

CSR 1.0 IS DEAD – LONG LIVE CSR 2.0

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It has long been supposed by many observers that companies have adopted a corporate social responsibility (CSR) policy merely because it will make them look good, particularly in the media. In the absence of specific legislation requiring it, goes the usual criticism, voluntary CSR is simply practised as a form of public relations.

If that is true, then the CSR industry will almost certainly die out within the next five years as more and more business leaders realise what a failure it is. This is the case because companies practising CSR are generally achieving little or nothing in terms of their PR profile. To make matters worse, they are also failing to achieve many – if any – of the potential benefits in other areas too: staff loyalty and turnover rates, investor confidence, public affairs and so on. And since this is so, company profits are not being enhanced through any appreciable return on CSR investment. Therefore, CSR investment, in the absence of new incentives such as legislation, will soon be jettisoned as would any other wasteful expenditure in a sensibly-run business.

Yet, practised in a more strategically informed, multi-disciplinary manner, CSR could not only achieve significant improvements in many ethical areas – from human rights through climate change mitigation to poverty alleviation – it could also add considerably to the financial success of companies. Yet, in the forms in which it is currently emerging, CSR is usually, at best, a waste of money, at worst a threat to profitability and shareholder value.

Let us take a look at some of the evidence for this assertion. Far and away the most popular response to the CSR agenda has been the annual social or environmental report. Very substantial budgets are deployed each year on glossy publications giving details of companies' credentials in these areas. An entire industry has grown up around this practice, involving benchmarking, data gathering, assurance, stakeholder engagement, training, design, copy writing, photography, reprographics, printing, distribution...It's a veritable goldmine for the suppliers, but the clients – the reporting companies – are increasingly noticing that there are generally only three groups reading their very costly reports:

1. their competitors
2. the competitors of their CSR and communications consultancies
3. angry critics of the reporting companies – or of capitalism as a whole

So why are these thoroughly researched, beautifully designed and professionally written reports not being read? Simple answer: because, to almost everyone else, they are tedious. Even among the three groups mentioned above, who are most likely to study these reports, it is increasingly evident that readership is astonishingly low. This shows that each reader is costing thousands of pounds to the company footing the bill – and, worse still, those few readers are of no value whatever to the companies in question;

indeed, they are often using the reports as ammunition for various forms of future attack upon the companies in question.

So the return on investment in this, the predominant form of CSR activity, is dismally low. And the digital form of reporting fares little better. Online reports can claim some environmental and financial credibility: there is a significant reduction in physical materials consumed and it is thus cheaper and more eco-friendly than the hard-copy equivalent. However, there are challenges here too: for instance the 'digital divide' means that some 90%-plus of the world's population, many of them among the worst-hit by the more regrettable consequences of a company's activities, cannot gain access to online information – if you live in an African village where the telephone has not yet been heard of, Internet access is unlikely to be a daily reality. This has led to accusations of élitism, or even deliberate exclusion of those with the most valid claims against the reporting company. Furthermore – and paradoxically – the egalitarian nature of digital media for those who *do* enjoy access to the Internet (it is a very affordable medium in which individuals and relatively impoverished activist groups can quickly and cheaply become as visible as multinational corporations) means that a Google search generally reveals many more critics than supporters.

Naturally, the next questions that spring to mind are: "If this is the case, then should we throw CSR out? If not, then how do we make it work? If it becomes a legal requirement, how do we make it pay for itself? And if it doesn't become a legal requirement, how might we make it profitable?" I would suggest that a carefully framed strategy aimed at maximising dialogue in place of monologue – asking and listening as much as telling – and integrating internal with external communications is most likely to succeed in combining ethical with economic improvements.

A comparison of two case studies may help explain this approach:

CSR as a major potential threat to profits

A fast-moving consumer goods company commissioned a research programme in which we assessed the views and understanding of the Board members on three questions:

- What does CSR mean to our company?
- What is our current position on CSR?
- Where should we be headed in CSR terms?

Almost every Board member, while stating that CSR is extremely important to their sector (the company manufactures and sells alcoholic beverages, thus the social responsibility issues for them are huge) added that, in their opinion, little if anything was happening in this field within the organization.

While interviewing the leaders, numerous names of individual CSR champions at lower levels in the company's hierarchy were mentioned. We decided to interview these people too. What emerged was that, in the many countries where the company operates,

spontaneous eruptions of philanthropy were taking place all the time. Usually these initiatives took the form of staff fundraising campaigns and charity support projects such as sponsored half-marathons or second-hand children's clothing or used book sales. It had become customary that in most cases, enthusiastic organisers asked local or regional directors if the company would match funds raised by the voluntary efforts of the staff. In nearly every case this was agreed and many local charities and other worthwhile causes became the happy beneficiaries of these proactive people's energy and good will.

Then came the shocking discovery. When we analyzed this global network of extremely well-meant but unconnected fundraising events, a series of very alarming facts emerged:

- The total annual cost to the company ran to several millions of pounds
- The company's global-level leaders had no idea it was happening
- Few, if any, of the potential benefits of a multi-million-pound CSR programme were being realized
- More than half of the charities being supported were children-focused
- There was a major media campaign being waged at the time, in which the alcohol industry was being castigated for its heavy focus on 'alco-pops', a range which was accused of attempting to attract children towards underage drinking

So, not only was the company (unwittingly) spending millions on a CSR programme, in the absence of any leadership-level strategic CSR intelligence, internal communication or media relations management it was achieving very little return on its investment. Worst of all, however, was the horrifying fact that a perfectly well-intentioned and widespread phenomenon had the potential, if picked up by the wrong kind of investigative journalist or activist group, to inflict massive damage on the company's reputation, profitability and shareholder value. We could see the tabloid headlines: "*Ruthless alco-pop peddlers target vulnerable kids*", "*children's homelessness charity as front for booze barons*".

The CEO, in a cold sweat, proposed the election of a Board-level CSR leader and the development of a global CSR strategy. The vote was passed unanimously.

CSR as a powerful profit-booster

A major construction industry client wanted to create a powerful 'differentiating factor', particularly in highly competitive bids for substantial public sector projects. The company's leaders accepted that there was a strong case for a strategy combining internal with external communications and replacing monologue with dialogue. We brought together not only staff from all levels and many departments but also suppliers, community members, NGOs and others in a series of workshops designed to raise awareness of core CSR issues. We not only trained these people but listened carefully and reacted to their responses, their criticisms, doubts, enthusiasms, ideas and suggestions.

It began to emerge that, by combining principles and processes with the participants' understanding of their own industries, issues, preferences and pre-occupations, we were able to find a win/win outcome for almost any challenge, where profits and ethics

enhanced each other at almost every turn.

The result was that the company not only completed the project (on which we practised our newfound win/win innovations) ahead of schedule, we also enjoyed other benefits, including:

- Enhanced supplier loyalty and understanding of CSR
- Greater staff loyalty, enthusiasm and pride in their work
- Significant improvements in 'innovation thinking'
- Exceptionally positive media exposure
- Numerous highly-acclaimed CSR-related awards
- A multi-billion increase in public sector contracts in the following year

We never did find out how much of the company's increased order book we could take credit for with the CSR programme but, given the multi-billion level of the boost in business, the Chairman exclaimed at one awards ceremony that anything over 0.01% represented a superb return on his investment!

Conclusion

So, I predict that very soon we will be seeing the death of CSR (Corporate Social Responsibility) in its present form and from its ashes will rise a new, highly profitable and therefore long-lived answer to the question "How can we do the right thing *and* meet our shareholders' financial expectations?": ***CSR: the Comprehensive Strategic Response or CSR 2.0.***

Watch this space...

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