

# Adding Value: The Business Case for CSR

TONY HOSKINS



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# Executive summary

CORPORATE SOCIAL responsibility (CSR) is high on the agenda for many companies around the world. It helps them to address issues such as compliance, risk and opportunity, developing trust, and managing resources. The concerns raised following the global financial crisis have increased the focus on how companies are contributing to the overall development of the society in which they operate.

Part one of *Adding Value: The Business Case for CSR* covers the business rationale for CSR, as well as stakeholder concerns. Chapter one gives an overview of the business case for CSR, while Chapter two considers the question: Who are the stakeholders? While there is a need for organisations to understand the compliance nature of some of their CSR activities (such as health and safety, the environment, and employee matters), there is also the need to understand the concerns of the stakeholders with whom the company is in contact.

CSR is an element of a company's risk and reputation management. As a result, many companies need first to take an inward look, and understand how they can align their CSR activities to their business strategy, so that they represent added value, rather than just meet compliance standards. For CSR to be an integral part of a business (and valued at all levels as a result because of its potential for added value) it must be aligned to the business model and strategy.

By developing this alignment, it will be feasible to develop a business rationale for

CSR, rather than it being seen as something 'good to do'. This rationale needs to relate to the individual elements of CSR, each covered separately in Chapters 3–7 – governance, workplace, environment, marketplace (both customers and supply chain), and community – and be positioned in terms of the key issues of concern for stakeholders in each element. This will enable companies to prioritise stakeholder concerns and CSR activities and develop sound reasons for investing in them.

Part one also includes a case study from Alliance Boots on using CSR data to improve business performance.

Part two of the report covers how to integrate CSR into a business's processes. If this integration is not achieved, then the various elements of CSR are likely to wither. To achieve integration, it is important to describe CSR in terms of the business benefits it offers. Gaining traction with a board to achieve commitment to investment in CSR requires speaking their language by turning the CSR activities on their head. This is covered first in Chapter one, and also in subsequent chapters. Chapter two discusses the general workplace and how to talk about CSR issues to assist in improving employee motivation and productivity. In doing this, it will be easier to gain the attention of employees at all levels in the company and will ensure they are committed to the individual programmes, and understand fully what is expected of them in their work to help deliver CSR objectives. Chapters three,



four, and five consider how integrating CSR policies into the wider business strategy will affect external elements: the environment, the marketplace, and the community.

Part two also includes case studies of good practice by major international companies, including Wolseley, British Gas, Rentokil Initial, Asda, and Lloyds Banking Group. The lessons they have learned can be applied with modification to all business sectors.

For a company to invest in CSR and ensure it is an integrated part of its business processes, it is essential for it to have an effective communications programme, and this is covered in Part three of the report. An effective communications programme will help to ensure the value from the investment in CSR is repaid both in terms of risk mitigation and improved reputation. The communication programme needs to consider both the interests of the key stakeholders, and the means by which they may 'listen' to corporate communications. They need also to ensure that they provide relevant sets of information for stakeholders to review to gain their own assurance that a company is performing in a responsible manner. While anecdotal information is valuable to put the flesh on the bones of CSR activity, it is important to provide performance indicators showing trends and targets, as well as information on the underlying policies. With this information to hand, stakeholders can judge for themselves the quality of management of CSR activities that is in place. As a result, they will be assured that processes are being consistently applied to manage the ways in which a company may impact upon its stakeholders.

The challenge for companies in their CSR management is its dynamic nature, and the final chapter of this report covers future

developments in CSR. These are driven by both changes in public attitudes and by changes in legislation. Companies will need to monitor how the public is viewing the issues that affect their businesses, and have CSR actions in place to ensure they maintain the trust of their key stakeholders. They will need also to monitor how CSR legislation is developing around the world and anticipate the impact it may make on their business and have CSR management programmes available to address potential legislative developments. With these management actions in place, companies will be able to ensure their CSR programmes add value.

## About the author

TONY HOSKINS is Chief Executive of The Virtuous Circle (TVC), a management consultancy specialising in reputation and risk. He has extensive experience in corporate social responsibility (CSR), corporate reporting of non-financial information (including environmental reporting), risk management, and stakeholder communications. He set up TVC in 2000.

He works with major multinational companies and has an in-depth understanding of the issues they face in integrating these issues into business policies and planning. He has also completed CSR research projects on behalf of The Work Foundation, the RSA, the DTI, and the Chartered Institute for Personnel and Development, as well as company reporting research projects on behalf of the Institute of Chartered Secretaries and Administrators (ICSA) and the Accounting Standards Board (ASB).

Prior to establishing The Virtuous Circle, Tony held Board-level general management and sales and marketing positions in UK and US companies.

In addition to consultancy work, he speaks at conferences on CSR and the impact of narrative reporting, and for BBC TV and Radio on reputation management. He is a member of GLG Councils – an international panel of experts. He has delivered training on CSR, company secretarial practices, and corporate governance for ICSA, on business communications for Reading University Business School, and on environmental management for Imperial College. He is an assessor for the RSA Environment Awards.

He is the author of many articles on the subject of work, employment, corporate governance, CSR, and reputation management and has written eight books.

He has an MBA from London Business School, and graduated in economics and statistics from Bristol University. He is a Fellow of the RSA, and Chair of its South Central Region. He can be contacted by email – [thoskins@thevirtuouscircle.co.uk](mailto:thoskins@thevirtuouscircle.co.uk)

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- My publisher, Fiona Tucker, for working with me on this report; and
- My wife, Tricia, for her continuing understanding and support in my writing.

In writing this report, I have taken the business manager as the audience, with a view to helping businesses understand more about the issues relating to CSR and how they may implement them in their own companies.

Any interpretation of the examples relating to companies given in this report is solely my own, and should not be considered to reflect any comments from the companies themselves.

# Introduction

## Background

Corporate Social Responsibility (CSR) has evolved with some pace over the past 10–15 years. What started as being the particular parish of a few large multinationals has moved into a far wider engagement by organisations of all sizes and from all sectors – private, public, and voluntary.

Companies around the world are showing increasing interest in CSR and how it should be applied to their organisation. The concerns raised by subjects such as the financial and banking crises have increased the focus on how companies are contributing to the overall development of the society in which they operate. Similarly, natural disasters such as Hurricane Sandy and the Bangkok floods have increased the focus of governments upon climate change, as was demonstrated by the acceptance of climate change by New York’s Mayor Bloomberg. In addition, there is increasing legislative focus on subjects such as the environment, and the EU is considering further CSR developments.

As each year has passed, so practitioners’ experience has evolved in terms of developing the rationale for undertaking CSR in their own organisation. Increasingly, CSR practitioners are recognising that their CSR activities need to be embedded within their organisation and aligned to its business needs, its business model, and its long-term strategy. Their concerns are that their companies’ CSR activities should represent added value, rather than just meet compliance standards.

## Definitions

The World Business Council for Sustainable Development’s (WBCSD) definition of CSR is as follows:<sup>1</sup>

*Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.*

In many respects, this is an all-embracing definition, and for many in corporations, the question asked is ‘what does CSR mean for me and what am I expected to do?’

As a result, a more direct definition is that:

*CSR is the process by which corporations recognise the impacts that their business processes have upon their business partners, employees, and society, and in order to manage these processes ensure their impacts are mitigated with the goal of achieving positive outcomes.*

CSR commonly is considered in terms of four areas of activity – the workplace, the marketplace (including both customers and supply chain), the environment, and the community.

The level of focus on each of these areas will vary by the geography of the corporation’s headquarters (as well as by the nature of its business sector). In terms

of geography, within North America, much CSR is focused on corporate philanthropy, with relatively less concentration on environmental issues. In mainland Europe, this focus is reversed (particularly since with the EU's Social Chapter many corporations regard community improvements as being within the domain of the state). This reversal is less marked in the UK, where there are traditions of employees participating on a voluntary basis in community activities, usually with corporate funding. In Asia Pacific, while the environment is of concern, particularly in those areas subject to flooding, there is a greater focus on corporations contributing to the social enterprises within the areas where they operate. This is especially the case for corporations operating in the developing world in the extractive industries sector – often they are expected to share some of the benefits of their natural resources operations with the indigenous communities.

### Terminology

Before moving on to the main parts of the report, a word about terminology. When CSR became common place in Europe in the latter stages of the twentieth century, CSR was the accepted terminology. Subsequently, alternatives were introduced, often due to their users' own perceptions of the issues to be addressed. 'CR' (without the social) was adopted in the UK by large businesses that were concerned about the implications of the need to adopt social policies. At the same time, CSR remained the terminology of choice within government and non-government organisations (NGOs). Those focusing on the importance of corporate behaviour chose to define their activities as being 'Corporate Citizenship' or 'Responsible Business'.

In the US, the term commonly used is CSR, but in these activities, the focus is

upon social activities, with less emphasis on activities such as environmental management.

In what was once called the developing world, CSR remains the term used for corporate activities, although again the focus is on managing community impacts and mitigating the environmental impacts. This is especially where the business sectors are dominated by the extraction industries, with a focus to ensure local populations do not suffer either during the industrial activity or once it has finished and left.

More recently, some companies have taken to describing their activities under the heading of 'Sustainability'. This term can be interpreted in many ways, often from the differing perspectives of the user. The NGOs tend to focus upon its meaning in relation to 'saving the planet' whereas corporates tend to limit its meaning to the context of their own business's sustainability.

Because of the many different terms in use, and because this report has been written with an international audience in mind, the term used throughout is CSR. The challenge is to ensure different groups of stakeholders communicate on their key issues, rather than espousing which term is the more relevant – dialogue is key!

### References

1. Definition included in the WBCSD publication *Making Good Business Sense*. It is based on dialogues held globally and offers insight into how CSR is interpreted in different geographical regions. The publication can be accessed via WBCSD's website: <http://www.wbcsd.org/pages/edocument/edocumentdetails.aspx?id=83&nosearchcontentkey=true>