

# The Sue Fenton Interview



Corporate responsibility, corporate citizenship, even corporate governance seem to have become somewhat interchangeable as they enter the lexicon of business jargon.

But whatever the sobriquet, there's a growing need for companies to have the sense of purpose, the skillset, and the knowledge to develop and present themselves as responsible businesses.

That's according to Professor David Grayson, the director of the Doughty Centre for Corporate Responsibility at Cranfield University School of Management.

And that platform has to be robust enough to create long-term value to shareholders, other stakeholders, and society.

**Has corporate governance become the description of a tick-box approach to corporate responsibility?**

"That question confuses two related concepts. My definition goes back to the 1992 Cadbury report. Corporate governance is how the company runs, its responsibility to shareholders, the role of the board in terms of setting values and strategy. Corporate responsibility is the organisation taking responsibility for its social, environmental and economic impacts. It's up to the board to set the tone, how the company expects everyone to behave in every interaction.

"You should look not just at risk mitigation, how to minimise the negatives. It's important to 'do no harm' but you're missing a huge trick if you don't look at how to optimise the positives. That's the flip-side of the coin and the much more exciting part. Of course, some organisations pay lip service and have a tick-box mentality. You'll have noticed I haven't used the term CSR; I try to avoid using it because CSR is widely understood as being just a bolt-on to business operations whereas both corporate governance and corporate responsibility are absolutely essential to success."

**How seriously do businesses take corporate responsibility?**

"There are stages of maturity: companies can be deniers, compliers, risk mitigators,



opportunity maximisers and champions. Great companies see it as an opportunity for long-term value creation while others still need to ratchet up better business behaviour. Generally, more are taking it seriously as they are aware that their customers, activists, NGOs, and the various social movements and business-led CSR organisations expect them to aspire to higher standards.

"Those stages of maturity are crude descriptors. The reality is that organisations can be in different stages of maturity in different areas. For example, in Silicon Valley, some companies are absolutely exemplary in environmental matters, having seized on the issue of climate change or water shortages, for example, but at the same time they might not be quite as on the ball when it comes to economic impacts or not quite so stellar when it comes to tax strategy.

"So I would be cautious about putting percentages to it. There are a certain number of leaders at least aspiring to be opportunity maximisers but they're not yet achieving it in a systemic way. Some are showing flashes or vignettes of the champion stage, where they share knowledge with others (on subjects like climate change or global inequality) but none are totally there yet."

### **Can you give some examples of good and bad practice?**

"GlaxoSmithKline took the radical and enlightened approach of opening their compound library, their crown jewels, to all qualified medical researchers to share knowledge about what the company has in development. Tesla opened their battery technology to competitors. Unilever look not just at risk mitigation, how to minimise the negatives, but actively try to help small-scale farmers, which in turn does improve their own supply chain.

"There's no doubt the Deepwater spill in the Gulf of Mexico in 2010 was a stain on BP's reputation and an act of irresponsibility. Bob

Dudley, their chief executive, said it was a near-death experience and Tony Hayward, CEO at the time, said they had to rethink their response to low-probability but high-impact events."

### **What are the essential components of corporate responsibility or sustainability?**

"We can slice the cake in different ways. I take the view that corporate sustainability is a higher stage of maturity than corporate responsibility as it tries to maximise positives. Others see corporate responsibility as being how you behave, with sustainability the goal.

Goldman Sachs has talked for years about ESG (environment, social, governance impacts) – that's another way of looking at it. A lot of organisations divide things in terms of the impacts of the company in the marketplace, the workplace, the environment and the community.

"It's not just about 'putting back' or philanthropy or not treating people badly, but about how businesses behave in everything they do, accepting responsibility for their impact, better defining how they choose to behave – towards their supply chain for example – and what contributions they can make to societal challenges such as education, welfare and health.

"I don't think it matters how an organisation looks at its impact as long as it's proactive. The material impacts of a bank will be different from those of a mining company. A Coca-Cola or a Diageo will need to think about water management.

Companies will look at environment issues like biodiversity, or social issues like diversity and inclusion or economic issues like the living wage or capacity building staff to make them employable.

At Carers UK, the charity which supports carers where I am chairman, we encourage business to recognise the fact that one in nine of their workforce are likely to be carers of some kind. I don't think anyone really



mentioned climate change in the 80s but now few organisations can ignore the question of a carbon strategy.”

**Is there incompatibility between corporate responsibility, sustainability, and a system in which the goal always has to be growth? Is ‘Sustainable Capitalism’ really achievable?**

“There’s never been a single form of capitalism. It comes in different forms. The one in Scandinavia is subtly different from the French and German model and it’s different again in Anglo Saxon countries while there’s a sort of crony capitalism in places like Russia. It’s not static, like the Ten Commandments. It’s continually evolving.

“There’s inclusive capitalism, particularly concerned with the issues of the haves and have-nots. Bill Gates talks about conscious capitalism, which comes from philanthro-capitalism. People like Al Gore are talking about sustainable capitalism involving what economists call internalising the externalities. Others have been looking through the lens of what they call responsible capitalism. Dominic Barton, the global managing director of McKinsey promotes the idea that we need capitalism for the long term, looking at the kinds of things that the financial markets can do to encourage companies to have a longer-term approach to investment horizons.

“Even mainstream leaders like (Christine) Lagarde (managing director of the International Monetary Fund) and (Mark) Carney (governor of the Bank of England) are saying there are aspects of capitalism’s manifestation that are not sustainable. In the US, supposedly the most capitalist country, people from both ends of the political spectrum are questioning some of the underlying premises of capitalism.

“I believe in market systems. I think capitalism and markets are the default model of human behaviour. But I don’t see why people can’t be

thinking how can we make it more sustainable – in every sense of the word – including how it can endure into the future. Sustainable capitalism will always be an aspiration rather than ‘we have achieved Nirvana’ but we can still strive to move in the right direction. I’ve always thought it’s better to light a candle than curse the darkness so we need to look at the low-hanging fruit, encourage rational debate about it.”

**Isn’t a company’s primary responsibility to its shareholders?**

“One of the core questions that companies are now asking themselves is what are we here for? The doctrine that the purpose of a business was to maximise shareholder value has been taught for decades. I’m with social philosopher Charles Handy and others who give a riposte to that prevailing notion, saying profit and enhancing shareholder value should be the consequence but not the purpose of a well-run business. As far back as 1943, Johnson & Johnson had their credo that the company’s first responsibility was to its customers, then its suppliers, its staff, the community, and then the shareholders. I like that hierarchy of responsibility. Profits are critical, of course they are - the most irresponsible business is the one that goes bust – but it’s how you make the profit that’s important.

“The Better Business Blueprint is about helping businesses to find their purpose. It draws on Catholic social justice principles and those of other faiths. All these religions talk about how you should do business. What BBB does is blend that with the latest understanding of things like neuro science as a way to inspire and nurture the human person. You can see a similar thing in the work of the B Corp companies, certified as a consequence of accepting a higher standard of responsibility on the argument that it will make them more sustainable.

“I was at the launch of a report by Tomorrow’s Company [a not-for-profit think-



tank that encourages business to be a force for good in society.] The report looks at issues like productivity, trust and employee engagement. The idea is that business should have a broader purpose than the erroneous idea that it's to maximise shareholder value. Lord Browne, another former chief executive of BP says businesses have to connect far more fundamentally with society and understand their impact and define their purpose. They have to apply world-class management skills to radically engage with different stakeholders.

"In its purest, the Milton Friedman approach is that business is only about making profits – within the law and the rules of the game. Most of those people who quote Friedman approvingly don't mention the last bit. And you could argue that the rules of the game have fundamentally changed with globalisation. I believe in a synthesis, You can't achieve what you want for the shareholders without thinking about the need of the other stakeholders."

### **Doesn't being 'responsible' hit the bottom line?**

"Sustainability is not a side-show but is business critical - both for mitigating risks and for maximising business opportunities. Improving environmental performance for example can improve the bottom line. Research among SMEs suggests that those already involved don't think it's time consuming or expensive. It's those who are not involved who do. Trucost consultancy have been encouraging organisations to calculate the cost of their operations and produce environmental profit and loss accounts. Most businesses are reconciled to the fact that there's a price on carbon, that, for example, the increasing cost of landfill raises the cost of not recycling. Maybe there should be more of a requirement that the polluter should pay."

### **Is regulation and legislation the real, the most effective driver for corporate responsibility?**

"Arguably capitalists need rules to make capitalism work better. Maybe we need better rules, but that's not enough. It has been said that capitalism works best when people are governed by moral values. I don't think it's about either markets or regulation, markets or corporate responsibility. One of my favourite books talks about moving from the tyranny of 'or' to the genius of 'and'. They're not alternative propositions. It's a matter of choosing the best mix for the particular market and particular stage of development. Corporate responsibility is effectively self-regulation. More and more are forming coalitions, such as the World Business Council for Sustainable Development or the Forest Stewardship Council, doing collective self regulation as effectively new forms of governance. The DrinkWise coalition in Australia is an example of a multi-stakeholder initiative – though some people would say it's the industry trying to avoid more regulation, that there should be more regulation and higher tax."

"Robert Reich, a very reputable thinker, argued that you can't expect business to do anything that's not in its self-interest. True, turkeys don't vote for Christmas, but I would take a more nuanced approach and add 'long term'. Unilever are interesting. They're looking at what public policy changes are needed for sustainable developments and are advocating them. They were active in the 2012 Rio conference on sustainable development. Is that always in the short-term interests of the business? Probably not, but they've concluded it's in their longer-term interests."

### **Are there any industry sectors which are simply not sustainable and can never be?**

"Some, if they simply carry on with their current business model. The issue of stranded



assets is critical. It's been calculated that if the earth is to stay within temperature increase targets, 80% of oil reserves need to stay in the ground. There's a growing movement to divest from oil shares. Does that mean that companies like Shell are dinosaurs? Not if they see themselves as being energy businesses. Any business needs to be constantly reading what's on the radar. The boss of Ford, for instance, has said he works on the assumption that Apple will try to make a car.

"There's clearly a lot of interest in reducing use of pesticides so companies need to be thinking about what new and sustainable products they could be developing. I have colleagues who think that GMOs (genetically modified organisms) are helpful but it was interesting that Monsanto, one of the companies behind them, refused to go on a TV debate to provide a defence. Sadly there will continue to be a need for the defence industry's products and anyway, I don't think they're *per se* irresponsible businesses."

### **Should businesses be encouraging 'social intrapreneurs'?**

"Let's define social intrapreneurs as people within a large corporation who take direct initiative for innovations which address social or environmental challenges profitably. Like entrepreneurs, they can be disruptive and sometimes hard to manage. Yet the companies which can channel the energy, the drive and the creativity of their 'entrepreneurs within' will be tapping a vital, extra seam of ideas for new business opportunities. Social intrapreneurs by definition have an entrepreneurial mindset. They want to add value in a way that adds value to business and society, not by dropping ideas in a suggestions box but by championing ideas."

"Some organisations recognise that they need to stimulate and encourage that kind of activity, because the millennial generation in particular is interested in social purpose. We interviewed CEOs and future leaders – people just out of business school – and asked them if businesses

should have a broader societal purpose. There was almost unanimity that they should. Then we asked do businesses already have a social purpose. 86% of the current CEOs said yes, only 19% of the future leaders agreed. What was clear was that the younger people had a more integrated view of social purpose: profit and purpose combined, not make profit then do something worthwhile."

### **So how can companies encourage social intrapreneurialism?**

"I'll give you a list.

1. Cultivate 'café culture'.
2. Humanise your organisation to promote egalitarianism and generosity
3. Account for the social and environmental, as well as economic, value you create
4. Network inside and outside your organisation to create consortia for action
5. Grow people into leadership roles for sustainable business
6. Experiment with social intrapreneurism pilots that can be scaled up for impact
7. Strategise to achieve sustainable business and societal goals."

### **What drives you personally?**

"I nearly died when I was eleven from a serious bone disease. I had osteomyelitis and septicaemia and the doctors told my parents I would probably not live, and if I did I would not walk again. I was in plaster from my neck to my feet for the best part of a year. I grew up quickly in that year – I joke that I went in reading Enid Blyton and came out reading Ian Fleming and Dennis Wheatley. If you've had that kind of experience and been given a second chance it makes you feel you want to do something with it."

"My mum, who was a huge influence, and made huge sacrifices for me, got me into a Jesuit school. Every piece of work there had to start with AMDG (Ad maiorem Dei gloriam – for the greater glory of God) and end with LDS



(Laus Deo Semper – praise to God always). I got the sense that everything you do is AMDG and that gives you a certain way of thinking about things.

“My grandfather was also a huge influence and when I was eight encouraged me to learn *If by Rudyard Kipling*. It has some very useful advice about how to live your life. ‘If you can fill the unforgiving minute with sixty seconds’ worth of distance run, yours is the earth and everything that’s in it..’. That has stuck with me. I wasn’t from a rich family but I got to Cambridge. I’ve been incredibly privileged. Maximising how much I earned and rising to the top of the greasy pole wasn’t what floated my boat. I’m not sackcloth and ashes – I enjoy the good things – but the really important thing is having a positive impact and I’ve been very fortunate in exploring ways of having an impact, such as my involvement in disability charities.

“One of the things I’m most proud of was creating Project North East in 1980 from absolutely nothing. We didn’t then have the language to call it social enterprise but it was an organisation that tested new approaches to job and enterprise creation. That still gives me a sense of achievement.”

## Biography

Social entrepreneur and campaigner for responsible business, diversity, and small business development, Professor David Grayson is director of the Doughty Centre for Corporate Responsibility at Cranfield University School of Management. He has worked with global businesses including BP, Shell, Microsoft and Diageo, as well as with international institutions such as the OECD, the European Union, and the World Bank.

He has served on various charity and public sector boards including the National Co-operative Development Agency, The Prince of Wales’ Innovation Trust and the Strategic Rail Authority.

A Fellow of the RSA and a member of the faculty of the think-tank Sustainability,



Professor Grayson sits on a corporate responsibility stakeholder advisory group for Camelot. He chaired the National Disability Council and the Business Link Accreditation Board. He is currently chairman of the national charity Carers UK. He is one of the first honorary fellows of the Institute of Corporate Responsibility and Sustainability (ICRS); a member of the faculty of the tri-sector leadership development programme The Forward Institute; and a member of the Thought-Leaders Circle of the Asian Institute of Management (AIM) RVR Centre for Corporate Social Responsibility.

Professor Grayson received an OBE for services to industry in 1994 and a CBE for services to disability in 1999. He has masters degrees from the universities of Cambridge, Newcastle and Brussels, and an honorary doctorate from London South Bank University. He was a visiting senior fellow at the CSR Initiative of the Kennedy School of Government, Harvard University, and has been a visiting fellow at several UK and American business schools.

His numerous books and papers include *A New Mindset for Corporate Sustainability*; *Everybody’s Business - Managing Risks and Opportunities in to-day’s global society*; *Corporate Responsibility Coalitions: The Past, Present, and Future of Alliances for Sustainable Capitalism*; *Social Intrapreneurism* and all that Jazz.

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