10th International Conference on Corporate Social Responsibility

Embedding CSR Mandate into Corporate Strategy

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Early in a new calendar year and before the end of many financial years is a good time for business leaders and directors to take stock of where their companies are in respect of corporate social responsibility (CSR) and meeting stakeholder expectations regarding socially responsible conduct. What progress has been made? What should the priorities be for 2016 and subsequent years? Has CSR been a catalyst in the creation of more socially aware and responsible businesses? Are CSR initiatives themselves becoming more imaginative and having greater impact? Have legislative, regulatory and other external developments resulted in more responsible business conduct?

In India, it may be an appropriate time to take stock of the impact of CSR requirements in the Companies Act 2013. Have they met the expectations of legislators? Is there now greater interest and investment in CSR projects? Are directors and boards more aware of the changing social and environmental concerns and priorities of stakeholders? Is there more innovation than used to be the case? Are guidelines for the CSR provisions in the Act liberating or limiting corporate discussions?

Will we continue to see companies investing in a portfolio of self-contained corporate initiatives, or will there be consolidation and a greater focus upon CSR projects that will achieve a more strategic impact? Will companies continue to act alone, or will more effort be devoted to collaboration, including with public organisations as companies become more engaged with social initiatives? Are the social responsibility of business and CSR complementary? Could one support or supplant the other? Should one or both of them be on boardroom agendas?

The forthcoming 10th annual International Conference on Corporate Social Responsibility organised by India's Institute of Directors and being held in Mumbai is well timed. The 2016 event represents a good opportunity for directors and other interested parties to review CSR activities and discuss the priorities boards are establishing to address changing external expectations of corporate conduct and pressure from stakeholders and concerned citizens for more responsible business behaviour. This theme paper is designed to encourage thought and discussion of areas on the conference agenda.

Making CSR work for Business

Is there a business case for CSR? Can there be if the purpose of CSR is to benefit external parties? What is the impact - or could it be - upon a corporation's reputation and performance? Does it increase or reduce risks and costs? Is CSR a business discipline that is attractive to corporate high fliers? Is time spent with a CSR team conducive of further progress within an organisation? Does CSR increase legitimacy, or is this best achieved by socially responsible conduct across a company?Are distinct CSR activities a core element of what being a responsible business is about, or might they no longer be needed when a business as a whole is socially responsible?

Are stakeholders today more concerned about quality of life, the environment, sustainability, climate change, the preservation of endangered species and social issues such as diversity and inclusion? In competitive markets where people have a choice, do companies now need a degree of social acceptance to continue to operate and to avoid challenge, whether in the form of criticism in social and other media, customers taking their business elsewhere or potential employees preferring more socially concerned and responsible companies? If adverse publicity can quickly impact upon sales, does one in effect need some form of social license to remain viable and avoid boycotts?

Companies that behave in ways that are not socially responsible can incur substantial costs ranging from a loss of sales and trust to a damaged reputation and a reduced share price. BP has paid high levels of compensation costs for conduct that triggered regulatory and legal responses in the USA. Their extent would have threatened the survival of a smaller company. Clothing retailers have experienced criticism in the media and a consumer backlash as a result of poor health and safety standards in overseas factories where their products have been manufactured. The bars of public expectations and public responses appear to be rising. Can many companies no longer afford to behave in ways that are not ethical, legal and socially responsible?

Importance of Being a Responsible Business

How important is it that a business is responsible, seen to be responsible and regarded by others as responsible? 2015 was the 25th anniversary not just of IOD India, but also of Britain's Most Admired Companies awards. These awards are compiled annually by *Management Today* in conjunction with Leeds Business School. The UK's largest public companies in 25 sectors are asked to evaluate their peers using nine criteria, one of which is community and environmental responsibility. Analysts at leading City of London investment firms were also polled. In total 247 companies were ranked.

The top two companies overall (Unilever, Johnson Matthey) also topped the rankings for community and environmental responsibility (Johnson Matthey, Unilever). Unilever also topped the poll for financial soundness, ability to attract, retain and develop top talent and quality of marketing, while Johnson Matthey also topped the rankings for value as a long-term investment. For these companies, being responsible seems associated with success in key areas of corporate performance. It also applies to a wide range of corporate operations, and not just those activities being undertaken under the label of "CSR". It is not clear how or whether any activities they might undertake as CSR projects contribute to their peers and others viewing them as responsible businesses.

Can a business enjoy good relationships with its various stakeholder groups if it is perceived by certain people as not behaving in a socially responsible way? Volkswagen has experienced falling sails and a reduced share price as a result of the exposure of its practice of using software to detect that an engine is being subject to an emissions' test and and respond in ways to meet requirements with lower levels of pollutants than would normally be the case when driving on a road or motorway. A reputation built up over many years has been quickly trashed.

The role of the Board in CSR

What is the role of the board in relation to CSR or being a socially responsible business? Should a CSR budget be linked with corporate strategy and an overall business budget? How should a board exercise leadership and control in relation to CSR, social entrepreneurship and/or generally conducting business in a socially responsible way? How do these activities contribute to an actionable business agenda, creating social capital and building a business brand?

For a board that endeavours to ensure that corporate activities are both lawful and ethical, but also socially acceptable in today's business context, what more needs to be done beyond building mutually beneficial relationships with a company's stakeholders and ensuring they are treated fairly and that offerings represent value for money? Who sets the tone in relation to ensuring that a company and its people behave in a socially responsible way and respond appropriately to evolving stakeholder concerns? An ACCA survey of culture and channelling corporate behaviour has found that "tone at the top is the most influential driver of corporate behaviour across all age groups, geographical locations and sectors" (Stathopoulos and Tsileponis, 2015).

Experienced directors should be aware that a board needs to address and balance the interests of different stakeholder groups and build mutually beneficial relationships with them. Some groups may appear to have more power to benefit and/or harm an enterprise than others, but the reputation of a company can influence relations with all of them. Boards ignore external groups at their peril and smart directors take account of their interests and concerns and try to work with the grain of opinion. They recognise that they need to look beyond customers and investors and engage with the concerns of other external groups such as activists, regulators and politicians (Browne et al, 2015).

Global Standards for CSR and their Relevance

Are there common principles underlying differing national expectations and requirements concerning CSR and socially responsible business conduct? Would national and international CSR standards and objectives lead to more or less innovation? How do or could they relate to developments in governance and other areas? Would they add value or lead to box ticking? Might they distract boards from addressing the challenges and opportunities facing particular companies?

In India CSR expenditure has to satisfy certain conditions to count towards a 2% of net profit requirement applicable to certain companies. To achieve sustainability objectives we need to deliver more with less, join up initiatives, collaborate and find ways of simultaneously delivering a variety of objectives and benefiting multiple stakeholders. Does setting tight rules as to what constitutes a CSR initiative and ruling out activities that benefit both a company and an external target group prevent us from doing this? Should we instead be encouraging the effective use of resources that generates a variety of outcomes that benefit both or all parties to relationships? Should we actively promote responsibility initiatives that are beneficial for businesses, their staff and those they are seeking to help? Might such projects attract greater internal interest, commitment and support?

Government initiatives such as the requirement in India for certain companies to devote a specified portion of net profit

to CSR activities are designed to create public value and deliver public benefits (Moore, 1995). However, is there a danger that specifying a requirement and setting limits as to what will satisfy it may marginalise CSR and act as a break on more general progress towards socially responsible businesses? As is often the case, well meaning initiatives whether laws, regulations, standards or codes of practice, can sometimes be counter-productive and the extent to which the intentions of legislators, regulators and others are fulfilled and value is delivered will depend upon how those who are subject to the requirements respond.

Navigating between Rhetoric and Reality

What if anything has been the distinct contribution of CSR as opposed to the impact of drives for more ethical and responsible business conduct across the full range of corporate activities? Has it led to more sustainable business, or have developments in this area been the result of sustainability initiatives? What are the main trends in CSR policies and practices? What have the impacts been and what are the next steps? What are the lessons for SMEs and bodies yet to fully embrace CSR?

How might gaps between aspiration and achievement be bridged? Is there a role for CSR in developing and testing possible corporate responses to community and/or social issues, just as a new product development unit might pilot or road test a new offering before a decision is taken on whether it should be adopted? For many companies the challenge is to stimulate more imaginative solutions and creative responses without incurring disproportionate and unacceptable levels of risk. Could involvement in CSR initiatives help people to raise their ambitions and think outside of the box? Should a CSR team become an innovation unit for responsible business?

How will corporate CSR initiatives across India relate to a national initiative such as Skill India? How will they further the inclusiveness agenda? Will they benefit groups and communities that have hitherto not substantially gained from recent economic growth? How might CSR projects contribute to national initiatives, while at the same time contributing to social objectives and benefiting those needing support? Will individual corporate responses be enough? Is collaboration and private sector involvement required if public action is to address skill requirements of particular commercial sectors? How could digital developments help address the volume issue, the sheer numbers of people who need to be trained and scattered communities of people who are excluded?

CSR and Social Entrepreneurship

Whether or not self-contained CSR activities contribute significantly to an assessment that a company is a socially responsible business, the challenge for many owners of CSR budgets is how to get the maximum of leverage from a finite sum. Should one spend an available pot on directly assisting a target group for a defined period of time? Alternatively, would devising a mobile device ap or an on-line service or social network that might reach a larger community for longer be a better alternative? Should supporting the start-up of a social enterprise that might grow and over time respond to an even wider range of evolving needs be the way ahead? Should one act alone or in collaboration with other companies, charities and public bodies? There are choices to be made.

Some times social impact can be greater if one invests in building capability over time. However, care needs to be taken to ensure that the proportion of available resources committed to longer term projects is not so high that there are insufficient reserves to meet sudden, short-term and emergency or crisis requirements. In relation to the challenges and opportunities they face business and financial investors, CSR and fund managers and various Government agencies have to balance both long-term and short-term considerations when making decisions. Given the number and scale of social challenges will enough bodies be able to collaborate and effectively respond (Harari, 2014).

Is the CSR community so concerned with discrete projects, being seen to be active, producing quick results, and generating copy and photo opportunities for the next annual report, that it is missing opportunities to have a more lasting and historic impact? Is this a sign of insecurity rather than confidence? Is CSR itself always socially responsible? Should it confront challenges that are larger in scale and which require more sustained commitment? Does CSR need to tackle bigger and more strategic projects that address social issues and which might demonstrate a more profound impact?

CSR Communication

How have CSR policies and activities impacted upon corporate communications, and how have these in turn been influenced by wider developments in society and the social media? How does one assess, audit, measure and disclose what has been achieved? What about social audit and social impacts? What are the most effective ways of communicating and reporting socially responsible activities and outcomes, demonstrating commitment and securing social recognition?

In the past risks to a corporate reputation might have been mitigated by media management and the barriers to effective

action that faced those with concerns. Greater connectivity and accessible social media can enable any concerned citizen with a mobile device to record a failing and quickly communicate it to others with the possibility that an incident might go viral and global. Whether or not a company wishes to be transparent, its actions and activities can quickly become visible in ways that may incorporate sound, visual and moving images. One cannot just release selected corporate data, invite journalists to a photo opportunity and rely upon being able to mould opinion.

Companies that initiate CSR activities that are the exception rather than the corporate rule because of an external requirement may become unstuck. Drawing attention to CSR projects in an annual report and other communications may just serve to communicate to external audiences that these activities are a special case and not mainstream activity, i.e. the business is only behaving in a responsible way because of being forced to do so.

Budgeting for CSR

How does one budget for and account for activities that lead to socially responsible outcomes such as greater sustainability or inclusion? What about corporate initiatives that simultaneously deliver multiple outcomes, or the advertising or other communications that have a social as well as an economic purpose? Can one measure returns on investment, the effectiveness of CSR initiatives or socially responsible conduct and their impacts upon corporate performance?

Members of the asset owner and management communities vary in the extent to which they are concerned about whether their investments meet environmental, social, sustainability and other criteria. Some are very concerned. They use indices that attempt to quantify the extent to which funds and opportunities meet their responsible investment expectations and requirements. Others mainly focus upon traditional concerns with maximising returns and minimising risks, and making sure that any risk involved is not disproportionate in relation to anticipated returns. This raises the question of how important CSR is in relation to access to finance (Cheng et al, 2011).

For the community of asset owners and managers concerned with responsible investment how important is the perceived scale, quality and impact of CSR programmes, initiatives and activities as opposed to responsible behaviour across the full range of a company's operations? When investment portfolios are assembled, how significant are the aims of CSR policy and the achievements of CSR teams compared with overall corporate strategy and its implementation and responsible business behaviour? Is the market a company is in, the nature of its products and services, and corporate conduct and resulting reputation more important than what it devotes 2% of its net profit to if it is subject to the provisions of the Indian Companies Act 2013? For example, would an ethical fund be more or less likely to invest in a tobacco company because of its CSR projects?

Increasing Returns from Social Investments

A key challenge for Governments is joining up various initiatives that have been launched. For example, what about the digitally excluded who cannot access e-Government and other services? How will Skill India relate to the Smart Cities drive? Will it equip people to take advantage of greater bandwidth, connectivity and digital services? Will new applications of technology be used to open up and deliver education and training initiatives? Should companies collaborate with other enterprises and public bodies to achieve a greater impact. Could CSR budgets be used to develop applications such as mobile phone aps to help, train and support excluded groups?

One group whose plight has been recognised by the Law Commission of India (2015) faces economic, social and political exclusion, namely the community of people affected by leprosy. In recent years over a half of the world's newly disclosed cases of leprosy have occurred in India, where those afflicted face legal discrimination and the risk of disability. Every four minutes someone from India gets diagnosed with leprosy. Rejected by their families once their symptoms are visible, or their condition is otherwise revealed, they seek shelter in leper colonies and centres supported by organisations such as The Leprosy Mission and the Order of St Lazarus. Although some of the disabilities it causes may be irreversible, leprosy is a curable disease. It can also be rendered non-infectious at an early stage of treatment and could be eliminated. Could CSR budgets be combined to achieve this or used to develop specific applications to help those afflicted?

A Bill to repeal discriminatory legislation, abolish the term 'leper' and enshrine in law the rights of people affected by leprosy went to the Lok Sabha in July 2015, but there are suggestions it may not be considered until mid-2016 at the earliest. In the meantime organisations genuinely concerned with exclusion could lobby for the speeding up of its progress. Should advocacy be an element of CSR policy? Should a socially responsible company that articulates its principles and values in areas such as inclusion actively campaign to remove barriers that prevent certain groups such as those experiencing disability and/or discrimination from participating in its activities, joining one of its stakeholder groups or becoming fuller participants in wider society? If a single large company or group of companies focused their CSR budgets on the elimination of leprosy which is a treatable disease it might help to end a traditional scourge of mankind.

Challenges as Opportunities to Demonstrate Responsibility

I once wrote that if a company had a heart and a soul one should look for them in the boardroom (Coulson-Thomas, 1993). How does a company visibly demonstrate to external stakeholders and interested parties that it has a heart? How can it show that it cares and is willing to accept responsibility and behave in a caring and responsible way? Greater focus and collaboration can increase impact, as can using contemporary technologies and the selection of an issue such as the elimination of leprosy which would be of historical significance (Coulson-Thomas, 2015). Staying the course to tackle an infectious disease such as leprosy which has a long incubation period and is often difficult to detect can demonstrate the sustained commitment success requires (Burki, 2009).

Successful outcomes from projects such as those under the Skill India umbrella could also be much more likely if the business community engages with them, encourages people to seize opportunities that arise and take steps to ensure that training arrangements are flexible and make use of approaches and technologies that ensure that what is provided is relevant and current. Allocating CSR budgets to projects that develop the skills of excluded groups could be a practical way of contributing and generating both economic and social benefits.

The extent to which a company engages with social issues of concern to stakeholders and wider society, collaborates with others in their solution and responds in ways that are creative, imaginative, innovatory and inspirational could be indicators of the extent to which it takes its social responsibilities seriously. Governments considering measures to encourage more responsible conduct need to ensure that any laws, rules or guidelines they produce do not limit responsible business endeavour to those activities labelled as CSR and preclude more cost-effective and resource-efficient solutions that would deliver a greater range of benefits to multiple stakeholders, including a company itself and hence engender greater commitment to them and higher investment in them. Social responsibility laws, rules, guidelines and codes should liberate rather than constrain.

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Further Information

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The 10th International Conference on Corporate Social Responsibility of the Institute of Directors, India will be held on 5-6th February, 2016 at the Hotel Taj Lands End, Bandra (West), Mumbai, India. Further details of the conference and other activities of the Institute of Directors are available from www.iodonline.com