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— Roger L Martin



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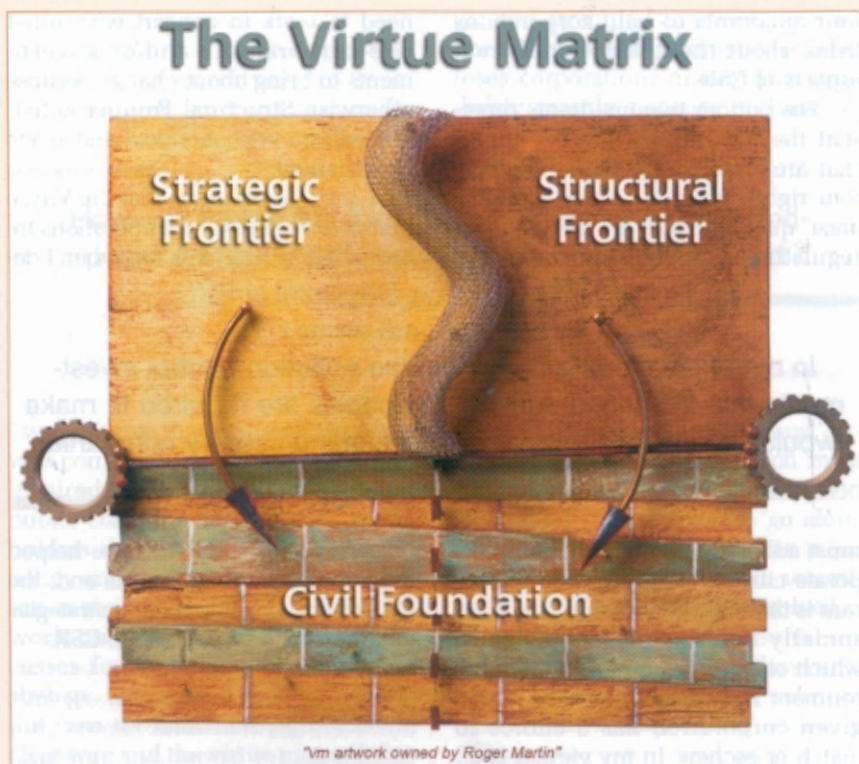
► Thank you Professor for sharing your profound ideas with us. Also congratulations for being an often-cited author in Corporate Social Responsibility area. What were the antecedents for embarking on this topic? Was there any powerful trigger?

The triggering event was being invited to an Aspen Institute seminar on CSR in the summer of 2001. It assembled a number of the world's leading thinkers on CSR plus three business school deans (one from North America, one from Europe and one from Latin America). The deans were there to listen and learn from the CSR experts and hopefully take back to their respective schools ideas for teaching CSR to MBA students. It was an eye-opening experience for me. I came to the seminar expecting to hear lots of detailed and advanced thinking on CSR, but when I got there, I realized that the thinking was very preliminary and unformed. I realized that if we waited for the experts to tell us how to think about CSR, we would be waiting for a long time. So I decided to work on advancing the field as much as I could.

► What is Corporate Social Responsibility? What are the different ways/forms in which CSR manifests? I am more enthused about the term Corporate Citizenship because I think that it connotes the responsibilities of a good citizen. A person is a citizen of a given country and hence, has a home that accepts him/her as a legitimate member of its community. But in exchange for being an official and accepted member of that community, the citizen is expected to behave in ways that make the community stronger rather than weaker.

For me, that is a good metaphor. Every corporation has a home (or multiple homes for multinational companies) and should strive to be an entity that makes its home better. That is, its impact should not be neutral or negative; it should make a positive contribution.

On that front, there are myriad ways that a corporation can make its community better. It can give to



charities. It can give its employees time off to do social work. It can invest in the local health or civic infrastructure.

There are almost an unlimited number of ways that a corporation can have a positive impact on its community, as is the case with any individual citizen.

► What is the importance of Corporate Social Responsibility initiatives? Why should companies embrace them?

I think that CSR initiatives are becoming more important because customers and employees think that they are more important than they used to think. In many ways, it is all about expectations. If no one expects a corporation to be a great citizen, then it probably won't be. However, if for example, customers insist on a corporation demonstrating some level of good citizenship in order to warrant their business, the corporation will pay attention.

I think it is crystal clear that many more customers than ever before incorporate their view of the CSR of a corporation into their buying deci-

sions. In my view, this is a secular trend and not a cyclical upswing, and corporations need to embrace CSR because the important players in their environments increasingly want them to do so, and will put their money and their hours behind their desires.

► Is there any distinction between Corporate Responsibility (CR) and Corporate Social Responsibility (CSR)? Is it correct to presuppose that, most of the times the distinction between the two gets blurred resulting in, at such times, an undue credit for the companies?

I think they are usually used pretty interchangeably. I do think that some people use Corporate Responsibility in a more legalistic way to describe the legal and regulatory responsibilities of corporations. The same people would be inclined to distinguish CSR as the universe of things that corporations may do that they are not required to do.

► What is the Virtue Matrix (HBR, March 2002) that you have propounded? How relevant it is today? The Virtue Matrix is a tool I created to separate CSR-oriented activities into

four quadrants to help corporations think about the distinctly different aspects of CSR.

The bottom two quadrants represent the "Civil Foundation"—things that are already operative. The bottom right quadrant is the "Compliance" quadrant. In it are the laws and regulations to which a corporation

need to work in concert with other like-corporations and/or governments to bring about change because otherwise Structural Frontier activities will be uneconomical and won't be sustained.

I am pleased to see that the Virtue Matrix is as helpful to corporations today as it was five years ago when I de-

In many developing countries, the pollution control investments that advanced country companies are required to make would be unaffordable for the developing country companies

must adhere to be an acceptable corporate citizen. The bottom left quadrant is the "Choice" quadrant. In it are socially responsible activities in which other corporations in the environment are already engaging that a given corporation has a choice to match or eschew. In my view, a good corporate citizen attempts to engage in these activities at a high and thorough level compared to other like corporations in the environment.

The two top quadrants comprise the "Frontier". In the Frontier are potential activities not currently engaged in by anybody but that would have the potential of making the world a better place. The upper left quadrant is the "Strategic Frontier". In the Strategic Frontier, a corporation can engage in an activity that makes the world a better place and at the same time, turns out to be economically viable or attractive for the corporation. The upper right quadrant is the "Structural Frontier" where the corporation may engage in a practice that makes the world a better place, but it is economically unattractive—that is, no one rewards the corporation for these practices, so they are uneconomic in the long run.

Corporations, therefore, can and should engage alone in ventures in the Strategic Frontier and if successful, those practices will be copied by others and eventually become part of an enriched Civil Foundation. In the Structural Frontier, corporations

developed it. Recently we have helped large corporations in Canada and, the US developed Virtue Matrix strategies to define their approaches to CSR.

► **You have remarked in your article, "they (corporate leaders) can, however, use the virtue matrix as a framework for assessing opportunities for socially responsible behavior." How does virtue matrix help in making such choices?**

I think as I have specified above, it enables them to make distinctions between the kinds of CSR activities they can undertake, how they have to think about each and what they can expect from each.

► **You observed in your article that, "It (civil foundation) is deep and robust in prosperous, advanced economies, whereas in poorer, less developed economies it is likely to be shallow and fragile". Why is it so?**

It is for two reasons. The civil foundation builds up over time in two ways. First, governments pass laws that compel corporations to behave in ways that are viewed to be beneficial for citizens of the jurisdiction. For example, a government may pass a law that requires better workplace safety standards in order that fewer workers get injured or killed on the job. In general, if you compare advanced economies versus developing economies, there are many more laws of this sort in advanced economies. Why? Because in developing economies, governments don't want to impose on cor-

porations requirements that they cannot afford and would potentially drive them out of business. The same holds for pollution laws. In many developing countries, the pollution control investments that advanced country companies are required to make would be unaffordable for the developing country companies. For this reason, the compliance side of the civil foundation is, in general, deeper in advanced than developing countries—though there are undoubtedly exceptions to this.

Second, corporations try initiatives in the strategic frontier. Some of them are successful and are copied by rivals who observe the success and in due course become part of the civil foundation. For similar reasons as above for governments, corporations in developing countries are typically not as well-positioned to make speculative investments in the strategic frontier so the flow of practices from the strategic frontier to the civil foundation are slower in developing countries than advanced ones, resulting in a shallower civil foundation—choice quadrant.

► **Instrumental vs Intrinsic. Are they mutually exclusive? Can they be integrated to produce better results?**

No they are not mutually exclusive. Nor they are the same thing. A corporation can take an initiative for intrinsic reasons—leadership simply thinks it is the right thing to do and it will take the initiative regardless of the consequences—and then find much to its surprise that the corporation gets an economic pay-off for doing it.—i. e. it is also instrumental. That is the integration of instrumental and intrinsic, which is the essence of the strategic frontier. Alternatively, there may be no economic pay-off, in which case it will have been shown to be intrinsic but not instrumental.

► **Are the CEOs responsible for civil foundation (instrumental) or frontier (intrinsic)? Which one do you think can be better influenced by the CEO?**

The buck stops at the CEO's desk so he/she influences corporate behavior and has the final say in all four quad-

rants. Having said that, many civil foundation decisions and processes are farmed out to other parts of the organization because they lend themselves to systemization of processes, while frontier activities need the CEO's more direct involvement to spur action. So I would say that the CEO's responsibility is to have rigorous and thorough processes in place to handle the foundation and to take personal leadership for the frontier.

➤ **Over a period of time, and already in developed economies, the difference between frontier and civil foundation seems getting blurred. (It is like an expected product becoming the core product over a period of time) In such circumstances, how should CEOs be guided?**

That is correct. That is the evolutionary component of the virtue matrix, a feature that is lacking in most CSR models. Today's frontier is tomorrow's foundation.

In this respect, the CEO should be guided by the realization that he/she can change the world for the better for a long time if he/she initiates a successful frontier initiative that goes on to become a part of the society's civil foundation.

➤ **You have observed, "without a doubt, some companies are near-paragons of socially responsible behavior. They support worthy causes in the communities in which they operate." Why do you think not many/all companies follow this as a benevolent dictate? What do you think prevents them subscribing to such responsible behavior?**

I think that it takes inspired, forward-thinking leadership and many corporations do not have anything resembling either inspired or forward-thinking leadership. However, such corporations can follow and their following makes a positive difference to society. The key, though, is to have something to follow and this is why the exemplary corporations are so important—others follow their lead. So their positive effect is magnified.

➤ **In the case of Malden Mills, Aaron Feuerstein could take such a benevolent decision owing primarily**

to the ownership structure? However, in a (highly) diversified holding company, how easy or difficult is it to enact such a decision-making?

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I would agree that it is easier in a private company. However, I think that inspired leadership of a diversified public company can show its shareholders that good CSR is intelligent policy and this is why I wrote the virtue matrix and am continuing to work on simple but rigorous processes for creating a virtue matrix strategy. CEO's need help in making the case for CSR in a rigorous and clear way and the virtue matrix helps on that front.

➤ **From the Malden Mills (Aaron Feuerstein) example, is it correct to surmise that most of the times it is shareholders (in their aspiration for better returns) that scuttle CSR initiatives and therefore, corporates (leaders) are crippled?**

That generalization is too dark for me. I would say that shareholders need a coherent and powerful story to be convinced of any major corporate investment, whether CSR or not. A CEO who can't formulate coherent and powerful stories will be crippled by shareholders regardless of whether he/she is dealing with CSR or a new product launch or the building of a new plant. A CEO who can formulate coherent and powerful stories will be able to do whatever he/she thinks is important to the corporation.

➤ **You have remarked that, "Thus, executives' commendable concern for their shareholders' wealth can sometimes stifle innovations in corporate social responsibility." How do you think the executives should resolve such a dilemma?**

The most important thing for them to do is distinguish between the strate-

gic and structural frontiers. Solo action in the structural frontier is what loses corporations money and credibility mainly because actions are

doomed to failure. The CEO must distinguish when the corporation must partner with others for joint action (structural frontier) versus go alone (strategic frontier). If a CEO can make that distinction and invest accordingly the dilemma will be resolved.

➤ **What is the role of leadership in ensuring high standards in Corporate Social Responsibility? Should he lead from the front? How should a CEO balance shareholders' interests and stakeholders' interests?**

The role of leadership is important as it is in all things in setting the tone. If a leader grouches and complains about regulations, then his/her organization will be inclined to be as lax as possible about compliance. If a leader always asks, for example, what the lowest level of contribution competitors make to charity rather than what is the highest level, then his/her organization will always be a laggard in the choice quadrant. And if the leader insists on certainty of success before venturing into the frontier, his/her organization never will do so. I have answered the third question already.

➤ **To paraphrase one of your focus areas 'does globalization kill virtue?'**

It doesn't have to but it can. My view is that the future of globalization rests on whether globalization raises or lowers the average civil foundation around the world. Consistent with my earlier statements about the relative thinness of the civil foundation in developing countries, I believe that advanced country corporations have a pernicious arbitrage opportunity when they invest assets in developing countries. Because the

civil foundation is much thinner in the host country, the corporation in question can set standards for activities in the developing country that are well below acceptable standards at the top of its home country civil foundation but are actually at the

instance, mandating the companies to devote a certain percentage of their revenue to CSR initiatives?

Regulation is tricky on this front. It plays an important role in the civil foundation by creating the compliance quadrant. And if one tried to

be a very positive force for social innovation. And the more businesses innovate socially, the lower the requirement for government regulations to produce the desired results. So the ISIB attempts to convene thoughtful business leaders and academics to share ideas and talk about ways to produce social innovation through business.

> What do you think should be the role of business schools in shaping more "socially responsible" managers? Has enough groundwork been done at business schools? What suggestions would you make to the business schools? Should it make mandatory for their rankings?

I think we should do research into and teach CSR. There is not enough groundwork yet. Much thinking, analysis and pedagogy development needs to happen. That is why we are particularly thankful the billionaire philanthropist Michael Lee-Chin has donated \$10 mn to the Rotman School to establish the AIC Institute for Corporate Citizenship to research into and teach CSR. As academic director of the AIC Institute, my work in this area is leveraged and made possible by Michael's generosity and social responsibility.

My suggestion for business schools is to follow their students in the area of CSR. Students are leading with their desire. Schools that ignore or downplay CSR will lose the best students to schools that take CSR very seriously. And that will take care of the issue. Mandatory requirements for the rankings are not needed nor would they be productive. Customer and employee demand are the two most powerful forces for driving CSR, not fiat. In CSR at business schools, students are driving demand. ■

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very top of the civil foundation in the host country.

In this case instead of investing dollars in its home country, by investing them in the developing host country, the corporation is engaged in averaging down the global civil foundation—i.e., a greater weighting of dollars has gone into an economy with a lower civil foundation and the investment is made at the top of a lower civil foundation.

If, instead, the corporation has to decide that it didn't matter what was required or expected in the host country but instead it chooses to apply its home country CSR practices in the host country, its activities in the host country would be well inside the host country frontier. Over time, this would have the effect of pulling up the civil foundation of the host country and thus the corporation would have contributed to the averaging up of the global civil foundation. This is the challenge for globalization. Globalizing advanced country multinationals need to operate in the frontiers of their developing country hosts in order to contribute mightily to the averaging up of the global civil foundation. If they do, globalization will proceed and it will contribute to making the world a better place. If they don't, the opponents of globalization will stop its forward progress and start to roll it back.

> What is the role of regulation in ensuring high standards in CSR? Should they be made mandatory? For

regulate mandatory performance in CSR, all there would be is one quadrant—the compliance quadrant.

I would not favor that. The approach assumes that governments can judge precisely what amount of CSR by every corporation is the most positive for the economy. I don't think it can—not even close.

I also think this sort of approach would stifle innovation in the Frontier. Corporations would increasingly think that they don't have anything to think about CSR except while complying with government CSR regulations.

I prefer governments in a responsive mode. When a group of companies trying to do something in the structural frontier approaches government and suggests a regulation that would make a good thing possible, I would want government to listen carefully. Or, when an initiative that started in the strategic frontier and migrated to the choice quadrant of the civil foundation, by way of others copying it, government should think about transitioning it from the lower left quadrant (choice) to the lower right (compliance) by way of regulation.

> Can you tell us about "initiative for social innovation through business" at the Aspen Institute in Colorado?

I think it is an important contribution of the Aspen Institute and is consistent with the thoughts immediately above. It is based on the premise that business at its best can

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