

CSR at a glance

Improvement in living standards relies mainly on economic development. It has gathered pace such that for the vast majority of people it bears little comparison with that of even a hundred years ago. Inevitably, however, some remain less prosperous than others.

It has also generally involved one section of the population exploiting others in terms of labour and/or national resources. CSR (corporate social responsibility) is a way of spreading economic prosperity more evenly by using a global economy where powerful brands have the ability to pressure supply chains into

improving conditions environmentally, economically and socially.

These three simple headings do however cover a wide spectrum and, like a tree, as a CSR initiative grows so its branches reach out ever further such that it may suddenly become more complex and far reaching than initially envisaged.



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PHILANTHROPIC OR COMMERCIAL?

At first sight, CSR appears more philanthropic than commercial, so why should anyone adopt it? Proponents say it is in fact both, as any company that does will measure its performance under three headings, financial, environmental and social, with none detracting from any of the others. It is also supposed to extend beyond simple compliance with local or national labour and environmental laws. Approached properly, it should lead to new opportunities and innovations as well as add an extra competitive edge to the company's activities.

It also ensures the company is careful to minimise possible negative effects due to its activities. For instance, although it might open a factory in a deprived area and take steps to improve schooling and healthcare locally, it could nevertheless still be guilty of inadequate labour and environmental practices. Strategic CSR is intended to resolve situations like this to the benefit of all parties.

Organisations such as the UN Global Compact and the International Business Leadership Forum actively seek to make CSR part of the global development agenda. This has also been largely accepted by business in general as borne out by a McKinsey Quarterly Survey of Global Business Executives published in 2006. This showed that 84% believed that, while large corporations should aim to maximise returns to investors, they should balance it with contributions to the public good.

The past few years have seen consumer markets expand dramatically in developing countries as per capita incomes have grown. As a result, established brands increasingly view them as an answer to stagnant markets elsewhere. CSR can assist them to develop responsible suppliers, efficient manufacturing networks and more informed consumers.

It can also help to alleviate social exclusion through market-based incentives and, at the same time, a larger customer base to provide increased opportunities for sales and profits. A larger potential pool of labour in turn makes it easier to recruit the good quality employees that will be needed. In this sense CSR could be regarded as a win-win strategy.

TRADITIONAL AND STRATEGIC

CSR can have a positive impact on health and development in three ways: employment benefits, community development and core business strategy. The first two can be regarded as being traditional CSR and are different in the way they work and the effect they have from the third, strategic CSR.

Traditional CSR activities covering health, education and community services are usually seen as being separate from the core business. A company may provide healthcare as a benefit to employees and their families but, although that enhances conditions for everyone, it does not affect commercial activities.

Strategic CSR does form an integral part of core business activities and is designed to promote sustainable incomes in deprived areas together with the skills and experience

needed to earn them as well as provide better living standards and improved health in the community. Strategic CSR can be said to influence both direct benefits and the integration of CSR practices into core business operations.

GLOBAL COMPACT

The UN has long taken a lead in promoting CSR programmes in developing countries. In 2000, it announced its Global Compact whereby companies were invited to make a commitment to work alongside development agencies in order to advance social and environmental principles across the world. They must also agree to include 10 principles as part of their overall strategy. These are taken from various UN declarations and conventions covering human rights, workers' rights, anti-corruption and the environment. While participation is purely voluntary, companies are nevertheless encouraged to record and publicly report progress based on the following headings.

HUMAN RIGHTS

1. Support and respect the protection of internationally-proclaimed human rights.
2. Ensure they are not complicit in any abuses of human rights.

LABOUR STANDARDS

3. Uphold freedom of association and recognise a right to collective bargaining.
4. Eliminate all forms of forced and compulsory labour.
5. Push for the abolition of child labour.
6. Eliminate discrimination in respect of employment and occupation.

ANTI-CORRUPTION

7. Work against all forms of corruption, including extortion and bribery.

ENVIRONMENT

8. Support a precautionary approach to environmental challenges.
9. Undertake initiatives to promote greater environmental responsibility.
10. Encourage development of environmentally friendly technologies.

While there are still many in the world who continue to place profit above social responsibility, the adoption of CSR as a business strategy and management tool continues to spread. Many leading manufacturing and retail brands see that there are gains to be made both materially and in terms of corporate image. The days when the leaders of major businesses could afford to ignore public opinion have gone and today's CEO is only too aware of how damaging adverse publicity can be, let alone the views of increasingly socially aware shareholders. 📢