

Looking beyond the bottom line

Most of the corporate leaders Roger Martin meets would like to make the world a better place. But they're not prepared to jeopardize their company's health, their workers' jobs or their shareholders' money to do it.

What they need, the dean of the Rotman School of Management says, is a way of thinking about their role in society as rigorously as they think about making profits.

At the moment, no such discipline exists. So business executives play it safe; they champion a few high-profile charities, keep out of trouble and make speeches about corporate social responsibility.

That is no longer good enough, Martin says. With globalization forcing governments into retreat, citizens are looking to the private sector to show leadership on everything from fair trade to sustainable development.

That is why the Rotman School has just launched the AIC Institute for Corporate Citizenship. Its role is to develop the tools business leaders need to practise smart social risk-taking, reconcile their shareholders' interests with those of the wider community and move from good intentions to practical choices.

Martin will direct the new institute, created with a \$10 million donation from Jamaican-born financier and philanthropist Michael Lee-Chin. A team of academics and experienced executives will back him up.

As a business professor, Martin has been wrestling with this problem for close to five years. He hasn't solved it yet, but he's part way there.

He has figured out the six attributes a decision-making model would need to possess in order to provide useful guidance to a CEO who wants to do the



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right thing but doesn't know how:

★ First, it would have to offer concrete direction. Business leaders don't respond to vague moralizing. They need to know what to do in specific situations.

★ Second, it would have to be compatible with the management structures a company already has in place. No CEO is going to move into a realm of activity that is totally disconnected from the core functions of his or her business.

★ Third, it would have to produce measurable results. A chief executive has to be able to show shareholders that his or her strategy is having a positive impact.

★ Fourth, it would have to reflect the values and priorities of the CEO. There is no one-size-fits-all approach to corporate citizenship.

★ Fifth, it would have to be understandable. A company's employees, shareholders and clients deserve to know why it seizes certain opportunities and passes up others.

★ And finally, it would have to evolve as the business and society change.

Most of the current approaches to corporate social responsibility fall short on several counts, Martin says. They're foggy and abstract. They can't be integrated into a company's management structure. There is no way of evaluating success. And they are hard to explain in everyday language.

As long as this remains the case, he predicts, prudent CEOs will stick with

what they know: earning profits, providing employment and engaging in low-risk philanthropy.

"We keep haranguing CEOs to be better corporate citizens, but we have no formula that is sufficiently compelling for them to adopt," Martin says. "The work of our institute will be to develop a model that is strong enough to supplant the status quo."

It would help a business leader figure out, for example, when to exceed industry norms and when to wait for the government to regulate higher standards.

It would help a management team determine whether a good deed was likely to bring rewards in the marketplace or harm the company's competitive position.

It would help corporate executives differentiate between trend-setting leadership and costly utopianism.

It would help a CEO whose heart was urging him or her to make a high-cost social investment to conduct a rational analysis before proceeding.

And it would bring corporate social responsibility, which tends to be hived off in its own little compartment, into the mainstream of business decision-making.

The new institute will work directly with CEOs seeking to be social innovators (although it will not promote any issue or cause). It will also draft courses and case studies for students at the Rotman School, equipping Canada's next generation of business leaders to see beyond the bottom line.

Lee-Chin has given many rich and spectacular gifts to his adopted country. This one, which is neither visible nor tangible, may prove to be his greatest legacy.

Carol Goar's column appears Monday, Wednesday and Friday.