



Work Your CO/RE To Drive Societal Impact A Look At Corporate Responsibility Practices

Key Takeaways:

- **The CO/RE process begins with a business articulating its core expertise and determining how to apply it to tangential societal challenges and impactful causes.**
- **Businesses can build on their CO/RE expertise by developing compelling thought leadership and engaging reputable partners.**
- **Following a thought leadership exercise and initial CO/RE engagement, businesses should look for opportunities to scale impact through public policy or other platforms.**

Today, businesses can't rely solely on products to sustain growth. Corporate leaders are increasingly recognizing that the societal context in which they operate is a critical element of long-term success.

Furthermore, shareholders, customers, employees, and other stakeholders now demand companies demonstrate leadership on environmental, social, and governance issues, in addition to making a quality product and delivering a return on investment.

Businesses have most commonly contributed to community causes via philanthropy and employee engagement, and some companies have also altered their product strategies or operations to effect change. However, an emerging trend allows companies to maximize societal impact efforts and become policy

leaders without looking too far beyond what they already do best. Corporate responsibility – or CO/RE – is a multi-functional approach that begins with a company identifying and aligning its expertise with tangential societal causes, ranging from environmental and social to economic and governance.

CO/RE begins with a company identifying its expertise and aligning it with tangential societal causes.

In doing so, companies establish true leadership authority on a given issue and forge partnerships that can shape and motivate large-scale change. Indeed, several companies have already discovered the exponential benefits of such a model, and their brand recognition has extended beyond products and services.

Trends In Societal Responsibility Practices

A significant majority of companies already have a societal engagement practice, although definitions and methods have evolved over time. In years past, most enterprises did not see the link between community responsibility and a company's success. Noted American economist Milton Friedman alluded to this in a 1970 article for the *New York Times*:

The businessmen believe that they are defending free enterprise when they declaim that business is not concerned "merely" with profit but also with promoting desirable "social" ends...In fact, they are—or would be if they or anyone else took them seriously—preaching pure and unadulterated socialism. Businessmen who talk this way are unwitting puppets of the intellectual forces that have been undermining the basis of a free society in the past decade.

Friedman was a product of his time. Companies had yet to embrace broader stakeholder obligations as a key component of growth. Profit was the chief – and sometimes only – objective, and companies trimmed or ignored programs that did not contribute to a company's revenue goals.

As time progressed, business leaders experienced both a push and pull into social consciousness. On the push side, activist shareholders and consumers nudged and, in some cases, shoved businesses to make stronger commitments in addressing environmental and labor issues. Some notable examples include the 1979 Burgess v. Ford manufacturing malpractice case, Nike's labor reputation crisis in the 1990s, and, more recently, the 2008 economic downturn. Each example called corporate action and intention to the carpet.

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On the pull side, though, companies increasingly saw the limitations of government and multilateral action and began internalizing their roles in improving environmental, governance, and humanitarian standards. In effect, many stopped waiting for government to dictate solutions and began searching for their own ways to affect the world around them, all the time balancing the quest for impact with the need to deliver financial results.

It's now quite common for businesses to have

some form of a societal responsibility practice, and it is usually expressed through two main schools of thought: corporate social responsibility (CSR) or creating shared value (CSV). We define CSR as the practice of making benevolent contributions to society, generally through philanthropy and employee engagement. CSV, in comparison, involves companies significantly altering operations, product strategies and/or supply chain structures to limit environmental impact or achieve other social aims. Both approaches are important and have added significant value to both businesses and the communities around them.

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For a company seeking to leverage what it already does best, we offer another option: corporate responsibility, or CO/RE. Companies practicing CO/RE start by identifying their core expertise and finding a related cause that would benefit from their unique skills and knowledge. These companies then establish a leadership position on

the issue, which can scale impact through public policy or other partnerships. Beyond meaningful impact, this approach drives increased employee engagement, positive reputational awareness and a deeper appreciation for the environment in which companies operate. Below we have outlined ways three companies – JPMorgan Chase & Co., Toyota, and Zurich – have implemented a CO/RE approach to the benefit of their business.

Industry Examples

JPMorgan Chase & Co.

JPMorgan Chase & Co. views corporate responsibility as a central part of its business mission. In reflection of that commitment, many of its existing efforts could be characterized as best practice CSV and CSR initiatives. For example, its \$1 billion commitment over five years to support programs that expand economic opportunity includes a \$100 million investment to support Detroit's recovery, including dedicated programs for minority-owned businesses, commercial development, and workforce training. A human capital investment has complemented this financial investment, as the company sent nearly 40 employees – or 5,400 hours of high-talent, high-impact support – to initiatives in

the Motor City, ranging from strategic planning to human resources management. Both are best-in-class examples of repurposing an element of business to address a societal need (i.e., creating shared value) and skills-based volunteering (i.e., corporate social responsibility).

JPMorgan Chase & Co. recognized its data and analytics capabilities could be applied to address broader economic issues.

Despite such impressive efforts, JPMorgan Chase didn't rest there. It also recognized that its data analytics capabilities and workforce development efforts could address broader economic issues. In Detroit, it scoured open source data to find solutions to job growth and neighborhood blight. In other cities, it has used data and research to identify and attract foreign direct investment. And in communities across the globe, the firm has developed New Skills for Work and New Skills for Youth programs to help young people and adults receive the education and training they'll need for the jobs of the future. Aiming to scale its impact, the firm also established its own think tank, the JPMorgan Chase Institute, to use insights gleaned from anonymized

proprietary data from 50 million U.S. households to analyze the economic challenges consumers face, and drive public debate about critical policy, market, and personal responsibility issues.

JPMorgan Chase demonstrates how CSV, CSR, and CO/RE can be complementary paths to dramatically improve the communities in which they operate. And in each case, JPMorgan Chase has used its status, resources, talent, and knowledge of financial markets to form partnerships and advance public causes.

Toyota

Over the past few decades, Toyota has established the Toyota Production System (TPS) to promote a high standard of manufacturing efficiency and product excellence. To integrate this idea, Toyota instituted operational principles based on increasing transparency and eliminating waste and overproduction. It demanded employees up and down the supply chain address issues early and quickly, and urged managers to be hands-on in problem solving. As this commitment to operational excellence emerged as the backbone of Toyota's success, it became increasingly clear to executives that other organizations could also benefit from dramatic

improvements in operational capability. Subsequently, the company established the Toyota Production System Support Center in North America with the aim of sharing its operational insights with social entrepreneurs making a difference in communities through both businesses and non-profits.

The Toyota Production System Support Center shares the company's operation supply chain insights with social entrepreneurs making a difference in their communities.

A striking example of the impact such an approach can have is Toyota's partnership with the St. Bernard Project (SBP), a disaster recovery organization that rebuilds homes, trains other rebuilding groups, and advises at-risk communities on resilience techniques. First established in New Orleans, Louisiana, after Hurricane Katrina, the group now rebuilds communities in New York, Missouri, New Jersey, South Carolina, and Texas. Since 2006, SBP has organized 100,000 volunteers to build homes for more than 1,000 families. Yet, the multi-site, rotating labor, mixed-funding nature of their work posed significant operational challenges. Through its TPS efforts, Toyota

observed SBP processes and helped leadership discover opportunities for improvement and develop a system that streamlined the construction process. This reduced the time required to build a house from 116 days to 60 days. This helped SBP increase its monthly output from 8.6 to 12.8 homes, and, most importantly, return families to their homes quicker after a disaster. Toyota has replicated this impact with eye clinics, food shelters, and other social organizations, essentially using its core expertise in operational efficiency to improve the lives of people across America, whether they drive a Toyota or not.

Zurich Insurance

When Switzerland-based Zurich Insurance set its corporate responsibility strategy in 2010, it began by identifying natural catastrophe risk management as one of its core competencies. From there, it didn't take long to target flood risk as the area in which it wanted to make an impact, as floods affect more people than any other natural peril, and a disproportionately large percentage of flood losses around the world are still not insured.

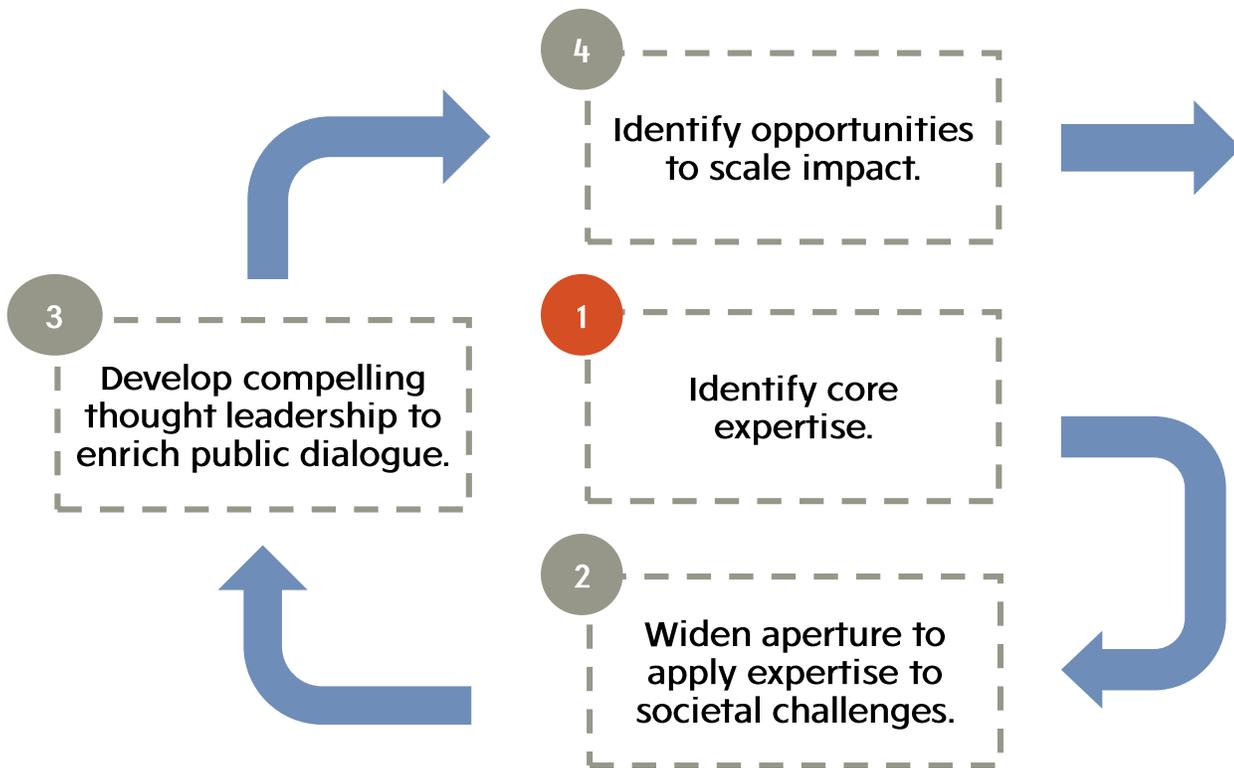
Zurich assembled a series of partners – including the International Institute of Applied System Analysis

(IIASA), International Federation of Red Cross and Red Crescent Societies, Practical Action, and The Wharton School – to create a virtuous circle of complementary capabilities that would collectively develop, test, improve, and deploy new ways to measure flood resilience and conduct cost-benefit analyses – all at the community level. Zurich has also collaborated with key agencies such as the United States Agency for International Development (USAID) as part of the Global Resilience Partnership to develop innovative ideas and solutions for flood-prone communities.

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Zurich and its partners are advancing work in Bangladesh, Indonesia, Mexico, Nepal, and Peru, and have engaged new partners like the National Academy of Sciences. Ultimately, Zurich seeks to provide new tools to help the developing world better understand flood exposure and the options they have to manage that risk. The United Nations recognized this

CO/RE Builds On The Foundation Of Core Expertise And Applies Those Skills To Help Impactful Causes



innovative approach with the Momentum for Change Lighthouse Activity Award for climate leadership.

This initiative utilizes Zurich's core risk analysis expertise, but it also leverages the convening and funding capabilities large institutions can provide. Zurich has helped customers and governments prepare for natural disasters and bettered the lives of at-risk communities. In addition, employee engagement scores have shown an increase in pride in Zurich's social commitment, as well as heightened visibility with key media and activist shareholder groups.

Guide For Developing A CO/RE Model

Adopting a CO/RE practice includes four main criteria. As is clear in our examples, companies who align with these principles develop more value for their employees, shareholders, beneficiaries, and customers in the long run.

Articulate your company's core expertise. As we have seen with the Toyota Production System, a company's expertise is what truly differentiates it from its competitors. It can also make it an invaluable asset in solving global issues. This may involve actual products and services, or

it may involve processes, techniques, capabilities, or even a mindset. Distilling what a company already does well and connecting this know-how to relevant environmental, social, or governance causes generate outcomes that are mutually beneficial for both companies and society at large.

Widen aperture to apply that expertise to a tangential societal challenge. JPMorgan Chase's data and analytics capabilities are key components of its strength as a financial services firm. By formalizing this knowledge into its JPMorgan Chase Institute,

the company established a platform to target and address a range of broader societal issues that would benefit from its expertise. In Detroit, the company's core competencies spurred the development of robust partnerships and solutions to systemic problems. However, it's important to note the bedrock of these efforts rested on the company's financial systems knowledge, and this approach could be applied in other places. Not only is JPMorgan Chase making an impact in Detroit, it's also expanding youth business skills with the Entrepreneurs of Color program, as well as advising governments all over the world on economic development matters through its Global Cities Initiative. In each case, the company is leveraging its data to fill important economic development gaps.

Develop compelling thought leadership to enrich public dialogue and engage partners. Combining action with analysis makes a company an authority on an issue and enables it to influence other areas such as public policy. Through its Global Flood Resilience Program, Zurich is contributing to flood risk debates in unprecedented ways. This illustrates ways a CO/RE approach has a multiplier effect: it travels from the company into local communities, where it then

reverberates throughout the world. This requires that businesses analyze success and then scale the final model across a broad spectrum of societal challenges via surrogate organizations.

Companies that take a CO/RE approach enjoy expanded leadership platforms and partnerships that improve important causes on a wider scale.

Identify opportunities to scale impact through policy or other platforms. After establishing a leadership position on a particular issue, a company should use its status to bolster additional outcomes. An organization that has been "in the weeds" crafting a solution for a social issue has the credibility and knowledge necessary to create change, and aligned media, government relations, and community partnerships can promote an echo chamber of support.

The appropriate scaling model may involve public policy, but it could also involve partnerships with multinational institutions, non-government organizations (NGOs), and nonprofits that have a vested interest in applying new concepts to solve persistent problems. Companies should strive for widespread adoption among

tangential causes rather than defining a narrow avenue to success.

Conclusion

As companies strive to incorporate broader societal aims into their business models, the CO/RE approach to leveraging core competencies offers a high-value/high-impact path to engaging employees, building community partnerships and driving societal change. Moreover, the leadership platform built from these efforts can influence and improve important social causes on a wider scale, positively reinforcing a company's reputational image and expanding its stakeholder and partnership reach. It doesn't replace CSR or CSV, but offers a meaningful complement that tightly aligns corporate strategy with societal impact. []

HPS works with a variety of corporate clients on several issues, including some of those discussed in this paper. This paper reflects the views of the authors alone.