

Corporate Social Responsibility: How the Elephant in the Room became a Dead Duck

Corporate social responsibility (CSR) is one of the most used (and abused) management buzzwords of the last decade. Companies that wish to innovate should move on – there are better ways to create social impact while building profits, reducing costs, increasing sustainability and engaging staff. This white paper is aimed at senior decision-makers in companies of all sizes who need to ‘do’ CSR.

Why CSR has been with us for generations

CSR has existed for hundreds of years. It really got going in the nineteenth century, with the simple notion that companies should benefit the communities in which they operated in one (or more) of three ways:

- Producing goods or services that are of intrinsic social value (type A)¹
- Creating employment in local communities, and treating workers fairly (type B)²
- Giving money or donating goods or time to charitable or social initiatives (type C)

Then, during the last thirty years, several large companies came under fire for various practices that led to (or were perceived to lead to) social ills. These ranged from environmental pollution, to the poor treatment of workers in the supply chain, to cultural imperialism. Companies responded to the allegations by taking steps to address the specific accusations (sometimes effectively, sometimes not). This fourth type of CSR (type D) could be described as ‘not doing bad’, but is often labelled ‘do no harm’. Most of the companies that were criticised in the 1980s, 1990s and 2000s have now taken at least some steps to curb the worst practices, whether as a result of voluntary initiatives or pan-governmental regulations; many have gone much further.

At the same time, these companies focused on charitable or community initiatives (type C above), and then spent a lot of time waxing lyrical about them (which tended to lead to further allegations of ‘greenwashing’, i.e. using these activities to distract attention away from the core issues by creating a ‘brand halo’).

However, the focus of ‘do no harm’ has now shifted to a much more complex area – carbon emissions and their contribution to climate change. Many large companies are devoting huge resources to the quest for ‘sustainability’, which has at its heart the aim of reducing carbon emissions to become carbon-neutral.

How CSR has lost its meaning and its mojo

These historical trends and changing external influences and pressures have left us with a varied and rather confusing picture of what CSR actually means in practice. A common theme is that companies need to have the ‘moral mandate’ to operate in a given community. The varied forms of CSR outlined above allow them to do this, and to be left alone to make a profit.

Given the confusion about the definition and purpose of CSR, it is hardly surprising that different companies approach it and implement it in wildly different ways. Many have a CSR department, but some call it Corporate Affairs, or Sustainability. Some companies have a CSR Director at a senior level; in others CSR is the responsibility of the HR Director, or the Chairman or CEO. Many companies would not define types A, B and D above (socially valuable activities, employment and fair treatment of workers, and not doing harm) as ‘CSR’ at all, but as central tenets of good practice that are necessary to run a successful business.

¹ Lever Brothers began making soap in 1885 for good old-fashioned profit motives, but also with a social mission to reduce disease.

² The paternalistic attitudes of many Victorian employers included an emphasis on reasonable wages and good working conditions.

It is a common criticism that CSR is rarely integrated into the company's mainstream activities, but is an adjunct, an afterthought. This is especially the case for those companies that define CSR in its narrowest sense of supporting charitable causes, and doing a very good job of publicising this fact (type C). The reason that this subset of CSR activities is treated as being separate from core business is that *it does not contribute to the bottom line*. Despite much talk about the triple bottom line of people, planet and profit, companies are still legally bound to pursue the single bottom line of profit maximisation for shareholders!

Why CSR has no future in business

In the future, CSR should not exist. It will be unnecessary. In fact it has *already* outlived its usefulness. Why?

Many believe that the best way to improve the effectiveness of CSR activities is to bring together all of the social and environmental aspects of a company's activities – community relations, sustainability, corporate philanthropy, and so on – into a single coherent strategy. However, this paper argues the opposite:

- If a company is contributing towards any form of social or environmental harm, its future survival depends on it reversing that trend. The logical extension of this argument is that all companies should aim to be carbon-neutral within the next 20-30 years. Few companies have fully grasped the huge implications of this, but all will need to³. This is not CSR, but risk and reputation management; public opinion is elevating this issue to the top of the risk register. It is also sustainability – of the business, as well as of the planet (and it may well lead to business innovation at the same time; it will certainly reduce operating costs).
- All companies should treat their workers fairly. This is standard good HR practice.
- All companies should treat their suppliers fairly. This is standard good management practice.⁴
- All companies create employment, and so generate some kind of social benefit, even if the goods or services that they provide do not. This is an intrinsic part of being in business.
- All companies want to tell the world that they are unique. This is branding and communications.

This leaves us with the 'type C' definition of CSR: contributing to charitable or social initiatives. Defined more loosely, this is about creating social benefits that are not a direct result of the company's *existing* activities.

These activities will only survive and prosper if they are aligned with and then fully integrated with business priorities, so that they are contributing directly to the bottom line. This can happen in one of two ways.

The first is that the company develops new products or services that are specifically designed to create social benefits while generating profits (for example, by creating innovative products for markets at the 'bottom of the pyramid'⁵, or collaborating with partners to bring existing products to those markets⁶). This is no longer CSR; it is social innovation, which increases profits by identifying and serving vast new markets. This 'inclusive business' model contributes to the Millennium Development Goals in a profitable way⁷; business can make a huge contribution to solving global social problems, but as core business, not CSR.⁸ Social enterprises do similar things, often profitably, but may need to partner with corporations for scale.

However, many companies are not in a position to do this, because their products or services are simply not suitable for emerging market consumers, or in some cases for mass markets anywhere. But there is another way to create social value in a profitable way, which can work to the advantage of all companies.

If a company integrates its CSR activities into its HR programme, the benefits of the CSR programme will support key HR drivers such as employee engagement, recruitment and retention and skills development. Doing this will directly support profit maximisation by developing and protecting a company's most important assets: its people. This is not CSR, just excellent HR.

³ Marks and Spencer are at the vanguard of this movement with 'Plan A', but admit that they are less than 10% of the way there.

⁴ SABMiller and Coca-Cola are taking this one step further by working to develop small businesses in their supply chain in Africa.

⁵ OSRAM is producing new types of off-grid lighting and Vodafone has rolled out M-PESA mobile banking, both in Kenya.

⁶ Novartis is partnering to improve pharmaceutical stock management in Africa; Danone likewise to sell yoghurt in Bangladesh.

⁷ This focus on the contribution of inclusive business models to the MDGs is the subject of a [recent BAA/BCTA report](#).

⁸ This idea is explored more fully in an ODI background note, '[Harnessing core business for development impact](#)'.

How companies can create social value through excellent HR

The foundation of any company is built on people – customers, suppliers and the general public, but also the most important stakeholders in any business – its staff. Companies that wish to innovate need to develop the right culture and values among their people. In recent years, one argument has gained real popularity in ‘responsible business’ circles: that CSR programmes should be tightly integrated with HR initiatives that aim to develop, motivate, reward and attract the best employees. CSR minus HR is PR.

This notion has spawned a new term for an activity that is not new: employer-supported volunteering (ESV). This is based on the recognition that most people enjoy helping others, and that volunteering projects are an excellent way of making employees feel recognised, appreciated and motivated, while developing soft skills such as leadership, communication and adaptability and exposing emerging leaders to the realities of key global growth markets.⁹ Young people in particular are more likely to join a company that has a reputation for creating social impact as well as making profits¹⁰, and 50% of workers are more likely to join or stay with a company that allows employees to get involved in social projects.¹¹ And the research suggests that ESV dramatically boosts employee engagement, with a resulting effect on performance and productivity.¹²

However, it is difficult to measure these benefits reliably; the qualitative data is persuasive, but there is little quantitative evidence of impact. How then to persuade company boards that HR-focused social projects will deliver a genuine return on investment?

Firstly, any social project that involves employee volunteering needs to leverage core competencies if it is to fulfil the dual purpose of motivating and developing staff. There is plenty of research to suggest that many ‘conventional’ volunteering team-building activities (such as building or painting a clinic, whether next door or across continents) fail to bring back lessons learned into the workplace, because the activities themselves are totally divorced from the business context. So effective employee volunteering needs to build on the business skills of the staff involved in order to generate mutual learning and a meaningful ROI. If staff can use their core skills to benefit others, this creates a win-win situation of mutual learning and motivation.

Secondly, employee volunteering can be used as a tool to encourage business innovation. For companies that are looking to operate in new markets or to improve social and environmental sustainability, there are numerous ways in which an ESV scheme can help them to lay the foundations for this change:

- Giving key staff hands-on experience of consumer behaviour and priorities in emerging markets
- Helping companies to understand and profitably service ‘bottom of the pyramid’ markets
- Exposing staff to innovation and strategies for survival in resource-constrained environments
- Changing the mindset of senior leaders to help them to look for innovation in saturated markets
- Helping employees to work productively with partners from other organisations and sectors

Now is the time when the real innovators are reshaping the focus of corporate social responsibility. We can help you to deliver an HR-led social programme to transform your next generation of leaders.

Contact us to find out more

Skills Venture | Will Snell, Director

+44 (0)20 7871 4485 | +1 866 837 6684 | will.snell@skillsventure.com | www.skillsventure.com

Skills Venture Limited, Registered Company No. 06304882 | Registered Address: 2 Braddyll Street, London SE10 9AE, UK

⁹ IBM's Corporate Service Corps challenges high-performing staff to find solutions to real-world problems all over the globe; the programme helps IBM to develop a generation of leaders with soft skills, but also with a real understanding about growth markets.

¹⁰ 62% of 18-26 yr-olds would prefer to work for a company that provides volunteering opportunities; 76% say that volunteering improves leadership skills (Deloitte, 2007).

¹¹ Half of all graduate hires at both Diageo and Danone said that they joined because of their social programmes, while UK surveys suggest that one in three employees would be more likely to remain with an organisation if offered time out for volunteering.

¹² Surveys suggest that the operating incomes of companies with highly engaged employees are over 50% higher than in companies with unengaged staff; VSO research shows that 37% of people in the UK want to use their business skills to help people overseas.