

Executive Forum - CSR Update 2009: National Liberal Club, 13th January 2009

A. Introduction

This, Forum held in London in mid-January 2009, was the third annual **MHC International Ltd's (MHCi)** Executive Forum Update. It, as before, looked at CSR both back over the past year and forwards into the next twelve months of 2009 for trends and actions (the notes from the other meetings can be read on www.mhcinternational.com).

The format for the Executive Forum (X4) is to have a conversation on CSR with a diverse group of invited CSR experts, academics, practitioners and business leaders which is kick started by a short presentation. Such a conversation does not happen very often, as most CSR exchanges are either explanatory or part of a sales pitch! This X4 is a snap shot in CSR history.

B. Meeting Expert's CSR interests

- CSR and branding
- Social and environmental risks as business opportunities
- CSR as a fundamental part of business strategy
- CSR and communications – how to apply this
- Governance and internal activity are key for CSR, but there is a need to avoid the “tick box mentality.”
- Need for change in business and society – will CSR measure up?
- Inclusive business: going beyond CSR in emerging markets.

C. Michael Hopkins Presentation: 2008 & 2009

C.1 In 2008, we said that the year would be dominated by three key concerns:

1. The rise of oil prices and the rapid substitution of food crops for bio-fuel production. This, in turn, will lead to sharp rises in food and consumer price inflation.”
2. The sub-prime credit crisis will feed more and more into the real economy as banks become tighter in their ability to lend even as interest rates fall. This will lead to a fall in investment and lower output and employment.”
3. The gradual trend toward authoritarianism coupled with rising instability caused by poverty, as often written about in The Observer by Henry Porter, will lead to ever increasing restrictions on freedom and human rights.

C.2 What happened to CSR in 2008?

- CSR vs CR and / or Sustainability – still discussions on what they mean!
- US – burgeoning focus on PPPs
- London: ahead of the game in CSR; key area is stakeholder focus
- GRI – mentioned more often than the Global Compact, but there is so much information in it, what do people get out of it?

C.3 Predictions for 2009 in CSR

- Industry in the recession will take a hard look at all their programmes. They will have to look, rapidly, at the business case for CSR...not something done easily
- However there is a countervailing force that, given the lack of responsibility among Western sub-prime holders, banks and financial institutions...there will be a new move towards responsibility
- Great hope has arisen over the election of Obama...and is likely to increase the need for national, corporate, public and personal responsibility

D. Questions to be addressed in the X4

1. Will charities be hit by the downturn?

2. Role of the SRI community in promoting / blocking CSR?
3. Companies will headline CSR – focussing maybe on carbon reduction – but overlooking waste, water and poverty
4. Is the Social part of CSR being recognised at board level as part of their corporate strategic thinking?
5. CSR: there are endless definitions but is the concept understood? It still needs polishing.
6. Is there a confusion in business about its role in society?
7. Will businesses get tired of trying to be responsible?
8. Where is the leadership for CSR going to come from?

E. The discussion main points:

- Has the greening of CSR gone too far? A more systematic CSR approach would see less of carbon discussion and more on stakeholder dialogue, new products, employee focus etc.
- A discussion on “**Is CSR mainly PR?**” agreed that CSR could be lost if CSR was not made more ‘material’. On the other hand, PR started some companies off in the CSR direction and actually led to improvements...this was not a blanket conclusion.
- What does **business as usual** – in other words business for the sake of business – actually mean? Making profit is not intrinsically bad: the key point is how that money is made. The current crisis is also making the shareholders of larger companies focus less on profit maximisation than on survival: this is bringing a step change into considerations on whether the focus solely on profits is the real aim of a company.
- CSR should be part of a company’s **strategy** and a key part of its **branding**. There is a concern about CSR as PR puffery only, but the meeting felt that this purely PR activity would cease to be mainstream as the times got harder. Sustainability, which should be seen as an integrated approach without a single issue focus, will also have to deliver hard earned benefits. Is there a danger that there might be a backlash against CSR by companies struggling to do the right thing? Branding means the DNA of the company not simply its external ‘image.’
- **Responsive CSR or Reactive CSR?** It was considered that there are three major blocks to CSR in large companies: (a) company politics (b) management inertia and (c) the HR department. Too often the response was responsive to concerns rather than an overall strategic approach as recommended by **MHCi**, for instance, and other CSR leaders.
- **Ford:** Their most recent report shows how incorporation of CSR into strategic thinking can help bring about business transformation (this was recommended by one participant: see <http://www.ford.com/about-ford/company-information/corporate-sustainability>). In general, the reporting function of companies was still regarded as hit and miss, and needed to be developed better.
- The **financial sector:** there was discussion of “the lethal combination of fear and greed” in the bonus and reward culture that led to the collapse in the financial sector as well as a comment that the financial community was asleep: “no one checked that there was an engine in the car as it raced downhill”. Transparency was felt to be a key issue for the future.
- There is also a desire from the **investment community** to see a change in the way that companies are listed on the stock exchange: use **OECD** and **UNCTAD** guidelines? The investment community also had a key role in either promoting or blocking CSR.
- **Leadership:** political leadership on CSR is inconsistent – the government’s responses to the BAE corruption allegations and to another runway at Heathrow are symptomatic of this – which makes it very difficult to persuade the man in the street to be socially and environmentally responsible.
- **Dialogue is essential** to get CSR moving: leadership does not necessarily mean a top down approach: there will be no change in attitudes unless it is driven from the bottom, and there was some hope that medium sized companies could lead here. Here, **ethics** is about the way, not the ends, and about the need to learn from each other.
- **Short termism in politics – and in finance** – is very damaging for the long term, strategic actions needed to ensure real change. There is also a decided lack of lateral / broad thinking on long termist views, which are key for winning companies. The recession might be something of a blessing in disguise to force companies to think about bringing more value from less.
- **Cynicism about donating** to aid organisations, especially African ones, is damaging

- There is a **dysfunctionality in society** which leads to a blame game rather than to co-operation for change: the media are a major problem here which means that the media should look to their own CSR agendas, especially in accountability and transparency. Adrian Henriques' book on transparency *Corporate Truth* (Earthscan 2008) was noted.
- The theme of **overpopulation and population growth** was touched upon but it was decided that this was not a topic to be considered at this meeting, especially since there may be overpopulation of resource hungry rich people while poor people get blamed!
- The **retail sector** was touched upon – especially **Marks and Spencer's** Plan A and **Walmart's** being a key player in value, although **Walmart's** supply chain and personnel record was questioned. **Woolworths** was also briefly discussed, but their failure had nothing to do with CSR and everything to do with a defunct business model.
- **Capacity development** to engage businesses (international and national) in responsible and sustainable investments in emerging economies was a critical, but under-remarked, element as the representative from **SNV** pointed out – see <http://www.snvworld.org/en/Pages/default.aspx> and on SNV's alliance with the World Business Council for Sustainable Development – www.inclusivebusiness.org
- There is a **greater public awareness** of CSR which is very positive, but varies around the world with the UK probably the leader while emerging economies tend to focus upon PPP and philanthropy.
- **Volunteering** is seen as a way for companies to move away from basic philanthropy to CSR, and reap the advantages that volunteering has on many levels. CSR efforts could more profitably move away from philanthropic efforts toward more employee focus.
- **US administration:** the view from the US is that the Bush administration held companies back on the whole social and environmental agenda: the recent change of management and direction at Exxon shows the new thinking that is flourishing as the *ancien regime* passes away. The Obama administration is seen as being very positive, even if he may well be unable to live up to all the expectations held of him, as companies will look at their overall responsibility. Also, there will be a sea change from full blooded capitalism to a more moderate Third Way.
- **Micro finance** offers hope in the war against poverty as well as a way of showing how CSR can bring the innovation necessary to survive a recession.

F. Final Comments:

- The meeting was generally positive about the contribution that systematic CSR can make
- Auditors don't generally ask whether stakeholder dialogue actually leads to a better business model.
- The recession will damage some of the progress already made in CSR but could also offer new opportunities for companies to deepen their involvement with it, especially those able to maintain a long-term business perspective.
- The education of CSR – which is expanding - was implicit as a number of the delegates have taught or teach at academic institutions or offer training in CSR as part of their business activity. However, many companies were cutting back on training as the recession (depression, some thought) bites.

G. Fourth X4 CSR Update:

The next Executive Forum CSR Update will be held at the National Liberal Club, London, on Jan 12th 2010 with leading CSR experts – contact enquiries@mhcinternational.com to keep abreast of events.

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London, 20th January 2009

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