

CSR Reflections on Davos 2009

By Wayne Visser

Day 1 (28 January 2009)

It's fair to say that if you're prone to depression, Davos is not a good place to be this year. Not only is the economic outlook gloomier than ever, but it is also snowing heavily "thus forcing everybody to dress in silly boots and bear-like coats that automatically strip even 'masters of the universe' of a bit of their dignity", as BBC Radio 4 Today programme presenter Evan Davis noted.

So what have we learned so far? Here are 5 points that I took away from today:

1. **GROWTH** - The IMF is expecting the global growth rate for 2009 to fall to 0.5%, meaning growth per capita will be negative. The issue of resilience is key. For example, Rahul Bajaj, chairman of Indian car manufacturer Bajaj Auto, says India's domestic demand has made it more resilient than many countries. Should this be part of nations' responsible competitiveness strategies in future?
2. **JOBS** - The ILO says as many as 51 million jobs worldwide could be lost this year, pushing the world's unemployment rate to 7.1% by the end of 2009, compared with 6.0% in 2008. Could it be that the biggest CSR issue in 2009 will be around job retention and responsible approaches to redundancy?
3. **SPECULATION** - Stephen Schwarzman, chairman of the leading private equity company, the Blackstone Group, says that 40% of the world's wealth was destroyed in last five quarters. "It is an almost incomprehensible number," he says. "Business will be very different." Can the casino economy ever be compatible with responsibility, and will we be able to tame it?
4. **TRUST** - Companies are viewed as less trustworthy than a year ago and consumers want governments to play a greater role in business, according to a poll by Edelman. "Business really has to work its way back. It has to re-earn the trust of its broad sets of constituents," says CEO Richard Edelman. "I think we have moved from a shareholder society to a stakeholder society, and that has massive implications." I hope he's right!
5. **CHARITY** - South African Finance Minister Trevor Manuel notes that overseas development aid to Africa is suffering: "Already, we are some \$240bn (£167bn) short of the commitments made at [the 2005 G8 summit in] Gleneagles." Surely, we can expect corporate philanthropy to suffer in equal measure?

I think WEF founder, Klaus Schwab, best sums up the challenge we face: "We have now a mass crash and we have to figure out first how we help those injured by it. Secondly, we have to find out what rules we need for the future in order to avoid this happening again."

Finally, former UN Secretary-General, Kofi Annan, continues to be the conscience of the world, when he says: "We need to ensure the poorest in the planet - who will be hardest hit by the financial crisis - are not forgotten." A timely reminder for what should be the central concern of CSR in the coming months?

Day 2 (30 January 2009)

A year after Bill Gates famously called for a new model of "creative capitalism" at Davos, it seems that business (especially the banks) took him a bit too literally. Of course, Gates didn't mean creative loans and hedge fund activities, but his speech stands in stark contrast to this year's "crisis capitalism" mood.

Despite Tony Blair's reassurances that "the free enterprise system has not failed, the financial system has failed", the most consistent refrain echoing through the chilly corridors of the World Economic Forum on Day 2 was that capitalism needs bringing back into line. The adolescent years of free market rebels without a cause are over. (I wish I believed them!)

On Day 1, all eyes seemed to be on the bankers. On Day 2, the stakes were raised and the US was in the spotlight. A number of delegates were talking about the failure of US-led capitalism and even Bill Clinton was nodding. When asked about Wen Jiabao's thinly veiled criticism of America over the crisis, he said: "The Chinese premier was right: It all started in the United States."

Somewhat incongruously, Valerie Jarrett, speaking as President Obama's representative in Davos, told delegates that his message can be conveyed in one word: "responsibility". That's encouraging but not terribly helpful. What does it mean? Maybe the test will literally be "the ability to repond" by politicians and CEOs. Too little too late some say, but watch this space.

One place to start, according a WEF report released is clean energy investment, which they claim needs to more than triple to \$515bn (£360bn) a year to stop greenhouse gas emissions reaching levels deemed unsustainable by scientists. At least that's a message Obama seems to be taking on board.

At a corporate level, at least one good news story of response-ability emerged. US firm Tupperware Brands Corp said it is unlikely to lay off staff or cut costs. Chief executive Rick Goings admonished that "the last thing to cut is your talent." Let's hope other CEOs are listening, although I seriously doubt it.

The annual Philanthropic Lunch, with its predictable crowd of Bill-spotters (including the Gates and Clinton varieties), seems to me a bit like a doing a band-aid dance at a chainsaw massacre party. At least it produced a pearl from Gates - philanthropy is fun and fulfilling! Well, if anyone would know, its the world's biggest philanthropist ever, right?

Then again, wouldn't it be better to improve capitalism as a system, so that we don't need to rely so much on uber-philanthropists' need for a warm-fuzzy endorphine fix? Why don't we give responsible capitalism a try first, and then we can talk about something a bit more creative after that? How about it - do we have a deal, Bill?

Day 3 (31 January 2009)

When the biggest news item is the (lack of) mobile phone etiquette displayed by British Prime Minister Gordon Brown, I begin to question the value of blogging about Davos Day 3. But then, at least his opposition party leader, David Cameron, revived yesterday's "quest for a new capitalism" theme, calling for "capitalism with a conscience".

Cameron urged businesses not to ignore the interests of society in the pursuit of profits, saying it's time for wealth to be distributed "more equally". Now, I don't blame you if you're pinching yourself. No, you're not dreaming, and yes, this is from the same conservative party that brought us free-market spin-doctor, Margaret Thatcher.

Cameron's call on Day 3 was the exception however (that was Day 2's theme - try to keep up David!). Most of the talk and twitter on Day 3 was about protectionism - dire warnings that this is precisely what led to the Great Depression in the 1930s and tut-tutting by German Chancellor Merkel about America's auto-industry bale-out, which is Protectionism with a big P - protectionism of the \$25 billion variety.

They may be right, but this is a bit of a tough sell on a world still fighting the runaway fires of neoliberal capitalism. What's more, it is precisely managed protectionism that has helped sustain China's rise to prosperity, while neither America or Europe has been prepared to forfeit their perverse agricultural or fossil fuel subsidies.

But before I head off on a tangent ... the day was not totally devoid of CSR-related themes. Al Gore was seen looking much cheerier than usual, assuring us that Obama's commitment to a post-Kyoto deal on climate change is real. Let's hope Obama gets further with his good intentions than Gore did during his term as Vice President.

(I remember Gore at a two day training event organised by the University of Cambridge Programme for Industry in 2007, when asked what he would do differently if he was in the White House today, he said, I would be President, not Vice President! Well, he's got the next best thing - the ear of Obama).

Denmark's Prime Minister, Anders Fogh Rasmussen, politely asked rich and poor countries alike to commit to big cuts in greenhouse gas emissions, ahead of year-end

talks on a new climate treaty that he will host in Copenhagen. Ironically, the worldwide economic collapse may be good news for the climate, at least in the short term. Remember how Russia's emissions went into freefall along with their economy in the early 1990s?

The messages out of Africa were sadly familiar, but no less true: Kenyan Prime Minister Raila Odinga criticised Zimbabwe's Robert Mugabe for allowing 3,000 people to die of cholera and African leaders for not taking a unified stand against him. He admitted that corruption on the continent must be reigned in, but so too must Western companies exploiting Africa's resources.

Amazingly, there were still a few brave, intrepid banking honchos pleading the financial industry's case. HSBC chairman Stephen Green said that banks must not be "demonized" over the financial crisis. "Banks have clearly done things wrong. Some of the practices did not contribute, by any reasonable standards, to human welfare."

Thanks for the apology, Steve, but you won't get off the naughty-step that easily! Besides, if I'm not wrong, most of your mates are now working for the politicians. So we'll let you know how we feel about the banks - demonic or otherwise - when next we place our democratic votes.

Which makes me wonder ... could we be witnessing a shift from CSR to CNR - from corporate social responsibility to corporate national responsibility?

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