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Six Obstacles on the Road to Corporate Responsibility

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Most companies understand that pursuing a laudable mission can amount to a land of rich opportunity. But to successfully travel the road to corporate responsibility, an enterprise must navigate around six daunting land mines that we discuss in our new book, The Responsibility Revolution.

1. **Too many options, too little focus.** Confronted with a vast, ever-expanding array of socially worthy causes, many companies are hazy on what to home in on. Their uncertainty reveals itself in the record-breaking proliferation of glossy corporate-responsibility (CR) reports–in 2008, eighty of the UK's top one hundred companies issued them. Typically, CR reports show the company responding to a swirl of different stakeholder groups and chasing myriad opportunities. But creating a whole lot of busyness is not good business, and ultimately it diffuses the real objective: to deepen the company's social impact.

2. **Commitment at the top, confusion in the middle.** CEOs love to champion the corporate-responsibility cause, but they're often less than clear on how to connect a purpose-driven strategy with consumers. When middle management is fuzzy about melding the vision with the business, big ideas get lost.

3. **Deputized, then compartmentalized.** Companies typically deputize a corporate responsibility overseer and set up a department from which to grow a CR initiative. But too often, even successful CR efforts fail to break out of the box and aren't allowed to influence decisions across the company. Toyota, for example, led the way in championing green motoring with its Prius hybrid. But in 2007, well before the current call-back crisis, Toyota horrified its Prius-driving consumers when it lobbied with Detroit against tougher fuel economy standards. Although the Prius gave Toyota a "green halo," the Japanese carmaker also wanted to move more of its gas guzzlers. That's what happens when CR is decoupled from the organization's everyday workings: Toyota took a hit to its reputation and lost a tremendous opportunity to do even better by the environment.

4. **Too much friction, too little connection.** In 2008, one of the nation's largest private equity outfits, Kohlberg Kravis Roberts & Company (KKR), turned heads when it joined with the Environmental Defense Fund to improve the environmental performance of all the companies owned by the buyout firm. The alliance was a stellar example of business-as-unusual, for two reasons: (1) the business world is still often skeptical of environmental activism, and (2) many environmental groups are allergic to the notion that "polluters" can be trusted. Fred Goltz, a KKR partner, told the New York Times that in joining up with EDF, the company was "trying to be ahead of the

curve, trying to see around corners." But all too many business leaders, when they dare to look ahead, see only a dead-end series of disputes with pressure groups, followed by reactive attempts to placate them with some PR in the guise of CR.

5. **Massive buyouts, minimal buy-in.** Big-brand buyouts of natural products businesses, such as Clorox's purchase of Burt's Bees, often act as a cover for large corporations hoping to appropriate the virtues of the ethical company so as to rehabilitate their image. More often than not, at least one of the outfits suffers a consumer backlash: the big company gets branded as a greenwasher, the sustainable startup gets slimed as a sell-out. When the French cosmetics giant L'Oreal scooped up the Body Shop, the vociferously ethical hair-and-skin products innovator, the company's pearly white reputation temporarily sprouted blemishes. A month after the sale, according to a BrandIndex survey, Body Shop's "buzz" and "satisfaction" ratings among consumers fell precipitously. Consumers perceived that L'Oreal valued Body Shop's growth prospects but not necessarily its values, so they doubted those values would be upheld.

6. **More than enough hype, less than enough honesty.** The market for green products and services has soared dramatically, attracting a flood of offerings from such big brands as Philips Electronics, Kimberly-Clark, Walmart, Staples, and Home Depot. According to TerraChoice, a Canadian research firm, the total number of products making environmental claims more than tripled from 2006 to 2009. But the surge in green-labeled insect repellents, washing machines, and the like was paralleled by a torrent of green ads, whose purveyors failed to deliver on their promises. A 2009 report by TerraChoice concluded that a stunning 98 percent of environmental advertising claims in North America are "false or misleading." No doubt some (perhaps many) of the ads aimed to hype the product rather than hoodwink consumers. Either way, as the report argues, the effect is often the same: "Greenwashing spreads cynicism and doubt about all environmental claims."

The opportunity, even the necessity, for organizing companies around a responsible ethos is clear. But to create a better future, leaders and aspiring leaders must first envision their company as an authentically "good company" – and then summon the creativity and the resiliency to overcome the obstacles that await.

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