Essay: Sustainable capitalism and the potential of corporate responsibility coalitions

Posted by **David Grayson and Jane Nelson** [1] on Nov 7, 2012

As BSR and WBCSD celebrate anniversaries, what is the future of the business-led corporate responsibility coalitions?

At this autumn's UN general assembly and surrounding meetings, much discussion focused on what comes beyond 2015: after the millennium development goals. Common to these debates and the Rio+20 sustainable development summit in the summer, is the assumption of a major role for business in both identifying and implementing an agenda to ensure that, by mid-century, nine billion people can live reasonably well within the constraints of our planet.

Mainstream debate today accepts such a role for business as a given. Yet within our own working lives, we can recall a time when even western politicians, let alone those from many emerging markets, questioned the necessity of a significant private sector at all. The last quarter century or so has seen a remarkable transformation in attitudes to business and the roles and responsibilities of the private sector – both within the business community itself as well as from the public sector and civil society.

The reasons for this transformation are many and complex: the end of the Cold War and the collapse of the Soviet Union; the Deng Xiaoping modernisation of China; global, networked connectivity ushered in by the worldwide web; and the consequent era of liberalisation, privatisation, globalisation and stakeholder activism.

Within these long-term global forces for change, one relatively overlooked driver of corporate responsibility has been the role of business-led corporate responsibility coalitions, promoting awareness and the case for responsible business, helping companies to embed responsible practices into their core operations and value chains, developing common visions and agendas for action, and creating platforms for collective action to drive scale and more systemic impact.

Nowadays, we take the existence of such organisations for granted. Some are national, such as Business in the Community in the UK, the National Business Initiative in South Africa, Instituto Ethos in Brazil and Maala in Israel. Others are international in scope, including the World Business Council for Sustainable Development (WBCSD), the International Business Leaders Forum (IBLF) and Business for Social Responsibility (BSR). Some coalitions are focused on a particular business sector, such as the chemical industry's Responsible Care or the International Council of Toy Industries (ICTI) Care initiative. Others have a particular issue-focus such as water, packaging or global health.

Business-led groups

Some initiatives involve governments, international institutions and/or civil society organisations in their membership, governance and programmes, whereas others are primarily business-led.

While researching for a new book, we have been particularly studying the evolution of the latter group: business-led and business-governed coalitions from around the world. We have explored their evolution from the formation of initiatives such as Philippines Business for Social Progress in 1970 to the rise of more issue- and sector-specific business coalitions; and especially over the past two decades the emergence of global field-builders such as BSR, WBCSD, CSR Europe, IBLF, and Forum Empresa in the Americas.

We define these business-led corporate responsibility (CR) coalitions as:

Independent, non-profit membership organisations that are composed mainly or exclusively of for-profit businesses; that have a board of directors composed predominantly or only of business

people; that are core-funded primarily or totally from business; and whose dedicated purpose is to promote responsible business practice.

From only a handful in 1990, there are now more than 110 national and international generalist business-led CR coalitions and several hundred more sector- and issue-specific ones. Some of the major coalitions have been profiled in earlier issues of Ethical Corporation. They vary greatly in size, scope of activities and impacts.

Coalition impact

Coalitions have had an important impact in four main ways: raising awareness and making the case for responsible business; helping companies to embed responsible practices into their core business operations and value chains; developing common visions and agendas for action; and providing platforms for collective action to drive scale and more systemic impact.

Raising awareness and making the case

Coalitions havebeen at the forefront of making the business case for corporate responsibility through publications, conferences, presentations, case studies, dialogues, media coverage, "seeing is believing" project visits, and increasingly through social media and cause-related or social marketing and advertising.

They have commissioned academic research and analysis by financial institutions to provide better data and empirical evidence on the links between corporate financial performance and environmental, social and governance (ESG) performance. Several have supported the creation of indices and launched independently judged award programmes, such as the Maala Index for corporate responsibility in Israel.

A number of coalitions have been effective at providing public platforms for corporate chief executives, senior executives and political leaders to act as vocal champions and advocates for corporate responsibility, not only within their own companies and industry sectors, but also more broadly. WBCSD for example has developed both written statements signed by leading chief executives and opportunities for individual executives and politicians to speak publicly to widespread audiences about the business case and the societal need for voluntary corporate responsibility and sustainability.

Helping companies to embed and spread responsible practices

Coalitions have developed a wide variety of practical guides, frameworks and tools to help corporate executives develop corporate responsibility policies, management systems, incentives, metrics and measurement processes, and to implement public disclosure and reporting practices. They have also codified and disseminated good practices through a variety of benchmarking tools, case studies and award programmes. In some cases they have provided hands-on advisory services and technical assistance in helping companies find solutions to difficult social issues.

A number of coalitions engage and train specific individuals or teams within companies, ranging from strategic leadership programmes for senior management teams to practitioner-focused training for sustainability or corporate responsibility professionals to employee volunteering and engagement support for mainstream employees.

Some corporate responsibility coalitions have helped to spread good practice by influencing the thinking and programmes of traditional business representative organisations, such as chambers of commerce, institutes of directors, sector trade associations, employers' federations, and small business organisations, which can reach thousands of companies. The field-building coalitions, which have developed networks through local partners around the globe, have been particularly effective in engaging more companies in more countries.

Developing common visions and agendas for action

Some coalitions have developed strategic blueprints or roadmaps for action on corporate responsibility and sustainability that have subsequently been used by thousands of companies and in some cases by governments and other stakeholders to inform their strategic direction on these issues. Examples include WBCSD's Vision 2050 project; BITC's Visioning the Future; CSR Europe's Enterprise 2020; NBI's National Energy Efficiency vision; and Instituto Ethos's Platform for an Inclusive, Green and Responsible Economy.

Driving scale and systemic impact through collective action

Coalitions have had an important and arguably growing impact, in supporting more systemic and transformative solutions by providing platforms for companies to work collectively on a specific issue or set of issues; and in some cases by enabling companies, governments and civil-society organisations to work together.

Such collective action platforms are able to leverage more resources, skills, influence and political attention to address particular social, economic and environmental priorities than any one actor could achieve alone. Some of the coalitions that have been particularly effective at convening collective action platforms are BSR, WBCSD and IBLF with their industry-specific initiatives and public-private partnerships.

Some coalitions have also facilitated new forms of collaborative governance and collective self-regulation, in addition to leveraging business resources through collective action. This has enabled the scaling of corporate accountability and transparency through creating a more level-playing field and encouraging leaders in a particular country or industry sector to set a bar for self-regulation above legal compliance, in the hope that their competitors and suppliers will follow suit. Examples include the Equator Principles for project finance by banks; and the International Council on Mining and Metals.

In many cases, business-led coalitions have also helped to achieve greater scale and systemic impact by influencing the policies and programmes of governments, both nationally and regionally. NBI in South Africa, for example, has influenced government policy in areas ranging from education and housing to skills development, tertiary education and energy efficiency.

Some coalitions have also been effective in engaging with stock exchanges and other financial actors to create a multiplier or scaling effect. In Israel and Brazil, for example, the coalitions have helped to develop stock exchange indexes to drive and scale more responsible business practices. Coalitions have also increased the awareness, capacity and, in some cases, influence of civil society organisations, academic institutions and intermediaries that are able to scale impact through their own channels and communities. In several countries, business-led coalitions have also contributed directly to national reconciliation and nation-building.

The future

Earlier this year, with the help of an Arcelor Mittal-sponsored survey carried out in collaboration with GlobeScan, we canvassed the leadership of the CR coalitions about how they see the future. They are largely bullish. They want to play an expanded role and are confident that they can do so. According to the survey, chief executives of the coalitions generally expect that there will be increased staff numbers, budget and corporate membership in the next five to 10 years. More consulting requests from members are also expected.

A large majority of the chief executives (80%) also expect that coalitions will be more active in challenging member companies to become leaders in tackling ESG issues. A similar number expect that coalitions will be more effective in influencing corporate behaviour on these issues.

While this optimism was not universally shared by companies and sustainability experts we also consulted in a parallel Delphi panel, we believe that the coalitions and the coalitions model could play a significantly expanded role in the coming decade in responding to the multiple crises that the world faces: the ongoing financial crisis, a global sustainability crisis, a crisis of trust and legitimacy for many business and other institutions, and a global governance deficit.

If there is a single word that summarises the most frequent responses both from the experts panel and from the GlobeScan senior executives survey, when both groups were asked about how corporate responsibility coalitions could be more effective in the future, it is "collaboration". This includes collaboration with other national and international coalitions, with issue- and sector-specific coalitions, with multistakeholder initiatives, with business representative organisations, with organisations representing and helping SMEs, with NGOs, and with governments and international institutions. The ad hoc Business Action for Sustainable Development coalition built around the WBCSD, the UN Global Compact and the International Chamber of Commerce and others for the Rio+20 conference is one such example.

There is still a need for coalitions in almost every country to play their traditional role of promoting the business case for corporate responsibility, and helping companies to embed best practices. This remains an ongoing leadership challenge even for many major multinational corporations, let alone the millions of small and medium companies operating around the world, or larger companies based in developing economies – especially in those societies where public governance is weak.

They can also help member firms to address difficult and complex issues collectively, such as climate change or anti-corruption efforts, where individual companies are at risk of being isolated or of losing competitive advantage if they try to act unilaterally.

At the same time, many leading companies are looking for much more specialised, sophisticated and deeper understanding of critical sustainability issues and how they can have a more systemic impact beyond their own individual business operations and value chains.

As more multinational companies evolve from "compliers" to "risk mitigators" and "opportunity maximisers", they need interlocutors able to give them more advanced advice. This is one of the drivers underpinning the ongoing proliferation of sector- and issue-specific coalitions, whether composed of businesses alone or of companies working together with civil society or with governments and international institutions. The leading companies also increasingly recognise the need for more transformative and systemic change that can only be achieved by large-scale collaborative action.

In short, in the face of new competitors and the sheer complexity of the issues now confronting corporations, the generalist business-led corporate responsibility coalitions need to play an enhanced role.

Enhanced leadership

Coalitions can play a greater leadership role in some or all the following 10 areas.

- Help individual companies to overcome the "performance gap" and to embed responsible business policies and practices into the core of their corporate governance, strategy, operations and value chains.

- Promote pre-competitive collective action within specific industry sectors, geographies and value chains to drive scale and systemic impact.

- Convene companies to be part of more systemic and large-scale multi-sector collaboration between business, government and civil-society organisations.

- Help to spread innovation and new models in corporate responsibility and sustainability from key emerging markets.

- Engage more effectively at scale with small and medium enterprises.

- Work with governments and advocate for progressive public-policy reforms.

- Help improve the financial enabling environment.

- Partner with business schools and universities on sustainability research, teaching and capacity building.

- Raise public awareness and spread the practice of sustainable consumption.

- Promote a new vision for sustainable capitalism more broadly.

The boards, senior management teams, corporate members and other stakeholders of corporate responsibility coalitions will need to examine whether their own coalition is fit for the future, and has the aspiration and potential to grow and play a greater role in building a more sustainable capitalism.

We believe there is a major opportunity in the coming decade to do so. Collective business-led action and results-oriented collaborative platforms between business, government and civil society offer one of our best chances to ensure the type of inclusive, green growth that is essential to future progress.

David Grayson is director of the Doughty Centre for Corporate Responsibility, Cranfield University. Jane Nelson is director of the CSR Initiative of the Kennedy School of Government, Harvard University. This essay is abridged from their book, Corporate Responsibility Coalitions: The Past, Present, and Future of Alliances for Sustainable Capitalism, which will be published by Greenleaf Publishing *[2] and Stanford University Press in February 2013.*

One relatively overlooked driver of corporate responsibility has been the role of business-led corporate responsibility coalitions

Links:
[1] http://www.ethicalcorp.com/users/david-grayson-and-jane-nelson
[2] http://www.greenleaf-publishing.com/coalitions