Why It's Hard to Be a Good Company

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A premise of this article is that being a good company is generally good for business, because it reduces socio-political friction, increases a company's "soft power" and customer loyalty, and attracts conscientious personnel. In the long term it also contributes to the health and resilience of the business environment which ultimately sustains companies. Sustainability, the most widely shared notion of what it means to be a good company, therefore works both ways – if a company takes it seriously then the company causes less harm to, and ideally improves, the world around it, and in so doing it improves its own chances of success and survival. The fact that a great many international companies have developed sustainability goals and policies indicates that this view is quite widespread. Yet even committed companies still do things that contradict their own sustainability aspirations, and many firms seem to have little real interest in the notion in the first place.

The aim here is to explore some of the reasons why companies have a hard time being good. Some of these reasons are challenges which companies face after making a choice to improve social performance, and some help to explain why this choice is not genuinely made. While this modest piece cannot provide definitive answers, it hopefully at least contributes to shaping hypotheses and inspiring introspection. As to why answers matter at all, readers will have their own ideas.

Before getting started, note that this does not consider two factors. One is greed, which can be a factor in companies or their leaders not wanting to become more socially accountable. The other is that the core activities of some sectors or industries are inherently damaging, irrespective of societies' need for the products. Both of these factors are somewhat obvious, at least on the surface, and we will leave them aside for now.

Good for what / whom?

Companies are integral to capitalism, the predominant mode of production and exchange. Capitalism might be the way things work, but it is also an ideology, and within its value system is a belief that everything will work out for everyone, at least eventually, if the system is left alone to operate by its own logic. Many businesspeople explicitly believe in capitalism, and many others hardly think about it - it is simply the way things are. Either way, in this perspective, pursuing profit is inherently a good thing.

It has taken decades of pestering from outside the system, and of some introspection within, for a critical mass of business acceptance that capitalism cannot provide everything and indeed sometimes hurts the societies in which it functions. There is now a more balanced perspective on the pursuit of profit, but longstanding faith in the logic and naturalness of capitalism is hard to overcome, and for many managers anything external to profit still feels very intangible.

If companies are getting to grips with society as a stakeholder, they certainly still worry about their traditional one, owners, in other words investors and shareholders. Sustainable investment and activist investing are growing trends, but the typical "owner" still mainly wants a decent return, and if the company gets distracted with high-minded ideas and fails to provide those returns, then this, for a company, is not "good" at all. Providing returns is, at the end of the day, a company's raison d'etre. Especially for managers in declining or stagnant industries where competition is nearly zero sum, sustainability can seem like a luxury compared to this primary obligation.

Finally, and linking to a later point on socio-political values, companies can be expected to help their home country to become stronger with respect to rival countries, and to support government efforts to achieve national growth and employment targets. Such pressure was not a significant problem for a long time, but in the last decade and indeed the last few years, it is getting harder to be a genuine multinational without drawing nationalist ire, hence the country is yet another claimant on "good for whom". To governments bent on national competitiveness and economic targets, sustainability concerns can seem too globalist and fluffy to bother with, and their anxiety is passed onto businesses, in various ways. Thus, even if sustainability was high on the corporate agenda, it becomes harder to keep it there.

Company culture, "company man"

When we talk about corporate or company behaviour, we are actually talking about an organisation comprised of individuals and various sub-groups. What makes them work as a whole is a combination of institutional rules, but just as importantly, organisational culture set by shared history, myths, and the character of leaders. When someone spends most of their waking time in the tight social context of a company, it is easy to become inculcated in the "company way" and to equate what is good for the company with good in general. Indeed when things do not go well at work, especially when one is seen as letting down the team, it is often emotionally devastating.

Within the organisation, company leaders can be a sub-tribe or clan unto themselves, often defined by (or aspiring to a persona of) a uniquely high degree of intelligent risk-taking, charisma, creativity, and overall effectiveness. In other words, they personify the ingredients of business success, which often remains predominantly defined as profit.

For both the "company man / woman" and the leader, the company and its success as such is the daily pressing concern and a big part of their own identity. This can make it very difficult to turn one's attention from the next quarter's targets, for example, to seriously consider the company's socio-environmental effects. More seriously, company culture can even reward risk-taking, norm-bucking behaviour, and convey any initiative beyond immediate profit-seeking as a waste of time and indeed as bad for the organisation. The average person working there might exercise a different set of values when away from work, but at work, within that tribe, tribal values apply.

Culture and individual acculturation can, then, be an impediment to awareness of and appreciation for a company's social role and responsibilities, and in more severe cases even a factor in inspiring or normalising what amounts to corporate anti-social behaviour.

Too busy, no time

Efficiency is important in business, since it minimises the inputs needed to produce what can be sold, thereby increasing profit margin. One input is labour, whether blue or white collar, and closely associated with that is time. The business process reengineering blitz of the 1990s might have seen a hyperbolic focus on efficiency, but its legacy has been something of a "search and destroy" attitude to activities that do not directly contribute to the bottom line. Technology could save time for consideration of wider issues and a company's social fit, but more often than not it creates a new benchmark of efficiency and the hunt for un-used time goes on.

Having been both inside companies, and a consultant trying to pitch "big ideas" into companies, the author well knows the effect of the resulting time constraints. The constant sense of urgency leaves little space for reflection on non-traditional business concerns. More committed companies have established sustainability and related departments so that they are not distracted by day-to-day operational concerns, but they often have the same problem as a consultant pitching ideas from the outside – no one else really has time to listen because they are too tied up with the daily grind, and without integration with core business activities, sustainability initiatives tend to remain an awkward add-on with superficial effect.

If society and governments don't care…

One potential effect of being a good company is reducing socio-political friction, which can manifest as ethical criticism, more stringent oversight, and market and shareholder activism and even boycotts. When society and governments stop caring about sustainability, and even regard it as antithetical to national interests, this effect of being good is negated. Not only is there less incentive to be good, but as noted earlier there can even be a socio-political backlash against companies seen as taking too global and long-term a view of their own roles in the world.

Long brewing as one ideological strand, anti-globalist, hyper nationalist perspectives were given a boost following the 2008 economic crisis. From the bottom, people were sick of hearing about globalisation and global cooperation when the end result seemed to be hardship. From the top end, both genuine nationalist ideologues, and political opportunists who adopted that persona, provided a channel for public cynicism, and articulated it as a nationalism that put ordinary citizens' ("our people's") immediate needs first and foremost. Grand ideas about the environment and climate change, which seemed to challenge many traditional industries and jobs therein, were portrayed as part of a globalist, elite conspiracy to marginalise ordinary people.

As it turned out, relatively few governments ended up being dominated by nationalist populists or opportunistic facsimiles thereof, and along with the rise of nationalist populism has come a nearly equal and opposite response calling for action on environmental and social justice concerns. But the nationalist tendency has become a major factor in Western politics and indeed in most regions, and it has led to an overall decline in socio-political concern about corporate sustainability and the wider issue within which that sits, global societal sustainability. In the nationalist view, a good company is one that provides domestic jobs and helps the country on the economic front against international rivals.

This is confusing for companies who felt that they had to "get with the programme" and get serious about sustainability for fear of becoming at odds with socio-political priorities. Many companies are taking a long-term view and maintaining their sustainability momentum, since the vagaries of political sentiment cannot compete with the hard reality of climate change and an ever-shrinking world. But for others, it was hard enough to get sustainability onto the agenda in the first place and inevitably the question arises, "If sustainability is not a socio-political priority, why do we incur disruption and disadvantage in trying to achieve it?"

While basic business beliefs and old priorities are still inhibitors to becoming a good company, the socio-political variable is perhaps the crux of the matter. The power of big corporations is often highlighted in critiques of business, but their power is in many ways a biproduct or refection of socio-political values. Sustainability and the social good became business concerns largely because of changes in these values. It is hard to see companies, who have a necessary profit imperative, leading the way on sustainability if the socio-political impetus is lacking. This could be a temporary period, and there is still much concern about sustainability and good corporate behaviour, but it is hard for companies to commit to major changes if governments, catering to hardline nationalist sentiment, are themselves backtracking.

Who goes first?

It takes time, a valuable resource, to think about and plan for sustainability and social performance, and it takes tangible changes and modifications to become a better company. If profit were all that mattered, those who slowed their pace in the race in order to tinker with "goodness" would cede ground and lose out. Corporate sustainability has gained traction in several regions because of some uniformity in corporate commitment, driven in part by a sense of widespread socio-political concern. Indeed from the late 1990s until recent years, there was almost a race to at least appear more "green" or responsible than one's competitors, and given the tenacity of ethical and environmental observers, there had to be some substance to changes to avoid charges of "greenwashing".

However, even as sustainability picked up pace as a concept and goal, it was always hard for companies to risk taking their eye off the ball, and it was easier to wait for someone else to show the way, and to let them suffer any disruptions incurred by an awkward learning process. Now, with weaker socio-political commitment to sustainability and a fragmentation of expectations about companies' roles, it is even less alluring to be the one who takes risks while competitors sit tight.

Adding to the above is another factor, the increasing importance of multinationals from transitional countries where governments are committed to economic catch-up, and where environmental and corporate integrity regulations are either quite weak or waived in practice in the interests of economic development. Companies from developed regions with stronger regulations and long track records of social criticism of corporate malpractice are increasingly up against big players who do not have the same constraints, and indeed who can even be supported by their home governments as long as they contribute to the national interest. The author has heard the following concern, to paraphrase: "We can't compete with them because we need to worry about being nice, then we lose, and they get in there and cause twice as much damage as we would have." Being "nice" can be frustrating if others are not, and can seem like a major disadvantage.

There is some risk in being among the first to make significant progress in sustainability and social responsibility. We seem to be at a point in environmental change, ecological degradation, and wealth and income disparity (nationally and between countries) when getting ahead of the curve is probably a very good idea regardless of socio-political expectations, but it is still risky in the short-term, and especially in the context of scrambled socio-political messaging, risk aversion can prevail.

Conclusion

Much progress has been made in changing the concept of what a good company means, and in terms of tangible change towards sustainable business performance. But there are significant obstacles even once a company decides to undertake that journey. In the short term, there are risks and it is challenging. In the long term, though, there is not much choice. It would be ideal if socio-political sentiment were clear and consistent, and rewarded companies for being good. That will probably happen again sometime, but meanwhile there is a lot of work companies can do on their own and indeed on themselves. The above sections raise some more basic obstacles to being good, but they also raise some rather perplexing challenges, if not contradictions. Readers can take this modest consideration as a question: Is being good still important even in the absence of clear socio-political agreement on sustainability, and if so, what can companies do to foster genuine commitment and address the remaining obstacles?