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The Social Life of Business

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Every company should build responses to *relevant* 'socio-political' trends into their customer value propositions as a matter of good business.

**By Jennifer Kirkby
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CSR IS A CUSTOMER SERVICE

In an interview with Tesco CEO Terry Leahy he espoused the belief that organizations should help customers make a contribution to climate change through the products and services they offer. In other words, and to broaden the subject to all socially responsible issues, every company should build responses to **relevant** 'socio-political' trends into their customer value propositions as a matter of good business.

Corporate social responsibility (CSR) should not be just a bandwagon response for public relations; nor an extra curricular activity for staff; nor a glossy 'feel good' sustainability brochure for shareholders, and definitely not a politically correct stick for activists to flog 'non believers'. But should be seen as a driver for innovation and an opportunity to give consumers the wherewithal to 'do something' towards the social and environment issues of the day. CSR is not just an organizations own social contract, but also a 'personal social responsibility' service.

CSR Definition – actions by an organization beyond legal requirements, which further the needs of an identifiable stakeholder group, or large societal collective.



WHAT IS THE BUSINESS OF BUSINESS?

Tesco is not alone in spotting the need for business to look to socio-political issues. The UK Conservative party, traditionally a party of business, is currently undergoing a re-election image makeover. One strand of 'new' thinking to win over powerful NGO's and appeal to marginal voters is to 'promote responsible businesses'; a consultation paper is doing the rounds.

The problem with this for business, is that Governments appealing to NGO's, and activists, have a tendency to regulate, rather than promote, businesses into responsibility. And indeed, solutions in the discussion paper are all about ministers for moral persuasion! lauding and shaming through gold, silver and bronze responsibility awards; and even an idea for 'social pollutant' trading schemes for issues such as work-life balance. An indication of the belief that left to its own devices business would not be socially responsible.

Yet, the role of business in society has been debated for centuries, and social responsibility would hardly be a surprise to the founders of such long standing companies as Cadburys, Levers, Zeiss, John Lewis and Rowntrees. Economically the debate centres around two extremes views – the neo classicists and the 'social collaborators'.

Neo Classicists (the business of business is business)

- Profit maximises; social welfare is peripheral
- Focus on ownership and shareholder earnings.
- Control of firm and resource allocation is through the free-market
- The firm is opportunistic and move to the greatest profits
- Bottom line

Social Collaborators (the business of business is social)

- Profit optimizer in line with welfare and environmental economics
- Focus on collaboration and a balance of economic rent
- Control of the firm is through internal governance and social networks
- The firm builds sustainability and adapts to market changes
- Triple bottom line

Business scandals such as Enron, WorldCom, and Bearings have rained fatal blows down on the prevailing neo-classical view of late. Consumer suspicion and mistrust of 'big business' is rising; heightened by films such as 'Wal-Mart: The High Cost of Low Prices' . 'Super Size Me' about McDonalds, and 'The Constant Gardener' a critical portrayal of the pharmaceutical industry.

Recognizing the wind of change, many organizations, have responded with defensive, CSR initiatives, often disconnected from everyday business reality. But the forward



sighted are now moving more towards the 'social collaboration' view, seeing CSR as both an integral part of corporate strategy and an opportunity to carve out new market niches, create value and gain competitive advantage.

If we can unleash a new, entrepreneurial, collaborative kind of philanthropy, we can create new patterns that help reshape the entire system -- combining the innovation of the business world, the passion and humanity of the non-profit world, and the inclusive, networked culture of the digital world to generate transformative change."

Of course the press and activists still rant that they 'smell a buck' in such actions; their fractional thinking overlooking the fact that economic growth is generated by business alone: the greatest need in poverty stricken areas such as Africa is to attract business capital – an opportunity that the Chinese are now exploiting.



INTEGRATE CSR WITH CRM FOR REAL SOCIAL BENEFITS

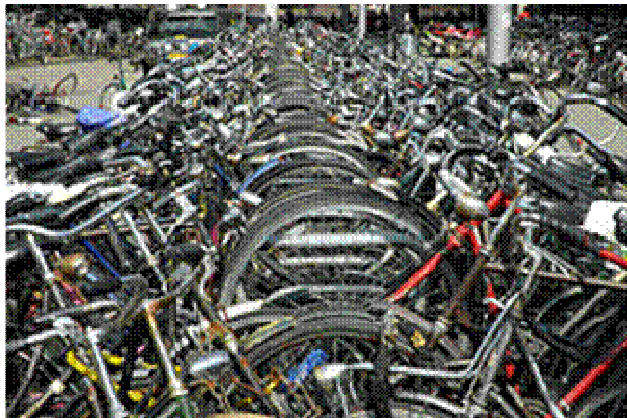
So how does a business negotiate a social contract with demanding stakeholders, before being tangled up in productivity sapping regulations and award schemes? How does it resoundly demonstrate social benefit? Media sceptics are matched by employee saboteurs and customer cynics. Meanwhile, newly appointed CSR Executives, beaver away trying to work out their remit – risk management or transformational change?

Enter stage right the evolving practices of CRM to bind CSR into the organization, whilst CSR entwines with CRM giving emotional empathy to relationship building – the activists 'stock in trade' after all. In both terms the R word is the emphasis; responsible relationships, the foundation of mutual benefit, achieved via games theory.



So where to integrate CSR and CRM? A few starter ideas would be:-

- A vision that focuses on a purpose of value, rather than market dominance of shareholder value eg that of Merck
"We try never to forget that medicine is for the people. It is not for the profits. The profits follow. When we have remembered that they have never failed to appear. The better we have remembered it the larger they have been"
rather than Pfizer
"So far as humanly possible we aim to get profit out of everything we do"– Pfizer
- Combining CRM and CSR capability audits
- A marketing strategy that starts with market trends and issues in a PEST analysis, moves through the impact on customer relationship segments and scenario planning, and ends with the how toos of relationship building.
- Customer and stakeholder research that uses 'voice of the customer' techniques.
- Internal education, coaching and briefing on the brand promise and stakeholder issues so that they are taken account of in customer service and decision making.
- Techniques for customer and staff co-creation that help an understanding of emotional drivers and encourage innovative solutions. Eg open source design communities, Dove's campaign for real beauty.
- Building processes that start with the customer's journey and experience and are cross references against CSR needs, and so build the responsible brand promise into the fabric of service
- Understanding the listening and learning process in stakeholder engagement
- Integrating customer communication and making it more informative and relevant eg Tesco's carbon counter scheme or the use of mobile phone technology to a mobile give relevant usage details about a barcoded product.
- Establishing balances score card measurement systems.





CORPORATE ACTIVISM AND THE BIG ISSUES

Two important integration tasks are the identification of relevant issues, and the formulation of responses for different scenarios. Firstly, to overcome the threats and



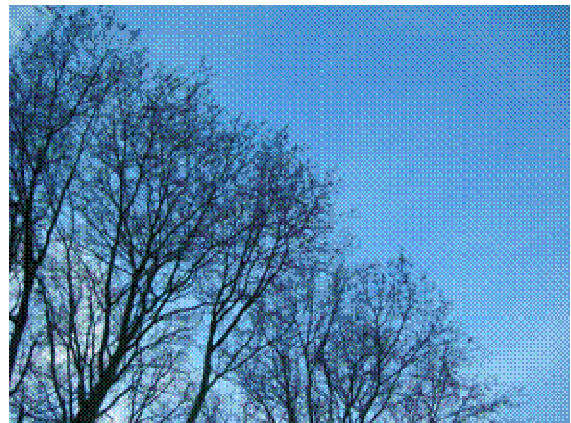
create business opportunities: secondly, to earn a ticket to the debate shaping and solving issue. Think Anita Roddick, Richard Branson and John Browne. Businesses should themselves become corporate activists and recapture industry shaping forces from critics; CSR is not just an antidote to virulent NGO's.

However, in general, business is not good at spotting issues on the horizon, let alone shaping them. A 2006 Mc Kinsey study found that although CEOs acknowledged a remit wider than shareholder returns, they admitted to handling social and environmental matters poorly. The main reasons were:-

- Short term financial pressure, especially on inward costs and productivity
- Lack of expertise with different issues eg climate change
- A habit of seeing issues as risks to be managed by corporate affairs or legal functions

Academic research on CSR highlights differences in cultural values. In wealthier countries executives tend to put shareholders first; other stakeholders lower down the list. The opposite is true in poorer countries with less social support from government. This behaviour is driven by values regarding the balance of responsibility between groups and individuals. Poorer cultures often believe in the interdependence of individuals who have collective duties and obligations that outweigh personal concerns. By contrast, other nations believe that individuals should give loyalty to particular groups within a society eg family or employer, as a priority – hence the primacy of shareholders.

But driving the current CSR agenda is a third cultural manifestation; a shifting of responsibility to powerful organizations and rights to individuals. Hand in hand comes the rise of the single issue and demise of political parties. A prime example is the issue of obesity, where emphasis on individual health warnings has been supplanted by suppliers food traffic light schemes, and restrictions on marketing communications. Companies have





been caught in a defensive position, there should have been more anticipation and earlier involvement.

So what are the socio-political mega-trends in your markets? Should and how will your organization help customers respond to issues such as:-

- Climate change
- Obesity
- Multi-culturalism
- Blood diamonds
- Gambling
- Affordable housing
- Living wages – be they for imported, foreign or outsourced workers
- Bird flu
- Education of 'the underclass'
- Trade with countries abusing human rights such as Taliban and Zimbabwe
- The European coalition of NGO's who want to make CSR compulsory!

Do you know who wields power and influence in these areas and what solutions they are working on? If not, see Big Picture TV www.big-picture.tv. Where should your organization become a corporate activist driving and innovating for change?

One CEO was recently heard cynically comparing carbon credits to green shield stamps – but look where Tesco has got utilising loyalty schemes for customer service!



EXAMPLES OF CSR

News stories from January 07

- "Now Tesco builds houses"
- "BT vows to cut carbon emissions"
- "Branson launches stem-cell storage venture"
- "BA unions add toenails to list of grievances in sickness row" (illustrating the exceedingly poor level of staff relations BA now has)
- "Sainsbury's is too clever for my own good" (giving supermarkets credit for understand changing customer needs to address social and environmental issues)
- "Barclaycard, my friend with flexible ethics" (regarding Barclaycard's new ethical policy to stop cash advances to anyone over 50% of their credit limit; aimed at tackling debt. Problem being they are not looking at customer data for a personal history but applying a blanket policy, whilst at the same time maintaining direct marketing levels and high interest rates.).

Exemplars nominated by Business in the Community

Six businesses were recently selected by Business in the Community as being successful organizations with CSR inbuilt to their propositions and behaviour. They were:-

3M (US technology innovations company)

Camelot (the UK's national lottery who promote responsible 'gambling')

Fonebak (Mobile phone recycling company www.fonebak.com)

Marks & Spencer (UK retailer recently revived by focussing on what customers want)

Tata (Indian multinational conglomerate who's strapline is 'improving the quality of life')

Waitrose (supermarket chain belonging to John Lewis partly owned by employees)

And how not to do it

The British Broadcasting Corporation (BBC) is a publicly funded body 'answerable only to its audiences' (or so its charter says!) with a remit to inform, educate and entertain.

Their flagship current affairs radio programme Today had successful online message boards where listeners discussed issues of the day. Recently, the programme changed the format of the boards to editorial led discussion threads – despite a welter of protest from users who wanted to keep the listener led format. The BBC now have an underused message board, stand accused of disrespect, not listening, and reneging on promises, plus they have lost a very useful tool for listener co-creation.



BIOGRAPHY

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Jennifer Kirkby is acknowledged as a leading analyst and writer on marketing and customer management. She is Director of Mutual Marketing; contributor to many books and journals; and lectures at business schools. She has a degree in economics and following a career in marketing covering everything from research and development to brand management, was a director at Gartner and advisor to the UK Government... She has worked with many Fortune 500 companies worldwide, on customer management and continuously researches its implementation.





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