

LEADERSHIP

## Avenues for Better Enlightened Corporate Leadership

by David Salisbury



*Many modern corporations emphasize social responsibility. What do those commitments look like?*

✓ **INSIGHT** | NOTE 30 Aug 2019

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Perhaps it's the cutthroat nature of succeeding in corporate America. Perhaps it's getting so wrapped up in the bottom line, looking out for the little people goes by the wayside. Whatever the reason, there is a tradition in American business where corporate social responsibility, or CSR, is not particularly valued in a firm's activities or core model. In the CMR article "**The Prospects for Enlightened Corporate Leadership**" author James O'Toole finds that few successful firms maintain their pledges for CSR as success finds

them. “While the historical evidence shows that virtuous business practices can be, and have been, successfully implemented, such leadership feats have been proven difficult to achieve, particularly in publicly traded corporations.”

However, there appears to be a turnaround in this tradition as numerous chief executives for modern corporate titans, including Starbucks’ Howard Schultz, Salesforce’s Marc Benioff, Apple’s Tim Cook, and Whole Foods’s John Mackey, have proclaimed and delivered CSR promises in individual company efforts. The tech world in particular appears to value social entrepreneurship and benefit corporation models that give more money and power to its employees and community. There’s also been a change in investor attitudes as there’s a larger market for “green bonds” for companies to finance eco-friendly projects such as energy-efficient buildings and wind farms. As it’s becoming more important for companies to be civic minded, it’s good to know specific ways companies can optimize their CSR impact.

## Choose Causes that Fit

Companies known for a trademark product or image have a better chance of pulling in the public when its message or cause is associated with the image it’s known for. An example, male razor giant Gillette who aired a pro #MeToo advertisement taking on toxic masculinity. The ad garnered maximum exposure as the company previously known for ads with muscular shirtless men shaving their chisel-jawed visage flipped the usual narrative by portraying male faces reflecting on bullying and sexual harassment into their bathroom mirrors. It caused controversy and garnered attention that might not have been so potent had it come from a medium not known for portraying strong, alpha men previously.

Another example is outdoor wardrobe company Patagonia, who has long been a leader in CSR. As discussed in Berkeley Haas Case, **“Patagonia’s Path to Carbon Neutrality by 2025,”** they published a goal to increase renewable energy in its manufacturing and to reach a carbon footprint of zero by 2025. After President Donald Trump reduced the former federally-protected Bears Ears National Monument in Utah by 85% in 2017, Patagonia filed a federal lawsuit against Trump in an effort to protect the park. They’re

also working to find alternative manufacturing products to make durable, waterproof clothing that is minimally adverse to the environment. In producing goods rooted in an outdoors exploration, they are working to make the environment they benefit from as pristine as possible.

## Conscience-Driven Investing

There is a trend emerging called “impact investing” that aims to produce positive societal, economic, and environmental returns in its monetary choices. It is growing particularly popular in the San Francisco Bay Area tech sector as more companies are making positive societal impact part of their business models. Oakland, CA venture capital investment firm Kapor Capital places societal impact firmly in their business decisions – financing companies dedicated to improving health care and education, startups that serve as an alternative for payday loan companies that typically bilk lower-income populations, and publically calling out Uber’s sexual harassment allegations.

Since they began these pro-societal practices 8 years ago, Kapor Capital says their companies have had a near 30% profitable rate of return. It has put them in the top 25% of venture capital firms of its size. Companies like Kapor prove that money can be used to both enhance the community and make a profit.

## Civic-Minded Initiatives

Look no further than the banking crisis, Wall Street happenings, and the resulting Great Recession of the 2000s to see the result of unregulated corporate greed allowed to run amok with no regard for working people. If only to keep a working class that props up the entire American economy, the owner class has an economic duty to make sure the little people can earn a reasonable living and decent quality of life.

One way to create a sustainable working class is to provide them with more skills and opportunity that will increase their employment potential, as well as generate more economic development. In the Berkeley Haas Case Series case study **“BAYCAT: How a New**

**Hybrid Nonprofit Model is Creating Sustainability and Driving Social Change,”** Bay Area entrepreneur Villy Wang works to end inequality and racism by empowering disadvantaged youth to tell their stories through visual arts training and productions. BAYCAT is run more like a business than a typical nonprofit, relying on a hybrid business model that benefits stakeholders, including donors, clients, nonprofits, small businesses, and local communities. This provides a new model for companies to create a sustainable business that benefits themselves while enriching socioeconomically downtrodden communities. Many of the more than 4,000 BAYCAT graduates have been hired by organizations like Netflix, CBS, and Lucasfilm.

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