The hot air of CSR

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By Stefan Stern
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Thank goodness, now the recession's here we can forget all that nonsense about corporate social responsibility (CSR) and get back to trying to make some money.

Admit it, the thought had occurred to you. There may have been much talk of (newly rediscovered) responsibility in Davos last week. But for most managers the biggest responsibility of all will always be to make a profit and stay in business.

The good news is that serious CSR types understand this. I went to a lunchtime meeting at the House of Lords last week where this became clear. This was no crowd of burbling do-gooders. One executive declared: "I can't stand writing CSR reports. I hate it. It's so boring." Another – in fact our co-host, Michael Littlechild, the head of the advisory business Good Corporation – conceded that, for many business people, CSR was just a case of BDF: "babies, dolphins and forests".

There is a mismatch, to put it mildly, between the politically correct rhetoric of a chastened global elite and the reality of what managers have to do every day of the week. It is easy to get confused by these mixed messages. Is it time to embrace the new morality, or to drive the business even harder in search of every last bit of revenue? What should this new era of responsibility look like?

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Consider the unfeasibly cheap T-shirt. Commercially it is attractive. Ethically it is questionable. But shoppers are not stupid. They have watched (or at least heard about) the TV documentaries. They have read the stories about child labour and the unsatisfactory working conditions that can be found even in first-world countries. They know that retailers cannot sell a decent quality T-shirt for £1 ($1.40, €1.10) without there being consequences for the people who have made it.

But shoppers are not wicked, either. They are hard-pressed people on ever-tighter budgets. They have an eye for a bargain. You can price your ethically produced T-shirt at a level that allows you to feel a lot better about yourself and, who knows, even put out a press release telling the world what you are doing. Some customers will like it. But don't be surprised if your competitors' stores seem a lot busier than yours.

Is this stale, behind-the-curve thinking? According to Richard Edelman, chief executive of the Edelman communications consultancy, it probably is. "Business leaders need to think differently about what it means to be a public company," he wrote in the Financial Times last week. "No longer can their sole objective be to maximise profits." He argues that a new strategy of "public engagement" is needed to restore the public's trust in business.

So, a PR firm thinks you need better PR. But Mr Edelman made other suggestions, including the idea that something called "mutual social responsibility" (that is, companies and customers acting together on "societal problems") and "private-sector diplomacy" (corporate activism on global concerns such as climate change) could improve business's standing in the world.

Corporate reputation is clearly important, and highly vulnerable in the age of the internet. But is there really always a straight-line connection between reputation and the bottom line? Customers may decry company X in a focus group or opinion poll. But where do they do their shopping?

The UK discount fashion store Primark has had its name dragged through the dirt in the past year, after worrying aspects of its supply chain were uncovered. Its latest sales figures? Up by 18 per cent (aided by new store openings) in the 16 weeks to January 3, when almost every other UK clothes retailer was struggling.

We need to cut through the well-meaning waffle. One business leader who usually does is Sir Terry Leahy, the chief executive of the UK's leading retailer, Tesco. In an article for the Daily Telegraph last week, Sir

Terry let off steam about what he sees as the growing risk of over-reaction by governments and regulators in the current crisis. We risk losing sight of a few fundamentals: "free trade in competitive markets, enabling individuals to pursue their own interests, and all within a clear framework of law," he wrote. Do-gooders, whether they mean to or not, are likely to do bad.

Yes, he went on to say, the role of something called "green consumption" could also play a powerful role for good, in cutting the use of carbon.

But it is obvious where Sir Terry's priorities lie. In a lecture in the same week he told suppliers that they would be coming under increasing pressure to cut the prices they charge Tesco this year. How worried is Sir Terry by the thought that his suppliers may be forced into finding cheaper and potentially less environmentally friendly ways of producing their goods? Not very, would be my guess.

That's business. And, if Tesco wants to continue competing on price, it will keep up the pressure on its suppliers. Does this constitute "corporate social irresponsibility"? Hardly. The truly responsible thing to do is to run a good business competently.

As the wise CSR practitioners know, it is how you do business that counts. All the rest is just hot air.

stefan.stern@ft.com

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