

Editorials & Opinion

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Tough balancing act for business

Fuzzy thinking irritates Roger Martin. Half-baked ideas frustrate him.

The dean of the Rotman School of Management at the University of Toronto was getting more than his fill of both at a conference in Aspen, Colorado, a couple of summers ago.

The leading proponents of corporate social responsibility were all there. They kept talking about the need for a shift in business values. They wanted chief executives to look beyond the bottom line, set higher ethical standards, give more back to the community and pay more attention to environmental issues.

Martin listened in rising impatience. He agreed with most of the goals, but didn't think they could be achieved by public finger wagging.

"Hey guys," he recalls saying, "you can't just tell corporate leaders to drop everything they've always thought. You have to help them relate this new world to their old world. You have to give them ways of thinking about CSR (corporate social responsibility)."

No one responded.

So Martin retreated into a corner and came up with his own tool to guide executives through the difficult trade-offs between shareholders' interests and society's expectations; strategic altruism and pure philanthropy; doing the right thing and doing the best thing. He called it the "virtue matrix."

Martin is now offering it to the wider business community.

It is a welcome addition to an important, but unfocused, debate.

Although the "why" of corporate social responsibility has been explored in dozens of books, articles and speeches, almost no one has talked about the "how." Martin recommends a three-step process.

First, he says, a corporation should conduct a basic audit to ensure that it is meeting or exceeding industry norms on six fronts: employee relations, business practices, environmental stewardship, health and safety standards,



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leadership development and community participation.

"Even a great company can find areas where it should be doing a better job," he says.

Next, a company's senior managers should get together and ask: Are there things we could be doing that would make us feel better about our role in the world?

Each proposal should be subjected to two tests: Would it improve customer loyalty, strengthen employee commitment and earn the company goodwill? Would it be worth doing, even if the cost outweighed the benefits?

Most of the socially responsible behaviour that is currently practised meets the first test: It serves shareholders' interests as well as those of the larger community. In such cases, the decision to go ahead is relatively easy.

Only a handful of companies choose to engage in good deeds that promise little financial payoff. The risks are high and the rewards are uncertain.

Martin invites companies that decide to take this course to move to the top of the virtue matrix, where the frontiers of corporate social responsibility lie.

Once again, he asks the management team to work its way through a series of questions: Does the company have an opportunity to emerge as an industry leader by taking this action? Could it pull together a sector-wide coalition to raise standards? Could it encourage the government to enshrine its policy in new laws or regulations?

If the answer to any of these questions is yes, Martin says, there is an economic rationale for going ahead. If the an-

swer is no, the company needs to think hard before proceeding.

Martin wishes there were more corporate leaders who were willing to gamble on doing the right thing.

One who did - and won - was Ron Barbaro, president of the Canadian branch of Prudential Insurance. In 1998, he visited Casey House, Toronto's hospice for people in the advanced stages of AIDS. They pleaded for the chance to die with dignity.

Moved by what he had heard, Barbaro introduced a radical new concept. His company started offering policyholders with AIDS the opportunity to tap into their life insurance benefits before they died to pay their medical and personal expenses.

The move won Prudential so much public credit that competing insurers copied it. Now it is the industry norm. "You need that sort of spark to start a lot of these things," Martin says.

He admits that his virtue matrix doesn't answer the age-old question of whether to rank the claims of shareholders or society highest. But it does give business leaders a framework for evaluating those claims and making informed choices.

"You've got to be helpful if you actually want to produce change," he says. "I know how much CEOs struggle with these decisions. They need ways to think rigorously."

His next challenge will be to incorporate corporate social responsibility into the curriculum at the Rotman School. At the moment, no required course exists, although the issue is discussed in classes on values and decision-making and at extracurricular events.

Martin wants Canada's next generation of business leaders to be social innovators. But he also wants them to be as smart about building a better world as they are about building successful companies.

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