

Big Businesses For Big Solutions: Encouraging Corporate Social Responsibility

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*Joint Keynote
Speeches*

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Big Businesses For Big Solutions: Encouraging Corporate Social Responsibility

This is a report on a public session titled “Big Businesses for Big Solutions: Encouraging Corporate Social Responsibility”, held as part of the TRT World Forum 2017. The views, themes and discussion points expressed in this conference report are those of speakers and participants present at the TRT World Forum 2017, and do not reflect the official view of TRT World Research Centre.



forum

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- Why should corporations get involved in humanitarian crises and how can they make their role more effective?
- Why have some corporations provided humanitarian aid while others prefer not to get involved?
- How can the role of the private sector and multinational corporations be improved to help solve humanitarian disasters?
- What dangers exist by involving business or corporations in the humanitarian crisis?

Summary

This session discussed the role that big businesses and entrepreneurs play in effecting social development and change. Considering that the international community is failing to react quickly and effectively to the emerging problems of third world countries, this responsibility falls on the shoulders of big businesses. As opposed to traditional approaches, big businesses and organisations should react quickly and effectively to operate in fragile economies, both to improve them but also to gain the capability to adapt in the respective economies. This session is bringing ‘for-profit’ companies and ‘non-profit’ social organisations like TRT World Citizen, Turkish Airlines and Windhorse International together to discuss humanitarian issues and corporate responsibility in enhancing sustainable development.

The discussion started with a definition shared by the moderator Craig Copetas quoting Nobel Winner Richard Thaler. The moderator formed the discussion on the basis of Thalers' argument and the concept of 'nudge'. Mr. Copetas pointed out the importance of behavioral economics and 'nudging' others to do the right thing. In this context, İlker Aycı emphasised that Turkish Airlines is connecting Somalia to the world, nudging it, delivering assistance and care to Somalia on Turkey's behalf. In parallel with this, İbrahim Eren underlined the humanitarian focus of TRT World as a news channel and its immense effect in generating empathy and faith, globally. Additionally, Paul Polak stressed the significance of creating business opportunities for the people of third world countries who live on less than \$2 a day. While doing this, the scale of action and the platform that people interact in are of vital importance.

'Big solutions for big problems' session had many themes that speakers emphasised on. Firstly, big solutions require sacrifice. Even if the process is at times cumbersome, businesses need to take incentives to spend money on social responsibility. This is a win-win process, generating mutual respect and trust. Secondly, doing the right thing bears more importance than fiscal concerns and nudging others to do this is the due that big businesses need to pay back to society. Thirdly, big businesses should think like small businesses and make empathy with them in order to help them. Companies who want to enhance this endeavour may face some difficulties but at the end of the day businesses having a social responsibility agenda could help mobilise other communities to get involved.



Moderator, Editor-at-Large for TRT World, Craig Copetas, discussing mentioning behavioral economics in a transforming market.

Introduction

The eradication of poverty is one of the largest global challenges facing the world today and is considered a high priority in the United Nations Millennium Development Goals. Taking the commitment of UN on 2030 Global Goals into account, poverty eradication is at the heart of its 2030 agenda, and UN is committed to leave no-one behind. As we approach 2030 with an intense agenda, it seems that there is a long and difficult road to take in a relatively short span of time. Emerging conflicts, disasters and deprivation of natural resources are the main challenges leading to poverty. According to the Human Development Report (HDR) published by UN in 2010, poverty has become multidimensional. Today, at least 33 percent of the population of the developing world is living in acute multidimensional poverty, indicating a deprivation of health, education and standard of living. Furthermore, around 900 million people are under risk of falling into poverty if financial, natural or other impediments occur.¹ As a result, the World Bank has changed the international poverty line from \$1.25 to \$1.90 per day, raising it to a more realistic standard to better reflect the true cost of living in poor countries today. With the last available data from 2013, 10.7% of the world population lived in extreme poverty.²

Considering that the international community is failing to react quickly and effectively to the emerging problems of third world countries, this responsibility falls on the shoulders of big businesses. This session discussed the role that big businesses and entrepreneurs play in effecting socio-economic development and change. As opposed to traditional approaches, big businesses and organisations should react quickly and effectively to operate in fragile economies, both to improve it but also to gain the capability to adapt in the respective economies. This session is bringing 'for-profit' companies and 'non-profit' social organisations like TRT World Citizen, Turkish Airlines and Windhorse International together to discuss humanitarian issues and corporate responsibility in enhancing sustainable development.

¹ "Multidimensional Poverty Index (MPI) | Human Development Reports". 2018. UNDP. <http://hdr.undp.org/en/content/multidimensional-poverty-index-mpi>.

² "Overview: Poverty". 2018. World Bank. <http://www.worldbank.org/en/topic/poverty/overview>.

Behavioural Economics in a Transforming Market



The current global economic order is built on an economic principle known as efficient market theory. This theory maintains that prices, the market or the regulations are based on rational foundations. Efficient market theory in its ideal form heralds fundamental financial health and good corporate performance. However, in practice the theory does not apply efficiently to the market as illustrated lately in 2007 when the mortgage bubble burst to cause the worst global financial disaster since the great depression. According to Nobel Prize winner Richard Thaler from the University of Chicago, economy is actually based on behavioral economics that degrades the efficient market theory.

Behavioural economics imply that psychological biases cause people to act in ways that diverge from pure rational self-interest. In this context, Thaler puts forth a notion that gets people to do the right thing. This notion is called “the nudge”. Either for-profit or non-profit organisations, companies, institutions or NGOs can be the architects of the nudge that

structures choices for people to be nudged into making the choice that is probably the best for them. Nudge does not mean compelling people to make a certain decision or act a certain way but rather to make it easy for them to choose what is best for themselves and their families. In other words, nudge will offer people a path to follow. Civic organisations or government bodies need to use the nudge to guide people to certain choices that are in their best interest. It is important to remember that shaping behavior and the nudge is not traditional. Therefore, the initial steps may be difficult and cumbersome. Despite all the difficulties of nudging, it can engender corporate social responsibility and shape business models. Given the insufficiency of the scope of projects that have been done till now, it is clear that big companies also need to be involved to overcome global economic inequality. In this regard, any action to be taken for the poor and every opportunity to be created for the underdeveloped or developing economies will be returned as gains to the big companies in the future. These steps that will be taken by big companies can lead to partnerships based on mutual trust, as well as to global gains by triggering large-scale humanitarian movements.

Either for-profit or non-profit organisations, companies, institutions or NGOs can be the architects of the ‘nudge’ that structures choices for people to be nudged into making the choice that is probably the best for them.



Director General & Chairman of TRT, İbrahim Eren, speaking about the vision of TRT World and its TRT World Citizen projects.

Models of Corporate Social Responsibility

In the regarding session, participants informed audience on different models of corporate social responsibility. Be it for-profit or non-profit, all corporate social responsibility projects have shown their incredible value on the development and transformation of small market economies as well as social spheres.

İbrahim Eren, the Director General and Chairman of TRT, emphasised TRT World's desire to differentiate from other news platforms by putting the human at the centre of the coverage. Mr Eren sees the focus of TRT World as a great opportunity to nudge others to do well. In this regard TRT World promises to put the concerns of their audience first, not concerns of the power hubs. Placing people in the centre of news without discriminating and exploring their realities bring a difference to the political sphere, Mr Eren implies. Advanced technology is the one element that helps the mission of TRT World. As conflicts, wars, clashes and terrorism have produced millions of refugees who have been forced to leave their hometowns with the hope of finding shelter, technological improvements paves the way for TRT to transmit correct and impartial information which is essential for human dignity. Mr Eren believes that the public deserves more attention and respect from media. What media platforms produce should at least exhibit an understanding of the existing make-up of the public. And media should reconcile with the fact that there are differing points of view, which might be just as valid as our own. In this forum session, TRT World became a significant example for corporate social responsibility in the media sector. Moreover, World Citizen initiative of TRT World which brings the human centered focus of TRT World to the field, also nudges other corporations to do well. In addition to TRT coverage of refugees in detail, TRT with its World Citizen initiative interacts with vulnerable segments of society to give them more agency. Through this way, World Citizen initiative calls for an innovative and inclusive understanding of humanity. This initiative draws attention to critical issues like child refugees in Europe by publishing a booklet

conducted through comprehensive research on the conditions of the refugee children in EU. The initiative also calls for action and nudges people to look after these children.

In parallel with the projects of TRT, İlker Aycı, the CEO of Turkish Airlines emphasised that Turkish Airlines is connecting Somalia to the world, nudging it, delivering assistance and care to Somalia on Turkey's behalf. Aycı states that you cannot expect the conditions to be perfect all the time. Even if the resources are scarce and the capital is expensive, making up choices is essential in some cases. Meeting the demand of CFOs of the company and at the same time allocating money for social sensitivity projects can be challenging but the motivation of Turkish Airlines is to create a value and share it with people. As a prominent Turkish company, efficiency and optimisation is always important for Turkish Airlines but Mr Aycı illustrates the motivation of Turkish Airlines through their projects. Starting from 2012, Turkish Airlines has carried out more than three hundred social responsibility projects in thirty four countries either through delivering food or pharmaceuticals to Somalia or through opening up a new water resource. Mr Aycı states the importance of state support and vision to enhance the capacity and influence of these projects. Such projects, he says, fosters mutual respect and trust between receiving and delivering countries. Since Turkish Airlines is a state company, Aycı's speech is mainly oriented towards the social responsibility of states.

Paul Polak who is the founder of Windhorse International stressed the significance of creating business opportunities for the people of third world countries. His company allows small farmers to produce for the bigger market, making standards better and encouraging disadvantaged people to do better for themselves. He encourages corporations to donate to the people who are in poverty so that they can start their living and create their own businesses. It is important to remember that economic growth is not peculiar to developing or developed countries. Excluding the third world from opportunities such as equipment and technology, would undercut their ability to do the best for themselves. In this point, the scale of the business is also important. As he stresses, "it is useless to do two hundred of one thing or three hundred of another thing since there are two billion people who live on less than \$2 a day. If you cannot come up with something that reaches at least a million of them... you cannot be beneficial for those people." In that case, businesses would simply provide the need but not provide the conditions to start their living. The focal point of Paul Polak's speech was the importance of providing the necessary equipments and expertise for those who live under 2\$ a day, rather than making them dependant on humanitarian aid.

**Chairman of the Board and
the Executive Committee
Turkish Airlines**



Chairman of the Board and the Executive Committee of Turkish Airlines, İlker Aycı, talking about the motivation of Turkish Airlines for corporate social responsibility projects.



CEO and Board Chairman of Windhorse International Airlines, Paul Polak, stressed the importance of providing the necessary equipments and expertise to people who live under 2\$ day, rather than making them dependent on humanitarian aid.

Challenges and Prospective Comments



As to the transformation of underdeveloped economies and worldviews, many corporations including TRT, THY and Windhorse International provide opportunities. For these opportunities to turn into effective solutions, socially responsible corporations should first enlarge the scale of their aiding programmes and improve the efficiency of these programmes which could in turn possibly improve respective societies.

The discussions in the session which concerned the existing challenges and likely opportunities of big companies engaging in socially responsibility projects, revealed some common themes for both non-profit and for-profit companies. Firstly, big solutions require sacrifice. Even if the process is at times cumbersome, businesses need to take incentives to spend money on social responsibility because this is a win-win process, generating mutual respect and trust. Secondly, doing the right thing bears more importance than fiscal concerns and nudging others to do this is the due that big businesses need to pay back to society. However, poor people also need to invest their time and effort to move out of poverty. Thirdly, big businesses should think like small businesses and make empathy with them in order to help them. Companies who want to enhance this endeavour may face some difficulties but at the end of the day businesses having a social responsibility agenda could help mobilise other communities to get involved.

As to conclude, there is still a big majority who live on less than \$2 a day. Companies like THY, Windhorse International and TRT World will continue to spread their words and projects on the alleviation of poverty, as long as this poor majority is ready to thrive. As for future projections, the scale of action and the platform in which people interact are two vital factors that have to be taken into consideration by companies embarking on social responsibility projects. This devoted approach has the potential to pass from one organisation to another which may eventually result in a “collective nudge” and generate GDP growth in the long run.





The last session, 'Big Business, Big Solutions: Encouraging Corporate Social Responsibility', analysed the role that businesses play in encouraging and creating social developments.
