

SOCIAL RESPONSIBILITY



By **Martin Rapaport** | Chairman, Rapaport Group

There is more to the jewelry business than making money. But how can free, fair, open, competitive markets optimize social responsibility? And who decides the balance between social responsibility and profits?

Read about Martin Rapaport's view on how the jewelry industry can recognize and support the added value that social responsibility brings to our products.

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The role of business is expanding. While the need to provide good products at competitive prices remains the same, the definition of “good products” is rapidly evolving. Social responsibility can be seen as a quality attribute that increases the “good” of a product. As in all quality improvements, the higher the quality, the greater the cost and price. Consumers choose from a range of quality/price combinations. Some consumers want higher-quality socially responsible products and are willing to pay more for them; others don’t.

While many in our trade would like to do the right thing and provide high-quality, good, socially responsible products, it is up to consumers to decide what they want and how much they are willing to pay for it. Essentially the level of social responsibility is up to consumers. They will get the level of social responsibility they are willing to pay for – no more and no less.

The trade can have a positive impact by marketing and communicating the advantages of socially responsible jewelry products. Essentially, driving socially responsible demand through competition.

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We should recognize that the flip side of good products is bad products that hurt people and society. There is a broad range of socially irresponsible actions that reduce the “quality” of our products and industry. Violation of human rights is the greatest evil, but environmental damage, unsafe or unfair working conditions and a host of other factors influence the “quality” of our products.

Furthermore, bad actions promote more bad actions. If someone bribes a government official or engages in other illegal activity that lowers their costs, legitimate companies are at a competitive disadvantage. Without a level playing field, you can’t have fair competition. Illegitimate firms gain extra profits, encouraging other firms to engage in bad practices. Just as you can have good, socially responsible competition you can have bad, socially irresponsible competition.



While fighting evil may discourage some unethical behavior, it does not solve the problem. The way forward is to encourage, promote and reward good behavior and good products. This requires differentiating, labeling and certifying good products. We must reward good behavior and set the stage for socially responsible added value. We must transcend altruism and create a market where it pays for businesses to be good.

Creating “good” supply chains offers a responsible alternative to unknown sources of supply that may include “bad” products. Essentially the best way forward is to offer good products. And fortunately that is what is happening today.

The diamond and jewelry industry is on the slippery slope of legitimacy. Day by day more efforts are being made to identify and monitor good supply chains. The Responsible Jewellery Council (RJC) is leading the way by establishing socially responsible standards and creating a transparent auditing system. Many organizations such as the Alliance for Responsible Mining, Impact, De Beers and others are working hard to help the artisanal sector meet fair trade standards that empower impoverished communities. International trade groups such as the World Jewellery Confederation (CIBJO) are uniting to support the UN Sustainable Development Goals.

Visit the sr.rapaport.com resources section for information about organizations and companies working on social responsibility.

“SOCIAL
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It is important to recognize that the move to social responsibility is a process. Things are not perfect and there are legitimate concerns about greenwashing. For example, those that shamefully support the legitimization of Zimbabwean diamonds involved in human rights abuses hurt the image of all diamonds, including good diamonds that benefit society.

On the other hand, we should accept the implementation of partial solutions to complicated problems. For example, rough diamonds sourced from legitimate mines but cut in factories that are not audited. While we must never support harmful products, we should support partial legitimization. We must encourage the good parts of the supply chain even if at this stage we cannot audit the entire supply chain. As long as we are completely transparent about the limitations of our claims we should not be afraid to disclose what's good about our products.

There are other issues that require serious industry discussion. For example, the move to an auditable supply chain disenfranchises the artisanal sector, which has very high monitoring and auditing costs. The same is true for smaller manufacturers. Will the unintended consequences of audited supply chains hurt smaller companies?



“SOCIETY IS QUESTIONING THE ROLE AND PURPOSE OF BUSINESS”

CONCLUSION

Society is questioning the role and purpose of business. Is the primary role of business to make profits for shareholders or to benefit stakeholders and society? Are companies making too much money? Do companies have an obligation to create a fairer society?

Hillel the Elder said, “If I am not for myself, who will be for me? And being only for myself, what am I? And if not now, when?”

Milton Friedman wrote, “There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.”

Can we reconcile these two ideas? Can free, fair, open, competitive markets optimize social responsibility? To what extent should companies forgo profits and engage in altruistic activities? Who decides the balance between social responsibility and profits?

The primary thesis of this article is that society votes for the level of social responsibility it wants with money. There must be a direct positive correlation between profitability and social responsibility. Social responsibility must be demand-driven. The extent and value of social responsibility must be decided by supply and demand.

Are customers willing to pay more for socially responsible products? How much more? Do employees decide where

to work based on ethical considerations? Will suppliers ensure the legitimacy of their supply chain if there is sufficient profit in doing so?

We should recognize that altruism and charity are not sustainable unless appreciated by customers and supported by profits. While government regulation may play a role in regulating social responsibility, it discourages positive development by increasing costs without driving profits.

The way forward is for the jewelry industry to recognize and support the added value that social responsibility brings to our products. We must increase demand for our socially responsible products by promoting and marketing the benefits they bring to society. We must increase the supply of socially responsible products through transparent supply chain certification.

For our industry to succeed in the development of socially responsible jewelry, we must create sustainable demand that offers our trade economic benefit. When it comes to social responsibility, the bottom line is the bottom line. We must create a reality where it pays to be good.

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