

CSR: Doing Good or Doing Good Business?

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IES aims to help bring about sustainable improvements in employment policy and human resource management. IES achieves this by increasing the understanding and improving the practice of key decision makers in policy bodies and employing organisations.

CSR: Doing Good or Doing Good Business?

Background

CSR is nothing new and existed in practice long before it became 'badged' as CSR. It can be traced back in the UK at least as far as when John Cadbury founded his company not only to generate income but with the explicit aim of helping to improve society. What is new and receiving increasing 'spin' – which at times can make one dizzy – is the number of policies, practices and outcomes that have become linked or associated with CSR.

In the current business climate CSR most frequently evokes thoughts of environmental action, engaging with local communities and shareholders, and issues ranging from pollution to fairness and ethics. The drivers of CSR policies or statements may be rooted in a range of motivations such as:

- **altruism** – helping those in society less fortunate or disadvantaged in some way, *eg* the socially excluded
- **a tool to enhance** or promote the 'employer brand' to different stakeholder groups, including current and potential employees
- **compliance** such as within supply chain management or a commitment to social reporting
- **a lever** to improve business performance, via one of the CSR key stakeholder groups: motivated employees.

However, at the heart of CSR is the notion of stakeholder consultation and IES has been exploring:

- CSR from the perspective of one of the key stakeholder groups – employees – and
- the role the HR function plays in setting, influencing and delivering the CSR agenda.

This short paper presents the fourth and final IES output from our journey, earlier outputs for Research Network members include:

- a trawl of a sample of company web sites and annual reports – to gain a sense of how organisations portray and promote their CSR agendas
- a synthesis of literature – articles that were of relevance and interest to the HR function
- an IES event – that explored employees as stakeholders within the CSR context and a sharing of practice.

Understanding the HR link

Although the somewhat tired debate regarding whether employees are assets or costs still continues in some organisations, the link between business performance and people is now well documented. IES was first in the UK to demonstrate the impact that staff can have on the bottom line in what has become known as the ‘service profit chain’ and more recently ‘employee engagement’. Successful organisations understand the value of their human capital – namely its people and the nature of the so called psychological contract in relation to creating sustainable business outcomes.

Attracting and retaining staff who are engaged and productive is now part of enlightened management with a growing consideration paid to social, ethical and sustainable policies. Such organisation thinking is often reflected in employer branding, the way the employment proposition is developed and delivered. There also is an increasing awareness that improved CSR activities may deliver tangible business benefits. These benefits are believed to not only relate to influencing unwanted staff turnover and improving recruitment. but also have the potential to increase engagement, motivation, and productivity. Some major US-based organisations indicate that launching programmes that seek to align business objectives with sustainable development principles significantly decreases staff turnover. Closer to home, many of the factors identified in the most recent Sunday Times ‘Top 100 Companies to Work For’, show clear links with CSR and HR alike. These include:

- fair treatment
- diverse workforce
- good human rights record
- non-excessive directors’ pay
- donating resources to the community.

Making the HR Link

What do HR professionals have to offer in delivering their organisation's CSR agenda? Lockwood (2004) noted that:

'HR plays a critical role – that of leading and educating their firms regarding the importance of CSR while at the same time strategically implementing sound HR management practices that support the company's business and CSR goals.'

Employees are considered one of the key CSR stakeholder groups together with shareholders, the community – local and global, customers and suppliers. However, it is typical to find examples of employees engaging in delivering projects to benefit their local community as evidence of employees benefiting from CSR agendas. Other examples of employee-focused CSR activities mirror good HR policy and practice. However, the following illustrate further the business case for employees being considered one of key stakeholder groups and leaves HR professionals firmly in the driving seat to steer policies and practices that align with the CSR agenda.

- CSR activities are increasingly likely to have investment implications for public sector organisations.
- Human capital reporting has implications for all companies under new legislation – as does the need for employee consultation and social reporting.
- There is a growing demand from staff for ethical investment of pension funds.
- Becoming an 'employer of choice' – where reputation relates to relative standing within the organisation's industry and the community – global and local.
- Employer branding in attracting and retaining staff reaches beyond business to business reputation and influences those wider communities who may in the future become employees, shareholders, customers, suppliers or all four.
- CSR in selection and recruitment activities also includes an awareness and the need to actively seek to address equal opportunities and diversity issues.
- Ensuring employees have a 'voice' – such as through attitude surveys.
- Providing employee representation, supporting employee development and managing performance in order to grow and sustain an engaged workforce.

According to the *SHRM 2004-2005 Workplace Forecast*, key HR trends included demonstrating HR's return on investment, HR's role in promoting corporate ethics and building people management and human capital components into key business transactions. The report outlines that some HR leaders are already:

- increasing spending on learning and training initiatives – 63 per cent
- changing company policy as a response to environmental issues – 40 per cent
- increasing involvement in social programs – 32 per cent
- changing company policy as a response to grassroots pressure to change specific business practices – 36 per cent.

This suggests that in some organisations HR may already be helping to influence CSR, possibly without 'broadcasting' their inputs or 'labelling' them as CSR. However, HR inputs may simply reflect longer-term strategies that are grounded in achieving sustainable business results, rather than short term quick wins for shareholder returns. CSR for such organisations cannot be 'spun' as a 'benevolent add-ons' to normal business activities as they would be at the heart of the organisation, underpinning the manner in which business is conducted, embedded in HR policy and practice.

If CSR is to contribute and deliver the business benefits of which it would seem capable, there may be a need for some organisations to evolve and develop a more organic vision and strategies that will integrate CSR within every aspect of its day to day business operations. It may be helpful to understand CSR in relation to business strategy as not simply being about *what* businesses do, but rather *how* and *why* they do it.

When considered from this perspective discussions regarding where CSR should lie within an organisation no longer seem relevant or needed, as does the debate regarding whether employees should be viewed as assets or costs. HR has a key role to play alongside other business functions in shaping and delivering the CSR agenda. The HR function like any other business function has undergone considerable change and operates in an ever-changing environment with increasing demands both from the business and from employees. HR therefore needs to be both pro-active and re-active to avoid CSR becoming simply PR to steer organisations from simply 'doing good' and towards 'doing good business'.