Revolutionary Ideas for Revolutionary Times: Why CSR is a Thing of the Past

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Adelphi University

Hagedorn Lecture Series

September 22, 2009

I. Introduction

Good evening. I'd like to thank Dr. Robert Scott and his colleagues for inviting me to give the annual Hagedorn lecture and for allowing me the privilege of spending the evening with you here at Adelphi University.

I think I'm a bit of an unusual choice of speaker for a business school lecture, considering I'm president of a philanthropic institution, rather than a private enterprise. I suspect my perspective on the subject of corporate social responsibility – or CSR – is quite different than those of the previous speakers in this series, as you might have noted from the title of this talk – "Revolutionary Ideas for Revolutionary Times: Why CSR is a Thing of the Past." And I hope my remarks will provoke a lively discussion.

As I have learned, Horace Hagedorn, founder of the Miracle Gro Company and this lecture's namesake, was a pioneer of ethical business practices and community building initiatives. He was also an exceptionally active philanthropist. There is hardly a community here on Long Island that hasn't been touched by his generosity. And his charitable work lives on through the

foundation established in his name. I'm delighted to be here in the presence of Mr. Hagedorn's widow, Amy Hagedorn, who remains active in philanthropic and community work. From what I now know about Horace Hagedorn, I am confident that if he were with us today, he would be at the forefront of efforts to invent the next generation of socially responsible business practices. This is the subject I will address this evening.

II. Our Revolutionary Times & The Crisis of Global Warming

As we look out over the next decade and on toward mid-century, it is clear that we are living in revolutionary times as humankind faces a number of unprecedented social, economic, environmental, political, and security challenges.

The nature and scope of these profound challenges underscore the fundamental reality of our age – *global interdependence*. Six and a half billion human beings inhabit Earth along with some 1.8 million other known species, sharing one planetary ecosystem, one climate, and, increasingly, one polity. The reality of global interdependence is that people all across the globe will experience the profound challenges ahead, albeit in different ways and with variable intensity. Finding solutions to these problems will require innovative new forms of *broader* and *deeper* global cooperation, among nations, peoples, and the public, private, and nonprofit sectors.

In his compelling new book, *The Age of the Unthinkable,* the young, award-winning journalist, Joshua Cooper Ramo, argues that we are experiencing the most dramatic change in the

international order since the Peace of Westphalia in 1648.[1] Ramo observes that unlike the Great Depression, the end of World War II, or the collapse of the Soviet Union, each of which represented a single shift or revolution, the current state of affairs is, quote, an "avalanche of ceaseless change."

I believe these revolutionary times call for revolutionary thinking. And yet it often seems that we are entering this revolutionary age with ideas, leaders, and institutions that are better suited for a world that no longer exists.

Perhaps the most acute challenge we face is the crisis of global warming. Global warming knows no national, political or social boundaries. Everyone will be impacted – rich, poor, business, future generations. Climate change is a threat to our planetary ecosystem and our planetary society.

Science has proven that if we carry on with business as usual, global catastrophe is inevitable and around the corner. I'm sure that for some in this audience this sounds alarmist. But there is no credible scientific debate about the fact that the planet is warming at an alarming rate and that human activity is largely to blame. If global warming continues unabated, we will see prolonged droughts, crippling heat waves, and increasingly severe storms and floods that will, in turn, lead to the spread of disease, interruptions in food supplies, hundreds of millions of climate refugees,

[1] Ramo, J.C., *The Age of the Unthinkable*, Little, Brown and Company, 2009, p.8.

threats of military conflict, and massive economic losses. The only remaining debate is about the magnitude and timing of these catastrophic consequences of inaction.

Let me make this global problem local. As of today, if bold actions are not taken, mean global temperatures are likely to rise more than 2 degrees Celsius above pre-industrial levels. This will accelerate the melting of arctic glaciers causing sea levels to rise by one meter or more by the end of this century. With one meter of sea level rise, parts of lower Manhattan and Long Island will be under water.

If we are going to avoid these catastrophic climate disruptions we will need to discard anachronistic assumptions, break down outmoded organizational structures, and create a new global system that ensures planetary sustainability while also generating greater social and economic equity. Most scientists now agree that we need to reduce greenhouse gas emissions 80% by 2050. To do this we need radical changes in economics, public policy, international cooperation, and human behavior. Dr. Jim Hansen, NASA's chief climate scientist tells us we probably have less than ten years in which to act to avoid catastrophe. We need nothing short of a *low-carbon revolution*.

The core elements of this revolution are pretty clear. We must take measures to make dirty energy expensive. We must make clean energy cheap and abundant. We need massive investments in green technologies and in the infrastructure necessary to deliver energy generated from renewable resources like wind and solar to consumers. This is the so-called "smart grid."

We will also need to protect developing countries and low and moderate income families here at home from the economic shock of rising energy prices.

The good news is that bold action taken in the next several years can both avoid the most dire scenarios and also create the new economy of the 21st century. We can, in fact, achieve what I call *low-carbon prosperity* – with millions of new green jobs, the economic benefits of energy conservation, and reduced necessity for massive investments in adaptation to climate change and recovery from climate disasters like Hurricane Katrina.

The private sector is uniquely suited to play a leading role in this low-carbon revolution. But Corporate Social Responsibility won't suffice and business can't solve the climate crisis on its own. In fact, profound changes are needed in *all three* sectors of society – private, public, and nonprofit – and we also need to transform the relationship among the sectors.

So, let me turn to a brief examination of how each sector currently operates. Each of the three sectors has considerable strengths but also significant limitations.

a. The Private Sector

The private sector efficiently produces an astounding variety of goods and services and generates substantial private wealth. It is a source of innovation and economic opportunity. But its record in creating social equity and assuring environmental sustainability, on the other hand, is woefully inadequate. This is no surprise. After all, the prevailing economic theory, developed over

several centuries, argues that the central purpose of business is to maximize profits – and nearly all of the incentives of the current economic model drive profit maximization with little regard for the costs borne by the environment or the community.

In the absence of powerful economic incentives that could stimulate business practices that produce greater equity and sustainability, enlightened business leaders have developed a variety of *voluntary* measures to improve their social and environmental impact. Corporate Social Responsibility is a generic term used to describe these kinds of efforts. CSR is a fine concept and there are numerous examples of laudatory business practices. But as we have seen from the infamous environmental infractions of the oil industry, the predatory practices of mining companies in Africa, and countless other examples – without compelling economic incentives and/or tougher laws and regulation, CSR produces rather modest social and environmental progress.

And given the challenges ahead in this century, CSR is just not enough. Participation by business in CSR programs is still quite limited. Furthermore, CSR is merely a *self-regulating mechanism* whereby business monitors its adherence to self-defined ethical standards. But most importantly, CSR – even at its best – does little to alter the prevailing economic model which relies on stimulating and meeting demand for consumption through the exploitation of finite natural resources. CSR can do little to help humankind address the global problems we face. This is especially true with regard to global warming.

Now I do not mean to deride business or imply that the institutions of capitalism are all bad. The private sector is the engine of economic growth and technological innovation. But business operates in a world of narrow incentives and limited liability. As I have said, business has the capacity to contribute significantly to the low carbon revolution we need. In fact, we cannot solve the climate crisis without the active leadership of the private sector.

In recent years, numerous companies across the globe have seen enormous opportunity in the low-carbon revolution. An analysis released by HSBC last week indicates that total revenues last year in businesses selling low-carbon goods and services exceeded total revenues in the defense and aerospace industries world-wide.[2] The report predicted that the low-carbon sector could generate revenues in excess of $2 trillion by 2020 if the right market conditions prevail.

So, the question now is, 'how do we more *rapidly* harness the power of capitalism to achieve the larger, long-term, societal objectives of sustainability and equity?' I think the answer lies in redesigning the framework within which the private sector operates. And for this, we need enlightened public policy and effective regulation, which leads us to the role of the public sector.

b. The Public Sector

Government is responsible for providing *public* goods – like education, infrastructure, public safety, and national security. But the public sector often seems crippled – constrained by divisive politics, excessive bureaucracy, and perhaps most of all, a bad reputation. In a reaction

[2] Fiona Harvey, "Low-carbon Industries Add Power to Economy," *Financial Times*, September 18, 2009, p. 2.

to failed social programs of the 1960s, the Viet Nam war, and the Watergate scandal, the American public began to focus on the failures of government, rather than on its positive and essential contributions to society. Ronald Reagan made the critique of government an explicit theme of his presidency. In his first inaugural address, Reagan spoke for many Americans when he said "in this present crisis, government is not the solution to our problem, government *is* the problem."

Influential politicians of both parties have made careers of running for public office while denigrating the role of government in our society. Negative attitudes about government continue to thwart critically important policy reforms. Writing about the health care debate in a recent *New York Times* column, Nicholas Kristof noted that a major roadblock is the "deeply ingrained American conviction that government is bumbling when it is not evil...."[3]

Now, when government must participate in the low carbon revolution, Americans are conditioned to reject the kind of aggressive government action that is required. Let me be blunt: without *effective government intervention*, we will surely experience the bleak future I described earlier.

Only government, through taxation and regulation, can create the kinds of incentives that will drive the private sector to invest quickly and extensively in green technologies. Only government can raise the price of carbon and thereby encourage massive energy conservation

[3] Nicholas D. Kristof, *Health Care that Works,* September 3, 2009.

and the use of renewable energy. Government investment is essential to build the infrastructure that is required for the low-carbon economy and to fund programs to retrain the workforce and cushion the economic impact on low-income families. And only governments working together can arrive at a global treaty and mobilize the trillions of dollars needed in global public finance so that all nations agree to – and are able to follow – the path to low-carbon prosperity.

But in the absence of broad-based *public* support, government won't take the bold steps that are necessary. And the low-carbon revolution will require significant shifts in human consciousness and behavior. This brings me to the nonprofit sector, also known as civil society.

c. The Necessity of the Third Sector

Notions of civil society have existed since the enlightenment, but like the concept of the corporation, they didn't gain widespread acceptance until the 19th and 20th centuries. I believe one of the great lessons of the 20th century is that civil society is ***essential*** to the vitality of democracy, especially in capitalist societies. The private sector, as I have said, efficiently produces marketable goods and services and generates *private* wealth. The public sector provides *public* goods like roads, schools, and security. But the third sector promotes the *common good*. Unlike *profit-driven* businesses, non-profit organizations are ***values-driven***. And because they operate with a high degree of independence, ***nongovernmental*** organizations are not subject to the political realities that constrain *government* action.

The third sector is able to take on challenges that the other two sectors simply can't or won't. Civil society organizations are able to take risks that are *economically* unacceptable to business and *politically* unacceptable to government. In addition, I believe the third sector acts as a kind of fulcrum that creates a healthier balance between the counterweights of the much larger, public and private sectors. And given that there are distinct limitations to what government and businesses can achieve, we have come to realize that the third sector is not a luxury—it's a necessity. It is the space where much-needed innovation can occur on a host of social, scientific, and environmental issues. Civil society organizations are agents of public education, advocacy, and citizen mobilization. They also serve as watchdogs, pressing for public and private sector accountability.

Like the private and public sectors, the nonprofit sector also faces significant constraints that limit its impact. The most important is the sector's modest scale. In the US, which has the largest nonprofit sector in the world, total annual revenues in the sector last year were less than $1.5 trillion.[4] This compares with total federal, state, and local government spending of approximately $5.2 trillion[5] and total US GDP of just over $14 trillion[6]. Clearly, the nonprofit sector can only catalyze significant social change by leveraging *systems* change in the other two, larger sectors. This is precisely the role of the nonprofit sector in the low-carbon revolution.

In fact, I think it's fair to say that civil society is at the forefront of this revolution. Nonprofit, nongovernmental organizations have produced much of the research on climate trends and the

[4] See data from the National Center for Charitable Statistics.
[5] See www.usgovernmentspending.com
[6] CIA World Factbook.

analysis of likely global warming impacts. Think tanks have developed policy recommendations for consideration by governments. Advocacy groups have educated the public and built grass roots support for the low-carbon revolution. Public interest legal groups have successfully brought lawsuits that have forced changes in private sector practices and public policy. But resources for climate work in the nonprofit sector are severely limited. US foundations provide some $300 to $400 million a year for work related to global warming – compared to billions each year for work on education and health care.[7] And in the climate revolution, powerful entrenched industry forces are spending hundreds of millions a year to preserve the status quo.

III. Tri-Sector Collaboration

The climate crisis is a 21st century problem that proves the anachronism of the 20th century way of doing business. We are operating in a new relationship to time as we must take action today in order to solve the problems that will grip the world 30 or 40 years from now. Our current institutions, leaders, and ways of working make it difficult for people to understand the necessity of arriving at the new level of consciousness that is required to support difficult choices today in order to preserve choice in the future.

Given the magnitude and complexity of the climate crisis, it is clear that all three sectors must be called on to do more. Little will be achieved if the private, public, and nonprofit sectors operate in the individualistic and often adversarial way they tend to do now. To really move forward on

[7] Design to Win, 2007.

this issue, the three sectors must find a way to work together; to reinforce each other's strengths, and compensate for each other's weaknesses.

We need dynamic leaders to profoundly alter the status quo and start acting on these issues. These new leaders will have to reach across the sectors to craft appropriate public policy, develop new technologies, and put new infrastructure in place. Politicians, scientists, engineers, business leaders, economists, environmentalists, and advocates—we all need to work together to invest in our future. And most importantly, we must find new ways for the public, private, and nonprofit sectors to work collaboratively at a *scale* sufficient to achieve profound economic, social and environmental progress.

In recent years, some important new concepts of tri-sector collaboration have been developed and some promising experiments have been undertaken. There is much we can learn from this work. One compelling example is the "Megacommunity" concept pioneered by a team of consultants at Booz Allen Hamilton and described in the book: Megacommunities: How Leaders of Government, Business, and Nonprofits Can Tackle Today's Global Challenges Together.[8]

As described by the four authors, megacommunities are collaborative environments where leaders interact according to their common interests, while maintaining their unique priorities. In megacommunities, leaders come together from all three sectors in pursuit of common solutions to problems they experience together. The authors argue that leaders of diverse organizations

[8] Mark Gerencser, Christopher Kelly, Fernando Napolitano, and Reginald van Lee, Palgrave MacMillian, 2008.

must work together toward common goals, without any one of them being in control of the whole system. The key is a shift in focus from *maximizing* gains for an individual institution or sector to *optimizing* gains across the sectors.

The authors enumerate five critical elements of megacommunities:

1. *Tri-sector engagement*. Unlike more traditional forms of CSR which focus on enterprise level efforts, or public-private partnerships in which business and government work together around limited goals, megacommunities fully include civil society and work both on areas of common interest as well as on issues where common ground is absent at the outset.
2. *Overlapping vital interests*. Megacommunities form around issues where parties from all three sectors have a significant individual stake.
3. *Convergence*. For megacommunities to work, all members must work toward a commitment to mutual action; no member can exist in a Megacommunity with the intent to disrupt or undermine the effort.
4. *Structure*. Megacommunity processes start by defining a set of protocols and organizing principles to guide the effort toward converged commitment on overlapping vital interests. And,
5. *Adaptability*. The process requires that the participants or members of the megacommunity are ready to alter their views and behaviors to make progress on the underlying issue.

The authors offer numerous diverse examples of successful megacommunities from the Harlem Small Business Initiative to Coca-Cola's experience managing concerns over the use of scarce water supplies in a bottling plant in Kerala, India. The megacommunity concept demonstrates the power that lies in blending and optimizing the specific capabilities and strengths of each sector.

Working together in an open, equal, and transparent environment enables participants to draw on the resources of the others. The private sector brings financial and human capital, and problem solving skills. Government—the rule of law, the promise of long-term stability, and a tax base. And the civil sector brings ways of ensuring accountability, capacity to educate the public, and insight into how to get things done locally. By focusing on identifying and understanding overlapping vital interests within a community and by engaging as wide a range of stakeholders as possible, the process provides an environment where complex problems become actionable, profitability increases, and risk decreases.

Let's examine another new model for tri-sector collaboration on global problems. In 2002, Jean-François Rischard, former vice president for Europe at the World Bank, wrote a book called *High Noon: 20 Global Problems, 20 Years to Solve Them*. Rischard argues persuasively that we have only two decades to deal with global challenges to determine how well the planet will fare for many generations. He *too* believes that our traditional institutions, namely nation-states and multilateral organizations are woefully ill-equipped to address the growing list of complex global issues, including climate change.

To compound the problem, civil society and business have yet to be fully integrated into global problem solving. Rischard proposes the formation of "global issues networks" that will leverage the best of the existing international architecture and transcend the inherent limits of our contemporary institutions which all too frequently operate in a territorial or rigidly hierarchical manner.

Global issues networks are an alternative model of global governance. They would be structured around a specific issue, like climate change, and tasked with developing policy recommendations. A leading international actor, such as a UN agency or the World Bank, would convene the network and then serve as facilitator— but not as an authoritative problem-solver. Membership would be drawn from national governments with a direct stake in the problem or special expertise, international civil society organizations, and the private sector.

In Rischards's scheme, global issues networks would undertake three phases of work over several years:

- *The constitutional phase* in which the network is convened as an "open-source project" – operating with transparency and inviting input from experts and citizens across the globe;
- *The norm-producing phase* beginning with a rigorous evaluation of policy options and leading to agreement on a set of norms, standards, and policy recommendations; and
- *The implementation phase* when the norms and recommendations are widely disseminated and the network assumes a rating role, using the norms and recommendations in a highly public fashion to hold key international actors accountable.

A network of European schools and other independent organizations has already begun teaching Rischard's methods, training students to collaborate internationally with peers to improve the human condition.

Megacommunities and global issues networks are just two of the concepts people are developing to create tri-sector collaboration on the major challenges we face in this century. These experiments share some core guiding principles.

- They reflect a sense of genuine urgency.
- They are focused on critical issues that transcend traditional boundaries, whether national, sectoral, or disciplinary.
- They employ collaborative models that can move an issue from a zero-sum or win-lose proposition to frameworks that maximize joint gains.
- They draw on the unique strengths of the three sectors but do not constrain their essential independence; and
- They require participation by individual leaders who are able to bring their unique expertise and experience to the process but are required to engage not as representatives of a specific institution or sector but rather as global citizens.

Coming together to solve a complex problem rather than going it alone seems like a very basic lesson. But the truth is, this is not how the three sectors normally operate today. If we are to

solve the climate crisis and address the myriad other global challenges of this century, this must change. And this will require a new level of human consciousness.

IV. The New Consciousness

During the 1990s, I had the privilege to work closely with Vaćlav Havel, the Czech playwright who led his country to freedom in the "Velvet Revolution." In a 1998 essay, Havel wrote "it's fascinating to me how preoccupied people are today with catastrophic prognoses, how books containing evidence of impending crises become bestsellers, but how very little account we take of these threats in our everyday activities." Havel asked, "What could change the direction of today's civilization?"[9] I believe we must achieve a new consciousness of our place on this planet, of our relationship to nature, and to our fellow human beings.

The university has a major role to play in inspiring this kind of thinking and preparing future leaders with this new consciousness. Your own Dr. Robert Scott, in his award-winning essay "*the University as a Moral Force*"[10] urges institutions of higher learning to work intentionally to instill and nurture ethical and moral conduct. He emphasizes the importance of developing strong leaders who are trained to address the growing gap between the "haves" and "haves-not". Dr. Scott knows that the market alone cannot address these inequities. He understands that universities have the power and influence to challenge societal norms and inspire action. He believes it is the mission of the university to prepare students for productive lives and for ethical citizenship.

[9] "Spirit of the Earth", *Resurgence,* November-December 1998, 30.

[10] http://administration.adelphi.edu/president/pdfs/041902.pdf

He writes "[the university] is the place in society dedicated to the search for truth, the transformation of meaning, the examination of intended and unintended consequences, and the concern for equity, equality, fairness, and justice. This is the province of ethics. The role of the university is to create ethical professionals, a 'culture of conscience.'"

We must nurture this "culture of conscience" if we are to see our way through these revolutionary times. This kind of revolutionary thinking will start here and in schools and universities all across the globe. Today's students should be encouraged to constantly challenge and extend the boundaries of what is known. A comprehensive education should include lessons in business, public policy, and civil society. We desperately need leaders with an appreciation for and practical experience in all three sectors of our society. These are the leaders of tomorrow who will be in the best position to initiate tri-sector collaboration and who will be credited with helping to solve the world's most complex problems. I am confident that some of them are sitting in this room today.

V. Imagining and Arriving at a Better World

Change seems like a daunting task, but we *can* create a plan for our planet that will reduce poverty, relieve international tension, and create low-carbon prosperity. It's a triple-win from which all humankind can benefit.

It's hard to imagine getting there, but if we think about it in a historical context, we see that we've experienced comparable transitions in the not-so-distant past. The civil rights movement in the United States; the anti-Apartheid movement in South Africa; the anti-communist revolutions in Eastern Europe—in all of these cases, profound societal and political change occurred because societies moved to a new level of consciousness.

VI. Conclusion

I recently co-chaired a two-and-a-half day "strategy lab" where leaders from government, NGOs, and business were challenged to think together *boldly* about the future. It didn't take the group long to identify a dozen major challenges for our society, including the climate crisis. Toward the end of the second day, participants were given a notional issue of TIME Magazine from December 2020. The magazine had been intentionally prepared to present a kind of best case scenario of where the world might be eleven years from now.

One article described the "African Renaissance" and showcased the young men and women who rebuilt the foundations of African society through entrepreneurship and innovation. There was an article reporting that China had achieved the dominant position in the world market for wind energy and another one presenting the results of a public opinion survey in the U.S. showing growing trust in NGOs, business, and government.

But we will never see an issue of TIME like this in the future unless the three sectors engage differently with each other and we all work more collaboratively to solve our overarching global problems.

I like to remind myself that one of America's gifts to the world was its compelling way of revolutionizing government, business, and civil society in the compact that produced our country. Old World thinking gave way to a new hope in a new place that surprised everyone, not just once but many times over the years.

Today, we need that ability to think anew more than ever: not to create a new country but to galvanize our capacity to resolve humanity's biggest challenges. This will take more than some percentage of profits even from our most profitable corporations; it will require our corporations, our nonprofit organizations, and our governments to address issues across sectors and across all the boundaries that we have erected over the years. Today, social responsibility belongs to us all.

I am confident that Horace Hagedorn would encourage us to take this on. All we need now is a bit of MiracleGro to stimulate robust responses to the challenges of the 21st century.