Knowledge@SMU   Office of Research

11-2009

Businesses re-imagined: Social value above shareholder value?

Knowledge@SMU

Citation

(http://knowledge.smu.edu.sg)

Businesses re-imagined: Social value above shareholder value?

Published: November 03, 2009 in Knowledge@SMU

Share on Facebook (http://www.facebook.com/share.php?
u=http://knowledge.smu.edu.sg/article.cfm?articleid=1248)

The traditional definitions and methods of corporate social responsibility (CSR) and meeting social needs have been turned on their heads in the light of the past year's global economic crisis. When even firms with CSR programmes slide into the red and file for bankruptcy, it is no wonder that a re-think is needed on social models, the method of meeting social needs and what it really means to be a socially responsible corporate citizen.

For Ho Kwon Ping (http://www.smu.edu.sg/board_of_trustees/cv/ho_kwon_ping.asp), chairman of SMU and executive chairman of Banyan Tree Holdings, one thing is clear. If he had the chance to remodel Singapore society, he would re-write the fundamental mission of businesses. It is now time for businesses to change the way they define "value", said Ho at *Social Space Think Fest 2009 (http://www.lcsi.smu.edu.sg/emailer/091007social_conversation.htm)*, a conference organised by SMU's Lien Centre for Social Innovation (http://www.lcsi.smu.edu.sg/index.asp).

"If you flip through all the business textbooks nowadays, you see terms like 'maximising shareholder value', 'economic profit', and so on. But it never mentions that in a world where there's no more communism or socialism, where capitalism is the soul and most powerful driver of economic growth, well-being and development - the fundamental mission of business is to make a better world. CEOs have the social responsibility to provide leadership and values, not just maximise shareholder value," said Ho.

In his view, business leaders today have abandoned their responsibilities despite their potential to significantly improve the world. These companies make money in tremendous amounts that damage economies and societies, yet, they only give relatively small amounts to charities – more to absolve their own conscience than anything else, he said.

Thus, there is no surprise that cynical views were formed towards CSR programmes, even as the financial upheaval has led to some of these companies with CSR initiatives to go bust.

"Many companies engage in chequebook CSR. It is an easy thing to do - you open a cheque and make a donation," said Eugene Tan (http://www.law.smu.edu.sg/faculty/law/eugenet.asp), an assistant professor at SMU's School of Law (http://www.law.smu.edu.sg/index.asp). "CSR minus HR (human resources) is equal to PR (public relations).… We tend to forget that business operates as part of a larger community. If society does not function well, businesses will not do well either." Commerce is, after all, a humanistic enterprise that engages human beings and is supposed to create value, he said.

Re-thinking social development

In the past, funding was the challenge. But now, as social entrepreneurship becomes the new buzzword, a growing number are now attracted to the cause, bringing their pool of resources. Thus, rather than the lack of financial support, the greater challenge has become a dearth of good ideas.

"There are people who still think that putting two disabled people in a café is a social enterprise. It is not," said audience member Elim Chew, founder of street wear and accessories chain 77th Street. "Social enterprise is finding a need, building a business around meeting the need, and having sustainability," said Chew, who is also involved in evaluating social venture proposals.

There are some human resource challenges too. Organisations that are keen to take part in social initiatives should also give higher priority in finding the right people to run such programmes, said Kevin Teo, director and co-founder of Volans Ventures, a business that works with entrepreneurs, investors and governments to develop new ideas in financing, structure and research.

The general idea among many companies is that CSR is merely either a subset of public relations, marketing, or human resources. It is neither. With a growing number of "Gen-Y" joining the workforce, organisations will face a tougher challenge. They need to position themselves to this bright, young, and passionate group as an organisation that offers not just career advancement, but also a job and environment that serves the greater good.

Indeed, apathy and a narrow view of global issues in the younger generation these days have some convinced that

a change in education and mindset is also necessary before a significant burgeoning of the social space can be achieved. Ho thinks that "real community service" should be instituted in the secondary school curriculum. Not the kind where students visit old folks' homes on a weekend and pass drinks around, he stressed, but ones where students can get involved in community projects in rural areas. He believes that it is through such experiences that youngsters will open up their eyes to the real world outside of Singapore, and appreciate how a few thousand dollars can go a long way in meeting people's needs.

Another initiative he would advocate, to encourage an exploratory mindset in the young, is for students to take a gap year and "bum around the world". While it may sound unconventional, Ho believes that "to travel the world in an inexpensive way, to live with unfamiliar people, to survive outside your comfort zone is so important for us as Singaporeans. There is a need to be less uptight about our careers, and more open to changes in our lives. We need to broaden our knowledge of the world."

State intervention

How much of state intervention should go into the social space? While many would advocate a non-interventionist arrangement for fear of diluting the social sector's spontaneous and flexible nature, former senior civil servant Ngiam Tong Dow, thinks otherwise.

The issue, said Ngiam, is not whether there should be governmental intervention, but whether its involvement would produce the desired effect. He recalled a time where there was a pressing social need to provide affordable childcare centres for working parents in Singapore. What the government did was to invite private-sector companies to take advantage of its subsidies to set up private childcare centres. From his perspective, it was a creative solution that married the public and private sectors in addressing a social need.

On the other hand, if something spontaneous is doing well, the government should not interfere, even with the best of intentions. Ngiam cited the example of a coffeeshop at Tiong Bahru, a relatively old housing estate, where bird owners would put their caged pets side by side, letting them chirp away merrily in a sight that made that corner a famous one in Singapore.

However, there were grouses that the place was looking too run-down and the authorities initiated a major redevelopment of the neighbourhood in 2002. The renovation works included the installation of new structures, made especially for bird owners to hang their birdcages. Instead of enlivening the place, bird owners, upset over the new look, stopped patronising the corner altogether. Ngiam's point: when the public sector steps in, it means regulation, and keeping things "neat and tidy". So other than ensuring that accounts are in order, the state should leave the social sector to regulate itself.

However, it would not be effective to use a one-size-fits-all solution to manage the social space, said audience member Denise Phua, a Singapore Parliamentary member who runs a charity and two special schools. She argues that social space is a non-homogenous entity which covers a wide spectrum of services.

Instead of a cookie-cutter approach, different services require different models. Essential and basic services, such as a child's entitlement to education and the right of the elderly to have easy access to good healthcare, should be managed differently from other forms of services. What is also important, Phua added, is to ensure "execution discipline", where instead of leaving implementation processes totally in the hands of the charities, the state can monitor the standard of service given to beneficiaries and step in where necessary to ensure consistent quality.

"I can fix it"

At the end of the day, the ideal situation is where a person sees a need and, instead of asking who will handle it, says, 'I can fix it!' Just like how ethnic clan associations of the past used to help the unemployed find a job or buy someone a meal if they have not eaten, there is a need to foster a spirit of initiative and a sense of ownership towards community, said Ngiam. In other words, said Ms Ivy Singh-Lim, owner of agricultural farm Bollywood Veggies, everybody should think about their passion and motivation in life; the role they want to play in society.

In closing the session, Tan Chi Chiu, the forum's moderator and a board member at the Lien Centre, agreed. "We need to target youth to shape values, and target corporations to shape their business philosophies. If we are able to do all of this, we will be able to improve society, the sector we are working in, for the betterment of everyone in Singapore and the world around us."

Share on Facebook (http://www.facebook.com/share.php?u=http://knowledge.smu.edu.sg/article.cfm?articleid=1248)

back to top (#top)

back to top (#top)