

**view from the field****Corporate social responsibility and the recession**
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Toby Radcliffe takes an in-depth look at why corporate social responsibility is an important part of activities during the recession, and how to maintain CSR through the downturn. With a background in natural sciences, sustainable development and financial economics Toby provides a unique perspective on why the case for CSR in its truest form is more important than ever.

Introduction

Global recession, embedded in the financial sector, is creating an environment of cost-cutting and streamlining. For leading international saving and wealth management groups, the current economy has produced a particularly challenging environment in which to operate. It has also produced a challenge for sustainability. Sustainable development is, after all, about economic growth and increased GDP, as well as improved quality of life, with social inclusion, environmental stewardship and zero net depletion of resources all wrapped into the concept. But in the period of economic distress and contraction, we must not overlook the importance of corporate social responsibility (CSR).

Businesses must prioritise in the face of recession, but CSR and sustainability should not be swept aside. In many companies, CSR is still fragile – only on the agenda when things are comfortable. CSR spending is often lumped in with marketing budgets, HR and training programmes, innovation budgets, research activities and other ‘non-core’ activities, and it is here that cuts will be made. But companies where the management has fully integrated sustainability may be among the few to see it through. Many of the earlier stage ‘add-on’ approaches will not be robust

enough or show enough foresight to survive the recession.

Treating sustainability as a separate and ring-fenced item to be dealt with will mean that it has not, and cannot, be integrated far enough into a company’s management structure in order to see it at its most effective and its most beneficial – to both the company and the economy, society and the environment at large. Sustainability at its heart means a more integrated, more efficient management structure – one that should be more adept at weathering an economic downturn.

Stemming from the credit crisis, one major impact of the current recession is that there has been a wholesale loss of trust in large business, especially in the financial sector. Regaining that trust and pushing our reputation to the forefront is going to be a key challenge in order to maintain our ability to operate successfully in most markets. This is where transparency and reporting will be paramount. Having something to shout about will be the cornerstone of any strategic reconnection with dissatisfied or mistrusting customers.

CSR must evolve during the financial downturn

In times of recession, key business concerns focus on maintaining cash and liquidity, reducing debt and salvaging working capital, managing costs more efficiently, and maximizing productivity. While these may ensure the bottom line in the short term, this list should also fully take account of sustainability. But sustainability and CSR should also take account of these traditional concerns. CSR must evolve to survive.

Approaches to CSR should:

- **Become more strategic** – making the economic case for CSR investment will be more important than ever. Projects should be able to demonstrate clear returns and value for money. This may mean more focused targeting of projects, and using new tools for evaluation to better measure project impacts. Better still would be for every company decision to include a CSR value, so that every investment decision is based upon sustainability criteria. Funding for CSR projects will need to see tangible benefits to the company and communities.
- **Build brand through total wealth creation** – develop your brand based on maximizing the wealth of all stakeholders through effective community investment and pro-poor development projects, to foster respect for the brand during a period of financial hardship. Cutting projects, leaving people vulnerable and not following through on CSR initiatives will face a backlash. Brand respect should be maintained, even if new methods and innovative projects must be found to do so.
- **Develop environmental projects focusing on economic exclusion** – as environmental issues are pushed off the

front pages of the media to be replaced by tales of financial crisis, so green CR initiatives should refocus in order to maximise their impact. Letting environmental issues slip in the face of other priorities is not the answer; instead, environmental projects should seek to be more inclusive or target economically deprived areas.

- **Partner more effectively** – increasing government involvement can ease project funding demands and help fit better into integrated national strategies, and involving NGO expertise can be beneficial for both the company and the NGO. Working with external organisations will also provide credibility for the activities, and increase levels of trust from the public.
- **Focus on governance and accountability** – with the demise of the *laissez-faire* attitude toward much corporate activity, scrutiny will increase, from government, shareholders and the media. Increased accountability must be a central part of a company's agenda moving forward.

Weathering the storm – Ideas for buoying up CSR strategy in times of recession

Streamline your business model. Hard economic times will force you to downsize some areas, make cut-backs and put some projects on hold. Use this to your advantage. Your sustainability programme can highlight which areas and activities of your business are the most strategically important, and which your customers value most. A traditional bottom line decision may be the best for economic allocation right now, but the longer term success of your business, your reputation, your license to operate, and your future profits depend on more than simple resource

allocation in a crisis. Ten ideas for bolstering your CSR programme and making CSR more appropriate to your business in the downturn:

1. Tough times call for tough measures – **recession proof your business** by effective supply chain management – your sustainability filter for suppliers and investments should enable you to select the most robust companies and markets as well. Those who score highly on a sustainability screening policy will usually also be better resourced, better structured and more resilient to market downturns. Continue to nurture your relationships with suppliers that you are positively discriminating through your sustainability screens: they will support you through the tough times.
2. **CR can help you cut costs** – focusing on the programmes that will cut overheads and save money in the long term will be a win-win in times of financial worry. Carbon accounting for example could lead to cost savings throughout your business and benefit the environment. Other eco-efficiency measures in your business, from reducing packaging on products to promoting video conferencing over work travel can reduce overheads.
3. **Communicate more** – customers and suppliers are worried too. Increasing your communications with your business partners and clients can convey your resilience in the current market climate. Shout loudly about your strategic successes – in times when your competition will drop the ball, now is when you can communicate your CSR wins more effectively. The UK market for example has relatively high levels of advocacy and propensity to purchase on ethical grounds, so well targeted communications could be particularly effective through informal communication networks and word-of-mouth advocacyⁱ – which can deliver more bang for your marketing buck. Other examples might include striving to improve listings on FTSE4Good and the DJSI – this will make headlines when competitors are failing, or using any sponsored events to promote key sustainability issues can help to get even more out of your marketing budget already tied into the event.
4. **Continue to report** on your sustainability activities, both internally and externally. A CSR report may be appropriate, whether stand-alone or integrated into your main business reports. After all, CSR is not an add-on but a core value. Why should it be treated as a separate subject to your everyday function?
5. **Reputation and transparency** are key issues. Investors are nervous about where they have put their money; talented employees want to understand that they are still valued even when dead wood is being chopped. If employment cuts have to be made, then be clear what the strategy is and why it is happening. Do it with consideration and ethical change management. Your business unit may still need to hire talent, and so being attractive to talent is still a key consideration.
6. **Employee engagement** – a 2003 Gallup reportⁱⁱ shows the link between employee engagement and performance. High turnover and low retention rates, and retention linked much more to remuneration levels, typify companies with low employee engagement, and happier employees are more efficient. Engagement is high

in firms that communicate effectively with their employees, involve them in decision-making, actively pursue social policies and are ethical. The upshot of this is that keeping strong CSR policies and good governance will help you get and retain talent, and that talent will cost you less in direct pay terms.

7. Introduce **coaching** and **mentoring** – this can be a vital tool to help embed behavioural change within the workforce and your organisation. Coaching can facilitate the change management necessary during hard times and give a roadmap for managing sustainability. As part of the change management process, or as new regulations are introduced, coaching can provide the tools to bring overarching policy to the fore in day-to-day business activities. Understanding how to mainstream sustainability within core business functions is the ultimate goal for CSR management.
8. If your business runs a **volunteer or community programme**, then consider adapting it this year to communities who are worst hit by the recession itself. You may have good links with an NGO that is feeling the pinch as public charitable giving declines, or want to work in a local community that has been hit by industrial closures. Make it personal to your company and link with your core mission. Helping key groups: marginalised women or the newly unemployed offers a massive unused resource especially in times of recession. Funding start-ups or supporting entrepreneurship in a downturn can make use of talent outside of mainstream business and foster innovation, and will follow trends that focus on social enterprise.

9. **Head off regulatory adjustment** – especially relevant for us in the finance and insurance, changes in regulation will have a heavy impact over the next few years. Moving first will reduce regulatory concern directed at our businesses, reduce potential exposure to fines in the future and can help give demotivated risk/compliance departments a new focus. Continue to invest time and effort talking with local regulators and your local sector networks. Only through collaborative steps and early action will future regulatory burden be minimised and a smooth transition to a more regulated environment be achieved. Being proactive with regulators is one step towards bringing trust back to the sector and regaining a strong licence to operate.
10. Even **maintaining the status quo** can be a sensible move. Cutting back on ethical projects and reducing emphasis on sustainability issues can and will make the headlines. Weather the storm and you'll bounce back ahead of your competition. The lag time for non-movers when the recession recedes will be long. Some may not survive. The space created post-recession will present opportunities for early movers/early adopters to demonstrate their USP and build market share.

At its best, CSR can be a strategic management tool that can lead organisations through the current economic downturn and help them to come out the other side better and more robust businesses, where many traditional business tools will fail. At its heart, it is about risk minimisation, and opportunity provision: key ingredients for successful business, and ideally central to core organisational values.

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ⁱ Ipsos-MORI, Dawkins, J. (2005). *Corporate Responsibility Programmes And People Power*, <http://www.ipsos-mori.com/content/corporate-responsibility-programmes-and-people-pow.ashx>.

ⁱⁱ Harter, J.K. et al. (2003) *Well-Being in the Workplace and its Relationship to Business Outcomes, A Review of the Gallup Studies*, <http://media.gallup.com/DOCUMENTS/whitePaper--Well-BeingInTheWorkplace.pdf>.