

Reflections on the future of corporate responsibility in Ireland

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In the context of the current recession, a key question some businesses are asking is whether corporate responsibility is of value. The fact is that corporate responsibility pays now more than ever.

Let's look at some data:

More than 8 in 10 Irish consumers say a company's commitment to social responsibility is important when buying a product or service¹.

New research by BITC UK revealed that FTSE companies that actively managed and measured corporate responsibility issues outperformed the FTSE 350 on total shareholder return by between 3.3% and 7.7% throughout the period 2002-2007.²

According to corporate responsibility practitioners in the UK and, US 92% agree that "Corporate responsibility makes a tangible contribution to the bottom line"³.

Almost nine in ten (86%) British workers believe it is important that their own employer is responsible to society and the environment and three in four employees (75%) would recommend their company if they feel it is environmentally responsible, compared to fewer than half (43%) if they feel it is not⁴.

Institutional investors with a combined US\$57 trillion of assets under management have incorporated climate change criteria into investment decisions⁵.

These are indeed strong indicators that corporate responsibility and sustainability have become incorporated into organisations to the extent that they form part of their decision-making processes and influence their success among consumers, staff, investors and the media.

The CSR dilemma

Despite the evidence supporting the value of responsible business practice, for some companies, there is a concern that corporate responsibility practices could suffer significantly from a slowdown in the economy. Whether or not this is the case will depend mainly on how important corporate responsibility is for the business.

If a company believes that corporate responsibility consists of ad-hoc stand-alone programmes without any strategy and measurements on its impacts and benefits, then there is a risk that

¹ Source: 2006 Business in the Community Ireland Ipsos MORI Survey of Consumer Attitudes in Ireland towards Corporate Responsibility.

² Source: [The value of Corporate Governance: The positive return of responsible business](#), Business in the Community UK, October 2008.

³ Source: The Shape of Corporate Citizenship in 2008 survey by the Corporate Citizenship Company, UK.

⁴ Source: Ipsos MORI survey on engaging employees through corporate responsibility 2006.

⁵ Source: The Carbon Disclosure Project (UK)

these programmes may be eliminated if there is pressure to reduce costs. If the company has embedded corporate responsibility into its practices, it will be much more difficult to differentiate “corporate responsibility practices” from management and operational processes.

Let’s consider the following:

- If a company has in place an incentive programme on workplace safety that has shown improvements on safety performance and is seen by staff as a key driver for awareness and motivation towards a culture of safety in the company, how will this be justified as a redundant programme that can be dropped?
- If a company has a well-developed community involvement programme where staff are allowed to volunteer their skills during company time and the programme is embedded in the company’s HR training and development structure, with key skills being developed and promoted as part of the programme, would it be a simple decision for the company to cancel this programme and replace staff training with more “formal” training? Will this be more cost efficient?

Important to consider:

A recent survey of recent graduates or “millennials” in Ireland indicated that 75% would choose employers who have CSR values that reflect their own while 88% stated they would consider leaving an employer if CSR values no longer matched their expectations.⁶

Budgets versus reality

With regard to the shrinking of corporate responsibility budgets, the argument is similar. If businesses are going to be forced to control spending in order to remain competitive, it is quite likely that ad-hoc programmes will be reduced or phased out but it will be more difficult to eliminate core costs from operations. The corporate responsibility budget of a company should be quite small, as most programmes and activities on corporate responsibility and sustainability that are relevant to the business will be incorporated into mainstream operations. Businesses are not naïve and will have to make a cost analysis of the impact on customers, staff and the company itself of eliminating some of its initiatives on responsible business practice that are part of business practices.

Reputation and consumer choice are key factors for any company. In times of economic slowdown it will be even more important for companies to demonstrate how their products and services are the best in class for their category as competition is expected to be bigger. **The challenge will be for businesses to look at areas where costs can be managed without jeopardizing its innovation and product development capability which more and more is intrinsically linked to responsible business practice.**

Important to consider:

A recent global study of consumer attitudes reveals that nearly seven in 10 (68%) consumers would remain loyal to a brand during a recession if it supports a good cause⁷.

⁶ Source: “Millennials at Work – perspectives of a new generation” – Global survey by PricewaterhouseCoopers, 2009.

⁷ Edelman Goodpurpose Global Study, October 2008.

Responsible downsizing

Scaling down operations and downsizing could result from an economic meltdown and we have seen this process taking place in Ireland. For many businesses, this is an inevitable decision driven by cost, scale and other considerations. It would be argued that downsizing operations or relocating business operations to other markets is not a socially responsible decision.

Scaling down operations is a difficult decision in the context of recession, but there are examples of best practice where the company has set up processes to support staff in re-training and career guidance, and has allocated contingency funds to help the local community overcome a period of unemployment or limited employment of the local workforce. In addition, it is also worth alleviating the stress arising from the threat of downsizing or from increased workplace pressure on employees remaining after downsizing. The medium to long-term reality is that the downturn will end and that those that act responsibly during recession will likely be the first to benefit from employee appreciation as business picks up.

Crisis = opportunities?

The most pressing long-term issue for business is not in our view the recession, but the cost of climate change – financially, socially and environmentally. This is an issue that is also full of opportunity for responsible businesses even in a time of economic downturn. Indeed, a new report by the Economist Intelligence Unit finds that 74% of respondents say that having CSR programmes can help increase profits at their company⁸. Savings can be made at a time when both the bottom line and the climate are under pressure by following the simplest steps to recycle, through more considered use of energy, water and transport, in more innovative and efficient deployments of packaging and even in the identification of new products or services that mitigate against climate change. These and many more factors will be crucial in ensuring the competitive advantage, long-term profitability and sustainability of Irish business.

Corporate responsibility, when embedded into business practices and when it becomes a way of conceiving and managing long-term sustainable businesses, should be able to cope with any slowdown in the economy. Indeed those businesses with a long term view and responsible practices should be better prepared to manage market uncertainty if their operational practices make them top for consumer choice, an ideal business partner, a great place to work and an incentive for investors.

During 2009, Business in the Community Ireland will be running a series of awareness sessions for member companies on responsible business practice during a downturn. Please contact info@bitc.ie for more information.

⁸ November 19th 2008 <http://www.eiu.com/sponsor/corporatecitizenship>