

TOPICS & BRIEFINGS

Posted 03 October 2011

What makes corporate social responsibility more than a luxury extra for organisations flush with cash?

From sole traders to big brands, we look at the *real* value of CSR.



What does the term corporate social responsibility (CSR) bring to mind? Environmentally-friendly initiatives, community charity projects, waste reduction?

While all of these are valid aspects of CSR, there is a risk that CSR gets compartmentalised as add-on environmental policies and community volunteering initiatives when, in its broadest sense, it is all-encompassing good-company governance. And while socially responsible companies rarely garner the headlines for their good business ethics, they certainly grab the media's attention when it goes wrong.

Indeed three of the most striking recent examples of failure to abide by CSR principles – BP, News International and Diageo – illustrate the full breadth of responsible corporate governance.

From BP's environmental disaster off the Florida coast, to the phone hacking at *News of the World* and the \$16million settlement by Diageo regarding bribery allegations in South Korea, India and Thailand – each is an example of the reputation damage a company can experience when it has not embraced a root-and-branch CSR strategy.

As the British economy is still in a delicate state, yet to fully recover from the credit crunch and recession, budgets across most businesses have been squeezed. In this climate it's not just workforces that are shrunk or marketing budgets that are reined in.

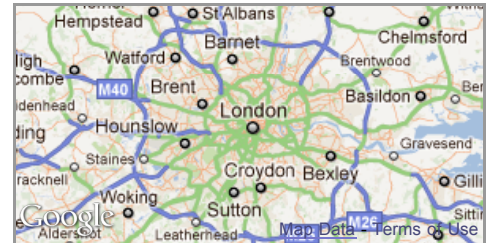
So what are the business arguments for continuing to invest in CSR when times are tough?

One viewpoint is that if CSR is applied in the broadest sense, it should not be at risk from budget cuts, because it is at the heart of the business strategy. Michael Littlechild, director of business ethics consultancy, GoodCorporation, says, "I consider CSR to be a very rounded view of social responsibility which means playing fair by all the people you come in contact with as a company – employees, customers, suppliers, your neighbours – as well as the environment.

So doing it when finances are tight is the same as in times of plenty. Expectations on all organisations are much higher – to play fair, not cheat people and not have negative

BUSINESS IN YOUR REGION

CONNECT AND COLLABORATE WITH BUSINESSES CLOSE TO YOU – AND KEEP UP WITH LOCAL BUSINESS NEWS



Last updated: 20 hours ago

BUSINESS TOOLS

FRESH THINKING ON THE ISSUES AFFECTING YOUR BUSINESS, FROM NATWEST INSIDERS

- Smarta Business Builder - The ultimate solution for start-ups
- Online service finder - Find a banking solution that suits you
- Business School - Expert guidance
- Bankline Lite - Our advanced online banking service
- Online Business Banking - Banking at your fingertips

[See how businesses like yours have benefitted from our no-nonsense advice and coaching](#)

Last updated: a month ago

THE BUSINESS SENSE BLOG

FRESH THINKING ON THE ISSUES AFFECTING YOUR BUSINESS, FROM NATWEST INSIDERS

- Why social enterprise matters to all of us.
- Business as usual

[Visit the Business Sense blog](#)

Last updated: a month ago

EDITOR'S CHOICE

THE PICK OF *BUSINESS SENSE'S* FEATURES, FILMS AND INTERVIEWS, CHOSEN FOR YOU

Corporate social responsibility



- More than a luxury?

- New enterprise zones announced
- Secrets of successful businesses
- Staying ahead of the game
- Back to the future
- Advice on global markets

Last updated: 23 hours ago

LATEST NEWS

ESSENTIAL UPDATES FOR YOUR BUSINESS AND BEYOND

impacts – and those expectations don't change.

"If companies started to be much more narrowly self-interested, they'd suffer the same consequences in difficult times as in less difficult times, in that they'd suffer damage to reputation. No one is saying it's a shame what happened at *News of the World*, but times are hard," he adds. Indeed there is a strong business argument that CSR leads to better financial performance for companies.

One organisation that has built itself from ethical foundations is the Co-operative. Paul Monaghan, head of social goals and sustainability at the supermarket giant, points to the financial benefits of its responsible positioning.

"The success of the Co-operative in the past few years – which has seen us double turnover, double profits and double members – has demonstrated that it is possible for business to trade ethically and still embrace the efficiencies of the market economy."

In February this year, the Co-op embarked on a major communications programme, including TV, press and social media, to promote its ethics and urging consumers to "join the revolution" for a more sustainable future.

"It arose from the need to integrate our ethics better with our business planning – our leadership on ethics had been eroded in the eyes of the public. We track these things quarterly, and while we were still seen as being number one, the gap had narrowed and our competitors began to see the advantages of taking up similar positions to ourselves on a wide range of issues," says Monaghan. "The whole campaign was judged a great success on several fronts, including the recruitment of more than 250,000 new members. Independent research by Nunwood conducted pre- and post- the campaign shows that it has led to clear blue water being re-established between the Co-operative and its high street retailer rivals when it comes to CSR."

With an ethical stance at the core of its business, the Co-op is in a different position to most organisations and businesses that are working out how to integrate, establish or improve their CSR strategies.

Few can boast such a pioneering and radical beginning, but others are doing innovative CSR in different ways. Marks & Spencer's Plan A is often cited as an ambitious strategy that has been led from the top and affects all aspects of the retailer's business. While shoppers might be most familiar with the charging-for-plastic-bags policy, M&S's overall goal is to become "the world's most sustainable major retailer" and covers reducing CO2 emissions and waste, sustainable agriculture and sourcing, employment practices and supply chains – it even includes the first carbon-neutral lingerie range. In 2010/2011, M&S reported that Plan A generated a net benefit of more than £70million, which was achieved by greater efficiencies and new business opportunities. The company describes Plan A as being "at the heart of how it does business".

While M&S's Plan A is a relatively recent addition – it was started about four years ago – another behemoth of British business, BT, has been associated with CSR initiatives since the 1980s. Its director of corporate responsibility Caroline Sheridan explains how CSR is seen as neither a separate programme nor strategy, but integral to how it does business. And like Monaghan at The Co-op, she argues it leads to improved business performance.

"We're better placed to identify and manage risks, spot marketplace opportunities, avoid costs through good environmental management and provide products and services that help customers reduce their energy use," she says. "Our CSR credentials supported us bidding for £2.1billion worth of new business contracts last year. We're also more able to attract, retain and motivate talented people."

This latter point is seconded by Littlechild as a vital aspect of CSR. "These days people are not so keen to work for companies that have a bad reputation," he explains. "Good employment practices are part of CSR. So there is an argument that you'll save money by keeping employees for longer."

Jane Fiona Cumming, director of Article 13 – which looks at business responsibility, governance and public accountability – says companies that are good at CSR are being recognised for it, invariably internally as much as externally. "A great test of authentic CSR programmes is to talk to a company's staff," she says.

So as well as helping customers feel connected with a company, she argues that CSR, when done properly, makes workers feel positive about their employer and more willing to "go beyond the norm in their jobs". Sheridan says that BT employees feel passionate about the company's CSR position. "Sixty-four per cent say that knowing about our

Eco investment pays off



- Renewable energy benefits

- Electric vans gain ground
- Sourcing ideas in-house
- Brand spend bucks trends
- No holiday for half of UK bosses
- NatWest offers interest-free loans to riot-hit businesses

Last updated: 3 days ago

PRIZE DRAWS

EASY TO ENTER, GOOD FOR YOU, GREAT FOR YOUR BUSINESS

- Win - Management training worth £1,600

Last updated: 2 months ago

REAL STORIES FROM UK BUSINESSES

LEARN FROM BUSINESSES LIKE YOURS WITH OUR CASE STUDY DATABASE



Last updated: 18 days ago

BUSINESS SENSE ON TWITTER

GET THE LATEST UPDATES AND CONTENT FROM YOUR BANK

- NWBusinessSense: Corporate social responsibility - more than a nice-to-have? <http://t.co/PGmf9o0Z> Nice perspectives here from @GoodCorporation #CSR yesterday
- NWBusinessSense: #BusinessSense has been shortlisted for a 2011 British Society of Magazine Editors Awards. #bsmeawards cc @BSMEinfo 3 days ago

[Follow us on Twitter](#)

Last updated: yesterday

BUSINESS COACH

VIDEOS, DOCUMENTARIES, WEBINARS AND HOW-TOS FOR YOUR BUSINESS

Theo Paphitis



Starting a business during a downturn

Thermasolutions



Taking the next step

Church Street Dental Practice



Using healthcare finance experts

Tim Berners-Lee

corporate responsibility and sustainability activities makes them feel proud to work for us,” she explains. “Last year BT people spent over 49,000 days volunteering in the community and donated £2.5million to charities through our employee-giving scheme, which is one of the largest in the UK. BT contributed a further £1million. In terms of impetus for our CSR approach, it’s a mixture of belief from within that this is the right thing to do and is integral to our business, a dialogue with our stakeholders –including customers who want to know what we’re doing in this space – and the passion and dedication of our employees.”

And in BT’s case, because it has a policy to invest a minimum of one per cent of the group’s pre-tax profits in community and environmental programmes every year, it allows leeway for the financial climate and company performance, while remaining committed to sustainably policy. So while the rewards of taking a responsible approach to business are far less volatile than the global financial markets, corporate reputation specialist Chris Clarke, managing director of Epoch PR, thinks most companies come at CSR from the wrong perspective.

“CSR should only ever be something that you do if it completely chimes with your business objectives,” he says. “Unless a CSR initiative impacts the pursuit of profit, you shouldn’t be doing it.

So there is no reason to suspend good positive CSR programmes through periods of slow growth or recession, as they should be contributing to shareholder or business value anyway.

“Businesses make a huge contribution to economic development and social progress just by being good solid profitable businesses,” he adds. “Too much of the time they get drawn into CSR almost as an apology for making profit.” It is bolt-on, publicity-seeking CSR schemes that Clarke berates. “If businesses are operating well with good governance structures, they are more likely to contribute to the betterment of society. If they are not, then they should be. And if they’re not, no amount of CSR will fix that.”

He cites Virgin Atlantic’s research into reduced CO2 emission fuels as an example of what’s good for the business, but also making a difference to the world and environment. Richard Branson has pledged to invest all of the profits from his transport businesses – Virgin Atlantic and Virgin Trains – into schemes to develop renewable technologies over the next 10 years.

But while large corporations have the financial clout and networks to establish some wide-reaching sustainability programmes, what about smaller businesses? Is CSR still a viable concept for local companies?

“The same philosophy applies, whether big or small. If you are smaller, you tend to be a bigger part of the community within which you operate. So opportunities to influence can really help to engage staff and employees, which is a good thing,” says Clarke. Littlechild concurs: “While big companies are very good at parading their CSR websites etc, SMEs are arguably better, because at a smaller level it’s easier for companies to behave better. If management wants the company to behave well, smaller companies have more chance of controlling what everyone does, as the lines of communication are shorter. The problems the massive companies have is they might have the best of intentions, but they have such huge assets flung around the world that getting everyone to play by the same rules in vastly different business cultures is much more difficult.”

Cumming adds: “In my experience SMEs are already doing it [CSR], and large companies could learn a lot from them. They are very aware of their local environment – as in community. They know the comeback of a bad reputation is that no one will use you.”

Pertinent words in times of slow growth for businesses of all sizes.

Got a story? [Click here to let us know.](#)

Like

2

1/1 people found this article useful.


did you find it useful?

YES

NO

YOU MAY ALSO LIKE THESE





Business in the future

Last updated: 3 months ago



Win management training worth £1,600

Click to enter

THIS IS A GRAZE BOX

healthy snacks delivered to your door

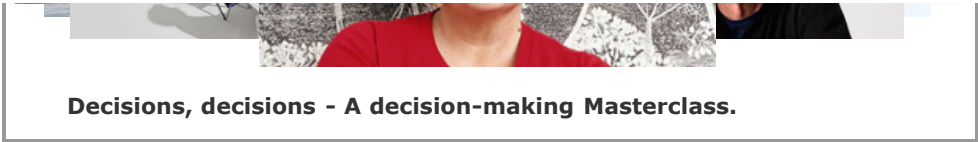
choose from over 100 tasty foods

FREE BOX click here

graze.com nature delivered

INSTRUCTIONS

Drag and drop the Business Sense widgets by clicking and dragging at the very top of each one. Minimise or maximise widgets using the +/- button on the top right of each. You can change them on the home page as well as on the widget sidebar on every page.



[ABOUT US](#) | [CONTACT US](#) | [TERMS & CONDITIONS](#)