Good business; nice beaches

Corporate social responsibility is evolving, and becoming a little less flaky

On june 17th a hubbub of activists will gather in Rio de Janeiro for a conference on “good business for a sustainable future”, sponsored by something called the Ethical Fashion Initiative. They will listen to a farmer talking about the social consequences of cotton and a theologian debating the meaning of the word “value”. No doubt they will also admire Rio’s beautiful beaches and the beachgoers who waste “very few of the Earth’s precious resources on clothes”, as P.J. O’Rourke once put it.

Corporate social responsibility (CSR) has a hard-earned reputation for flakiness. CSR types don’t just swap agreeable-sounding platitudes (“doing well by doing good”). They do so in agreeable places, “for the same reason that the American Association of Hose and Nozzle Manufacturers has to hold all its important meetings in Las Vegas,” observed Mr O’Rourke, a humorist. “Rio is, um, convenient to major air travel facilities.”

Yet there is more to CSR than empty phrases and exotic conferences. Serious business gurus such as Michael Porter and the late C.K. Prahalad have lent their support to the movement. Most of the world’s big companies have entire divisions devoted to it. And CSR is evolving. Gone are the days when it was mainly about managing corporate reputations—or “greenwashing”, to its critics. It is now more about business fundamentals, such as how products are designed and how supply chains are managed.

The loudest CSR buzzword these days is “sustainability”. The proportion of managers who say they think that “sustainability” is a key to competitive success has risen from 55% in 2010 to 67% last year, according to an annual survey of 4,000 managers in 113 countries by the MIT Sloan Management Review and the Boston Consulting Group. Companies have been busy creating “chief sustainability officers”, founding “sustainability units” and employing “sustainability consultancies” such as SustainAbility.

There are two reasons for this. First, managers are increasingly aware that they must squeeze the most out of finite resources. Sustainability thus fits nicely with lean production and tight supply-chain management. Indeed, it provides new ideas for reducing costs. Unilever, for example, has extended the notion of “lean” from the factory to the home, by producing detergents that use less water when you rinse your laundry.

Second, many aspects of sustainability can be measured. Nike, a shoemaker, has produced a Materials Sustainability Index that provides designers with information on the potential environmental impact of the products they use. UPS, a delivery firm, has devised a carbon calculator to track the carbon footprint even of individual packages. This allows green consumers to buy carbon offsets that will compensate for the pollution caused by having parcels trucked to their door.

The second buzzword in CSR—as in every other area of business—is “innovation”. This is usually combined with “sustainability” to concoct such mouthfuls as the “Sustainable Business and Innovation Unit”. Nike, mindful that most of its, um, footprint depends on how it designs its products, is making more clothes out of polyester from recycled bottles. The firm has also produced an athletic shoe with an “upper” knitted from a single thread. This reduces the waste that comes from cobbling a shoe together from parts. Nike encourages customers to “close the loop” by returning sweaty used shoes to be recycled. Snatching virtue from the pores of the feet, so to speak.

The third buzzword is the suitably cuddly “sharing”. Even as they have reached into the engine room of the corporation—product development—CSR types have also been trying to persuade companies to rethink their relations with competitors and suppliers. Companies are learning to collaborate with rivals in areas where they do not have a direct conflict of interest, such as designing packaging. Starbucks invites rivals to a regular “coffee cup summit” at the Massachusetts Institute of Technology, which focuses on reducing the environmental impact of disposable coffee cups. UPS has shared its carbon calculator with rockers, such as the Dave Matthews Band, who want to reduce the carbon footprint of their tours. Companies also work with intermediaries that try to circulate good ideas. The GreenXchange, for example, helps firms to popularise green innovations. Code for America is gathering and posting information about sustainability on a wiki (a website for sharing information). Nike has shared its Materials Sustainability Index with members of the Sustainable Apparel Coalition, whose members account for 30% of the global market for clothes and footwear.

Companies have also been working more closely with sellers and suppliers, particularly in the emerging world. Unilever has created a 45,000-strong army of female entrepreneurs who sell its products in 100,000 villages in 15 Indian states. Nespresso, a coffee pod-peddling arm of Nestlé, teaches its coffee suppliers to improve their yields. Procter & Gamble, a household goods firm, and Walmart, a retailer, use “sustainability scorecards” to encourage their suppliers to use less water, manage waste better and emit less greenhouse gases.

From flannel to frugality

In the days when CSR was just about public relations, it was probably bad for the reputation of business in general. Companies seemed to concede that profitmaking was a bad thing. Too often, they bowed to anti-business activists and made “amends” through good works. Today’s iteration of CSR is less self-abasing and more constructive. It is encouraging businesses to become more frugal in their use of resources and more imaginative in the way they think about competitive advantage. Perhaps one day CSR types will even deserve all those conferences they arrange for themselves by sun-kissed beaches.

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