

2nd Nordic Symposium for Corporate Social Responsibility

June 16-17, 2011

Corporate Relationship Management as a Driver of Socially Responsible Behavior

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June 2011

Topics:

Scandinavian Approaches to CSR; Stakeholder Management and Stakeholder Engagement; Scandinavian Management, CSR and ethics (leadership)

Objectives:

To provide first-hand insights into a Scandinavian approach to CSR and describe how it evolved over time

Issues/messages/conclusions:

How was CSR effectuated by Scandinavian management; does CSR make a difference/corporate relationship management drove CSR, as corporations grow and internationalize the need for CSR increases, there has been a shift towards in CSR requirements over the past decade/CSR can extend the scope of corporate risk management, corporate relationship management is good risk management, CSR can pay off in the long run

Abstract:

This paper derives from collaborative knowledge exchanges between a strategy scholar (the author) and an experienced senior executive as the primary informant. As such, the paper represents practitioner-based theory building to create insights and learning from engagement with practitioners around complex corporate conditions (Bartunek, 2007; Nielsen, 2009).

We take the view that strategy development is a longitudinal emerging sequence of interventions involving interplays between corporate, innovation and societal levels in organizational learning processes framed by the values and beliefs embedded in corporate culture (Hanke and Stark, 2009; Mintzberg, 1978).

The paper explains how the A.P. Moeller - Maersk (APM) group was influenced by the strong values established from the corporate birth in this second generation family-managed company. The main shareholder claimed that the core values of the corporation and acting 'as usual' would carry the way, and that there was no need for special corporate social responsibility (CSR) rules or other ethical frameworks. In this context, the paper explains how a conscious focus on corporate relationship management actually provided an initial driver for socially responsible behavior and prudent risk management initiatives.

The interpretation of relationships was very broad including employees, customers, governments, regulators, unions, banks, and other important stakeholders from a belief that selling a good product or service is insufficient in itself, you must have strong relationships to succeed. Many examples abound to illustrate how this worked. APM was the first global shipper to build double hull tankers a decade before it became a requirement and whereas it didn't pay off in the beginning, it created a strong reputation that later had positive spill-over effects. Similarly, reducing emissions of CO2 became good relational management while making business more efficient.

The reputational strong-hold paid off under various political negotiations both at home and abroad and was very helpful in discussions with regulators. The general policy was that we can all make mistakes, but we recognize them and deal with them positively to become better, when they happen. This approach also helped the company to dealing effectively with their international labor relations over time.

Nonetheless, as the company continued to grow in size and extend its business volume around the world, things changed. The engrained corporate culture applied to people located in the Copenhagen headquarters and among senior managers posted overseas. That is, when it became a company with 130,000 employees operating around the globe with most of the people abroad, it was suddenly apparent that the core values no longer permeated all corporate activities the way they were supposed to do. As a consequence, the company eventually developed an internal set of values expressed in a code of conduct and CSR was formally established as functional expertise focused to support relationship management and business in general.

This development also reflected a gradual change in surrounding environment. The Global Compact was initially announced by the UN in early 1999 and officially launched the following year and business counterparts around the world became more and demanding in terms of fulfilling basic CSR requirements. In other words, the gradual changes observed at APM correspond to the transformation of CSR as noted by Tengblad and Ohlsson (2009) as we entered the 21st century.

In general, the study documents how corporate relationship management initially enhanced social responsibility and illustrates how CSR could facilitate a more comprehensive risk management approach (Husted, 2005; Kytte and Ruggie, 2005; Orlitzky and Benjamin, 2001). It also illustrates how corporate relationship management and the related CSR effects had some very positive performance implications over time and thus provide support for an embryonic empirical literature studying the economic implications of CSR initiatives (e.g., Ambec and Lanoie, 2008; Sharfman and Fernando, 2008).

References:

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Theoretical rationales

- Value-based management principles
 - enacting the corporate mission and values
- Stakeholder concerns
 - avoiding adverse and disruptive relationships
 - establishing unique value-creating investments
 - gaining access to resources (*ressource dependency*)
- Dis-economies
 - dealing with the cost-benefit trade-offs of external agents
 - avoiding major settlements of prior dis-economies (e.g., *environmental pollution, asbestos, etc.*)
- Corporate risk management
 - increasing awareness about potential risk events
 - dealing with future environmental uncertainties

These rationales resonate with the concept of Corporate Social Responsibility

Methodology

A collaborative knowledge exchange between a strategy scholar and an experienced senior executive as the primary informant.

Represents practitioner-based theory building to create insights around complex corporate conditions

Bartunek (2007), Academic-Practitioner Collaboration Need not Require Joint or Relevant Research, *Academy of Management Journal* .
Nielsen (2009), Practitioner-Based Theory Building in Organizational Ethics, *Journal of Business Ethics*.

Strategy seen as a sequence of corporate decisions and innovative interventions between firms and the surrounding society.

The implied organizational learning processes are framed by the values and beliefs embedded in the corporate culture.

Mintzberg (1978), Patterns in Strategy Formation, *Management Science* .
Hanke & Stark (2009), Strategy Development: Conceptual Framework on Corporate Social Responsibility, *Journal of Business Ethics* .

Observations 1

A conscious focus on corporate relationship management was an initial driver for socially responsible behavior and prudent risk management initiatives.

- creating trust in stakeholder relationships
- building a reputation of reliability and accountability
- acting on emerging risk events

General policies:

- realize that unexpected things can happen and stand ready to deal with them whenever they arise.
- everybody can make mistakes, but we recognize and deal with them positively, when they happen.

Observations 2

the A.P. Møller-Mærsk Group was influenced by strong values established at the corporate birth

- believed that acting in accordance with the core values of the corporation would be sufficient going forward
- found no need for special corporate social responsibility (CSR) rules or guidelines

but, as the company continued to grow with most people located overseas it was difficult to promote the corporate values

- eventually the company developed an internal set of value (code of conduct) and CSR was formally established as a functional area of expertise

Conclusions

- corporate relationship management can enhance socially responsible behavior
- CSR initiatives can facilitate a comprehensive risk management approach
- corporate relationship management and related CSR efforts have positive performance implications

Interpretation:

- there was a shift towards an official focus on corporate social responsibility (e.g., the Global Compact from 1999)
- business counterparts became more demanding in terms of fulfilling basic CSR requirements

Tengblad & Ohlsson (2009), The Framing of Corporate Social Responsibility and the Globalization of National Business Systems, *Journal of Business Ethics*.