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Redefining CSR

From the rhetoric of accountability to the reality of earning trust

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Introduction

The Superficial Victory of CSR

Corporate Social Responsibility (CSR) is on the march in the UK, in Europe, and throughout the world. Every self-respecting company has a CSR policy and more than 75% of the FTSE 100 produce CSR reports¹. Over the last year there has been a 200% increase in media coverage on CSR². The Global Reporting Initiative (GRI) has moved from the fringes into the sights of major companies. Brussels has produced its green paper and set up its Multi-stakeholder Forum, organising a marathon of CSR events across the EU. The International Standards Organisation (ISO) is even rumoured to be preparing its own CSR standard.

In the UK there have been several Ministers for CSR; membership of Business in the Community continues to grow. There is a new corporate responsibility index, which scores companies on how well they measure and integrate business practices affecting the environment, the marketplace, the workplace and the community. There is FTSE4Good which claims to base its selections and exclusions upon a consensus view of corporate responsibility. There is much discussion of the links between CSR and business performance, and much irritation with the proliferation of different questionnaires and criteria for CSR.

But is this a victory to celebrate? It all depends. For the same CSR practices can be understood in two different ways. One view of CSR is to see it as the expression of a company's purpose and values in all its relationships. If all companies were to subscribe to this view, there would be a new dimension to their competition. There would be a marketplace in corporate personality, in which companies would tell society what they stood for and what they aimed to contribute to society, while inviting stakeholders to join them in examining how effectively they had acted on these intentions and lived up to their own corporate values. Not every company would have the same level of commitment to society, but there would be no pretending: companies would be free to say that they cared for no-one except their shareholders if that suited them. The process of reporting and dialogue would not be burdensome but it would particularly expose those companies which paraded their consciences without having the deeds to match. This is what I call *conviction* or *values-led CSR*.

The other way of understanding CSR is to see it as a process by which companies are required by social pressures to comply with a widening range of social expectations. If all companies were to subscribe to this view, CSR would become like a fashion parade, where companies would win applause for wearing the right clothes and saying the right things in their reports, but where actually meaning what they said would not be important and CSR would be well isolated from "real" business activity. This is what I call *compliance CSR*.

¹ Ethical Corporation Magazine www.ethicalcorp.com

² Echo Research "Giving Back 2": An Integrated Report on Corporate Social Responsibility in Global Markets 2001-2002

My worry is that the CSR which is emerging looks more like compliance CSR than conviction CSR. The majority of companies may state their compliance with the expectations of society. Only a minority communicate a clear sense of the strong purpose and values that differentiate a company from its competitors.

In their pursuit of CSR many big companies today remind me of the character of Papageno in the Magic Flute. Papageno is a servant. He allows himself to be subjected to a series of increasingly bizarre tests in order to gain admission to an exclusive brotherhood which his master insists on joining. Papageno endures this ritual because he is told to. Yet at the end of it all his basic drives and appetites remain unchanged. Unless CSR comes from the heart of the company, it is an empty exercise.

The willingness to be accountable can so easily degenerate into telling every stakeholder what he or she wants to hear. As companies take CSR more seriously something is being lost. Call it what you like - the personality, the authenticity, the soul and character of the company is masked by pro-forma statements of compliance with every external expectation. And an illusion is being fed, the illusion that as investors we can create a cocoon economy, in which our savings can be untainted by wars, low wages, and carbon emissions.

I heard a presentation last year from a major multinational with a long history of controversy over the impact and marketing of its products. This company offered an impressive case study. They had a triple bottom line. They had published their first social report. They supported sustainable development. They were working to increase the world's access to their products. Millions of people around the world drew their livelihood from their activities. They had their own environmental management system. They were phasing out CFCs³. They had a community programme which supported health, employment and the arts.

The first question from the audience was deceptively gentle.

"This sounds so impressive. Is there not anything you have done that is wrong, or open to criticism?"

"Of course we are not perfect" replied the company spokesman. "We have a long way to go". But she could give no example of imperfection.

A few months later newspapers carried a report that lawyers for the same company were pursuing the Ethiopian government through the courts for millions of pounds compensation at a time when that government was seeking more world help to fight a serious famine. What a pity companies are unable to communicate to us about their dilemmas and mistakes.

The suspicion grows that CSR's victory has consisted more of winning the silence of its sceptics than the affirmation of those who can weave it into everyday business practice. The champions of CSR are claiming victory too soon - before they have even properly identified the battleground or the enemy.

This may sound destructive. It is intended to be constructive. If the building that is corporate social responsibility is to be robust and enduring, the site must first be cleared of confusion and hype. The unique purpose and values of each company and not the expectations of society, are the only enduring foundations for CSR.

³ Chlorofluorocarbon - compound used as refrigerant, aerosol propellant, etc

I long to hear more companies say. "Here's what we are. Here is what we will think about changing. And here is what is not for negotiation."

The issue, ultimately, is trust. Companies face a crisis of trust. Trust depends on relationships. In every relationship, boundaries need to be set. Trust is not restored by ritual compliance: trust is restored by integrity - which literally means wholeness. It is the task of leaders to inspire and lay the foundations for trust.

This paper is in 5 parts. The first part is intended to put CSR in a historical context, and to define its place in the building of a successful business.

The second is about language. The way we use words like "sustainable development", "sustainable" and especially "triple bottom line" reflect and reinforce confusion.

In the third part I offer a common sense agenda for companies which want to make genuine progress on the practice and reporting of corporate responsibility. At the heart of this agenda is the need to remember that every company is different. Responsible business practice - and its communication - should reinforce rather than bury the communication of a company's unique personality. And in the UK, at least, the new Operating and Financial Review is the ideal vehicle for doing this.

The fourth part is about the "business case". There is a difference between the serious business case and the spurious claims often made.

In the fifth part, I make an appeal to those who are making the rules by which companies will have to abide in the future. I explain why Tomorrow's Company believes that there should be little mandatory imposition of social or sustainability reporting, and I point to limitations in the current thinking which informs the Global Reporting Initiative (GRI).

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