

Corporate Social Responsibility

The Next Frontier

Environmental legislation, changes in taxation and customer/client demands have required most organisations to consider the environment in the way they do business. Now, just as businesses are getting to grips with how to respond to these challenges, a new doctrine is beginning to take hold – Corporate Social Responsibility (CSR).

What is CSR?

End consumers and civil society in all countries are increasingly looking to business not just to deliver high quality, competitively priced goods and services, but also to be seen to be playing a full part in meeting more demanding social and environmental expectations. Corporate social responsibility is about meeting these expectations. In effect it forms the final piece of the Sustainable Business jigsaw – Economy, Environment and Society and its significance is gaining rapid recognition.

Between 1996 and 1999 the number of FTSE 100 companies reporting on social policies increased from 3% to 28%. Even SMEs are getting more involved in their local community through giving cash, time and resources – figures for 1999 show that 1 in 8 SMEs gave more than £50,000 to good causes.

More recently, revisions to the 1995 Pensions Act requiring a statement on environmental and social policy and an ongoing review of Company Law with respect to reporting requirements have also served to push this issue up the business agenda.

At the core of CSR is the requirement to acknowledge and take appropriate responsibility for the social impacts that derive from a business' activities. This extends beyond the immediate boundaries of the business itself and includes stakeholder groups such as suppliers, shareholders, customers, employees, and the local community.

Recognition of the complex relationship between businesses and the communities they work within is now being seen as an essential element in a businesses success.

What are the business benefits of CSR?

In May 2003, the DTI and Forum for the Future hosted a workshop for business, non government organisations, academics and Government to debate the links between competitiveness, productivity and the increasingly important role of intangible assets, as well as sustainability and CSR. The broad conclusion (with some qualification) was that sustainability makes a positive contribution to business success.

The key was to look at CSR as an investment in a strategic asset or distinctive capability, rather than an expense. The debate highlighted the importance of taking a balanced approach to assessing performance – and the risks of concentrating solely on one aspect, such as shareholder



value. Forum for the Future are now developing the approach with the aim of providing companies and investors with the means to manage and assess the contributions of investments in CSR to the creation of competitive advantage.

Identifying specific business benefits is sometimes difficult although the following three seem to be the most notable:

Brand reputation - Reputation and the importance of CSR and sustainability are clearly linked, particularly in developed, higher-income, markets. Through the data BT collects every month from thousands of UK customers it has identified that CSR attitude accounts for at least 25% of the factors that drive BT's corporate reputation, which itself is a key driver of customer satisfaction.

Risk Management - The risk of an environmental disaster is obviously taken very seriously by industries such as petrochemicals, but CSR is also important in risk management in many other areas of business. For example, airport operators place great importance on noise and air pollution when awarding route licences to airline companies.

Staff recruitment and retention – There is no doubt that actively pursuing a CSR strategy significantly increases the levels of pride employees have in working for a particular organisation. This in turn tends to increase staff loyalty as people see the organisation as being an attractive place to work.

There is no doubt that CSR is going to be an increasingly prominent feature in many companies' management activities for the foreseeable future and, over the next decade, we can expect to see businesses acknowledging and working with their many different stakeholders in a far more proactive way than ever before.

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