their goods and deliver their services.

**Market growth and innovation** Societal challenges can be reframed as opportunities to innovate and develop revenue.

**Share price** Companies listed in Fortune's 2015 "Change the World" ranking delivered higher median stock returns than the S&P 500 Index.

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As the American business philosopher Peter Drucker, often credited as the father of modern management, wrote: “Management is doing things right; leadership is doing the right things.”

Demonstrating how your business delivers social value can help energize your leadership and build stronger, trusted relationships with stakeholders. It can be the critical difference between a manager and a leader.

## LEADERSHIP AS ACTIVISM

LOOK AT THE WORLD'S MOST DYNAMIC BUSINESSES, and a spirit of activism – among leaders themselves, as well as the organizations that they direct – is never far away. As Mark Zuckerberg, CEO of Facebook, has said, “building a mission and building a business go hand in hand.” His company is an example of this, dedicated to making “a more open and connected world,” both through the core business and associated philanthropic activities such as Internet.org.

Elon Musk, Tesla founder and startup superstar, is another example of an entrepreneur with a strong spirit of activism: not only does Musk have strong opinions on a range of societal challenges – from inner-city traffic jams to the global energy system to the future of off-Earth living – he is also investing in innovation for each of these areas.

Corporations, too, are energizing their businesses by connecting to big societal issues. Think, for example, of how Karl-Johan Persson, CEO of clothing retailer H&M, has campaigned for a minimum wage in Bangladesh; or how Dan Schulman, CEO of PayPal, has become a crusader for global financial inclusion; or of how Nils Andersen, former CEO of shipping company Maersk, focused on leading the industry in sustainable use of oil and steel; or how Brian Krzanich, CEO of Intel, led the company’s efforts to eliminate “conflict minerals” from its supply chain, and called for others in the industry to do the same.

The days of the CEO who is neutral on the social issues that surround his business may be over. Increasingly, many leaders are choosing to weigh in on controversial issues, often in areas they may have steered clear of in decades past.

Take the responses of businesses and leaders in the wake of US President Donald Trump’s January 2017 Executive Order temporarily banning the citizens of seven countries from entering the US. Howard Schultz, CEO of Starbucks, pledged that the company would “hire 10,000 refugees.” Airbnb CEO Brian Chesky tweeted condemnation and promised to provide short-term housing over the next five years to 100,000 people in need. Amazon CEO Jeff Bezos, in an email to employees, said he was exploring legal challenges to the order.

On the other hand, companies that have an opportunity to be activists but don’t take it can feel the backlash quickly and fiercely. In the wake of the Executive Order, the ride-hailing service Uber saw more than 200,000 users delete their accounts in protest over the way the company responded to the situation, according to *The New York Times*.

### A HIGHER STANDARD TODAY

SOME MAY ARGUE SUCH ACTIVISM IS FAR FROM NEW, and has existed in some form since the days of Andrew Carnegie and John D. Rockefeller. While both donated immense sums from their private fortunes, such acts of charity bear little resemblance to the sophisticated, integrated efforts of leading

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companies today; neither Rockefeller’s Standard Oil nor Carnegie’s US Steel imbued a social purpose into their daily operations, for example.

In fact, long after Carnegie and Rockefeller, socially responsible businesses remained the exception rather than the norm. In 2006, Michael Porter and Mark Kramer summarized the landscape: “The fact is, the prevailing approaches to CSR are so disconnected from strategy as to obscure many great opportunities for companies to benefit society.”

Today, the expectations for how a business will benefit society have never been voiced more loudly, and from such a range of stakeholders; but similarly, the rewards have never been greater for businesses who create such value and are able to demonstrate it to stakeholders.

The social value of a deal can be the difference between regulators approving or rejecting it; a company’s social purpose can be the deciding factor in the competition for elite talent; engaging with local communities can determine a business’s long-term ability to operate there. A look at leading businesses around the world suggests this is a message that a growing number are hearing loud and clear.

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## HOW TO DEMONSTRATE SOCIAL VALUE

### 1 HAVE A CLEAR SENSE OF PURPOSE

Express your purpose in terms of how your products and services create financial and social value. Ensure that purpose is front and center in your communications.

### 2 IDENTIFY HOW YOUR OPERATIONS RELATE TO MAJOR SOCIETAL ISSUES

Understand what aspects of your products and practices need to be, or can be, adapted to create a win-win benefit.

### 3 CREATE A SIGNATURE PROGRAM

Design a high-profile social impact campaign that brings to life the character of your business.

### 4 REACH OUT TO SOCIAL STAKEHOLDERS

Identify channels that will allow you to better understand the agendas of social stakeholders, and then show them you “get it.”

### 5 INTEGRATE PHILANTHROPY

Bring the same level of discipline and innovation to your giving as you would any other business issue – doing so will deliver greater real-world impact and also benefit your business.

### 6 DON’T WAIT FOR A CRISIS

Find ways to be proactive on challenging social issues, and take a point of view on those issues in the public debate; inactivity conveys a message of its own.