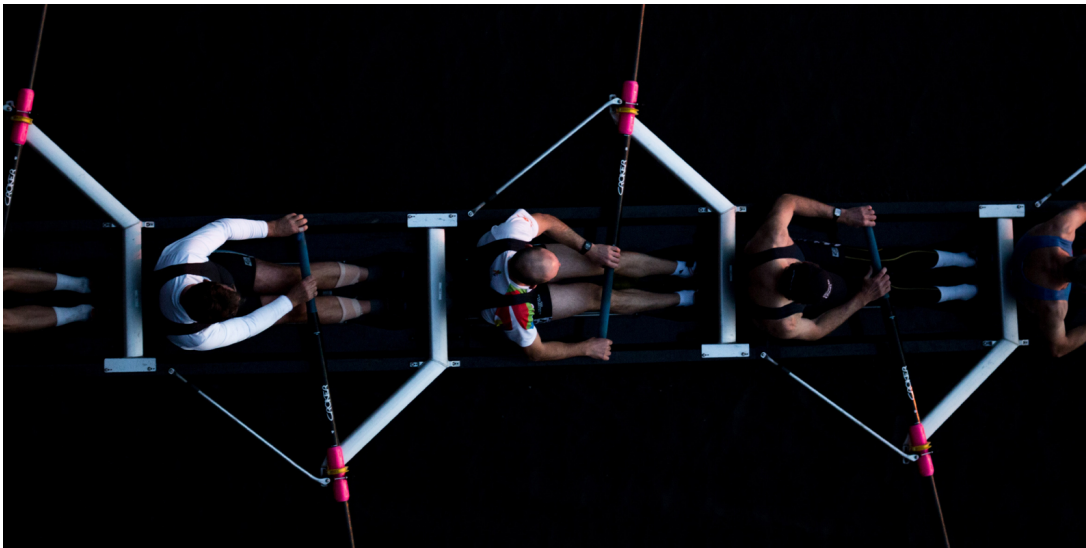


CORPORATE SOCIAL RESPONSIBILITY

Conscientious Organizations: How Business is Accelerating Toward a Fairer Future

by Nicholas Ind, Oriol Iglesias, and Stefan Markovic



This year presents an opportunity for organizations to seek greater purpose and fairness.

✓ **INSIGHT** | NOTE 20 Aug 2020

COVID has created a health and economic crisis that has put pressure on companies to embrace their broader responsibilities and to become fairer and more conscientious. The interesting question here is whether companies will adapt to meet these new expectations, or will they tend to stick to old ways of working? By looking at how pre-COVID trends have accelerated in the crisis and the responses of people and business to constraint and

opportunity, we foresee that companies will have to take on three inter-connected imperatives in the future: to develop a balanced stakeholder perspective; to define and deliver a clear purpose that enables agility; and to encourage the participation of employees, partners and citizens in co-creating the future.

The death of shareholder primacy

Since the publication of Milton Friedman's polemic article, *The social responsibility of business is to increase its profits*, in 1970, in which Friedman railed against the 'fundamentally subversive doctrine' that organizations should be diverted from their primary responsibility to shareholders as 'pure and unadulterated socialism', **shareholder primacy has been the dominant corporate governance model**. However, over the years, the limitations of shareholder primacy have been questioned and challenged both in terms of ethics and effectiveness. In its stead, the stakeholder perspective has been put forward as an alternative. This view has countered the pure focus on shareholders and argued that companies have a responsibility to meet the interconnected needs of all stakeholders.

Just before the pandemic, support for stakeholder theory had been gaining momentum. In August 2019, the Business Roundtable, which brings together the CEOs of some of the largest US companies, having long supported shareholder primacy, **changed its mind and re-defined the purpose of the corporation to an explicit stakeholder perspective**. Then in December 2019, the **World Economic Forum** published its stakeholder based 2020 Manifesto, in which it argued that 'the purpose of a company is to engage all its stakeholders in shared and sustained value creation.'

With the onset of COVID, some of those companies that signed up to a stakeholder view, **quickly reverted back to thinking about shareholders first and foremost**. However, the stakeholder perspective was given an extra fillip as **many companies recognized the need to ensure the safety and well-being of employees and customers, and to contribute to society**. For example, in May 2020, dairy producer, Danone announced its commitment to become the first listed Enterprise à Mission company in France. This new structure creates

a legal, and externally validated, obligation for Danone to align its business purpose with long-term objectives and to meet the needs of customers, employees, partners and communities.

Similarly, wireless carrier, Verizon Communications has understood its responsibility to its stakeholders. The company has avoided furloughing its 135,000 employees and has enhanced compensation for engineers and other staff performing essential services. Verizon has pledged not to end contracts for customers who can't pay. Notably, *Forbes*, rates Verizon number 1 in its list of the 100 largest employers among U.S. public companies in terms of response to the public health crisis.

The need for a clear purpose and agility

The idea that companies should have a clearly defined purpose is hardly new. Yet, it is one thing to have a purpose and something else, to integrate it into actions. What COVID has brought to the fore is the value of purpose as an enabler of agility. A well-defined and shared purpose, which aims to meet stakeholders' needs in a conscientious way, provides a powerful lens for agile strategic decision-making.

Take the software company SAP and its purpose to 'help the world run better and to improve people's lives.' SAP's purpose grew organically from the more business-centric, 'help the world run better,' to a broader recognition of the company's role and the imperatives of the UN's Sustainable Development Goals (SDG), which have helped the company to focus hundreds of programs and initiatives down to seven SDG aligned themes that can contribute to 'and to improve people's lives'. SAP's purpose comes to life through the way its strategy is structured around its core capabilities, activity programs, partnerships with commercial organizations and NGOs, and products that deliver results.

At the onset of the crisis, SAP leveraged on its core cloud computing capabilities to help tackle some of the key challenges. For instance, it produced an App in just two days for the German Federal Foreign Office to co-ordinate the repatriation of 120,000 people stranded overseas during the emergence of the crisis. Another initiative was the development of a cloud-based application for the City of Hamburg and its development bank, to enable the

rapid and secure disbursement of funds to small businesses and the self-employed. These initiatives came naturally to SAP, as they aligned with its corporate purpose and leveraged on its core capabilities, which **allowed managers and developers to be agile as circumstances changed.**

The rise of co-creation

The pandemic has emphasized the value of wide networks where knowledge and expertise can be shared. To solve the problem of shortages of personal protection equipment, hygiene products and medical equipment, companies and individuals have come together to build innovative solutions together. For example, engineering company, Bosch and Randox Laboratories, built on an existing relationship and used the knowledge and skills of a diagnostics company and distribution partners to **launch a fully automated, fast and user-friendly COVID test within 6 weeks.**

By contrast a more organic, co-creative approach emerged in Spain where Coronavirus Makers - a network of companies and individuals came together to jointly design, produce and distribute the required material for health institutions to fight COVID. Since March 2020, **the network of 20,000 partners has produced and distributed more than half a million items of individual protection equipment (PPE), including masks and artificial respirators.**

Conscientious organizations

It's easy to be seduced by the rhetoric around stakeholders, purpose and co-creation. Yet, go beyond the groundswell of claims and you can find companies that have embedded a purposeful and participative approach to creating value for all stakeholders. These resilient businesses are in a good position to tackle the challenges of COVID, because they recognize their broader responsibilities to humanity and have the partnerships in place to act with agility. The same attributes will be essential in a post COVID world where there will be heightened expectations of business to act in a conscientious way.

► References



Nicholas Ind [Follow](#)

Nicholas Ind is Professor of Brand Management at the Department of Economics, Innovation, and Technology at Kristiania University College, Norway.



Oriol Iglesias [Follow](#)

Oriol Iglesias is Associate Professor of Marketing and Head of the Department of Marketing at Universitat Ramon Llull, ESADE, Spain.



Stefan Markovic [Follow](#)

Stefan Markovic is Associate Professor of Marketing and Chair of the Marketing Ethics Research Cluster at the Department of Marketing at Copenhagen Business School, Denmark.