

# FACULTY INSIGHTS

WHO OWNS A CORPORATION'S  
SOCIAL RESPONSIBILITY?  
Q&A WITH V. KASTURI RANGAN



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CORPORATE SOCIAL RESPONSIBILITY



In this interview with **V. Kasturi Rangan**, Malcolm P. McNair Professor of Marketing at Harvard Business School, Cochair of the HBS Social Enterprise Initiative, and faculty chair of the Executive Education program [Corporate Social Responsibility](#), he shares insights on the challenges stemming from the evolving social responsibilities in today's business world.

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## What is corporate social responsibility (CSR), and why has it become more important?

Since the turn of the century, and especially after the financial crisis, we have begun to look harder at the role corporations play in our society. A corporation exists not only to generate profits for shareholders, but also to add value to society. So, we might ask, what in particular is Company X doing for society? If we don't answer that question now, we'll never answer it—and Company X and its counterparts will keep chugging along, seeking profit above all, and we'll have the equivalent of a subprime mortgage crisis all over again.

CSR is much more than philanthropy or annual reports about a company's contributions—it should be considered a core discipline of the organization. CEOs must look into the future, understand and articulate their role in society, and try to center their organizations on addressing some of the larger needs of society, such as the environment, sustainability, effects of the global supply chain, and poverty, both locally and globally.

## What are some of the challenges companies face in developing and executing their strategy for fulfilling social responsibilities?

Surveys show that more and more CEOs are saying that CSR is a very important function in their organizations, whether they call it CSR or use another term. With the exception of philanthropy, however, this function is typically invisible in the organization. Yet, many others throughout the organization are actually practicing CSR day-to-day. Consider an operations manager trying to reduce waste, an HR manager trying to provide certain healthcare benefits to employees, or a marketing manager creating a cause branding program. Meanwhile, the CEO and top management are trying to steer the company into the future—developing strategies about what products or services to offer, what markets to enter, and how they will develop and manufacture these products or services.

These three types of executives—in operations, philanthropy, and company strategy—are actually all involved in CSR. When you step back and connect the dots, it's clear that it's a really vibrant activity in the organization. The challenge is that the goals of the different groups seem completely unconnected. Operations people are trying to increase revenue or reduce costs. Philanthropy managers are trying to do good while making a connection to corporate strategy. Top strategists want to transform the company and sustain a profitable market position over time. However, these people don't talk to each other about social responsibility. Unless you consciously make those connections, you cannot architect a CSR strategy.

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[www.exed.hbs.edu/programs/csr/](http://www.exed.hbs.edu/programs/csr/)



### **Why is leadership particularly difficult in this domain?**

A corporation has different disciplines and functions, each with its own leader who has clear responsibilities in the organizational chart. These disciplines are well defined, with focused goals. For example, if you are leading operations, you are focused on efficiency. But who is really responsible for corporate social responsibility? Some might say it's the CEO, but the CEO is highly focused on operations, governance, and managing the board.

We see three levels of CSR leadership that reflect the three different groups mentioned earlier: operational leaders, executives with titles addressing CSR, corporate affairs, community relations, or philanthropy, and the CEO. The leadership challenge is getting these people to work together and align their efforts.

### **You mentioned cause branding. Can for-profit organizations really take on the role of advocating for a social cause?**

Brand advocacy is one of the avenues that will differentiate the winners from the losers. To build a strong brand, you first need to offer real value to the consumer—to fulfill the brand promise. But communities are also saying, "I like your soap, your car, or your washing machine, but what are you doing for the community?" Companies have to be willing to ask themselves difficult questions like: "Where do my products come from? How sustainable is my supply chain? How do we treat our employees? Where do our donations go?"

That's where cause branding or cause marketing comes in. A company can take on a cause that is very important to one or more of its constituencies, and then try to marry that cause to the company's day-to-day activities. For example, Avon does a terrific job for breast cancer awareness, which is connected to the 400,000 Avon Ladies who sell for the company and to the customers, who are nearly all women.

But even after a company succeeds in fulfilling the brand promise and in cause marketing, employees are still asking themselves, "Why do I go to work for this company every day at 8 a.m.? What is its purpose? What value is it creating for society? Why should I be excited?" So, the next layer of branding is about the brand purpose—the ethos and value system of the organization. These three levels, when put together, communicate that you are part of society and that you contribute to it. That's what I mean by brand advocacy.

### **How does HBS Executive Education help companies establish their CSR strategy?**

We created the [Corporate Social Responsibility](#) program to help companies overcome two challenges: crafting an overall CSR strategy and leading these efforts across the organization. Through our cases, we explore challenges and opportunities that companies have faced. Participants work to come up with a proposed plan of action based on the case situation, and then we discuss the options.

These discussions are wonderful learning experiences because of the diversity of participants—some are CEOs, some come from the philanthropy side, others come from operations. The industries are also diverse—everything from mining to consumer packaged goods. They look at the same problem and have very different analyses and solutions. When the class participants hear many perspectives on the same topics, they truly grasp the complexity and the challenge a problem presents to a real organization.

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## **What do participants take away from CSR? How do they apply the lessons learned when they return to their organizations?**

Participants are exposed to many ideas and approaches throughout the program, but tend to focus on areas they feel will apply most to the challenges their organizations face. The program may lead them to audit philanthropic giving and align it more on company strategy, or it may drive a more far-reaching initiative such as restructuring the supply chain or changing the way the company goes to market. Ideally, our participants bring back two or three powerful ideas that can shape the way the company does business and take its contributions to society to a different level.

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