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Today's corporate responsibility shift will bottom out

Companies' recent race to become the most socially responsible conflicts with the purpose of the for-profit corporate enterprise.

By **Stephen F. Gambescia** and **Stew Bolno**

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U.S. companies' recent race to become the most socially responsible is likely to bottom out in the long run, given it is in conflict with the *raison d'etre* of the for-profit corporate enterprise. Their efforts will not be able to meet the insatiable calls from employees to weigh-in on the socio-cultural and political battles of the day.

History of corporate giving

The move to give, because a person or a company "loves humankind" (philanthropy), is not new, with evidence as old as human history. Being socially responsible fits well in a range of ideologies, such as religious ("We are our brother's keeper"), civic (work for the common good), psycho-social (it just feels good to give), and "economic man" (driven by self-interest).

Corporate social responsibility has a long and productive history of acting with the intention of improving the human condition. Whether they were motivated by altruism, self-interest, fear of government encroachment, or being palliative to citizens, business titans such as Cornelius Vanderbilt, Andrew Carnegie, John D. Rockefeller, and Henry Ford established major foundations.

To get more companies involved, to make nonprofit fundraising more efficient and productive, and to keep a steady stream of door-knockers away from company headquarters, the concept of the "Community Chest" and eventually the United Way corporate giving campaigns evolved. Teams of company volunteers, supported by skilled United Way staff, designed more interesting ways to "give at the office." Strategies ranged from simple money box drops to managers rounding up dollars to see which department could raise the most money for charity to extending giving days — often with much fanfare. Fundraising at the office became fun with major support by senior management and a healthy social pressure to give.

Over time, employees became more selective in determining “worthy” recipients of their hard earned money. This brought in the era of donor designation. It was a remarkable shift to employee and management giving whereby donations increased. It made sense to empower employees to give to the causes they were most aligned with, as well as for those they believed needed the most support. Not surprisingly, as the United Way worked to expand the list of recipients, the giving reached diminishing returns. No matter how much good a worthy nonprofit may do or need, there would always be a vocal objector to the campaign, if not a group of objectors. Once you add religion, or anything to do with sex or money to discourse, you will have controversy. For example, information tables in the lunchroom or lobby providing Catholic Charities and Planned Parenthood information materials might provoke reactions beyond simple disagreement. People will just get mad.

Workers’ safety

Workers’ safety is part of being a good corporate citizen and naturally makes sense as a way to protect “the company’s greatest resource.” Several sources such as unions, government regulators, trade groups, employees, and their families pushed for safer workplaces. The goal was unequivocal and proposed rewards for all: Let’s end each day without an incident.

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Companies’ good to the environment

Employees, the public, and public officials saw one too many *Erin Brockovich*-type movies, moving companies to examine the sequelae caused by whatever it was they were making, no matter how important the product was to buyers. Regardless of how the company spun its cost/benefit rationale, the Davids found ways to beat the Goliaths in the court of public and employee opinion.

Company products and social responsibility

Corporate responsibility took another leap after looking not only at the byproduct of its widgets, but the nature of those widgets themselves. Alcohol, tobacco, and firearms companies were easy targets; however, each had built some type of stakeholder defense. They were battle-tested before the Consumer Revolution and they knew how to survive. The list of products that could make the consumer unhealthy, un-wealthy, and unwise grew. Some companies chose to tweak their products, make new ones, rebrand, change advertising messaging, or dump their slogans, symbols, and spokespersons from their marketing toolbox. Other companies simply sweated each day, monitoring social media and praying that their product was not the next one to be voted off the island.

Cause marketing

Cause marketing began with low-level involvement such as sponsoring a run for a charitable cause, and continued with major merchandising days, weeks, then campaign promotions: the Red Dress campaign of the American Heart Association, for instance. Nonprofits of all sizes promoted some type of colored ribbon, button, headband, wristband, *et cetera*, which were initially sold during a designated month but eventually became part of a company's permanent product or service mix. Consumers and employees of such generous companies felt good about programs promoting people to "Give Pink," "Go Red" or "Get Blue."

Shareholders vs. stakeholders

So what's the problem?

Currently, many company boards and managers mistakenly see a benefit of expanding their PR and lobbying objectives by responding to the public policy and socio-cultural preferences of the most vocal employee groups. They have expanded the mission of satisfying shareholders to include stakeholders and employees. In the long run, this is a misguided strategy. Advocating for public policies and issues that financially strengthen the business of running the business makes sense and is a primary expectation of shareholders. Conversely, muscling into cultural wars, as well as polarized partisan battles, is akin to breaking up a street fight — you are the one who will "take it on the chin." Neither side appreciates the effort, and those watching the brawl will giggle as you bleed, mocking you for getting involved in the first place.

All types of industries, from airlines to underwear, have hopped on this bandwagon by pandering to a cause. Nothing the company touches is immune to being at risk, such as the MLB All-Star Game being pulled from Atlanta after a few companies spoke out against a Georgia voting law.

Risks when pandering to stakeholders

Companies that engage in public policy wars put their shareholders, employees, and reputations at great risk.

A college freshman majoring in business understands that a major principle of the firm is to serve the shareholders. This doesn't signify the firm should make a profit by any means. However, the capitalist entity is not a social service — those are nonprofits. Investing energy, time, and money into unquestioned social trends and fads take time and resources away from serving the primary requirements of the venture.

Employees harbor a variety of often contradictory political, social, and economic concerns. Therefore, any specific commitment will fail to satisfy the diverse opinions of all employees. When sides are chosen by top-tier executives, they are likely to frustrate as many people as they please. Employees are finicky about their preferences. They are driven more by individual emotion rather than thoughtful analysis of optimizing the survival of the company.

Catering to the socio-cultural and political agenda of employees overlooks several characteristics of the employees. Personal preferences are fleeting, and many employees are transitory — the millennial and Gen Z generations even more so, since most have little interest in becoming "the organization man." Loyal and thoughtful managers and trustees of the firm recognize their role, and they value the benefits of strategic planning rather than responding to the impulses of those who may not have a long-term interest in the business.

Let's illustrate a company's no-win situation by examining recent leadership action taken by Disney executives. Disney flip-flopped on a Florida bill that kept teachers from instructing young students, from kindergarten to third grade, on highly intimate items within the subject of sex education. This policy, passed by the legislature and signed by the Governor, ensures the primacy right of parents to instruct their children, or not, on such matters. The Florida legislature's position is that teachers are not the sources of how young children develop their sexual selves. Originally, Disney stayed out of this very public policy clash, but when an enraged group of sympathetic LGBT employees ranted about the impending "Don't say gay" bill, Disney executives did a 180 and spoke out against the law, thus ceding leadership prerogatives to a percentage of their employee crew, as well as some highly placed managers of their organization.

Perhaps listening to employee and customer stakeholders' preferences on specific issues makes sense at some level. However, disregarding a risk/benefit analysis in order to cater to the whims of a segment of stakeholders is mission creep. In the end, it will be harmful to the long term success and, perhaps, survival of the business.

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Admittedly, the three sectors in our society (government, for-profit, nonprofit) are inextricably linked — by the exchange of money, the sharing of intellectual capital and human resources, problem-solving, *et cetera.* Each sector has its own sphere of influence, with certain activities reserved for one sector over the others. While a healthy overlap of action can take place, one sector should not bleed into the fundamental role of the other. For example, companies in cahoots with government actors in order to advance their sectors' agenda without a fair hearing from their respective shareholders and constituents is unhealthy for both capitalism and democracy. Take the Environmental, Social, and Governance (ESG) movement, which looks to be stutter-stepping for investors. Certainly all three sectors can contribute to "the common good," but each sector should confine itself to those activities for which they were established and are organically "good at."

Wise people understand the concept of pendulum movements, given our dynamic world. Sometimes, extremes are reached, and it's helpful for us to reverse the momentum of extreme actions. The words "shareholder" and "stakeholder" may share eight letters, but they are at opposite ends of the corporate responsibility spectrum. Perhaps now is the time to reverse the movement of corporate boards and executive priorities back towards the authentic purpose of a profit-making entity.