Governments, activists, and the media have become adept at holding companies to account for the social consequences of their activities. Myriad organizations rank companies on the performance of their corporate social responsibility (CSR), and, despite sometimes questionable methodologies, these rankings attract considerable publicity. As a result, CSR has emerged as an inescapable priority for business leaders in every country.

Many companies have already done much to improve the social and environmental consequences of their activities, yet these efforts have not been nearly as productive as they could be—for two reasons. First, they pit business against society, when clearly the two are interdependent. Second, they pressure companies to think of corporate social responsibility in generic ways instead of in the way most appropriate to each firm’s strategy.

The fact is, the prevailing approaches to CSR are so fragmented and so disconnected from business and strategy as to obscure many of the greatest opportunities for companies to benefit society. If, instead, corporations were to analyze their prospects for social responsibility using the same frameworks that guide their core business choices, they would discover that CSR can be much more than a cost, a constraint, or a charitable deed—it can be a source of opportunity, innovation, and competitive advantage.

In this article, we propose a new way to look at the relationship between business and society that does not treat corporate success and social welfare as a zero-sum game. We introduce a framework companies can use to identify all of the effects, both positive and negative, they have on society; determine which ones to address; and suggest effective ways to do so. When looked at strategically, corporate social responsibility can become a source of tremendous social progress, as the business applies its considerable resources, expertise, and insights to activities that benefit society.

The Emergence of Corporate Social Responsibility

Heightened corporate attention to CSR has not been entirely voluntary. Many companies awoke to it only after being surprised by public responses to issues they had not previously thought were part of their business responsibilities. Nike, for example, faced an extensive consumer boycott after the New York Times and other media outlets reported abusive labor practices at some of its Indonesian suppliers in the early 1990s. Shell Oil’s decision to sink the Brent Spar, an obsolete oil rig, in the North Sea led to Greenpeace protests in 1995 and to international headlines. Pharmaceutical companies discovered that they were expected to respond to the AIDS pandemic in Africa even though it was far removed from their primary product lines and markets. Fast-food and packaged food companies are now being held responsible for obesity and poor nutrition.

Activist organizations of all kinds, both on the right and the left, have grown much more aggressive and effective in bringing public pressure to bear on corporations. Activists may target the most visible or successful companies merely to draw attention to an issue, even if those corporations actually have had little impact on the problem at hand. Nestlé, for example, the world’s largest purveyor of bottled water, has become a major target in the global debate about access to fresh water, despite the fact that Nestlé’s bottled water sales consume just 0.0008% of the world’s fresh water supply. The inefficiency of agricultural irrigation, which uses 70% of the world’s supply annually, is a far more pressing issue, but it offers no equally convenient multinational corporation to target.

Debates about CSR have moved all the way into corporate boardrooms. In 2005, 360 different CSR-related shareholder resolutions were filed on issues ranging from labor conditions to global warming. Government regulation increasingly mandates social responsibility reporting. Pending legislation in the UK, for example, would require every publicly listed company to disclose ethical, social, and environmental risks in its annual report. These pressures clearly demonstrate the extent to which external stakeholders are seeking to hold companies accountable for social issues and highlight the potentially large financial risks for any firm whose conduct is deemed unacceptable.
While businesses have awakened to these risks, they are much less clear on what to do about them. In fact, the most common corporate response has been neither strategic nor operational but cosmetic: public relations and media campaigns, the centerpieces of which are often glossy CSR reports that showcase companies’ social and environmental good deeds. Of the 250 largest multinational corporations, 64% published CSR reports in 2005, either within their annual report or, for most, in separate sustainability reports—supporting a new cottage industry of report writers.

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