

# The 'What', 'Why' and 'How' of Corporate Social Responsibility for Small to Medium Organisations

First Prepared by Dr Mark Hughes of *mch* in 2006

[www.mchpositiveimpact.com](http://www.mchpositiveimpact.com)

**Increasing your organisation's positive impact through staff development and management consultancy support**

# Purpose of Document

## **This document aims to:**

- Clarify the meaning of Corporate Social Responsibility (CSR) and the extent of its scope
- Explain why organisations embed CSR into their work
- Highlight CSR trends, particularly in relation to small to medium organisations
- Outline how CSR can be incorporated by smaller organisations
- Detail *mch*'s experience of CSR

# Corporate Social Responsibility's Scope and Content

**Corporate Social Responsibility (CSR) is one of many terms which describe an organisation's impact beyond just the economic.**

## Terminology

**Corporate Social Responsibility**

Corporate Citizenship

Corporate Sustainability

Triple Bottom Line

Social Accountability

Social Reporting

## Shared Scope

- Economic Impact
- Environmental Impact
- Stakeholder Impact
  - Employees
  - Customers
  - Suppliers
  - Community Groups
  - Interest Groups
  - Shareholders

## Content of a CSR Report

Outline of measures designed to record impact

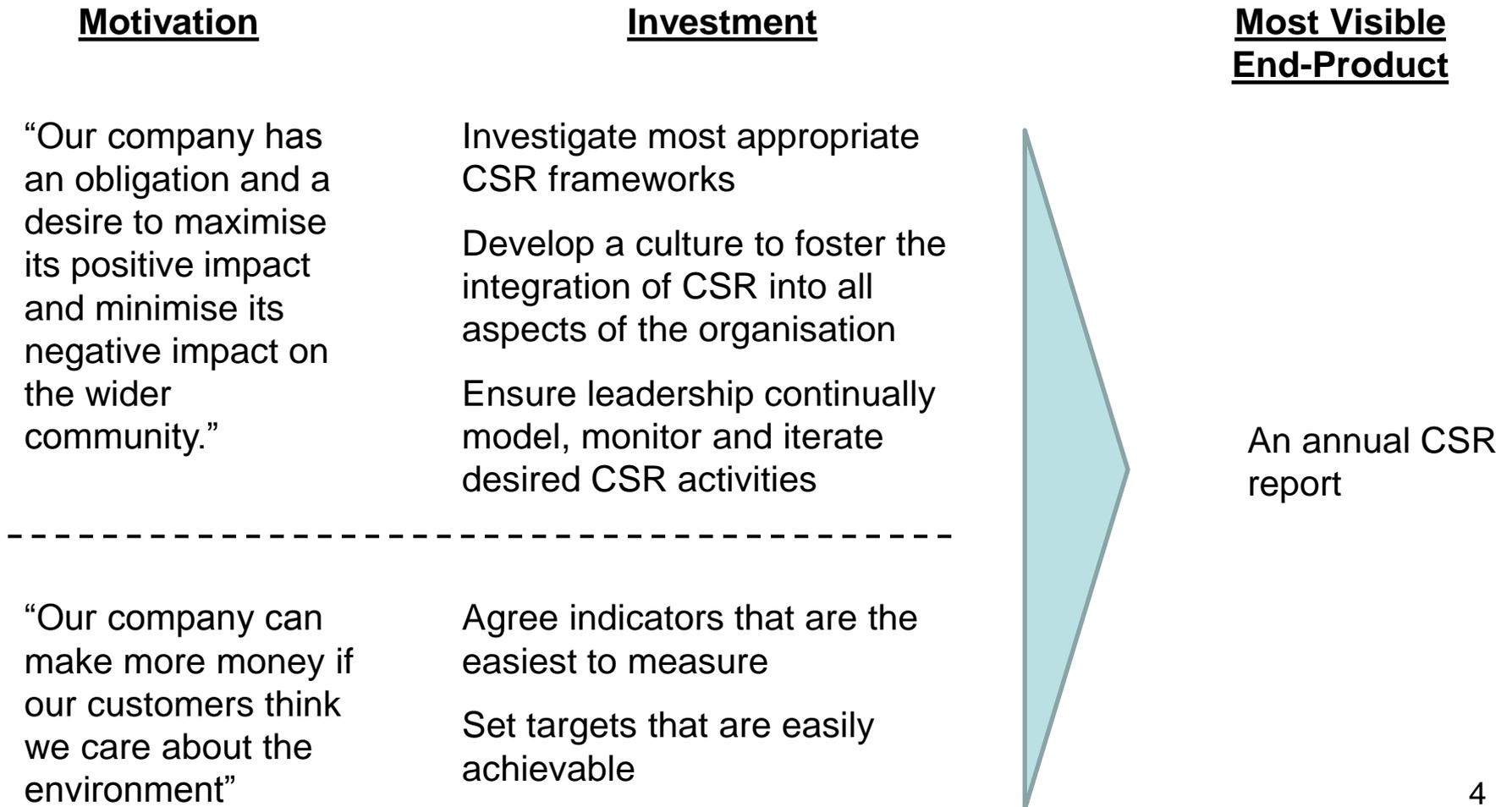
Targets and initiatives designed to maximise or minimise impact

Assessment of actual results relative to targets and benchmarks

Outlook and iterations for year ahead

# Determining Whether CSR Motives are Genuine (1/2)

**In the short term, it can be difficult to determine CSR motivations, as the most visible end-product is the same....**



# Determining Whether CSR Motives are Genuine (2/2)

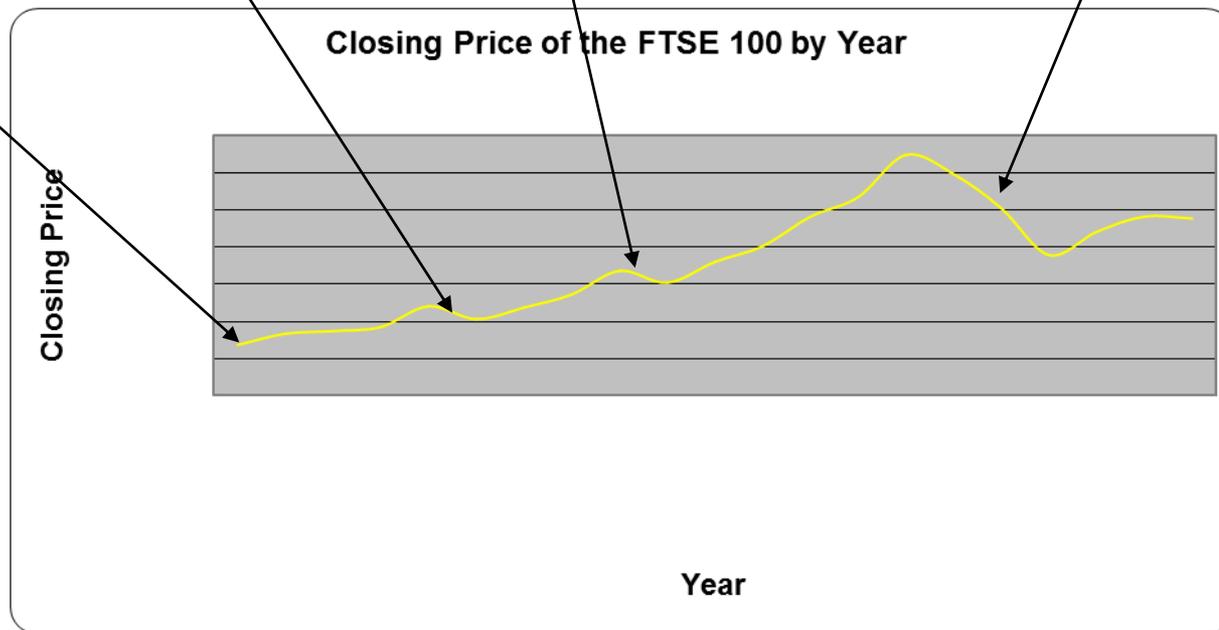
**...however inherent business volatility makes a sustained commitment to CSR unlikely if an organisation's motivations are not genuine.**

A company with an opportunist approach to CSR reporting here...

is unlikely to continue reporting when downturns occur here..

here...

and especially here.



# Benefits of CSR

**Provided motivations are genuine, both altruists and pragmatists can benefit from CSR.**

## Motivation

## Impact on Performance

The 'Altruist'

"I want work to have rewards beyond the material."

87% of European employees would increase their loyalty to a company if it were involved in activities that help improve society. (1)

40% of business leaders get new business ideas through community activities. (2)

23% of shareholders have bought or sold shares because of a company's social and environmental performance. (3)

The 'Pragmatist'

"I want my business to make money and be sustainable."

88% of consumers are more likely to buy from a company that supports and engages in activities to improve society. (4)

(1) Quoted in To Whose Profit? Building a Business Case for Sustainability, WWF and Cable & Wireless, 2002 ; (2) Roffrey Park, 1999; (3) Shareholders in G7 countries, Global CSR monitor, 2003; (4) (Fleishman-Hillard/Ipsos Report on European Attitudes Toward Corporate Community Investment. May 1999.

# Uptake of CSR by Small Organisations

**While the general public is showing a growing demand for and interest in CSR, few small organisations have formal CSR policies and procedures.**

## Demand and Interest

Media interest in CSR increased by 192% in the year immediately after the collapse of Enron and reporting on Reputation Risk jumped sevenfold. (1)

90% of UK voters think that “the Government should set out enforceable rules to ensure companies are socially responsible. (2)

## Prevalence of CSR in Small Organisations

Only 1 in 6 SMEs have formal policies relating to their social or environmental impact. (3)

(1) Echo Research analysing press in the US, UK, Germany, France, South Africa and China, September 2002; (2) ICM poll, commissioned by the CORE Coalition and the Trade Justice Movement, April 2006; (3) Mazars, Neville and Russell, Trends in CSR among mid-size corporate

# Why Many Small Organisations Do Not Adopt Formal CSR

**Research suggests that CSR's perceived complexity and significant resource requirements deter many small organisations.**

## **Key Findings from Department of Trade and Industry Research:**

- Perceived cost and a lack of time and resources are the major barriers to adopting formal CSR procedures.
- CSR is seen as abstract and complex
- These sentiments were not shared by companies that have actually developed CSR policies

# Approaches to CSR

Using the right approach, CSR can have real benefits without requiring significant investments in time, money and skill development.

## Approach 1: Best Practice

### Description:

Use recognised and comprehensive CSR frameworks developed by experts to monitor CSR performance

### Key Requirements:

Third party verification

Selection of most suitable framework

### Commitment:

Time	High
Money	Medium
Specialist Skills	Medium

## Approach 2: '80/20' Approach

### Description:

Use Pareto's '80/20' rule to obtain 80% of CSR's benefit with 20% of the resources available (1)

### Key Requirements:

Ability to assess potential CSR policies for impact and ease of measurement

Excel modeling skills

### Commitment:

Time	Medium
Money	Low
Specialist Skills	Low

1. For an overview of Pareto's Rule, see: [http://en.wikipedia.org/wiki/Pareto\\_principle](http://en.wikipedia.org/wiki/Pareto_principle)

## *mch* and CSR

**CSR has been part of the way *mch* does things from the very beginning.**

### ***mch's* experience**

- Since being founded in 2005, *mch* has embedded CSR into its operations
- *mch's* CSR policies and procedures continue to be developed, iterated and improved upon
- *mch* tries to promote accountability by publishing its CSR reports on its website