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## CSR Update 2010

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## MHCi MONTHLY FEATURE

*February 2010*

### *Fourth Annual CSR UPDATE:*

*Where is CSR today and where will CSR be going in 2010?*

*By*

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***Abstract:*** *MHCi's annual look at where CSR has been, how our own predictions made out and where we think CSR is going this year*

#### **A. INTRODUCTION**

This, our fourth annual CSR update, is based upon MHCi's annual meeting of CSR experts who meet in London at the beginning of each year. The experts are chosen for both their practical as well as their academic experience. They hail mainly from Europe but with strong international credentials.

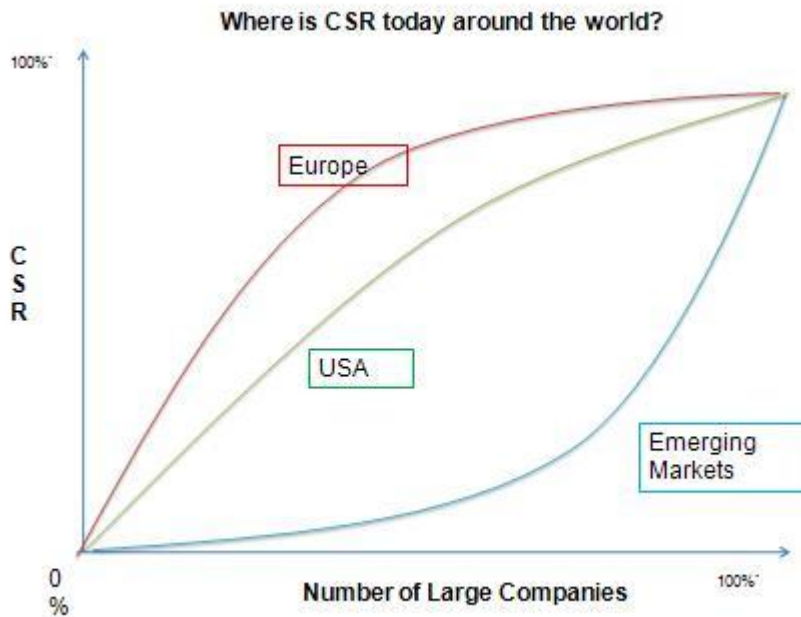
Last year our meeting concluded that:

- Industry in the recession will take a hard look at all their programmes. They will have to look, rapidly, at the business case for CSR...not something done easily
- There is a countervailing force that, given the lack of responsibility among Western sub-prime holders, banks and financial institutions...there will be a new move towards responsibility
- The financial crisis is likely to increase the need for national, corporate, public and personal responsibility, and politicians increasingly use the word 'responsibility'

In a reflection of these points, it was felt that the optimism engendered by the election of President Obama had not led to much, if any, increased responsibility

by corporations as instanced by the financial institutions covering under public anger as to their increased profits.

In a world view of CSR, MHCi presented the following 'stylized facts' diagram:



Essentially the diagram shows that Europe is ahead of most countries, followed by USA while emerging market economies (aka developing countries) are on the first rungs of CSR with few having a complete systematic approach to CSR (as, for instance, outlined in [Strategic CSR and Competitive Advantage](#). In fact, right now, most developing countries – and the USA to a certain extent – focus on CSR as charitable giving. How CSR and philanthropy became intertwined is curious and is another story.

## **B. TOP TEN ISSUES AND TRENDS FOR CSR PRACTITIONERS IN 2010**

- 1. 2010 will see a renewed emphasis on the basics of corporate responsibility**, i.e. in terms of running a business honestly, transparently and in a commercially sustainable manner. The recession highlighted severe weaknesses in the corporate sector – and not just in relation to the financial sector. The corporate sector needs to get these basics right and restore trust among all their stakeholders. CSR teams need to address these issues by working more on corporate governance issues. (Worryingly, the CSR Community seemed to have little to say in 2008-9 about corporate governance failures and their role in the recession, such as poor risk controls and ineffective whistle blowing procedures for managers warning about excessive risk, etc.).

2. **2010 will also see a simultaneous shift to a greater emphasis on sustainability – both environmental and non-environmental aspects.** Moreover, this shift will also require that CSR activities be increasingly justified in terms of their impact on a firm's commercial sustainability. GE, with their "Resetting Responsibilities" approach, were thought to offer a good example here. Other companies, e.g. De Beers were focusing on this area, but as yet tangible results may be wanting.
3. **The CSR market will continue to improve, but CSR practitioners will have to produce more robust business cases for their activities, in the face of tightening corporate cost control.** There continues to be a healthy CSR market as indicated by just about all companies producing social reports, increasing job opportunities in CSR and related, and increases in attendance at CSR Executive training (MHCi joint venture with University of Geneva, for instance, showed an increase in revenue and student applications in 2010 over 2009).
4. **Risk management can no longer serve as the primary basis for any CSR business case.** Not only is the risk management business case for CSR too difficult to quantify, but the failure to manage risk demonstrated by so many blue chip companies with advanced CSR agendas suggests that this might not be the best strategy to make the business case for CSR. The business case will therefore have to reflect the increasing consensus that CSR should be integral to business strategy, especially as consumers and customers show no sign of decreasing the depth or range of their concerns about company products and other aspects of corporate behaviour. (See the results of the Globescan 2009 survey below).
5. **Corporate Social Opportunity is rising in importance** as companies see the link between CSR and new forms of profit centres, products and services - e.g. concerns about climate change and food security have driven the emergence of food miles and local products as key issues for consumers.
6. **The communication of CSR is a problem and consumer surveys show a lack of knowledge of CSR activities** - see for instance Steven Brant Huffington Post's blog on the United Corporate States of America<sup>1</sup>.
7. **Climate change still, perhaps surprisingly, gets little mention in the social and annual reports of the FTSE100, though other sustainability issues are moving up the agenda** for instance, in relation to securing the supply of agricultural products over the medium to long term.

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<sup>1</sup> [http://www.huffingtonpost.com/steven-g-brant/the-united-corporate-stat\\_b\\_436937.html](http://www.huffingtonpost.com/steven-g-brant/the-united-corporate-stat_b_436937.html)  
accessed 27 Jan 2010

8. **The question ‘Is capitalism acceptable?’ was raised in many quarters leading to intense discussions on the rule of law and the need for good corporate governance** – pertinent that the theme of this year’s Davos conference was “Rethink, Redesign, Rebuild”. Relevant to this is that some NGO’s are saying “what company XYZ does may be legal but is it legitimate”? This is a new twist in the anti-corporate debate.
9. **Concerns about social, economic and environmental sustainability of the planet – and the impact of companies on these issues – will require companies to be more worldly and smarter in aligning their behaviour and conduct with the societies in which they operate.** This is illustrated by public reactions to the bonuses awarded by bailed out banks, but also by the cynicism and suspicion that continues to greet companies like Shell in Nigeria, where their CSR activities are commonly seen in Nigeria itself as branding exercises to boost profits. Despite Shell’s excellent reputation in the West for CSR, in Nigeria its name and reputation was still poor. The question is whether they could do something about this or was this simply a hangover from the past much as the 1974 campaign on ‘Nestle Kills Babies’ can, it appears, never go away. Consequently there was agreement that there are differing standards between HQ country and the field: non alignment of the company’s needs with society. Companies need to be more worldly. Furthermore, consumers increasingly frame their opinions about companies on social networking (peer-to-peer relationships) rather than corporate brand advertising and companies need to take note of this.
10. **The perceived failure of regulation and self-regulation to prevent the recession and major financial fraud will continue to stimulate a fundamental discussion about the role of the state, the role of CSR, and the sort of economic system that people want.** On the one hand, the impending launch of ISO2600 and the consensus around John Ruggie’s work for the UN on business and human rights suggest that a voluntary approach still has a major role to play, but global increases in the regulation of social and economic activity suggest that the state will increasingly push aside many voluntary approaches e.g. in relation to sectors’ voluntary marketing and labelling codes. The failure of the State, the UN and now it seems many corporations (as indeed analysed in Michael’s book on ‘*CSR and International Development*’) shows a new need for a compact between business and the State with, in some cases, the Government becoming the dominant stakeholder. We appear to have gone this way before and so a deep re-think of market capitalism appears necessary as also argued by Jem Bendell and Ian Doyle in [www.lifeworth.com](http://www.lifeworth.com) on their own review of trends for 2010.

At the same time as this event, Globescan issued their 2009 Sustainability Survey. Their bias is very much the environmental aspect of Sustainability

(many believe Sustainability is all about environmental futures) and their survey of 1200 'experts' (which included MHCi) showed the following interesting table:

<b>Main Concern</b>	<b>Very Urgent</b>	<b>Somewhat urgent</b>	<b>Total columns</b>
<b>Clean water</b>	61	32	93%
<b>Climate change</b>	68	21	89%
<b>Poverty</b>	51	33	84%
<b>Food security</b>	33	39	72%
<b>Corporate Accountability</b>	34	36	70%
<b>Overnutrition</b>	7	22	29%

Source: Globescan 2009 Sustainability Survey

Water, as the table shows, will probably be the biggest sustainability issue for companies to address urgently. As MHCi have stated many times, the issue of worldwide poverty is a catastrophe that has been with us for generations while the other concerns, albeit crucial, are fairly recent phenomenon. In the discussion, John Elkington noted that the systematic nature of problems was not being picked up with Governments behind the curve as Corporates, themselves, increasingly become involved in global issues. The UN, he stated, seems to be bankrupt in the debate (presumably his observation from the UN meeting in Copenhagen that finished in disarray at the end of 2009).

*[Thanks for additional comments to Adrian Payne, Hult International Business School]*