

# *Corporate Social Responsibility*



*The Seven Steps & their related processes*



# Corporate Social Responsibility (CSR)

## What is Corporate Social Responsibility?

Corporate Social Responsibility (CSR) refers to the perceived obligation that business has to be sensitive to the needs of **all stakeholders** in conducting corporate activity.

**Stakeholders** are those who are influenced by, or can influence, a company's decisions and actions. (See Figure 1).

CSR commitments and activities typically address the following key elements of corporate activity:

Health and safety	Corporate governance	Supplier relations
Environmental protection	Community development	Business ethics
Human rights	Consumer protection	Stakeholder rights
Human resource management practices	Labour protection	

CSR is developed by an organisation when it adapts all of its practices to ensure that its operations meet, or exceed, the ethical, legal, commercial and public expectations of stakeholders in these areas.

## How do specific CSR issues emerge?

Particular CSR issues or '**factors**' come to the fore as a result of 'global forces for change' in the external environment (political, economic, social and environmental).

CSR factors impact organisations through specific events or incidents known as '**triggers**'. As a result of these trigger events, stakeholder expectations of corporate behaviour are heightened.

The success of an organisation's approach to CSR will ultimately be determined by the strategies and processes it has put in place to anticipate and deal with the onset of particular CSR factors, triggers and stakeholder concerns.

# Figure 1: Potential Stakeholder Pressures



# CSR Opportunities

QMI supports the contention of CSR expert David Grayson\* that social pressures, in the form of CSR factors or triggers, can operate as early indicators of factors essential to corporate profitability.

## ***A question of mindset***

Best practice CSR theory advocates that organisations need to anticipate or 'scope' emerging CSR factors, triggers and stakeholder expectations. The aim of this process is to develop strategies to deal with particular CSR factors before they result in trigger events which can impact the business.

The benefits of this scoping process will differ substantially depending on the corporate culture or 'mindset' of the company.

An organisation which regards CSR as a non-profitable exercise detached from business operations and strategy will do so solely to avoid unwanted stakeholder attention.

Conversely, a company which has embraced CSR and incorporated it into business values, purpose and strategy is likely to benefit from the innovative thinking and creative brainstorming that results from anticipating and planning responses to emerging CSR factors.

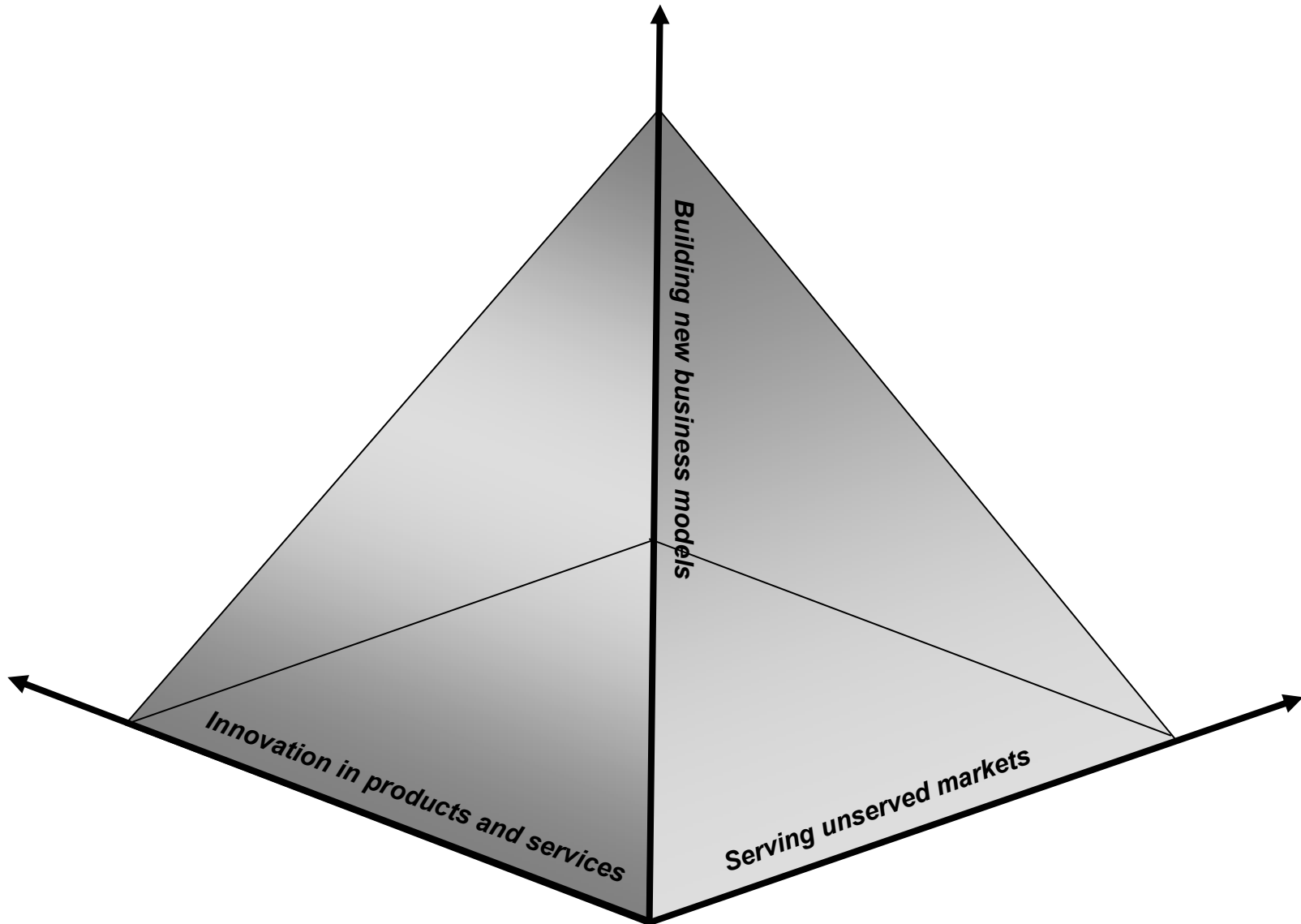
## ***Opportunities presented by Corporate Citizenship***

Corporate Citizenship Opportunities (CCOs) are commercially viable activities which also advance environmental and social sustainability. They are based on one or more of the following:

- **Innovations in developing new or improved products and services**
- **Serving the under-served or creating new markets**
- **Creating a new or more productive business model**

\*Grayson, David & Hodges, Adrian (2004). *Corporate Social Opportunity!*, Greenleaf Pubns.

**Figure 2: The Three Dimensions of Successful CSR**



# CSR Best Practice

Grayson provides empirical evidence that the companies which gain the greatest benefits from CSR have certain key characteristics in common (Table 1). These characteristics can be placed into two broad categories:

## Corporate Culture

As stated, the benefits derived from CSR will differ substantially depending on the corporate culture of the company.

Corporate culture is established through the act of crafting, communicating, applying and reinforcing corporate values and principles. It is the means by which business leaders ensure that disparate parts of a business are being steered in the right direction and operating within common, defined behaviour.

Best practice CSR companies align their business values, purpose, strategies and governance principles with responsible business practice and the social and economic needs of their stakeholders.

Grayson suggests companies should define their core values with responsible business principles according to five core values established by the Institute of Global Ethics which transcend cultures and faiths:

**Honesty** – operating with transparency and integrity in all business dealings

**Fairness** – particularly in treatment of staff.

**Respect** – not just tolerating but positively encouraging diversity

**Responsibility** – recognising the need for sustainable development.

**Compassion** – Showing respect for those less fortunate in society through community involvements.

Values have to be lived by all employees of an organization. This is a key characteristic of best practice CSR organisations. Values can only be lived if everyone knows them, understands them, and believes in them.

This is where effective leadership becomes important. The leadership and senior management teams of best practice CSR organisations demonstrably live values by making socially responsible decisions, conforming to ethical behaviour and obeying the law. This helps entrench responsible business practices throughout the organisation.

## CSR - Planning, Development and Implementation

These characteristics refer to the mechanisms and processes by which a company actually turns CSR into Opportunity. Grayson suggests there are essentially seven steps involved in this process. **It is outlined in detail in Figure 3.**

Stakeholder engagement is the most important part of this process and is a recurring theme throughout Grayson's seven step process. It refers to the act of structuring dialogue with stakeholders into a formal process. It is through direct, managed stakeholder engagement that the cares, concerns, needs and motivations of stakeholders are revealed.

Stakeholders can be a source of intelligence and inspiration, or they can present potential obstacles. No matter what approach is taken to CSR, almost any action that a company plans to embark will require the co-operation of certain stakeholders. This cooperation will be much more forthcoming if stakeholders feel they have had the opportunity of contributing to the decision making process.

## The SERCO Case Study

SERCO is an international service company which offers operational, management and consulting expertise in various fields. Their business model, **presented in Figure 4**, provides an excellent graphical presentation of best practice CSR where corporate values, strategies and governance principles have been aligned around socially and ethically responsible business practices. This creates a corporate culture (*the business we want to run*) which is receptive to opportunities inherent in CSR. These are embedded throughout the organization's principles, policies, practices and processes..

**Table 1: The Defining Characteristics of a CSR Best Practice Company:**

<b>Corporate Values</b>	Most important. The organization aligns and articulates its purpose, vision, values and governance principles consistent with responsible business practice.
<b>Leadership</b>	The leadership and senior management team fully believes in and perceivably lives those values and purpose.
<b>Communication</b>	Purpose, vision and values are intensely and continuously communicated throughout the organisation and beyond.
<b>Reinforcement</b>	Purpose, vision and values are constantly reinforced through culture, processes and rewards.
<b>Identifying value-gaps</b>	Effective mechanisms for whistle blowing on any 'value gaps'. (A value gap refers to inconsistencies between values espoused and values practiced.)
<b>Scoping and prioritizing CSR factors</b>	Effective tools and process for scoping and prioritizing CSR risks and opportunities.
<b>CSR framework in place</b>	There is a framework for deciding how to reach decisions and to check for consistency with corporate values. There is also a means of capturing and codifying knowledge to ensure continuous improvement.
<b>Stakeholder Engagement</b>	Effective stakeholder engagement processes to seek proactively any CCOs and to build trust, openness and empathy, which encourage such opportunities to emerge.
<b>Measuring and reporting CSR process</b>	There is appropriate measurement and reporting of the company's performance as well as processes for rectifying value gaps and learning from the emergence of gaps.

# Figure 3: Successful CSR - The Seven Steps and their related processes\*

## STEP 1 Identifying triggers

Trigger events are caused by heightened stakeholder expectations about corporate behaviour in response to global environmental changes.

Step 1 is about identifying potential trigger events and how they might impact business strategies or operational practices.

Potential triggers should be ranked in terms of their likely financial impact i.e. 'no impact', 'marginal impact', 'long-term' impact.

## STEP 2 Scoping what matters

Step 2 calls for an assessment of the potential impact of the most important potential triggers identified in Step 1.

This involves examining in more detail the causes behind the triggers, namely stakeholders.

Need to identify stakeholders and how they might be impacted or might impact business strategies.

Also need to identify whether the trigger presents a commercial risk or opportunity by assessing how well strategies proposed for dealing with it sit with current markets and operational practices.

## STEP 3 Making the business case

Potential triggers and their proposed business strategies identified as presenting possible opportunity in Step 2 undergo further analysis at this stage.

This involves an analysis of:

- The impact of proposed strategies on revenues & costs.
- The alignment between proposed strategies, key business drivers and corporate goals.

Proposed strategies should be ranked to determine the most attractive.

## STEP 4 Committing to action

Assuming a proposed strategy is consistent with corporate values that are themselves consistent with CSR principles, it needs to be identified:

- what will be required from leaders
- implications for governance arrangements.

Strategies incompatible with corporate values should be rejected at this point.

## STEP 5 Integration and gathering resources

Step 5 involves an assessment of resources needed to implement proposed strategies & operational changes.

Involves identifying what specifications are required by Particular organisational functions and how these actions are to be co-ordinated

## STEP 6 Engaging Stakeholders

Step 6 involves further assessment of how proposed strategies impact stakeholders and vice versa.

This involves turning stakeholder dialogue into a direct, managed, formal process.

Allows identification of the roles required by stakeholders to enable implementation of strategies.

The actions necessary to ensure the desired roles are undertaken can then be identified.

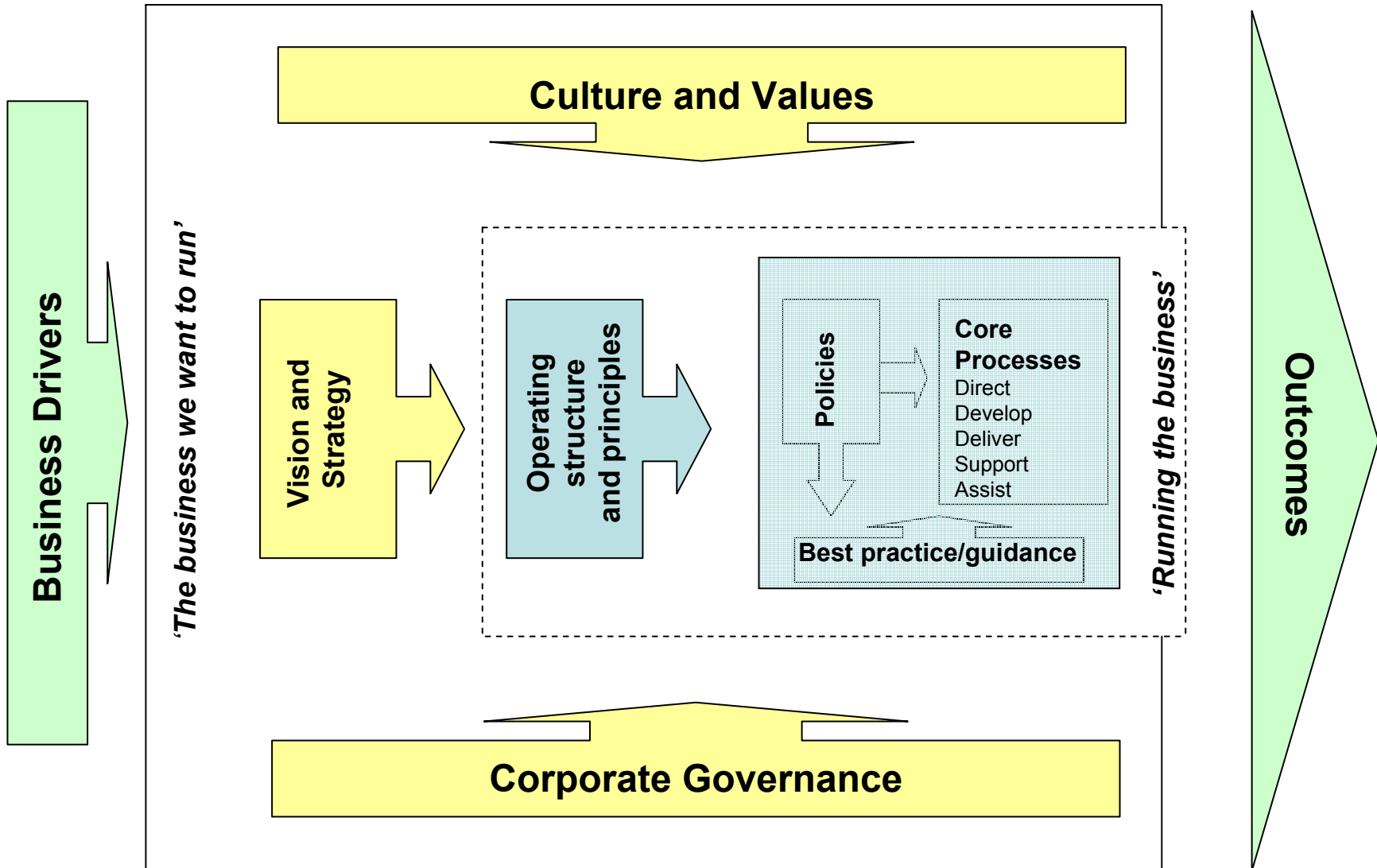
## STEP 7 Measuring and reporting

Step 7 serves a number of purposes.

Firstly, it is the place where a number of issues identified in Steps 1-6, such as regulatory pressures for social, ethical and environmental risk assessment, growing requirements for transparency and accountability and the need to track stakeholder relationships can be addressed through a common response of data collection measuring and reporting.

Secondly, it is where actions identified in Steps 1-7, can be assigned, where targets and deadlines can be agreed and where methods to assess and report on progress can be determined.

Figure 4: The SERCO Case Study\*



\*Grayson, David & Hodges, Adrian (2004). 'Corporate Social Opportunity!', Greenleaf Pubns.