

# How to Create *Immeasurable* Wealth

## ...the Secret of Corporate Social Responsibility

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Yes, that headline is intended to grab the attention of just about anybody passing by – though you should be aware that I mean, and aim to justify, every word. I believe corporate social responsibility (CSR) to be perhaps one of the most important of all human endeavours today. I hope by the end of this short paper to have persuaded some readers to become active in CSR. However, you may find a few surprises along the way. Among them, for instance, I recommend:

- That you never do it for the money
- That you never hire CSR consultants for a minute longer than is absolutely necessary
- That you abandon all hope of quantifying the return on investment
- That you prepare yourself for a potentially huge financial return

A short story that illustrates all these points: When a major construction company decided to enter into a CSR programme, based around a major public sector project, they quickly realised they would never be able to measure all the benefits; they went ahead anyway. They hired specialists who recommended that the company's suppliers and other stakeholders be brought into the learning process, since it was in the dialogue between them that many of the benefits would appear. Once the specialists had brought everyone up to speed on the fundamentals of CSR, the clients created all their own breakthroughs. The consultants then simply produced a report on the project and their work was done.

The benefits that can accrue from such an initiative include: increased staff satisfaction; reduced staff turnover and absenteeism; improved brand equity; national and international awards, along with all the associated public and government relations benefits.

In the following year the company also saw a significant increase in its PFI portfolio. Nobody has ever been able to measure the degree to which the CSR programme helped to create all these benefits. More or less everyone agrees it was a key factor. The wealth created was indeed immeasurable – though it may very well be worth billions!

Now let's look briefly at each of the four points mentioned above:

### **Never do it for the money**

As a rule, people are not stupid. In fact we're often a lot cleverer than we give ourselves credit for. We just *know* when somebody is not telling us the whole

story. It's the same with organisations as with individuals. So when you open a corporate sustainability report or social report and read a bunch of puff, you know it. For one thing, such reports usually discuss only the 'good bits' and for another, the language usually betrays fundamental misunderstandings of the core issues.

When you read, however, 'We acknowledge that our understanding and results in such and such an area leave a lot to be desired. We are determined, however, to increase both and will continue to report on our progress.' you sense that these are people you can trust. So when they report success in another area, you're far more willing to believe them. And when they acknowledge a mistake, you are likely to forgive them and remain loyal to their brand. Your head and your heart both tell you these people are being straight with you.

So whatever you do, don't look only at 'the business case for CSR' *do it because it's the right thing to do*. And don't tell people only what you think will increase shareholder value this quarter, *tell it like it is*.

The irony is: *it can be very profitable*. (However you don't need to know that, since we're not doing it for the money!)

### **Never hire CSR consultants for a minute longer than is absolutely necessary**

It was interesting to note that when CSR became the flavour of the decade, many very large consultancies suddenly acquired CSR specialists and departments. They quickly developed complex methodologies, frameworks, structures and models. They presented these to their unsuspecting clients who, all too sure that they themselves knew nothing of this arcane and esoteric art, frequently signed up to long-term, multi-million-pound contracts. Some years down the line, most of the clients still profess to know little about the subject and few have enjoyed more than superficial, temporary changes.

Now I don't mean to be too cynical about large consultancies, some of them are extremely good at what they do. However, they often base what they do on a world view which believes in 'expertise on top'. I prefer the idea of 'expertise on tap'. Obviously it is important to bring in specialists who have spent many years understanding CSR. Obviously these people need to help their clients to grasp the core issues. This, however, can be done quite rapidly. As we have observed, people are rarely stupid, particularly those who are running successful organisations.

Once a significant proportion of a company's leadership team, key managers, suppliers and others have got to grips with the fundamentals, it is time to take the process in-house. It is time to apply their considerable, hard-earned understanding of their own sector, their markets, their challenges and their needs to their newly acquired knowledge of CSR principles. This way the process becomes an 'inside-out', self-propagating (and encouragingly inexpensive) adventure.

The irony is: this 'less is more' approach is capable of producing better, longer-lasting benefits than becoming deeply 'consultancy-dependent' over the longer term.

### **Abandon all hope of quantifying the return on investment**

The old approach to organisational change works on the philosophy: 'if you can't count it, it doesn't count', or 'that which gets measured gets done.' This is only true when we choose to let it remain so. Potentially enormous gains are to be had if we can just step outside this particular box.

In the example quoted at the beginning of this paper most of the greatest breakthroughs came from the interaction of people. Usually these people had had little or no contact with each other in the past. It was received wisdom that electrical contractors, scaffolding specialists, surveyors, stonemasons and managing directors spoke different languages and so should be kept in their own separate silos.

When the roofing contractors suggested doubling the insulation to reduce heat loss, one of their number responded that it was impossible because of the cost. The plumbing team replied that the increased insulation might reduce the need for radiators on the upper floors of the building. He was right. The plumbers' savings worked out at more than the roofers' extra costs. The two companies agreed a deal and the project notched up yet more corporate responsibility points.

It is impossible to plan for breakthroughs such as this but extremely rewarding when they begin to proliferate through bringing very different people together over a shared agenda. And, of course, other benefits begin to snowball as well. The process of activating the 'benign virus of CSR' in a company works because it is people-based. Phenomena like morale, loyalty and job satisfaction are very difficult to quantify, yet we all know them when we see them – and we all know they are extremely beneficial to the organisation which has them.

The irony is: when we let go of aiming only for measurable financial results, we tend to produce better ones; it's just that they're *immeasurable*.

### **Prepare yourself for a potentially huge financial return**

This may seem an odd point to be making in a paper that starts out by saying 'never do it for the money'. Yet, as I hope I have shown, the financial return on investment in CSR is frequently known to be very good indeed, we just never can quite tell, to the penny, *how* good, and in how many other currencies

The Chief Financial Officer of a FTSE 100 multinational corporation said to me recently: 'I have realised, since taking global responsibility for the long-term financial value of this company, that our single-minded obsession with

short-term shareholder value might well be the biggest threat to long-term shareholder value. This seems more than a little self-defeating!

It is interesting that we still insist so often on dealing only with those areas where outcomes can be predicted with confidence. Yet it has been widely agreed that no less than 70% of company values are in the area of intangibles, suggesting that this is where the greatest gains are to be had.

Those intangibles are such items as: brand equity, staff loyalty, reputation, trust and risk profile. Precisely the areas which, as I hope I have shown, we address when we take a people-centred, values-based, inside-out approach to CSR.

This is the way to truly *immeasurable* wealth!