



Corporate and Social Responsibility

International businesses often have improved performance when they include their social, ethical and environmental responsibilities in business planning – their corporate and social responsibility (CSR). Companies in some markets, such as the United Kingdom (UK), will shortly require businesses to demonstrate their corporate and social responsibility.

Businesses with very ethical behaviour gain widespread community approval, but fraudulent or unethical businesses do not live up to community expectations. Unethical businesses will eventually be publicly criticised and may be penalised by government regulators in both their domestic and international markets. Businesses that practice CSR exercise the following strategies

- treat environmental and social aspects of business as future growth opportunities
- respond to sustainability challenges with innovative solutions
- respond to changing community expectations
- integrate their environmental and social responsibilities into day-to-day business decision-making
- report regularly on their sustainability performance.

Dr Martin Blake, respected UK expert in sustainability, CSR and business management, has a holistic approach to corporate responsibility. He pioneered the six pillar *In Good Company Framework* approach to CSR, giving companies a clearer and more accountable construct to help devise their CSR programs.

With this framework the first and second areas that an organisation should look at are the related safety and health of its employees, making sure that they have a safe place to work and they are not going to be injured or adversely affected by any of the works or processes that they are engaged in. So the wellbeing of a workforce is a very important thing. A healthy workforce is a productive workforce and sick absenteeism costs organisations a lot of money. So it's in a company's best interests to ensure that employees come to work, are happy at work, aren't stressed and their wellbeing is managed. It also is a good thing to do because the people have homes and family lives. So a healthy employee is going to be good as a healthy family member too. They're going to be able to interact with their family more effectively and to be able to participate in family life better than somebody who is sick as a result of what happens to them at work.

Dr Blake's third pillar is diversity. Any organisation's workforce ought to reflect the diversity of the community within which it operates. So that means an organisation needs to embrace diversity, not struggle with it. In addition to ethnic diversity, firms need to consider appropriate ways to assimilate people with physical or learning disabilities into the workforce. This will enable people on benefits to become

productive and actually participate in a working environment where they are supported by colleagues, have self esteem and reasons to get up in the morning, as opposed to being isolated and perhaps disengaged from a working environment.

The fourth pillar is communication. As a business manages its CSR agenda it will communicate what it is doing in a transparent way, both internally and externally, particularly if it is trying to manage its brand and reputation. It is therefore important that the messages the company projects externally are coherent and congruent with the ones that it projects internally. The workers are also members of the public and operate in an external environment as well as the internal one. They will quickly spot any inconsistencies in message.

Dr Blake's fifth pillar is the environment. It is essential for an organisation to recognise the environment in which it operates and treats that environment with respect, recognising that adversely impacting one's environment is not a sustainable future. It is essential that an organisation effectively manages its environmental impact on the planet and at a community level. It's not appropriate for organisations to take more from the planet than they put back, so it is essential they manage resources and make sure they are operating in a harmonious way with the planet.

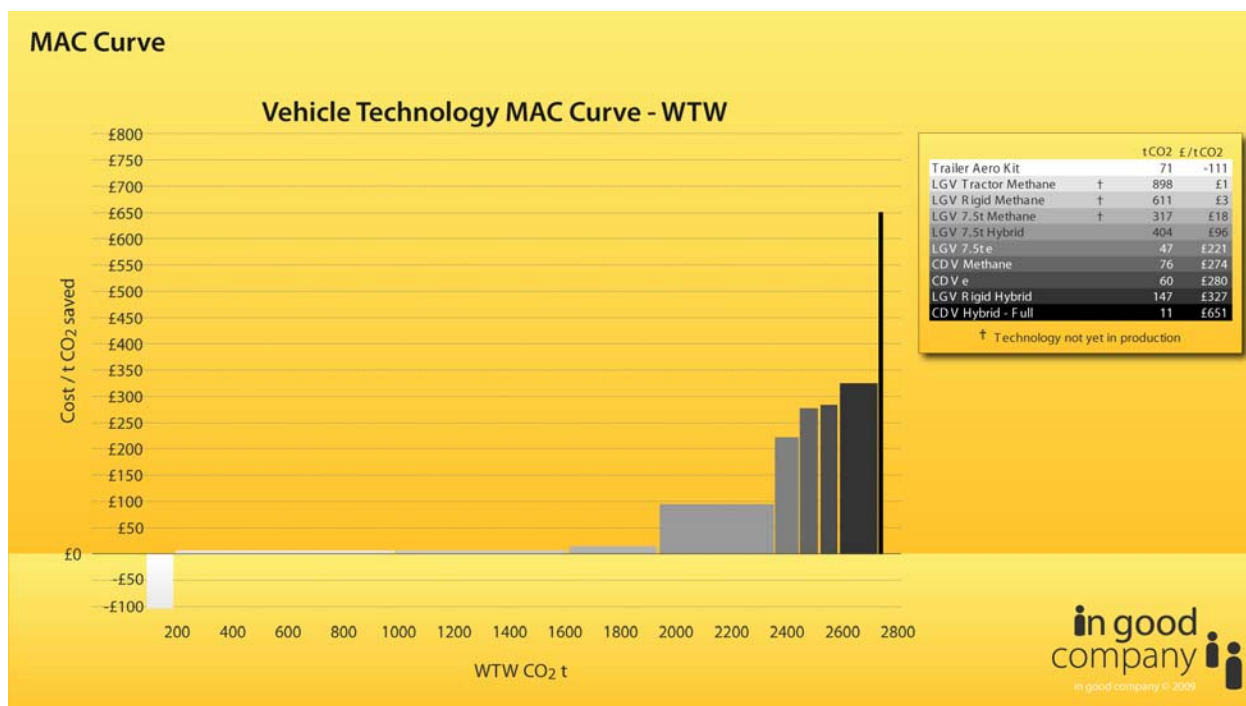
The sixth pillar is the community. All businesses operate within a community of one sort or another. They employ people from their community and their supply chain operates with companies that are involved in their respective communities. So understanding the impacts, both good and adverse, on a community is essential. A business should try to optimise the benefits that it has on a community and minimise or mitigate the negative impacts it has so that, overall, the benefits are optimised.

Greening the bottom line

Many businesses, sectors and countries think that climate change and carbon reductions should be led by legislation, regulation and taxation. However there are many other good reasons that businesses should be greening their bottom line, not just from the point of view of compliance. Dr Blake stated that it makes good business sense to be as efficient with resources as you possibly can. Manufacturing businesses should manage all the resources they use, including electricity, gas, diesel, fuel oil and any other fossil fuel, because when they decarbonise their business they can make very large financial savings as well as carbon savings.

Dr Blake suggested that businesses invest a small amount of money in new technology to save a lot of money in a short period, as well as carbon, and use fewer utilities going into the future. That is something they should do without legislation and they would become self regulated.

He takes a fairly structured approach to carbon management and suggests one of the first things an organisation should do is develop a Marginal Abatement Cost Curve (MAC Curve). It links the net present value of the investment in the technology or the activity to the amount of carbon that is reduced or abated. A business can then begin to develop its carbon savings whilst also saving money. In a model that is intended to ration capital in an appropriate way, it would begin to invest in technologies, actions, and interventions that yield the best return on investment but also the biggest reduction in carbon.



Source: Dr Martin Blake, *in good company*, 2009.

Environmental responsibility

Global businesses are now expected to take greater responsibility to protect the environment and support their 'green' claims with independent data. Businesses need to actively address their carbon miles used, water usage, recycling practices, waste management and environmental protection in order to sell into 'green' markets.

In the United Kingdom (UK) Royal Mail Group employees are leading the way in carbon offsetting. They contribute money directly from their wage packets to the Woodland Trust, a conservation charity, to offset footprints by planting trees. They use a revolutionary new Royal Mail carbon calculator to find out how many trees they must plant to offset their annual carbon footprint and to get tips about how to reduce their emissions.

The Royal Mail Group has reduced its carbon emissions by over 130,000 tonnes (14 per cent) since 2001–2002. It has

- altered its mail distribution network to improve operational efficiency and reduce carbon emissions – reducing the number of road services from 9,000 to approximately 3,600 per day
- selected more efficient vehicles, including electric vehicles and double-decker trailers which hold 50 per cent more mail than conventional trailers
- signed a three-year 100 per cent renewable electricity contract for its UK sites
- developed a sustainability strategy designed to take the company to carbon neutrality by 2015.

Ethical business behaviour

The global community expects business owners and their staff to carry out business honestly and to treat people fairly, in both domestic and overseas markets. Business practices in some countries include bribery to 'facilitate' a deal, but this is considered

unethical in most countries. It is illegal to bribe public officials overseas – see www.crimeprevention.gov.au/agd/WWW/ncphome.nsf/AllDocs/DE6542DFE4D60775CA25705400197B45?OpenDocument.

Responsibilities to consumers

In many countries customers have certain legal rights, especially protection from misleading and deceptive business behaviour, such as false advertising. Businesses must obey these laws. Businesses that respect and satisfy their customers have a much greater chance of success over time as consumers are demanding more openness.

Responses to consumer CSR concerns

In a growing number of countries suppliers must state their CSR actions on product labels and provide data in promotional material to verify these claims. This requirement minimises ‘green washing’, when firms make false or inflated CSR claims. In the United Kingdom there is a trend towards ‘choice editing’, where large retailers only stock products from suppliers with proven CSR credentials.

Marks & Spencer exemplifies ethical retailers that only stock products meeting the international standards in the Ethical Trading Initiative Base Code. The code covers issues such as water and waste management, ethical labour conditions and animal welfare, sustainable fishing and farming, and so on. Consumers know that the retailer sells only products from responsible producers. Businesses therefore must apply CSR to their management and production in order to sell to an increasing number of ethical retailers. While these requirements are currently voluntary, over 80 per cent of retailers participate in the UK and they are likely to become mandatory in the future.

Pudding Lane is an example of an innovative **Australian** business which minimises its carbon footprint, and uses that as a marketing point of difference to environmentally conscious UK customers. It clearly articulates its sustainability position for this sophisticated market.

Pudding Lane has set exacting standards with its environmental and corporate social responsibility policies. Its packaging is made from 100 per cent recycled material and is hand stitched by a local charity group, The House with No Steps. The only disposable part of the pudding making process is a short piece of twine used to tie the pudding cloth up for cooking. Pudding Lane recycles 100 per cent of any cardboard and paper packaging from pudding manufacture, such as flour bags, fruit and egg cartons, and uses environmentally-friendly, gas-fired coppers. The firm does not use any automated processes and no production lines, electric steam ovens, or plastic basins, bowls and pudding moulds. It also buys local ingredients, where possible, to minimise its food miles.

Links

- Green Matters at www.austrade.gov.au/ArticleDocuments/2095/Green-Matters-Corporate-Social-Responsibility.pdf.aspx.
- Ethical Trading Initiative at http://corporate.marksandspencer.com/documents/specific/howwedobusiness/ethical_trading/eti.