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# Business Credit News

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## “Corporate Social Responsibility is Being Taken More Seriously”

By: David Balovich

Not too long ago I read an article on corporate social responsibility (CSR) that began:

*"In the decade or so since the phrase "corporate social responsibility" first began to make its way into the mainstream corporate lexicon, the concept has gained widespread support and acceptance in the business world. In fact, the formal adoption of CSR policies has become so widespread that, among larger companies, at least, CSR policies have become almost, universal".*

I was dumbfounded when I read the above because it was over fifty years ago that I attended a lecture, while a college freshman, given by Harold Geneen, the then CEO of ITT, International Telephone and Telegraph, on corporate social responsibility and yet it has taken close to five decades for his message to finally get attention.

Before Jack Welch and GE, there was Harold Geneen who molded ITT into the most diversified conglomerate in the world with interests in manufacturing, distribution, communications, insurance, hospitality, and real estate, to name just a few of the industries ITT acquired and managed . It was Harold Geneen who said *"leadership is practiced not so much in words as in attitude and in actions"*.

Although there have been changes in how corporations look at their corporate social responsibilities - not only to their employees but also their customers and the communities where they reside. One of the most significant changes is that a bona fide industry has developed around SCR, complete with consultants, college courses, an industry magazine, conferences and associations, and all competing with each other for corporate attention. While just a few years ago it was relatively difficult to find either advice or case studies on social corporate responsibility best practices, and now the volume of information available on SCR is almost overwhelming. And while back in the 60's SCR was only a theory practiced and promoted by Geneen and a few followers, for many companies today it has become a key element of their corporate strategy-and a recruiting tool.

Sadly, there are many things that have not changed over the past fifty years. Far too often, SCR executives are frustrated by their lack of access to key corporate decision makers. Too many companies still consider SCR to be an accessory clause that can be added or removed from the company vision as needed. Worse, a surprising number of organizations still consider corporate social responsibility to be solely about image or brand building, nothing more than a public relations exercise.

Often it is only after a company ends up on the wrong end of a consumer or pressure group campaign that its leaders recognize the strategic importance of social corporate responsibility. As a result, many of the leaders in the SCR field are those companies that have been most badly mauled by non-governmental organizations or consumer-led campaigns against them.

Is it no surprise, then, that some of the organizations most vilified over the years by human rights and environmental campaigners, companies such as Wal-Mart and Nike, have become enthusiastic proponents of promoting social corporate responsibility?

By underrating the importance of corporate citizenship, these companies are making a colossal strategic mistake. The world in which they operate has changed fundamentally in recent years. The standards of behavior that companies are expected to maintain are much higher today than in the twentieth century, while the price of failing to meet those expectations can be colossal.

Through social media, for example, companies' customers-and critics-can communicate with each other as never before. Already, there are examples of global conglomerates having to abruptly change their strategy and hurriedly upgrade their social or environmental behavior after finding themselves on the receiving end of a successful social-media-enabled campaigns.

In many companies, SCR has undergone a transformation from peripheral concern to key business issue. But one thing that has not changed even slightly over the past five decades is the common question, "**are they for real?**" The suspicion that many corporations' SCR efforts are really "papering over the cracks" continues as strong as ever, and perhaps more so now that companies have learned the tricks to present themselves as responsible corporate citizens. With PR firms and consultants making a comfortable living from their corporate responsibility consultancy services, cynics would be forgiven for thinking that the corporation's emphasis is more on looking good than being good.

Companies such as British Petroleum, Boeing, FoxConn, and Purdue, as examples, have or are in the process of making a concerted effort to present themselves as a company that cares as much about the environment and the safety of its' customers and community as about profits, and at the same time trying to play down the disasters they created. When a company that re-branded itself as *Beyond Petroleum* is responsible for one of the biggest oil spills in history, critics of BP's media blitzes justifiably have a field day. And it is hard to argue with those who suggest the billions BP paid out in its media campaign to publicize its SCR credentials would have been better spent designing safer drilling procedures and management awareness.

In the area of credit management, it is our responsibility to speak up when we recognize that one more order on open terms can result in an unfavorable outcome for both our firm and the customer. Customer default not only affects the supplier and purchaser but can have a "ripple down" effect on other businesses and the individuals they employ resulting in a negative impact on the community. Our actions extend beyond our companies P & L to our firm's social corporate responsibility.

Here is a sobering statistic, 88% of the Fortune 500 firms that existed 60 years ago do not exist today. Many of these companies failed in the last ten years and the majority were considered "too big to fail". Companies like Pan Am, Kodak, Polaroid, Toys R Us, and General Motors to name a few. Collectively the average life of these five companies was 105 years and several should have disappeared earlier than they did but like an aging loved one they were kept on "life support" and when the end finally came the impact of their demise was greater on supplies, customers, employees, and the community than if they had been allowed to fade away gracefully.

The sudden acknowledgement by company leaders concerning in the social corporate responsibility are not doing it to be nice. They are waking up to the fact that it is necessary today in order to survive. They are finally understanding what Harold Geneen was advocating in 1966 and what he really meant by the phrase "sustainable business."

I wish you well.

\*\*\*\*\* **APRIL 2019** \*\*\*\*\*

Day	Date	Group	Location	Time
Tues	2	Austin Construction	Las Palapa Restaurant, 6640 E Hwy 290 Austin TX	11:30
Tues	9	Corpus Christi Credit	Johnny's Italian American, Corpus Christi TX/Telconference	11:30
Tues	9	Rio Grande Valley	Teleconference Meeting	12:00
Tues	9	Victoria Credit	Teleconference Meeting	12:00
Tues	9	Laredo Credit	Teleconference Meeting	12:00
Thurs	11	SW Food Credit Group	Las Palapas, 4802 Walzem Rd, San Antonio TX	11:00
Tues	16	Austin Construction	Las Palapas Restaurant, 6640 E Hwy 290 Austin TX	11:30
Thurs	18	HVAC Credit Group	Texas Air Products, San Antonio TX	11:30
Thurs	18	Fuel & Lube/Heavy Eq.	Phone Conference Meeting 1-800-791-2345	2:30
Thurs	18	SW Electrical Group	The Onion Creek Country Club, Austin TX	11:30
Tues	23	SA Construction	Las Palapa, 4802 Walzem Rd, San Antonio TX	11:30

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**INDUSTRY CREDIT GROUPS.....**

**COLLECTION RECOVERY.....**

A company with financial problems does not acquire them overnight. It has usually experienced one to three years of surfaced difficulty. The earlier these warning signals are identified and analyzed the greater the chance of effective correction action.

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