

CSR – The Next Great Challenge Facing Communicators

In August 2008, 200 international experts in corporate social responsibility (CSR) and community engagement descended on the University of Strathclyde in Glasgow, Scotland for the International Association for Public Participation's (IAP2) annual conference.

Over three days some of the world's leading experts on CSR outlined their views and gave insights into future trends for what has become the next great challenge facing communicators – how do we develop, implement and report an organisation's CSR activities?

What is CSR?

Some confuse CSR with environmental sustainability, yet CSR is far more wide reaching than just focusing on how an organisation's operations impact on the environment.

One definition of CSR is:

a concept whereby organisations consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment.

This reinforces the need to take into account how the operations of an organisation impact on people – whether they be employees, shareholders or members of the public.

The European Union defines CSR as:

behaviour by business over and above legal requirements voluntarily adopted.

There is a view that CSR does not work as it is voluntary. In hard economic times, like we are experiencing presently, it is too convenient for organisations to drop their commitment to CSR.

But this might not be the case for much longer as there is an increasing trend to use legislation to enforce CSR principles.

The rise of CSR regulation

One of the key CSR trends is the rise in regulation and legislation to force organisations to not just pay lip service to CSR, but to show evidence of CSR policies and activities.

In France, social and environmental reporting is mandatory for all companies. The UK recently introduced legislation to make CSR obligatory for investment funds and for companies seeking to gain capital from investment funds.

In the US, the fallout of the Enron collapse saw the introduction of new legislation where companies need to show evidence of the implementation of CSR policies.

This increase in regulation indicates that a voluntary approach to CSR may soon be a thing of the past. Organisations must develop, implement and importantly report their CSR activities.

But it is not just laws that are placing pressure on organisations to increase their CSR commitment. Individuals are also doing the same.

CSR & Advocacy

For public companies, another rising trend is advocacy investing. This is where a private individual or group of individuals become shareholders of a company with the specific intent on having a voice on its CSR activities.

Shareholders are increasingly using their voting rights to influence companies CSR policies. There have been numerous examples where the voice of one individual has changed the operational policies of some of the world's largest companies. Probably the most famous is the court action involving Marc Kasky and Nike.

San Francisco resident Marc Kasky took Nike to court as he believed the company made representations that constituted false advertising when the company placed newspaper advertisements in response to criticisms of labor conditions in its factories.

After a long-term legal battle, the matter was settled out of court and Nike was forced to change its contractual obligations with all suppliers to ensure against any its products being made in "sweat shop" factories. One person changed the entire supply chain of one of the world's most famous companies.

But isn't a director of a company's first and most important responsibility to maximise profit for shareholders?

Shareholders vs. Stakeholders

The growing dilemma facing company directors and senior executives is how do I balance the responsibility to shareholders with the responsibility to the wider range of stakeholders (employees, community groups, suppliers etc.)?

The Corporations Act clearly states that a director of a company should act in the best interests of shareholders at all times. Is it possible for a company to have an effective CSR plan while not compromising profits to shareholders?

How can we align the expectations of shareholders and stakeholders?

The growing view by experts is that effective CSR policies in an organisation are quickly becoming an essential strategy – not to differentiate from your competitors – but to enable the long-term viability of an organisation.

The Challenge for Communicators

If the last ten years has been the decade of "community engagement", then the next ten will surely be the decade of "corporate social responsibility".

Our challenge as communicators is how we facilitate the interaction between organisations and their stakeholders (not just shareholders) to determine the key pillars of a CSR plan.

The growing regulatory environment will also place an emphasis on how companies report their CSR activities to ensure they avoid legal penalties and damage to their corporate reputation.

This white paper provides only a brief summary of some of the key issues surrounding CSR. For more information on CSR and its potential impact on your organisation, contact Gerard Reilly on 07 3221 6711 or greilly@bbspr.com.au