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"Corporate and Social Responsibility: The Changing Context for Marketing Communications Practice"

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CORPORATE AND SOCIAL RESPONSIBILITY: THE CHANGING CONTEXT FOR MARKETING COMMUNICATIONS PRACTICE

BY ART STEWART, MPM

Abstract:

As corporate organizations across the spectrum of industry, markets and cultures grapple with the unrelenting fallout of economic upheaval, a surprising upside is being revealed amidst the clearing toward recovery and the resurgence of growth: It is a context for business premised upon a paradigm shift for more responsible behavior. This new paradigm is engendering dramatically changing expectations for accountability, transparency, competency and leadership integrity across society. There are new demands upon organizations to advance their ambitions within a context of demonstrable, even measurable, adherence to public interest values. As new business models are developed in alignment with changing behavior, and modes for transactional exchange and communication are modernized, a next-generation understanding of what constitutes contemporary marketing communications practice is taking hold. Marketing communications professionals stand at the horizon of reinvention as caretakers in service to corporate reputation and credibility.

As corporate organizations across the spectrum of industry, markets, and cultures grapple with the unrelenting fallout of economic upheaval, a surprising upside is being revealed amidst the clearing toward recovery and the resurgence of growth: It is a context for business premised upon a paradigm shift for more responsible behavior, rooted in a necessity for new approaches to efficiency, productivity, utilization, consumption, and profitability.

Widely characterized in the public discourse and media as a “new normal,” it is engendering dramatically changing expectations for accountability, transparency, competency, and leadership integrity on the part of public and private leaders, and their organizations, across society.

Other than a quantifiable comparison to the Great Depression, or the personal testimony of seniors who were alive in the early 20th century, it is difficult to comprehend the extent to which we have been on this road before.

The uniquely American experiment of democratic free enterprise has always encountered inherent tensions in the cycle of boom and bust: On one hand, there is the obligation of defending the provisions of liberty and the ‘public interest’ that enable civil society to perpetuate and thrive; on the other, one must ensure a marketplace devoid of unnecessary obstructions for the free flow of commerce and the pursuit of profitability.

While economic individualism and market-based values are the hallmark of the American system that so many foreign capitalists admire in pursuing financial opportunity in the U.S., the economic crisis has brought about new concern for the domination, perceived or real, of this prevailing independence at the expense of the interdependent common good; as if the two are mutually exclusive, one not vitally dependent upon the other.

As we progress into the second decade of the 21st century, what is occurring around us now appears to transcend the historic vagaries of the western business cycle. It is evident that many instruments of our government, culture, economic, and political system are experiencing a fundamental realignment in character and purpose, authority, impact, and connectivity.

There are new demands upon organizations to advance their ambitions within a context of demonstrable, even measurable, adherence to public interest values. A greater consciousness for new ways of comprehending and acting on both individual and collective notions of responsibility has corporations sustaining shareholder value by focusing on delivering stakeholder value. This new responsibility paradigm goes beyond the buzz in social responsibility theory of the triple-bottom line (people-planet-profit) to encompass a macro-transformation.

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Evolutionary Tensions: Public Versus Commercial Interests

Our understanding of what constitutes the ‘public interest’ and its interplay with commercial (business) imperatives is undergoing considerable scrutiny as this “new normal” demands detachment from the prevailing historic assumptions.

Market-based evidence today points to public interests as encompassing a broad range of issues that have impact on the sustainability of communities and the business enterprise, regardless of the type of organization entity or its societal role. “From local to global, public interests now involve environmental stewardship, economic impact, social maladies, business sustainability and continuity, and the triple-bottom line,” explains Mari L. Snyder, vice president of social responsibility and community engagement at Marriott International. “There are also sub-sets, such as human rights, workforce development, governance, business ethics, transparency, and economic development. There are quite a few themes that need to be filtered into business decisions and development as it relates to the continuity, growth, and sustainability of the business - and the communities in which it is operating.”¹

Scandal Brings Harsh but Important Lessons

It is widely recognized that the economic challenges of the past two years have been made more complex by reverberations from decisions and their resulting actions that transpired years before. Whether the systemic nature of the current crisis is attributable to what is popularly referred to as “Black Swan”²

events or manmade over-indulgences, the impact upon the reputation of corporations, nonprofits, and a host of institutions – to say nothing of their leaders – is far reaching.

Unprecedented breaches have impaired the historic relational ties between people (stakeholders) and various institutions across society, from the erosion of trust and confidence in leader competency to a decline in the inherent dependency upon institutions to fulfill their promise to ‘provide.’³ Nonprofits are no longer shielded by traditional deference. Many religious institutions are retrenching, seeking to restore the mantle of credibility that’s been lost to scandal. A growing American wealth class has widened the gap between the haves and have-nots. Dependability upon government as a competent safety net has bottomed out.

The awakening to a greater consciousness for responsibility has produced a resiliently punitive mindset on the part of the American public, consumers, and corporate watchdogs. The fear factor of organization leaders and boards for accountability from these constituencies is now on par with that for regulatory and legal impositions. One aspect of scandal that is abiding is its indiscriminate nature: No matter where bad behavior resides, scandal will find it. In this environment, stakeholder confidence in organizations and their leaders can be fleeting at best and maintaining public trust requires an every-day effort.

Persistent vigilance is now required of brand organizations to close their walk-talk gaps and reinforce credible, responsible behavior as a supporting mechanism of choice for profitability. Achieving sustainable competitiveness in this new context requires an affinity of purpose with all stakeholders. Therefore, the natural role marketing communications professionals may now assume is one of active arbitrator between executive or corporate actions and the public responses to those actions from an ever-widening array of individual stakeholders, groups, and communities.

Communicators must now be as focused on honing evidenced-based messaging strategies that can withstand sophisticated forms of relentless scrutiny as much as they need to sharpen their ability to convey context and meaning to achieve an understanding of organization actions. Communicators are evolving from being crafters of messages and designers of dissemination vehicles to “explainers in chief” in which the objective is to identify and affirm the values orientation of stakeholders, and then educate them in order to build mutual understanding that leads to consensus for corporate actions.

A Rapidly Transforming Context

In U.S. business sectors, a more enlightened understanding of what constitutes corporate “responsibility” and “sustainability” is emerging, due in no small part to stakeholder pushback against the natural tendency of executive leaders to behave reactively rather than proactively during a crisis. As corporate leaders are forced to examine their convictions about growth and competitiveness, they are taking a broader approach to “sustainability” that moves beyond materiality, such as environmental impacts, to a strategic view of holistic sustainability across the enterprise. In this context, marketing communications also broadens to a more balanced combination of strategic management and tactical functionality, with an increased focus on the correlations between planning, development, execution, and (transactional) behavior.

This more expansive and comprehensive understanding can literally infect the organization DNA with principles of responsibility, influencing everything from strategic planning and strategy execution, business process and decision-making, financial systems, and manufacturing operations to human capital management, materials sourcing and supply chain relationships, corporate philanthropy and community reinvestment, and the public leadership behavior of senior executives.⁴

The impact on organization performance is measurable and impactful: A greater continuity in supply chain practices helps protect against reputational risk; well-defined expectations for employees and democratic HR practices play a vital role in the recruiting and retention of best-of-class employees; CSR reporting embeds sustainability into the corporate culture, enhances brand equity, and promotes responsibility linkages to the corporate mission; consistency in facilities, logistics, and operations programs reinforces C-suite and board room compliance; and designating the financial and accounting functions as guardians of corporate data promotes ethical standards in accuracy, accountability, and transparency.

From Seduction to Greater Meaning

As consumers have become smarter and hyper-discerning, our culture has matured in its relationship to technology and barrier-free information exchange. We have migrated from the earlier era of seduction and an intrigue for gadgetry to a new phase involving technology utilization in service to greater meaning. It is a time of overdue equilibrium between invention and experience. The challenge for brands and their communicators is to harness the right proportion of technology as a tool in fulfilling stakeholders’ desire to find, connect to, and sustain essential meaning as they define it.

The quest for greater meaning has consumers wanting to know more about a company within a shrinking decision-making cycle, factoring in values-based data about manufacturing processes, customer service and employment policies, supply-chain partners and sourcing relationships, and executives’ professional and personal behavior. A host of interactive platforms, such as mobile devices, social dashboards, and micro site-based communities are being utilized to seed and nurture community, access and assimilate a wide range of perspectives, aggregate and transfer knowledge, and mobilize for collective action. In essence, these platforms are facilitators for empowerment that have stakeholders adopting a ‘self-centered consciousness,’ whereby they increasingly expect, and demand, that brands not only meet their personal needs but positively impact society.

Conversely, brands marketers and communicators use the same platforms to envelop constituents in various forms of perpetual conversation, crowd sourcing, and collaborative consumerism. They are able to acquire far deeper insights into their customers’ online behavior patterns around decision making and the nuances of their relationship to, and usage of, content.

However, this superhighway to enhanced competitive agility is paved with inherent hazards. Brand organizations must also contend with a host of intermediaries (i.e., players, operators, advocates, influencers, bloggers, tastemakers, and trendsetters) that have changed the dynamic between industry, retailers, and consumers. Advocacy organizations, watchdog groups, and cause-related institutions (i.e., NGOs) have become more sophisticated in mass mobilization as well as in their scrutinizing of responsible business behavior. Potentially damaging information – perceived or real, grounded in fact or fiction (rumor) – may be virally disseminated across the globe in an instant.

Now a single act can be a direct result of, and have an effect upon, another single act of the same; good or bad corporate behavior will reverberate vastly beyond its immediate target into a potentially cavernous echo chamber. As a result of this new context, marketing communications practitioners must juggle a multitude of equal but constantly-shifting priorities; in one moment devoting attention and resources to capturing marketing opportunities, in the next responding to an unexpected antagonist that overnight generates a new threat to reputational equity.

Correspondingly, the public is more capable than ever of significant conversions to new, untested ideas that necessitate big shifts in their preferences and allegiances, making the “best available” choices at a given moment for the right reasons.

Is there any wonder as to why brand organizations are in a hurry to get out in front of such developments? According to research compiled by social media guru and best-selling author Erik Qualman (Socialnomics™), and sourced on his blog, “Social Media Revolution 2” (May 5, 2010):

- ▮ There are now more than 200,000,000 blogs
- ▮ 34% of bloggers post opinions about products and brands
- ▮ 25% of search results for the world’s 20 largest brands are links to user-generated content
- ▮ 78% of consumers trust peer recommendations
- ▮ Only 14% trust advertisements
- ▮ Only 18% of traditional TV campaigns generate a positive ROI
- ▮ 90% of people that can TiVo ads do
- ▮ 50% of the mobile Internet traffic in the U.K. is for Facebook (what does that mean for bad customer experiences?)

Good-to-Go: Broadening MarCom Competencies for a Changing Context

As the profession and practice of marketing communications transitions in alignment with the onset of a new responsibility paradigm, the broadening of competencies naturally follows. In evaluating how organizations have migrated from earlier generations of the CSR discipline to today’s concept of holistic sustainability of the enterprise, the Boston College Center for Corporate Citizenship (BCCCC) has developed a Corporate Citizenship Leadership Competency Model to organize a set of primary leadership competencies that the most effective practitioners should master.⁵

While aimed at CSR, the BCCCC model is arguably applicable for the new context that communications professionals increasingly find themselves in. Despite CSR and communications remaining as two separate functions, they are maturing in parallel as strategically interdependent drivers of organization competitiveness. Indeed, many communications units retain jurisdictional control over certain aspects of CSR, particularly sustainability reporting, as well as numerous other integrated functions such as cause branding; reputation, issues and crisis management; and policy dissemination.

In brief, the competencies of the BCCCC model are: Change Driver – the ability to combine vision with persistence to mobilize people around a higher purpose; Strategic Influence – the ability to leverage organizational awareness to influence the commitment of others; Visionary Thinking – the ability to connect the dots in pursuit of enhancements to corporate

citizenship; System Perspective – the ability to comprehend how system components relate and interact to frame risks and opportunities; Collaborative Networker – the ability to empathize and relate to build mutually beneficial and engaged relationships; Peripheral Vision – the ability to discern new opportunities and risks from universal interests; Optimistic Commitment – the ability to leverage personal conviction in the potential of corporate citizenship to overcome social and business challenges; and Personal Maturity – the ability to selflessly empower others.

CSR and communications practitioners alike are finding themselves responding to a dramatically increasing volume of requests for environmental performance information from customers as well as socially responsible investors. Sustainability disclosures are playing a significant role in enriching – or diminishing – brand equity and corporate reputation from their “marketing value” as a tool to leverage with independent third-party influencers. More companies are entering the demanding realm of sustainability reporting in order to maintain competitive parity.⁶ Consensus is developing among executive leaders across various management disciplines that transparency about responsibility policies and initiatives as well as their challenges via public communication programs can focus and drive internal execution in a powerful way.

Opportunity Knocks For the Right Leadership

The current awakening to greater responsibility exposes public interest issues as more intertwined with core business values and competitive sustainability than previously assumed. If leaders ignore public sentiment beyond their immediate domain they invite attack or a prolonged backlash. Social issues must be captured and leveraged in the everyday process of steering the enterprise toward mission fulfillment – making it a strategic function for corporate action reflective of its importance to the business. Executives need to educate and engage their boards of directors, develop broad metrics, and utilize technology and analytics to aggregate lifecycle data on external impacts. They must empower their marketing communications practitioners with the necessary jurisdictional authority to act strategically and engage with the CSR function in a relationship based on interdependency.

In today’s changing context, as corporations are held to increasingly higher standards regarding their values, mission, business strategy, and the content of their commitment to their communities, those that fail to act and credibly communicate from intentional alignment with stakeholder expectations may trigger a deficit in business focus. A responsibility to public interest values, therefore, becomes either a facilitator or inhibitor of corporate progress.

ILLUSTRATIONS, FOOTNOTES AND CITATIONS

1 Interview: Mari L. Snyder, Vice President - Social Responsibility and Community Engagement, Marriott International, Inc.; Washington, DC, October, 2008.

2 A “Black Swan” event or “Black Swan Theory” refers to the thesis developed by author Nassim Nicholas Taleb in his 2007 book (revised in 2010), The Black Swan. Taleb regards almost all major scientific discoveries, historical events, and artistic accomplishments as “black swans”; they have a disproportionate role of high-impact, are hard to predict, and go beyond the realm of normal expectations.

“Black Swan Theory” refers only to unexpected events of large magnitude and consequence, and their dominant role in history. Taleb contends that such events collectively play vastly larger roles than regular occurrences. These include the rise of the Internet, the personal computer, World War I, and 9-11.

3



Breach of the Social Contract: Gallery of Deception, Disillusionment, Duplicity, Debauchery		
<p>Leadership and Ethics</p> <ul style="list-style-type: none"> • Martha Stewart/ImClone • Walmart, Microsoft • Chinese toxic milk scandal • Brown & Williamson (Jeffrey Wigand) • American Red Cross • Mary Kay Letourneau • Toyota • West Virginia Mine Explosion • Goldman Sachs 	<p>Financial Mismanagement</p> <ul style="list-style-type: none"> • Enron/Ken Lay • WorldCom/Bernie Ebbers • Tyco/Dennis Zozlowski • Arthur Andersen • S&L Collapse • Corporate malfeasance (2002) • Wall Street meltdown (2008) • Bernie Madoff • Head Start 	<p>Political</p> <ul style="list-style-type: none"> • Bush v. Gore • No "sex with that woman" • Watergate • Abscam • Keating Five • Illinois Governors Roy Barnes & Rod Blagojevich • Congressman Mark Foley • Senator Larry Craig
<p>Public Policy</p> <ul style="list-style-type: none"> • "Mission Accomplished" • FEMA • Iran-Contra • Terri Shiavo • Campaign Finance • Reform • Don't Ask, Don't Tell • South Africa/Apartheid • Rwandan Genocide • Crisis in Darfur • PG&E Gas Explosion, San Bruno, CA 	<p>Natural Disasters</p> <ul style="list-style-type: none"> • Katrina • Three Mile Island • Love Canal • Union Carbide/Bhopal • Exxon Valdez • Chernobyl • Sandoz spill/Rhine in Basel • PB/Deep Water Horizon spill 	<p>Hypocrisy</p> <ul style="list-style-type: none"> • Leona Helmsley • Catholic Church • Ted Haggard, Jimmy Swaggart, Jim & Tammy Bakker, Richard Roberts • Tiger Woods • George Rekers • Hewlett-Packard CEO Mark Hurd • Bishop Eddie Long

5 The widely accepted definition of “corporate citizenship” is the management of a company’s economic, social, and environmental impacts beyond philanthropy and compliance. It consists of intentions, articulations, actions, and continual fulfillment on doing what’s right as a direct input to improved business value.

In its preferred term, “corporate citizenship” is what academics and business practitioners recognize as the portfolio of socioeconomic activities that companies embark upon to accomplish their defined obligations as responsible global “citizens”. In the U.S., the term has matured in both understanding and application to become community involvement, sustainment, economic development, and multi-sector collaboration – the business world’s reinvention of “democratization.”

6 Currently, some 3,900 CSR directors or professionals annually disclose their social and environmental performance through the issuance of sophisticated report documents, many of which are posted online and employ the latest interactive and social media technologies.

ABOUT THE AUTHOR

Art Stewart, MPM, has twenty-five years of experience across the spectrum of the communications profession, including seventeen years as President of his own Washington, DC-based consulting firm - Stewart Strategies Group, LLC. He writes and speaks widely on the ‘New Responsibility Paradigm’, a strategic analytical framework he developed from two years of research. Beginning in 2011, he will teach a custom course he designed on corporate and social responsibility for Emerson College in Boston. Art holds a mid-career graduate degree from Georgetown University’s Public Policy Institute, a post-graduate certificate in Senior Executive Leadership, also from Georgetown, and an undergraduate degree in communications from Emerson College. www.stewartgrp.com