

The Quid Pro Quo between Business and Society

Steve Almond Chairman of Deloitte Touche Tohmatsu Limited's (Deloitte Global) Global Board of Directors (www2.deloitte.com/global/en)

Another approach to impact investing is articulated in this article; addressing the role of the corporate sector in investing in society; not just attempting to maximise returns to shareholders.

GoodCorporation, which supports businesses in the area of social responsibility, has indicated that:

- The various scandals of recent years have shown that how a business treats its employees, customers, suppliers, shareholders and neighbours does matter.
- Good social responsibility means taking the interests of all stakeholders into account.
- With governments and regulators placing businesses under greater scrutiny, a clear understanding of this is vital to good business management.
- To restore trust and rebuild reputations businesses need to remember that in addition to making profit, they also have an obligation to society.

Links to background information at www.goodcorporation.com/business-ethics-debates/restoring-trust-in-business

www.goodcorporation.com/business-ethics-debates/are-business-ethics-getting-worse and www.goodcorporation.com/wp-content/uploads/2013/06/News-Focus-ethics.pdf

It is now widely accepted that business has a fundamental role to play in building society. And in an effort to restore public trust in the aftermath of the global financial crisis, an increasing number of CEOs are endeavoring to articulate a societal purpose for their enterprise that is distinct from but does not conflict with the profit motive. The Millennial generation, projected to make up 75 percent of the workforce by 2025 is accelerating this shift. Deloitte's *global survey of millennials* tells us that they believe the success of a business should be measured in terms of more than just financial performance and a focus on improving society should be among the most important goals for business leaders.



Steve Almond

Harvard Business professor, Michael Porter, put it eloquently when he argued that connecting company achievement to social progress creates a sense of shared value that leads to economic success. Simply put — business does better when society does better.

But with so many competing issues and challenges— from resource scarcity and climate change to income inequality and access to education—where does a business begin making an impact beyond traditional corporate social responsibility programs? And, how do they know where they might have the greatest impact? In simple terms, there are three key steps to finding out.

1. **Use data to determine the issue that best aligns with the core business.**

Unilever's commitment to making hand washing a habit for 1 billion people around the globe was based on sound research and aligns directly with their business. Businesses should only invest in a new market or a sector when research tells them there is a match of need or opportunity with their own skills and expertise.

Deloitte's global survey of millennials tells us that they believe the success of a business should be measured in terms of more than just financial performance and a focus on improving society should be among the most important goals for business leaders.

The Social Progress Index (SPI) provides a comprehensive tool to help businesses to determine where to focus their efforts. Developed by the Social Progress Imperative in collaboration with Harvard Business School, Deloitte, The Skoll Foundation, among others, the Index provides an authoritative view of a country's social and environmental strengths and weaknesses based on the issues that matter most. By identifying the areas that are hindering a particular country's progress relative to their peers, it can serve as a country specific guide for to help businesses determine where to leverage their skills and expertise to greatest effect. Measuring social progress of over 130 countries, covering 90% of the world's population, the Index considers three key areas: Basic human needs – such as water and shelter; Wellbeing – such as health and secondary education; and Opportunity- the ability people have to improve their lives – such as through equality and personal rights.

2. **Identify the right partners.** The complexity of the big societal challenges demands collaboration. The Index can act as a catalyst in bringing different parties together to address a single issue, combining the authority and policy making of government,

the convening power and subject matter expertise of NGOs and the technical skills and creativity of the private sector. We have seen this first hand in Latin America where Deloitte leaders have been collaborating with leaders from business, government and society to accelerate action. For example, the Paraguay government issued a Presidential decree, making SPI an official measure of national performance and committing the government to work with the Social Progress Network Paraguay, comprised of 12 NGOs, foundations and businesses, including Deloitte, to support the implementation of the National Development Plan 2013-2018 with priorities in water, nutrition and sanitation, the key areas of need identified by the Index.

3. **Measure impact.** Businesses plan for and measure 'Return on Investment' (ROI), and stakeholders expect nothing less. Corporate citizenship should be no different. There are ways to measure how a social investment affects brand awareness and reputation. But stakeholders also want to know that their social programs have real impact. SPI can serve as a measurement tool to guide business investment efforts. For instance, in Brazil, Coca Cola in collaboration with their local partners have begun to apply the Social Progress Index to develop a way of assessing the impact of their investment efforts. Measurement can help businesses further refine their programs to have a bigger ROI in future years.

Businesses are becoming increasingly aware of a symbiotic relationship with social progress and are keen to collaborate with governments and NGOs to address societal challenges. Moreover, responsible businesses know they must engage their stakeholders who demand more value and more impact from business, and demonstrate their contribution to society. After all, a sustainable and prosperous society needs thriving businesses – and for business to thrive over a sustained period, it needs to operate in a prosperous society.