Why bother with CSR?

*The Top 10 Benefits of Engaging in Corporate Social Responsibility: The Business Case*

Why bother with corporate social responsibility? Why go to such efforts to behave as a good corporate citizen and demonstrate that you can measure your activities and performance, in terms that mean something to your stakeholders?

Corporate Social Responsibility is all about a company knowing, managing and improving its impact on the economy, the environment and society. Increasingly, people with a stake in that company, eg clients, suppliers, employees, funding organisations, advocacy groups, the community, (and more), expect a company to be doing this. They also, increasingly, are expecting a company to go beyond simply 'what is required', legislation and complying with rules and regulations. They want to see that a company is: - transparent in its communication of its performance - ethical - well managed, and has strong Governance procedures - responsive to the needs and views of its stakeholders - responsible in its actions, attitudes and values, and - able to be trusted.

To many (still sadly too many) companies, this is seen as 'all too hard' and just another thing to distract them from - in their eyes - conducting the business of business: making a profit. What they don't realise is that: - they are often already conducting corporate social responsibility, to some extent - and therefore the transition to doing this in a structured way is not as great as anticipated - as well as benefiting the economy, the environment and society, there is a business case in engaging with CSR for the company itself. Below are the top ten reasons for engaging with CSR (as defined by csrnetwork and Radley Yeldar).

**Increased profit**

Several academic studies have shown a direct correlation between socially responsible business practices and positive financial performance:

- A 1997 DePaul University study found that companies with a defined corporate commitment to ethical principles do better financially (based on annual sales/revenues) than companies that don't.
- An 11-year Harvard University study found that "stakeholder-balanced" companies showed four times the growth rate and eight times the employment growth when compared to companies that are shareholder-only focused.

Access to capital Companies that are committed to CSR often have access to capital that would not otherwise be available, due to the increase in Socially Responsible Investment (SRI). A 2001 study showed that 12% of total investment in the USA was of a socially responsible nature. Likewise, there were 313 green, social and ethical funds operating in Europe in June 2003, showing a 12% increase in the last eighteen months.

The Dow Jones Group Sustainability Index, the FTSE4Good Index, Morley Fund Management Sustainability Index, BitC Corporate Responsibility Index (and others) all
analyse companies' CSR activities. These indices are increasingly looked at by investors who want to determine a company's level of CSR engagement.

**Reduced operating costs/increased operational efficiency**
Contrary to widely-held opinion, improved environmental management systems do not automatically result in greater cost. Over time, they improve operational efficiency by reducing waste production and water usage, increasing energy efficiency and in some cases, selling recycled materials. There are also company specific ways of reducing operating costs e.g. Dow Chemical Co has set themselves a target of reducing production of 26 toxic chemicals which will save them 5.4 million Euros per year - 2.3 million Euros more than was spent on the initial investment to do so.

By considering impacts, a company’s actions can result in environmental, social and economic benefits. Construction firms, for example, reusing products on-site: reduces landfill, reduces community and noise disturbance of additional trucks bringing material to the site, reduces the environmental impact of damage caused by heavy truck wheels and reduces cost for the client of buying new material.

**Enhanced brand image and reputation**
A good reputation is often very hard to build - and yet can be destroyed in less than a day. So much of a company's reputation results from 'trust' by stakeholders. A strong reputation in environmental and social responsibility can help a company build this trust. However, it needs to result from real practices and policies and an integrity towards the companies responsibilities. Stakeholders are not stupid and can see through 'fluff'. Non Government Organisations (NGOs) and local communities are far more willing to not take action as a result of an environmentally-damaging incident if it is evident that the company has genuinely worked hard to prevent it happening in the first place, and has in place solid management practices for rectifying the situation - quickly - and for learning and improving to prevent an repeat occurrence.

**Increased sales and customer loyalty**
Research has shown that consumers not only want good and safe products, but they also want to know that what they buy was produced in a socially and environmentally responsible way. A CSR Europe/MORI study in 2000 showed that 70% of European consumers say that a company's commitment to csr is important when buying a product and 1 in 5 would be willing to pay more for products that are socially and environmentally responsible. Conversely, 1 in 6 shoppers frequently boycott (or buy) products because of the manufacturer's reputation.

Likewise, CSR can lead to new markets and product lines. As Dr Richard Steckel and Robin Simons pointed out in their book 'Doing Best by Doing Good' "F. Schumacher & Co produces high quality fabrics, wall coverings and carpets which are sold through interior designers to residential and commercial customers. IN 1984, when Schumacher wanted a new product line, the company went to the National Trust for Historic Preservation. The
trust ... licenced Schumacher to reproduce fabric patterns and artefacts found on its buildings. "Our company benefits because we are able to replicate the fine designs of past artists and we are permitted to create new designs based on traditional elements," said Robert Herring, vice-president of designer relations. The National Trust benefits by receiving operating income from the royalties".

**Increased productivity and quality**

Business for Social Responsibility is a membership organisation based in San Francisco that helps companies improve their CSR learning, management and activities. They say "Company efforts to improve working conditions, lessen environmental impacts or increase employee involvement in decision-making often lead to increased productivity and reduced error rate. For example, companies that improve working conditions and labour practices among their suppliers often experience a decrease in merchandise that is defective or can't be sold." ([www.bsr.org](http://www.bsr.org))

**Increased ability to attract and retain employees**

A company's dedication to CSR can help to attract and retain employees. People want to work for a company that is in accordance with their own values and beliefs. Employees are not just worried about promotion and salary any more. Since Novo Nordisk launched their Values in Action programme which aligns their business objectives with sustainable development, they have seen a 5% drop in staff turnover.

"78% of employees would rather work for an ethical and reputable company than receive a higher salary." ([The Cherenson Group, www.csreurope.org](http://www.csreurope.org))

**Potentially, reduced regulatory oversight**

The more a company shows it is committed to CSR by complying with and going beyond legislation, the more lenient governments and regulators may be with the company. They may be given preferential treatment when applying for permits or permission to do something, and if an accident occurs, will be regarded more favourably if they have been transparent and socially responsible in the period running up the accident/incident.

Reducing risk, and increased risk management The more a company is committed to CSR, the less they are exposing themselves to business risk. This could be reputational risk following bad press, e.g. the highly publicised "Nike sweatshops", financial risk, or environmental risk. Fund Management companies are becoming more vocal and assertive about their own expectations regarding a company's evidence of responsibility in order to reduce risk. Morley Fund Management, for example, has produced environmental reporting guidelines, outlining the type of information it expects companies to include in their reports. (They have introduced a requirement for companies to disclose their approach to managing their environmental impact).