

Business in the

Community

Ireland

BITCI White Paper

## Corporate Responsibility Policy & Practice Taskforce

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Over the past decade, the economic face of Ireland has been transformed. The scale and speed of the economic transformation was unprecedented and for a time, the country basked in the spotlight of many envious international observers. However, a significant deceleration in domestic and international growth levels is currently being experienced. Commentators are highlighting the need for a 'period of adjustment' in the market, and the need for a 're-alignment' of business growth expectations, reflecting the sense that recent growth rates are not sustainable in the long term. Recent corporate scandals have also highlighted the threat presented to corporate governance by the pressure for rapid short-term growth. The virtual collapse of many of the high flying "tech-stocks" of the late 1990's called into question the basics of business and wealth creation and how to bring about long term sustainable growth.

It is against this background that it is appropriate to look at what is meant by the concept Corporate Social Responsibility (CSR) and the business case for Irish businesses (of all sizes) to adapt the broad principles it embraces. Understanding the definition and scope of CSR is a critical first step in its deployment into the culture of Irish business life.

BITC Ireland defines CSR as a concept where companies 'integrate social, environmental and ethical concerns into the business decision making process and their interactions with stakeholders on a voluntary basis'. CSR does not argue that social and environmental concerns be dropped on top of the central business objective of the company, but to achieve long term success, that businesses manage and add value to a wide range of 'stakeholders' in a balanced way.

In the last five years, the broad principles of CSR have begun to be adopted by large multi-national companies. They have embraced these elements, not to be 'seen to be' good corporate citizens but out of the realisation that such principles are inextricably linked to long-term growth. The growing concerns around the critical place of CSR on the business agenda reflects a maturing in the understanding of its key features:

- CSR is critically linked to sustainable business growth and long term success
- CSR recognises that in order to be successful over the long term, a business must actively manage and add value to all its stakeholder relationships, not just to the bottom line
- CSR involves measuring the impact of the business on **all** its stakeholders to maximise the company's positive impact and minimise the negative impact
- CSR is about good businesses behaviour over and above the legal requirements, adopted

- voluntarily because businesses deem it to be in their long-term interest.
- CSR is not an optional 'add-on' to the core business activity; it is an expression of the core value system and philosophy of the business
- CSR has moved from a position of ethics based 'corporate giving' to one of core corporate strategy embracing all stakeholders.

Business has to earn the approval of society. Corporate scandals have shown that businesses cannot ignore their multi-dimensional impact on the communities and societies in which they exist. A high level of cynicism is reported among consumers concerning the degree to which businesses manage their social responsibilities. A 2000 European survey of consumer attitude towards CSR showed that 58% of consumers said that businesses do not pay enough attention to their social responsibilities. In Ireland a study conducted in 1999 mirrors these findings with 66% believing that business does not pay attention to social responsibility, 70% saying that Irish companies do not pay enough attention to their environment and more than 70% saying the environment concerns influence their purchase to some degree. This emerging view has led to greater demands for transparency, accountability and public reporting, and as we have seen, to increasing legislative demands for corporate responsibility.

For Irish business the challenge is two fold: Firstly, to broaden the understanding of CSR beyond the notion of 'corporate giving' so that it encompasses the management of responsibilities to the 'shareholder' and all other 'stakeholders' in a balanced way. Secondly, to make this business philosophy a core part of the long-term strategy of the business.

Stakeholders can be broadly viewed as any group or organisation which a business impacts upon or interacts with and which can influence the long-term success of that business. Stakeholders can be grouped as Customers, Employees, Suppliers/Business Partners, Community (global, local), Environment, Government/Fiscal/Regulatory and Shareholders/Investors.

It is clear that any of the above stakeholders can have a significant impact on the future of any business. The concept of CSR argues that for businesses to remain successful in the long-term, they must not only deliver against a narrowly focused financial bottom line (ie concentrating on one stakeholder) but rather deliver against a multiple range of stakeholders. This is another form of the 'balanced scorecard' but it is not limited to purely financial measures. Further, the balance of critical stakeholders will not be the same in all organisations, but multiple stakeholders must always be taken into account.

The CSR philosophy views the 'non-financial' stakeholders not as restrictions or limitations to be worked around in order to maximise the (often short-term) financial return, but rather as critical stakeholders in the business, who must benefit as a result of the business being in existence. This view of CSR is inextricably linked to that of corporate strategy and even restricting the focus to the shorter term, there are many benefits which accrue to the organisation that adopts CSR as an organisational strategy:

- Superior employee recruitment and retention as employees increasingly look for a balance of financial and non-financial benefits from employers
- Increased loyalty, respect and productivity from employees in response to the businesses respect for their work-life balance
- Superior business growth as it demands the management and delivery against customer needs and expectations
- Greater loyalty and support from suppliers and business partners due to openness and respect for their needs
- Higher employee satisfaction due to community involvement, learning and networking opportunities
- Increased cost efficiency due to efficient use of natural resources
- A balanced framework for decision making forcing increased focus on the long term
- Enhanced corporate reputation - an important competitive advantage

- Enhanced community understanding and respect and reduced conflict levels.

The challenge for many Irish organisations will relate to 'where to start' and 'what it means in practical terms'. In reality it can mean a great range of things:

- Ethical Management and open and clear communication channels
- Workplace programmes to respect work-life balance needs for employees, adequate employee training and development opportunities, fair compensation levels and maintenance of a healthy and safe working environment
- Serving the needs of the customer, in terms of product quality, reasonable pricing and customer service
- Sustainable corporate giving and employee volunteering which ties strategic knots with the business but also supports civic improvement, health and education
- Continually improving the impact of the company in terms of energy and resource consumption, recycling and waste management
- Fiscal responsibility
- And making a sound profit

When building the CSR philosophy in an organisation it is important to ensure that CSR is not an optional 'add-on' but a broader philosophy of doing business. A critical success is that it does not become some sort of statement of corporate moral supremacy that fails to recognise that things sometimes go wrong, but rather a genuine aspiration to try to live up to a balanced set of standards for running the business.

The leadership challenge is to fulfil the responsibilities of the business to the 'shareholder and the stakeholder' in a balanced way and to manage the business for the long term, while at the same time delivering an acceptable short-term performance.

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