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Responsible business: surviving harsh realities of a downturn

By Rod Newing

All organisations have to cut discretionary expenditure in a downturn. Thus, corporate social responsibility budgets are being cut, departments are being downsized and experts are rewriting their career summaries to focus on different roles.

“Projects that help generate consumer demand and/or support marketing are surviving,” says Leo Martin, director of GoodCorporation, advisers on business ethics. “They need to have been well thought out, targeting genuine and easy to identify savings and be low cost. Many grander initiatives with less clear business benefits or longer-term payback have quietly shrunk.”

It seems that the downturn has not dulled the enthusiasm of both consumers and businesses to associate themselves with brands and supply chain partners that embrace responsible business practices. This means that businesses need continually to improve to increase their appeal.

At the same time, big companies, such as Kingfisher, are looking to eliminate negative environmental effects. This can be achieved only by way of long-term innovation and radical new business models through the whole supply chain. “Most responsible organisations have started to look at the potential longer-term costs of doing things the old way,” says Hugh Jones, managing director of Carbon Trust Advisory, which helps organisations reduce their consumption of natural resources. “The shorter term view you take, the more likely it is that you will do less in this area.”

He says working with the supply chain on manufacturing strategies, raw materials risks, waste reduction or changes in consumer tastes is a good investment. Trucost, an environmental data group, estimates that businesses are costing the global economy $7.3tn a year through their depletion of natural resources, damage to the ecosystem, emission of greenhouse gases and harm to health from air pollution.

“These issues are no longer a low-impact business risk that can be deferred in an economic downturn,” says Richard Mattison, the company’s chief executive. “Organisations need to incorporate their environmental and social impacts directly into existing financial and operational systems.”

He says placing a monetary value on the environmental impact, as Puma, the sportswear group, did when it published the world's first environmental profit and loss account, is particularly useful in ensuring that social and environmental initiatives are linked to profitability.

Robert Clarke, chief executive at Ecodesk, a website where businesses publish and share their sustainability credentials, says quantifying the impact of business is driving a new wave of initiatives because they can be based on hard numbers. Subscribers to Ecodesk are quantifying opportunities and encouraging their adoption by supply chain partners.

"It makes good business sense to ask suppliers for non-financial data before purchase decisions are made," he says. "Until now, businesses have guessed at their indirect responsibility for actions by their suppliers, which add to their own internal risk."

Measuring social and environmental impact provides a powerful platform to change business practices. It drives decisions to invest in long-term projects with proven benefits, both internally and through the supply chain. Most of all, it stimulates innovation in materials and manufacturing processes, in products and services, and in ways of working with the supply chain.

"Ultimately the real winners are the organisations that innovate," says Mr Jones at Carbon Trust Advisory. "The future is increasingly about innovation and revenue enhancement through responsible business practices but obviously there is an investment and a lead time in making those changes."

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