

Doughty Centre



Corporate Responsibility

Corporate Responsibility and the Recession: Learning from Responsible Businesses

A Doughty Centre for Corporate Responsibility
Occasional Paper

by

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October 2009

Doughty Centre



Corporate Responsibility

The Doughty Centre aims to combine rigorous research and leading-edge practice. We focus on three things:

- knowledge creation: rigorous and relevant research into how companies can embed responsible business into the way they do business;
- knowledge dissemination: introducing Corporate Responsibility more systemically into existing graduate and executive education (both in relevant open programmes and customised, in-company programmes); and
- knowledge application: working with alumni, corporate partners and others to implement our knowledge and learning.

We welcome enquiries for collaborations including around:

- speaking and/or chairing conferences and in-company events
- facilitating organisations in the public, private or voluntary sectors who wish to produce their own think-pieces/ "white papers" on Corporate Responsibility, sustainability or public-private-community partnerships
- practical projects to embed CR in an organisation
- scenario-development and presentations to help organisations envision a more responsible and sustainable future
- co-creation and joint publication of research, think-pieces and practical "how-to" guides
- design and delivery of organisation-customised and open learning programmes around CR, sustainability or public-private-community partnerships

Foreword

The idea for this paper emerged after we received several phone calls from journalists asking what we thought the recession would mean for corporate responsibility and sustainability. Sir Stuart Rose – the executive chairman of Marks and Spencer gave his view in his 2008 Cranfield Lecture when he said:

“Climate change won’t slow down just because the economy does. The problems of waste, obesity, the depletion of the world’s natural resources and poor working conditions in third world factories won’t go away either. So, if we believe that doing our bit to tackle these issues is the right thing to do then we have to stick to our principles. Our customers have long memories – if we fold under the first sign of pressure they won’t forget it.”

But we didn’t know what was actually happening in companies, especially responsible companies (as defined by e.g. membership in BITC CR Index) from whom we can learn.

About the same time colleagues in Cranfield’s School of Applied Sciences (SAS) asked if we had any projects available for bright Masters students to get stuck into. Abiolar Barnor from SAS volunteered to explore the topic as her Masters thesis. The project evolved further when I was speaking in Belfast for Northern Ireland Business in the Community on CR through the recession, and Northern Ireland Business in the Community subsequently agreed to help us by promoting an on-line survey.

Hopefully, the worst of the recession is behind us – even if the consequences are going to be around for a long time to come. The insights from this student project are highly relevant to business as the international economy emerges from the downturn. They reinforce the messages from other, recent Doughty Centre work showing that companies need to be able to measure and report on the impacts of their commitment to responsible business for themselves and for society.

A key recommendation is that companies need to be more creative in retaining talent in difficult circumstances, for example through reduced hours or sabbaticals, rather than seeing lay-offs as the first option.

I would like to thank those who helped with the survey, both distributors and respondents, the interviewees who provided unique and valuable insight (listed in Appendix B), and a key group of reviewers, experts in the field for their insight: Amy Clarke, Charlotte Grezo, and Gillian McKee.



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Executive Summary

Research done by several prestigious organisations shows that businesses' desire to be corporately responsible has not fared too badly in this recession, despite widespread job cuts, shrinking budgets and re-prioritisation among corporate, third and governmental sectors. This is the first global recession in which the concept of corporate responsibility (CR) is part of standard business language, and 2009 has seen growth in global understanding of the effect of bad governance on corporate systems and economies, and acceptance and action on climate change and resource scarcity.

The increase in the delivery of truly sustainable business and the lack of written evidence of CR behaviour in past recessions suggests that the effect of the current recession on CR is worth investigating. Equally as important are the potential changes likely to occur following this recession. These changes may be either external and market driven or internal and strategy driven. The post-recession period will be characterised by lessons from recession times informing new ways of doing business and strengthening current business models that have been systematically delivering value over the last few years (e.g. social and environmental enterprises). We need to start thinking about what this means for them in the long term. We need to know where emphasis and focus has shifted and why, and how businesses view these shifts in relation to their longer term planning. We need to share best practice among each other, to inform our actions for the future and to encourage a competitive approach to increasing standards of being a sustainable business.

This occasional paper is based on a research project in the summer of 2009 by the author as part of her MSc studies, combined with the experience and knowledge of the Doughty Centre and the kind insight and assistance of experts in the discipline of CR, as reviewers. The purpose is to contribute to the existing knowledge on CR behaviour as well as generate new and topical advice for CR practitioners.

The research findings presented in this paper are generated from academic research using three separate data collection methods: interviews in summer 2009 with nine responsible companies based in the UK defined as 'responsible businesses' by inclusion in the BITC CR Index; desk research from a literature search; and a survey conducted on-line among CR practitioners in the UK from businesses generally, across a range of 24 organisations.

The paper is divided into two key sections: research findings from the specific pool of resources used in this research and our subsequent observations; and recommendations to readers using the observations from the research as well as the knowledge and experience of the authors and reviewers who contributed to the paper.

1) Research observations and findings

From the desk research and survey we gathered positive and negative evidence of what is being said about businesses generally and compared this to our research of how 'responsible' businesses are being affected. We noted some interesting parallels and differences in these observations, which helped inform the 'Discussion of findings' section.

Effects on businesses generally	Effects on 'responsible' businesses specifically
Negative	Negative
CR will be relegated from boardroom/executive agendas whilst the economy is in a recession	A few CR practitioners observed a reduction of CR budget and available cash
Community giving programmes are being negatively affected by a reduction in charitable giving	When cuts were seen, the areas of CR budget cuts were in community, charity giving, and environmental projects requiring large upfront cash
A reduction in investment in environmental projects due to cash-flow restrictions	
Over half of CR practitioners feel their organisation has been negatively affected by the recession	
Positive	Positive
CR is a necessary business discipline, especially in times of recession	Many CR teams themselves have not been affected by job cuts
Positive behaviour is being seen in the recession	The drive to deliver on targets is still strong
CR practitioners felt the recession had a less negative effect specifically on their CR team and activities than on their company as a whole	Many CR practitioners saw positive effects on their CR operations

Findings we can learn from this fall into two categories:

The CR behaviour of responsible businesses is highly influenced by the benefit of having the right CR characteristics prior to the recession:

1. A strong CR team structure with defined roles and responsibilities
2. Clear drivers: putting your stakeholders first, and being able to respond/report to them
3. A clear strategy with a clear plan and focus
4. Senior executive buy-in

The recession can spark innovation in a number of areas:

1. Maintaining the same level of CR activities despite a cut in budget or cash flow
2. More use of flexible working patterns, for example to avoid redundancies
3. Taking advantage of positive consumer attitudes in the recession

2) Recommendations

A. Recommendations to those in the CR 'field'

Recommendation: We really need to develop a widely accepted method for measuring the business value of CR

Measuring business value is still a challenge for many CR teams, with a reliance on quantitative feedback to measure the ROI of CR investment/spend. It is important that, collectively, CR experts prioritise efforts to create a practical model that links CR investment to output/ROI in financial terms that will be accepted by CFOs and budget holders, and be tangibly measured and reported to investors and stakeholders.

Recommendation: Recognise public and government's reduced tolerance for irresponsible behaviour

Opinion among both CR practitioners and the press is that the recession has presented an opportunity for growth of CR from a reduced tolerance to irresponsible corporate behaviour. CR practitioners have seen an increase in scale of CR activities as the main way in which their organisations plan to change CR activities in 2010 and beyond, in response to increased scrutiny and pressure for better governance and accountability.

Recommendation: Consider innovative forms of partnerships and networks

If there is only one CR change that should emerge from this recession, it should be based on the fact that organisations need to continue moving away from participating in pure philanthropy. These types of charitable donations are most likely to become victims of the recession and changing the way organisations engage with environmental, supply chain and community work will allow longer and more strategic relationships. We need to innovate traditional partnership/funding roles. Skills sharing and increasing employee volunteering as a resource for NGOs may have increased during the recession at the same time that corporate giving has decreased, and can indicate a fresh approach to this difficult issue. Can a new partnership model emerge that focuses not on pure money needed, but on resource and skills provision?

Recommendation: The bigger issues to consider post-recession are

- The growing challenge of climate change (environmental)
- The increased significance of local communities (social)

B. Recommendations to CR practitioners

Recommendation: Develop a strong and appropriate business model for how the CR function works and aids the rest of the business to be responsible

The recession has presented an opportunity for CR to continue its growth by reinforcing what works, discarding what doesn't work and developing new practices.

Recommendation: Ensure your CR strategy is focused and proves the business benefits in a way that links clearly to the corporate strategy

The fundamentals of alignment and integration of the CR strategy to the corporate strategy should not be ignored. This could be about verbalising and communicating the close alignment, but those with a well thought out CR strategy have found the focus and alignment to be an enabler to surviving the recession. Ideally, no CR project or activity should be considered without a clear business case and equally clear business benefits.

Recommendation: Ensure your process for engaging and communicating with stakeholders, bringing their voice into the organisation, works efficiently

Responsible businesses still see good reporting as an effective communication tool as it means striving to create a leaner, more balanced, portable and cost effective platform, that is accessible and relevant to the intended audience. A CR report is one communication tool; it is not the end of the process, it is the beginning. Reporting sets expectations and commitments with stakeholders, strengthening relationships and also commits the organisation to CR actions. It allows the internal organisation to 'hear' stakeholders' voices and open up new opportunities.

Recommendation: Ensure you have visible and constant leadership support

Leadership support is not just a nice-to-have but is a critical success factor especially when operating conditions become more challenging. The emphasis is not just on having leadership support, but that it is visible to the organisation and constant throughout the positive and the more challenging times.

Recommendation: Consider the new, the controversial, and the bold

In some instances a CR team can make use of the recession conditions among the workforce to engage them further in CR and improve morale through connecting with CR projects. The team can consider alternatives to redundancies, and opportunities to promote programmes, encouraging the CR agenda and making a positive impact on its organisation in trying times.

Introduction

The International Monetary Fund (IMF) in its April 2009 World Economic Outlook report declared¹:

"...the global economy to be in severe recession inflicted by a massive financial crisis and acute loss of confidence..."

Said to have started in the fourth quarter of 2008¹, by the end of quarter three of 2009 optimism was rising, slowly, as nations one by one began emerging from down quarters of GDP. In the UK the pace of downturn was slowing, Germany, France and Japan showed slightly upward revisions for growth and were no longer officially in recession, and in the US there were signs that contraction was levelling out. Today (October 2009) we stand on the cusp of change, one foot still in recession, the other eager to stride forward into a post-recession future.

It is the right time to explore how the discipline of corporate responsibility (CR) has been affected by this recession and what we can learn from that as we move forward.

Three recent surveys have shed a positive light on the importance companies have been placing on CR during the recession:

- o Management consultants McKinsey's global survey from December 2008 highlighted that investment professionals have increased the importance they place on governance programmes².
- o Boston College Centre for Corporate Citizenship US-based survey in the first quarter of 2009 highlighted that 54% of senior executives thought corporate citizenship was even more important in the recession³.
- o A UK BITC/KPMG summer 2009 survey showed that 95% of respondents were committed to CR whatever the economic climate⁴.

The association between the terms 'corporate responsibility' and 'recession' – in all its different forms including the use of terms such as corporate social responsibility (CSR), sustainability, economic crisis and downturn – has generated ample attention. Using the internet search engine Google, a search on 'corporate responsibility' and 'economic crisis' generated approximately 1,750,000 results. At the time of this research (August 2009) this is still the case, as evidenced by the near weekly

¹ International Monetary Fund. World Economic Outlook: Crisis and Recovery. April 2009.

² The McKinsey Quarterly March 2009. Global Survey results: valuing corporate social responsibility.

³ BCCCC. State of Corporate Citizenship 2009. www.bccorporatecitizenship.org

⁴ S Howard. BITC article 28/08/09; KPMG survey findings show that business hasn't lost its appetite for corporate responsibility.

publication of new articles in both the business and general press centred on the value of CR in the recession.

A possible reason for this level of interest is that this is the first global recession in which the concept of CR is part of standard business language⁵. 2009 has also seen growth in global understanding of the effect of bad governance on corporate systems and economies, and acceptance and action on climate change and resource scarcity. This is especially true among the G20 nations, with increasing legal and political will to improve responsibility towards environmental sustainability, accountability and good governance.

The increase in the discipline of CR and the lack of written evidence of CR behaviour in past recessions suggests that the effect of the current recession on CR is worth investigating. In addition, although CR now has an accepted business case, some still hold the belief that CR is a luxury to be adopted only in good economic times, as is reflected in a number of published articles and opinion pieces.

Equally as important are the potential changes likely to occur following this recession. These changes may be either external and market driven or internal and strategy driven⁶. The former is based on the vision of 'gales of creative destruction', made famous by the Austrian economist, Joseph Schumpeter and refers to the idea that innovation and new technology are the forces that sustain long-term economic growth and propel economies out of recessions⁷. The latter on the other hand, is when organisations internally restructure based on low opportunity cost investments (sometimes referred to as the 'pit-stop' theory of recessions)⁶.

If either of these theories is to be believed, the post-recession period will be characterised by lessons from recession times informing new ways of doing business. Organisations and their CR teams need to start thinking about what this means for them in the long term. It is not enough to know that the understanding of CR has increased and that the recession may not have created wide-scale culling of CR priorities – we need to know where emphasis and focus has shifted and why, and how businesses view these shifts in relation to their longer term planning. We need to share best practice with each other, and inform our actions for the future.

⁵ Kathee Rebernak. Reporting in recession: Why bother reporting? Ethical Corporation. April 2009. www.ethicalcorp.com/content.asp?ContentID=6418. (accessed 19th August 2009)

⁶ Paul Geroski and Paul Gregg. Coping with recession: UK company performance in adversity. Cambridge University Press. October 1997

⁷ Joseph Schumpeter. Capitalism, Socialism and Democracy. Routledge. March 1994.

The Research

1) Introduction to the research

A. Objectives

This paper addresses the relationship between CR and the current recession. It does this by identifying and understanding the CR behaviour of responsible businesses as a way of providing insight into good practice of CR behaviour, as well as shedding some light on what 'not-so-good' CR practice in this recession looks like. We then hypothesise lessons to be learned that can inform CR practice as we emerge from the recession period.

B. Methodology

This occasional paper is based on an MSc research project conducted in the summer of 2009, combined with the experience and knowledge of the Doughty Centre and the kind insight and assistance of experts in the discipline of CR, as reviewers. The purpose is to contribute to the existing knowledge on CR behaviour as well as generate new and topical advice for CR practitioners.

For this paper, we use the term 'corporate responsibility' (CR) to represent responsible business and corporate sustainability, and define CR as a business that is:

"committed to minimising negative environmental and social impacts and maximising positive environmental and social impacts; open and transparent business practices that are based on ethical values and respect for employees, communities, and the environment; and designed to deliver sustainable value to society at large, as well as to shareholders."

The research findings presented in this paper are generated from academic research using three separate data collection methods – the purpose of this multi-pronged approach is to explore what is occurring within business generally vs. within responsible businesses specifically, and to discover lessons that can be shared. Therefore responsible businesses were interviewed to provide a picture of how they were managing being a responsible business in the recession, and a combination of desk research and a survey was used to provide a picture of how industry generally was managing its CR efforts.

1. Interviews in summer 2009 with nine companies: the interview results inform the 'Discussion of findings' and were conducted with nine UK-based CR practitioners in managerial positions (referred to as CR managers in the remainder of this paper) from selected responsible businesses (based on Business in the Community's 2008 CR Index⁸). They are listed in the Appendix, and are large for-profit companies from a variety of industries such as retail and specifically food retail, entertainment, the drinks industry, the car industry, and insurance.

⁸ Business in the Community CR Index is the UK's leading voluntary benchmark of corporate responsibility. It helps companies to integrate and improve responsibility throughout their operations by providing a systematic approach to managing, measuring and reporting on business impacts in society and on the environment.

2. Desk research from a literature search of newspapers, journals, specialist CR outlets, and academic books: a critical review of a set of general international business and press publications (59 articles) on the topic of CR and the recession published in the last 18 months (desk research).
3. And a survey conducted on-line among CR practitioners through three on-line networks, in the UK from industry generally, with membership from across a range of UK organisations (24).

When referring to research findings from 'industry generally', desk research and the survey were used to inform results. When referring to 'responsible businesses' the interviews were used to inform results. We separated these categories so that we could compare characteristics and actions across both groups to help inform our insights, as explored in 'Discussion of these findings'.

Due to limitations of time and resources we were limited in the number of interviewees and survey respondents we found to help us with this research. We therefore recognise that the research provides insight into what is occurring but that this insight is based on relatively small numbers of interviewees and survey respondents. In the 'Recommendations' section we use observations across all three research avenues that collaborate with each other combined with our own knowledge and experience.

The research is mainly UK specific, although in the desk research international articles were used; in interviews and the on-line survey, European and global companies were included to provide a wider geographical picture.

For a list of definitions for commonly used terms, please see Appendix A.

2) Summary of key observations from the research

A summary of the overall research findings are presented below and are displayed as results from industry generally ('general CR activities') and results from responsible businesses specifically. The rest of the document explores these findings in more detail, with our recommendations and implications for practice in the 'Recommendations' chapter. It is important to note these were observations of what is occurring during the recession, and the recession could either be causing these observations *or* they have become more relevant or happened with greater speed as a result of recessionary pressures.

The effect of the recession on general CR activities: observations

1. Using reports in general business and CR press as an indicator, there are more positive than negative effects seen.

Negative

- Community and charitable giving CR activities are expected to have decreased since the start of the recession and although some evidence exists, more is needed to completely prove this.
- Some environmental projects are casualties of the recession due to the need for cash-heavy upfront investments.

Positive

- General recognition that CR is important in its entirety and not just charity giving.
- Climate protection and resource conservation is staying on top of the agenda for some organisations.
- Increase in staff volunteering programmes with Not-for-Profits organisations and charities.
- Leadership being more flexible and finding alternative arrangements to redundancies.
- Indirect effect of positive consumer attitude promoting CR activities.

2. CR practitioners in general are seeing more of a mixed effect of the recession on CR activities with responsible businesses specifically seeing more neutrals and positives than negatives.

Negative

- Most saw a reduction in budget and lack of available cash within their organisation, but very few (two out of nine interviewed) saw this directly impact on their CR team and activities in a negative way i.e. budget cuts to the CR areas of community investment and environmental projects.

Positive/Neutral

- The remaining organisations (seven out of nine) saw a positive effect i.e. the opportunity for CR teams to accelerate their CR activities and further substantiate their CR strategies or no effect on their CR commitments.
- Workplace and marketplace CR activities do not seem to have been affected by the recession.

The effect of the recession on CR behaviour of responsible businesses: observations

1. The CR behaviour of responsible businesses is highly influenced by the benefit of having the right CR characteristics prior to the recession.
 - Having a strong CR team structure with defined roles and responsibilities.
 - Putting your stakeholders first and being able to respond to them.
 - Reporting on CR activities.
 - Having a clear CR strategy with targets and Key Performance Indicators.
 - Ensuring senior executive buy-in.
2. The recession can spark innovation in a number of areas.
 - Maintaining the same level of CR activities despite a cut in budget or cash flow.
 - More use of flexible working patterns, for example to avoid redundancies.
 - Taking advantage of positive consumer attitudes in the recession.

What CR practitioners can learn from these observations

1. Use the time to make CR more strategic, installing good practice and foundations for future CR operations.
 - Having a focused strategy with a clear business case for each programme of CR activities.
 - Having a good reporting procedure in place, which also shows costs accountability on a social and environmental level.
 - Continuing to move from pure philanthropy to strategic charitable investments and partnerships in community impact programmes.

CR and the post-recession period

1. There will probably be two key influences on post-recession CR behaviour.
 - Climate change and the broader sustainability challenge.
 - Increased significance of local communities and social issues, especially for consumer driven organisations.
2. CR behavioural change may not be a real 'revolution' as long as lessons are articulated and taken on board in 'what CR practitioners can learn from the recession'.
 - Any real change is most likely to be seen only with less established CR teams who were/are not quite as 'lean' and strategic in their CR operations.
3. There is a certain amount of uncertainty about when the recession will end and what will happen next – not enough research done in this area.
 - What consumer spending patterns will look like post-recession.
 - What other industry-specific drivers may influence the post-recession CR behaviour.

3) Discussion of the research findings

The question of how the recession has affected CR 'activities'⁹ generally across industry is a necessary one to consider. This will help in building a snapshot of a 'baseline' for how CR is faring in the recession, and be used for comparison with the research of how responsible businesses are behaving in the recession. The comparison has helped shape this section. It is also important for predicting how CR may or may not change as a result of the recession (addressed later in this paper).

From the desk research and survey we gathered evidence of what is being said about how businesses generally are reacting to the recession with regard to CR. It is important to note these were observations of what is occurring during the recession, and that the recession could either be causing these observations *or* they have become more relevant or happened with greater speed as a result of recessionary pressures.

A. The effect of recession on CR activities across industry generally

Although the current recession is said to have started from what some may say was 'irresponsible behaviour' within the financial markets, this has not stopped the debate over whether or not CR is integral to a successful business or an unnecessary expense. This is partly due to the fact that responsible business behaviour covers a much wider set of activities than those that are said to have caused the recession. Also, recessions affect organisations and hence CR teams, in different ways and to different degrees⁶, making it difficult to make sweeping assumptions about the discipline of CR as a whole in relation to the recession.

A lot has been written in response to this issue by both UK and internationally based business journalists, CR specialists and the general press. Of all the articles (from the last 18 months) collated and reviewed by the author on the topic of CR and the recession, approximately 29% of articles present a non-biased¹⁰ view. The remainder, combined with the survey results, fell into one of two distinct categories:

i. Negative effects of the recession

Four negative effects of varying strength emerged from the desk research and surveys. From the press research approximately 12% either expressed opinions on why CR is unimportant in a recession or cited examples of negative effects of the recession on CR:

- o *CR will be relegated from boardroom/executive agendas whilst the economy is in a recession*

This theme only emerged from press searches and represents a relatively small percentage of the articles reviewed. It did not emerge from other research sources and therefore should be considered in the light of its origin.

⁹ Recognising that 'activities' does not define a business as being responsible but in this instance it is used as a symptom of what is occurring.

¹⁰ A non-biased view in this case means articles that generally comment on CR and the recession providing a set of hypotheses but without stating a definitive view either way as to what the eventual outcome might be.

- o *Some community giving programmes are being negatively affected by a reduction in charitable giving*

This theme was mostly from press research, and again needs to be considered in the light of its origin, and is mostly related to CR activities within the community and charity giving space, where the argument is that *"anything other than business as usual is a luxury that businesses cannot afford"*¹¹.

Reporters of this message highlight the fact that this is very relevant to the banking sector, where the collapse of major banks has left a noticeable gap in charitable donations. Concrete examples in this area are few and far between, possibly because organisations may not readily admit to scaling back on charitable donations due to the potential PR harm that may come about as a result¹².

A poll by The Social Investment Consultancy and YouGovStone Research found that 60% of business leaders expected their firms' charitable giving to drop by about a third this year – leaving UK charities £500m or so worse off¹². In addition, a survey commissioned by Business for Social Responsibility in America found a third of firms were expecting to cut their CR budgets this year.

Example: Ford is reducing its spending by 40 per cent and Citicorp has slashed its budget by \$27m to \$63m¹³

- o *A reduction in investment in environmental projects due to cash-flow restrictions*

From both survey responses and press articles there were several mentions of environmental business projects that had been put on hold due to a lack of available cash flow or projects that, due to recession effects (for example) on pricing, would not achieve quick enough returns and were therefore deemed uneconomical in the current economic climate.

Example: British Petroleum (BP) reducing its commitment to investing in renewable energy¹³

- o *Over half of CR practitioners feel their organisation as a whole has been negatively affected by the recession*

Specifically from the survey, 55% of respondents believed that their organisations as a whole had been affected negatively by the recession (9% believed the effect to be positive and 36% believed there to be no change). The key negative effects selected include: a reduction in overall budgets across the organisation, a company-wide recruitment freeze and a reduction in company-wide staff levels.

Although there is a lot of hearsay in the press research about negative behaviour in relation to the workplace and specifically redundancies during the recession, the observation is that this is not as widely reported. The author only came across one

¹¹ Simon Caulkin. Social Concerns are crunched off the agenda. The Guardian Newspapers Limited. April 2009.

¹² James Taylor. What gives in corporate philanthropy? Management Today. August 2009. www.managementtoday.co.uk/news/922346 (accessed August 19th 2009).

¹³ Richard Northedge. Recession is excuse for companies to ignore community conscience. The Independent. June 2009.

example of this (as of August 2009) – the sacking of staff at an international law firm by voicemail as reported in June of this year¹⁴. If there are indeed more cases of this type of behaviour, it is not surprising that they are not as widely reported given the sensitive and confidential nature of the subject matter.

In addition, the negative examples from literature could easily be looked upon as ‘not-so-good’ CR behaviour, these examples need to be digested with caution since CR is a highly contextualised business discipline that is very much dependent on the organisational situation and context.

ii. Positive effects of the recession

Three strong effects emerged with much more frequency from the press research and surveys. 59% of the articles reviewed take a more positive slant and state that rather than an expense to be cut, CR is a necessary business discipline especially in times of recession.

o *CR is a necessary business discipline, especially in times of recession*

This emerged particularly from the surveys, which one could argue is a predicted response as the survey was among CR professionals, but it was also seen in three other surveys done by other institutions (McKinsey global survey, Boston College Centre for Corporate Citizenship, and the UK BITC/KPMG survey).

Samantha Barber, the then chief executive of Scottish Business in the Community (SBC), stated that it is in the economic interests of organisations to consider the CR agenda more now than ever before¹⁵.

Similarly, Andrew Winston, the co-author of the best-seller *Green to Gold* states that: “*delaying action on sustainability plans may be the absolute wrong thing to do for your business.....as in most recessions, the companies that have the means to invest in smart ways during down times rebound the fastest when the economy turns around*”¹⁶

Supporters of this message are pushing much more than the narrower view of CR activities – i.e. community or charitable giving – but are driving the message home that all aspects of responsible behaviour (i.e. accountability and good governance) are necessary to survive the recession. Reports of this nature form the majority of the positive reports.

¹⁴ Guy Logan. Policy change promised after law trainees sacked by voicemail. Personnel Today. June 2009. <http://www.personneltoday.com/articles/2009/06/15/51081/policy-change-promised-after-law-trainees-sacked-by-voice-mail.html>

¹⁵ Nathalie Thomas. Be responsible when the going gets tough. Scotland on Sunday. December 2008. <http://scotlandonsunday.scotsman.com/management/Samantha-Barber-interview-Be-responsible.4812001.jp> (accessed 19th August 2009)

¹⁶ Andrew Winston. Why This Downturn Has a Green Lining. November 2008. http://www.csrwire.com/press/press_release/14055-Why-This-Downturn-Has-a-Green-Lining. (accessed 19th August 2009)

o *Positive behaviour is being seen in the recession*

Workplace: Positive reports also include reports on behaviour in the workplace, with examples of organisations offering staff various flexible arrangements or alternatives to redundancies.

Example: the Spanish Bank, BBVA offering staff the chance to take five years' leave at a third of their salary, with a guaranteed job when they return¹⁷

Environment and community: Positive behaviour is also cited within the CR areas of the environment and the community, with these being reflected in organisations re-affirming their commitments to environmental and community projects.

Examples: Standard Chartered, whose global 'Seeing is Believing' initiative still aims to raise \$20m to tackle avoidable blindness over the next three years¹²; the professional services firm Deloitte, contributing the highly valued business skills of its people to non-profit organisations as part of its corporate volunteerism agenda¹⁸

Example: Coca-Cola Hellenic reaffirming CR commitments during the recession especially in the areas of climate protection and resource conservation¹⁹

Marketplace: Within marketplace CR activities, the positive effect on CR is mainly indirect based on reports which state that despite the recession, *'going green is going strong'* and consumers are still making purchasing decisions based on social and environmental criteria²⁰. Brita provides an example of this, taking advantage of positive consumer attitudes during the recession in encouraging recycling.

Example: Brita's "Filter for Good" campaign, which asks consumers to take a pledge to reduce their plastic bottle waste²¹

With regard to behaviour towards suppliers, only one example was found which highlighted the fact that the recession is prompting multinational corporations to revise their anti-corruption strategies in their supply chains through China²².

¹⁷ Richard Milne. Downturn fuels creative thinking. Financial Times. June 2009. <http://www.ft.com/cms/s/0/bf7b498a-561f-11de-ab7e-00144feabdc0.html> (accessed August 19th 2009).

¹⁸ Deloitte. Deloitte Donates its Best Thinking to Help Hundreds of NonProfits Battle Recession by Addressing Common Business Challenges. June 2009. http://www.csrwire.com/press/press_release/27081-Deloitte-Donates-its-Best-Thinking-to-Help-Hundreds-of-NonProfits-Battle-Recession-by-Addressing-Common-Business-Challenges (accessed August 19th 2009).

¹⁹ Coca-Cola Hellenic. Coca-Cola Hellenic reaffirms CSR commitment during global economic downturn. June 2009. http://www.csrwire.com/press/press_release/27199-Coca-Cola-Hellenic-reaffirms-CSR-commitment-during-global-economic-downturn (accessed August 19th 2009).

²⁰ The Hartman Group. Prompted by Economic Downturn, Going Green is Going Strong. January 2009. http://www.csrwire.com/press/press_release/14112-Prompted-by-Economic-Downturn-Going-Green-is-Going-Strong. (accessed 19th August 2009)

²¹ Edelman. Despite Economic Crisis, Consumers Value Brands' Commitment to Social Purpose, Global Study Finds. Nov 2008. http://www.csrwire.com/press/press_release/21100-Despite-Economic-Crisis-Consumers-Value-Brands-Commitment-to-Social-Purpose-Global-Study-Finds (accessed August 19th 2009).

From the press research, it is worth highlighting that the majority of articles which push this view are written or contributed to by individuals who primarily work and promote CR through their CR organisations.

- o *Most CR practitioners felt the recession had a less negative effect specifically on their CR team and activities than on their company as a whole*

Although it seems to stand to reason that the effect of the recession on CR teams and activities is somewhat dependent on how much the overall organisation has been affected by the recession, the view from the survey demonstrated that this isn't necessarily the case.

In this case, a much lower percentage of survey respondents (36%) reflected a negative effect of the recession on their CR teams and activities (18% stating a positive effect and 46% stating no change) than the 55% who saw a negative effect on the company as a whole. The main effects on the CR department included a scale down of CR activities, a cut in CR budget, cancellation of planned CR projects and reduction of CR staff.

B. The effect of the recession on CR behaviour, specifically of responsible businesses interviewed

The research also looked at a specific group of businesses defined as 'responsible businesses', following criteria from the BITC CR Index. Negative and positive effects emerged from these interviews. A difference was seen between responsible businesses and across industry generally, providing learning for businesses as to what tactics work in 'best practice' businesses that could be replicated, and informing our discussion in the section: Discussion of these findings.

i. Negative effects of the recession

The CR managers interviewed (from the responsible businesses) all reflected that their organisations had been affected in a negative way but to varying degrees. This strongly reflects the view from the economists Paul Geroski and Paul Gregg that "*one of the most interesting features of recessions is the fact that some companies seem to be much more severely affected by recessionary pressures than others*".⁶ Two negative effects were observed by CR practitioners of responsible businesses.

- o *A few CR practitioners observed a reduction of CR budget and available cash*

Two CR managers interviewed stated that the recession had negatively affected them with a reduction in the CR budget for activities (not for staffing costs) and therefore a lack of available cash to carry out previously planned projects.

- o *When cuts were seen, the areas of CR budget cuts were in community, charity giving, and environmental projects requiring large upfront cash*

²² Ethical Corporation Institute. New research reveals global economic downturn is forcing multinational corporations to revise their anti-corruption strategies in their supply chains through China. March 2009. <http://www.ethicalcorp.com/content.asp?ContentID=6405&ContTypeID=13>. (accessed 19th August 2009).

For the areas of CR that were affected negatively, much like we saw in industry generally from the business and press articles research, the CR managers stated that the budget cuts affected the areas of community, charity giving and environmental projects that required large upfront investments. They were keen to stress that the overall effect has not been a cancellation of projects but a delay to the start of these projects. Projects in other CR areas related to workplace (e.g. employee training) and marketplace (instigating supplier codes of conduct) have gone ahead as planned from the pre-recession period.

ii. Positive effects of the recession

Three positive effects were observed by CR practitioners of responsible businesses.

o The CR teams themselves have not been affected by job cuts

All of the CR managers interviewed said their teams had not been affected by job cuts, with one of the CR managers stating that their organisation is continuing with their 2008 commitment (for 2009) to embed CR more widely within the organisation by recruiting more CR staff in their regional European offices. This was interesting given that, to get fair representation, we had specifically included industries that have been significantly hit by the recession (car industry, insurance) as well as those which have been less affected (food retail). We recognise that a larger sample size may influence this observation.

o The drive to deliver on targets is still strong

According to the CR managers from the responsible businesses interviewed, despite the recession there is still a continuing drive by their CR teams to deliver on pre-recession CR targets.

The general view though is that this has not happened simply by chance but that there has been a deliberate act on the part of the CR teams to actively manage their way through the recession. In addition, there is the consensus that certain pre-recession CR characteristics have enabled them to continue with their CR strategies during the recession (explored later).

o Many CR practitioners saw positive effects on their CR operations

Matching what we saw from the survey research, from the organisations interviewed – even though all the interviewees stated that their organisations had been somewhat affected by the recession at some level – three of the nine stated that their CR team and activities had not been affected. Four stated that the recession has actually had a positive effect on their CR operations where they are either accelerating their CR plans or the recession is providing the impetus for them to further substantiate their CR strategies and continue to ensure that CR delivers Value for Money (VfM) in the future.

C. Discussion of these research findings

Combining observations from the interviews with responsible business and the data from the survey and desk research, we noted a few CR characteristics that either existed within the responsible businesses pre-recession that worked positively for them during the recession, or were lacking from other businesses (industry generally) CR teams/efforts (observed via survey and desk research) who were experiencing negative effects of the recession.

The CR behaviour of responsible businesses is highly influenced by the benefit of having the right CR characteristics prior to the recession. Specifically:

1. Having a strong CR team structure with defined roles and responsibilities
2. Having clear drivers: putting your stakeholders first, and being able to respond/report to them
3. Having a clear CR strategy with a clear plan and focus
4. Ensuring senior executive buy-in

The recession can spark innovation in a number of areas:

1. Maintaining the same level of CR activities despite a cut in budget or cash flow
2. More use of flexible working patterns, for example to avoid redundancies
3. Taking advantage of positive consumer attitudes in the recession

We also provide examples of specific innovation which the responsible businesses have developed during the recession, as an aid to readers, with ideas and projects they can consider within their organisational context.

i. Having the right CR characteristics in place is a significant aid

o Having the CR team in place and in a well organised structure

We recognise that being a responsible business is the responsibility of all in the business, but when looking at the CR team specifically, all but one of the responsible businesses interviewed have had dedicated UK CR teams in existence for over five years. In addition, four out of the nine of these teams have 6-10 employees working on different aspects of CR with clear roles and responsibilities allocated. Of the organisations that have 1-5 employees in CR teams, they are either further supported by a wider global team or, as with one of the organisations, their CR business structure had evolved (over the two years prior to the recession) beyond a central CR team. This arrangement included a dedicated core team of employees with further CR staff embedded into key business teams across the organisation.

o Having clear business drivers for undertaking the CR journey: including responsiveness to stakeholders and the ability to report to them

The most common driver for these organisations' commitment to CR is related to responding to pressure from a range of stakeholders including regulators, shareholders, employees, investors and customers.

Pre-recession, all of the organisations interviewed were involved in CR reporting in all four main areas (impact on workplace, community, marketplace and environment). The survey results showed that CR reporting and disclosure ranked within the top five CR areas (number 3) in which CR teams were involved prior to the recession, and ranked as number 1 in their planned CR areas for 2009 and beyond. When asked about their top five CR areas during the recession, CR reporting and disclosure still appeared in the list, albeit as number 5.

In terms of the CR managers interviewed, all of the organisations were involved in reporting prior to the recession and are continuing with this during the recession with recent releases of CR reports in 2009 by 6 of the 9 organisations interviewed. Further best practice tips were cited by two CR managers as 'striving to achieve 3rd party recognition' and 'promoting CR internally as a business discipline'. Reporting is a CR activity that can help to achieve both of these.

- o *Having a clear strategy and plan for each CR area*

As categorised by BITC, each organisation was focused on different activities within the four impact areas – but each was geared towards their overall organisational strategy and priorities. They all had plans prior to the recession to continue with their CR activities via increased targets to their existing CR Key Performance Indicators (KPIs), with some organisations creating new KPIs for 2009 and beyond.

- o *Having the buy-in of senior management*

The buy-in of senior management within these organisations is seen as another reason why CR activities have continued during the recession. For one organisation, a good example of a CR activity that was at risk of being cut was their planned carbon-offsetting project to buy credits with greater sustainability credentials. It was eventually saved after much lobbying from the CR team and is seen by the CR manager as indicative of how senior management within the organisation view CR. This represents a contrast to a recent press report that stated that carbon-offset projects are becoming casualties of the recession due to businesses pulling out of their commitments²³.

ii. Innovation: New CR practices and behaviour are emerging as a result of the recession

The majority of responses (73%) to the survey question 'What new ways of working in CR teams have you had to adopt during the recession?' was related to the task of having to implement new team roles and responsibilities due to the scaling down of staff across the organisation. This may be the case for the general population of CR teams – especially the few that have been affected by job cuts – but some of the responsible businesses interviewed have also had to implement a number of new and innovative ways of working in a number of areas.

²³ Tricia Holly-Davis. Firms abandon carbon offsets. The Times. April 2009. <http://www.timesonline.co.uk/tol/news/environment/article6078141.ece>. (accessed August 19th 2009).

o *Innovation spark: Maintaining the level of CR activities despite a cut in CR budget*

Where some of the CR teams of the responsible businesses interviewed have had a reduction or non-increase in budget, this has not been accompanied by a change to their planned CR projects or activities. Therefore, they have needed to come up with a number of new ways of carrying out the same amount of work but with less money.

Example: The car manufacturing sector has been particularly prone to a lack of available cash or capital. According to the CR manager of an organisation within this sector, this forced them to think of new ways of funding their planned projects – in this particular case a renewable energy environmental project. *The result has been the formation of new partnerships with organisations that are not as cash strapped, who have agreed to fund the initial investment with the aim of sharing the eventual gains.*

Example: Within the same industry sector, another organisation came up with an innovative way to continue community giving despite a cut in budget. Through a number of corporate fundraising seminars, *the organisation generated funds by providing training by their management teams to other organisations on critical management techniques and processes in return for donations to charity.*

Example: Where environmental projects have had to be delayed, one organisation described how *they have used the recession period to continue to promote environmental awareness within the company.* On days when car production volumes have been low, they have held a number of environmental forums internally where they have been able to reinforce the organisation's commitment to the environment through activities such as showing Al Gore's environmental documentary, The Inconvenient Truth, which prompted internal debate and discussion on the organisation's environmental efforts and how employees can help to move the agenda forward.

o *Innovation spark: Avoiding redundancies by considering flexible working patterns*

Responsibility in the workplace and recession-related issue of job losses is another area where CR teams within responsible businesses have had to develop innovative ways of working through putting in place more flexible working conditions.

Example: The CR manager of a drinks manufacturing company discussed *the involvement of the CR team in the employee consultation process that accompanied job losses earlier this year.* And although the CR managers interviewed did not have much more to say on this, there is a view in the public domain that: *"the recession is forcing companies to be more creative in cutting costs but not jobs"¹⁷.*

Example: The accountants at KPMG being allowed to sign up 85 per cent of their UK staff – including their chief executive and senior management – to the possibility of a 12-week sabbatical or a four-day working week and pilots at KLM taking on more menial tasks over the summer, normally left to temps, working as ground staff¹⁷.

Making staff redundant costs money and according to Britain's leading employers' organisation, the Confederation of British Industry (CBI), as reported this year, this amounts to an average cost of £12,000 per person²⁴. Therefore, these organisations see these flexible working arrangements as the right strategy to deal with the talented employee during the recession. It also shows that organisations are using lessons learnt from previous recessions with regard to the importance of retaining talent during the downtime in preparation for when the economy turns around.

- o *Innovation spark: Taking advantage of consumer attitudes in the recession*

For the CR teams that have been affected by the recession in a positive way (four out of the nine), they are demonstrating new ways of managing their way through the recession as well as accelerating their CR strategies. They see the recession as forcing them to take stock and being a catalyst for doing things better. This is evident mostly within the consumer retail sector where their key CR activities are driven by their main stakeholders – consumers.

Consumer attitude is a key influence on CR behaviour in times of recession. According to the latest annual *Goodpurpose* study²⁵ conducted by Edelman (social branding consultancy), 68% of consumers remain loyal to a brand during a recession if it supports a good cause and even if it is not the cheapest brand. It seems that consumers still want sustainable products even in a recession. The reason, according to Unilever's internal *Vitality Report* published earlier this year²⁶, is that although the majority of consumers are looking to spend less, their purchases are mainly driven by value and not price – consumers are becoming more discerning about the choices they make. The report goes on to state that:

"When consumers are forced to make tradeoffs, cutbacks are more likely to be made in product categories that they view as less essential. Food, personal care, and household cleaners are considered to be most essential to a consumer's quality of life so they typically continue to buy products from these categories."

Harriet Lamb, the Chief Executive of the Fairtrade Foundation, recently said that the recession is not affecting purchases of Fairtrade goods with the rate of growth seen over the last few years still increasing²⁶. The *Goodpurpose* research shows that although customers still want affordable goods and services, they don't want to pay a price premium for the privilege²⁶. They see price as just one part of their

²⁴ Heather Stewart. Recession sparking revolution in industrial relations, says CBI. The Guardian. June 2009. <http://www.guardian.co.uk/business/2009/jun/23/cbi-survey-recession-plans>. (accessed August 19th 2009).

²⁵ Edelman. The 2nd annual Edelman Good purpose study. <http://www.goodpurposecommunity.com/study.html>. (accessed August 19th 2009).

²⁶ Unilever Vitality Report. Consumption in recession. May 2009. (Unilever internal report forwarded to author by a personal contact).

value, with other benefits such as health, quality, convenience and durability being part of the value package.

Example: *The CR practitioners interviewed who came from within the consumer retail industry had made efforts to connect with consumer attitudes with regard to the purchase of Fairtrade goods. They are seeing that consumers are still holding on to their values especially for value-orientated products such as fair trade and freedom food products (an own-brand welfare standard), which have seen an increase in sales despite the recession. This has forced them to constantly take stock of their customer needs and to respond to these by getting involved with new recession-related consumer issues.*

The CR practitioners interviewed state that their customers are saying that they want to save money but they don't want to compromise on their values. An example of this is the fact that consumers are now much more aware of their own food waste and have been asking for tips on how to store food properly to reduce waste. This, one CR manager said, represents a good example of a CR activity that is both good for the environment and is helping to save money too.

Examples of responsible business innovation during the recession

The following examples were provided or cited by the CR managers during interviews as specific tactics they have used during the recession. All of these activities fall under one of the three innovation sparks, showing how responsible businesses have innovated specific tactics during the recession.

Sainsbury's

- Implementing consumer campaigns with strong CR messages such as the *Feed your Family for a Fiver* campaign, which shows that value and responsibility can go together
- Staff volunteering schemes where employees (and customers) have been encouraged to suggest local charities for the organisation to support

Aviva

- Created an employee version of the organisation's CR report to promote further engagement with employees on their CR strategy
- Increase the number of staff volunteer days from 1 to 3 days

Toyota Manufacturing UK

- Despite reduction in production volumes, the organisation avoided compulsory redundancies by agreeing with the workforce on a 10% reduction in working hours with a corresponding 10% reduction in pay for all staff
- Introduced NVQ II training and assessment opportunities for staff during their downtime periods

Diageo

- To boost employee morale following a recent restructuring, the organisation launched a new charity partnership, allowing employees to volunteer their time

John Lewis

- Recently set up a new Partnership-wide environmental steering group who are providing strategic direction on environmental matters and driving activity to meet their revised targets – for example one output has been the launch of a new refrigeration system for Waitrose utilising a propane-based natural refrigerant. Waitrose estimate that it will reduce its carbon footprint by 15% through implementation of this technology

Ford Motor Company

- Launched the ECONetic range of very affordable and low fuel consuming products
- To maintain their environmental commitments, the organisation has identified ways of implementing planned improvements but with a greatly reduced cash drain

iii. Post-recession

Looking post-recession, the CR managers interviewed who do not seem to think that there will be a real revolution in their CR behaviour following the recession gave the primary reason that as they are already very 'lean' and 'strategic' in their CR approach, fundamental changes will not be necessary. Therefore planning for 2010 and beyond is going on as usual albeit with greater pressure to ensure benefits will be accrued over the next year and to demonstrate value for money on CR deliverables.

For CR teams in general, who might not yet be within organisations classed as responsible businesses, it might be a different story. One of the CR managers interviewed believes that the future of CR will only look different for organisations that pre-recession were at the early stages of embedding CR into their businesses or for those that have not yet started a CR programme at all. It is also the view of the author that should the CR lessons highlighted below be learned and implemented prior to the end of the recession, then the change to CR for these less developed teams will be less drastic.

Recommendations

The collective effect of the recession on CR activities and positive examples and lessons to be learnt from the CR behaviour of responsible businesses, all packaged with the reality of climate change and the drive towards more 'localised living'²⁷, will mean a degree of change for CR in the post-recession period. For all CR practitioners, using the time now to think about how their organisations, and hence their CR activities, might need to adapt to any new ways of working in the future, is time well spent and will ensure that their current efforts are not in vain in the long term.

A key point is the fact that there is uncertainty about when the recession will end and hence how far in advance organisations need to plan. This is also related to the fact that some organisations have more pressing industry-specific drivers that are currently being prioritised over the end of the recession. The CR manager of BBC highlighted the fact that their main focus for the future is the end of their current licence fee arrangements with the government in 2012/2013. Admittedly, the end of the recession will not necessarily affect them to the same degree as other organisations since their main income is from customer licence fees and this is not likely to change post-recession.

The fact that there is no way of telling whether current consumer patterns will remain the same post-recession was discussed by a couple of CR managers. Again, the uncertainty about whether consumers will go back to their previous way of spending prior to the recession is one that is affecting organisations' plans for the future and whether or not CR will look different. One CR manager's view is that although the recession has helped to crystallise consumer attitudes, it is difficult to say what attitudes will stick and which will go, following the recession. As another CR manager put it, they are thinking about the post-recession period but are not sure about the answer to the question of "*whether frugality is the new black.*"

All of these changes will be reflected in CR becoming an even more important business discipline in the future, when it will be looked upon as the part of business to take an organisation through the myriad of new regulations, policies and stakeholder expectations, while still demonstrating value for money and good business sense.

From our research conclusions we highlight some recommendations for practice as we move into the post-recession period: recommendations for the CR 'field' as a whole; and for CR practitioners within companies, specific actions that may enable future success.

²⁷ A focus on sourcing suppliers from a closer local, and engaging more significantly with stakeholders in closer proximity.

1) Recommendations for the CR 'field'

A. Recommendation: We really need to develop a widely accepted method for measuring the business value of CR

Measuring business value is still a challenge for many CR teams, with a reliance on quantitative feedback to measure the ROI of CR investment/spend. The 2009 McKinsey global survey highlighted the ongoing conflict between the certainty that CR programmes do create shareholder value but confusion about how to value them when assessing the attractiveness of business projects or companies.

A recent research report from the Doughty Centre and EABIS highlighted that for a financial ROI valuing model to work, it is critical to tackle obstacles of what is deemed in scope and how clearly the link to business purpose is made, especially to investors. The report proposes a Value-Creation Framework to help managers and investors to understand how improved environmental, social and governance performance can impact on drivers of future performance²⁸. It is important, however, that collectively as a field, CR experts prioritise efforts to create a workable and practical model that can link CR investment to output/ROI in financial terms that will be accepted by CFOs and budget holders, and can be tangibly measured and reported to investors and stakeholders.

B. Recommendation: Recognise public and government's reduced tolerance of irresponsible corporate behaviour

Our research highlighted opinions among both CR practitioners and the press that the recession presented an opportunity for the growth of CR and the governance of responsibility, mainly in the area of recognising a 'reducing tolerance for irresponsible corporate behaviour'.

This was prevalent from the press research, especially post-research in October 2009 – specifically on the topic of how banks responsibly manage the risk chain they create and reward short-term investment decisions – when it emerged in the press that many banks who were previously bailed out by governments were planning to once again issue large bonuses. This generated questions on responsible risk management and reward structures, with discussion from the public and government on linking the bonus system to the risk chain (and impact thereof) created by banks' investment decision-making, and the responsibility of banks in how they use bonuses and pay to manage risk. To date, this discussion on regulation has reached political levels (and in the EU examples of actual regulation) to change what is seen as a badly governed bonuses culture that encourages risk taking and rewards failure, especially in banks that are now part-owned by the public.

CR practitioners saw an increase in the scale of CR activities as the main way in which their organisations plan to change their CR activities in 2010 and beyond. This is supported by the increased will of country leaders to further regulate bonus systems to longer term value generation (October 2009), and even the IMF backing tax on banks to protect the global economy from their causing systemic risks – the 'swollen and socially useless banking sector' (Lord Turner, Head of UK Financial Services Authority referring to some parts of the banking sector)²⁹.

²⁸ Sustainable Value: Final report from the European Academy for Business in Society (EABIS) research project into Corporate Responsibility, Market Valuation and measuring the financial and non-financial value of the firm (Sept 2009) <http://www.investorvalue.org/docs/EabisProjectFinal.pdf>

²⁹ Guardian newspaper, UK edition. October 4, 2009.

Toby Radcliffe of Article 13 expressed his opinion in February 2009 as:

*"...there has been a demise of the laissez-faire attitude towards much corporate activity, scrutiny will increase, from government, shareholders and the media. Increased accountability must be a central part of a company's agenda moving forward."*³⁰

C. Recommendation: Consider innovative forms of partnerships and networks

If there is only one CR change to emerge from this recession, it should be based on the fact that organisations need to continue moving away from participating in pure philanthropy i.e. charitable giving that is not preceded by a coherent strategy. We saw this as an emerging trend before this recession, but the research shows further change from pure philanthropy which can be interpreted as a sign that businesses are experiencing more urgency and pressure from the recession to reassess their approach to philanthropy. As we have seen so far, across the range of CR 'activities', these pure philanthropy types of charitable donations are among the most likely activities to become victims to the recession.

Changing the way organisations engage with charities will allow longer and more successful strategic relationships where real value and benefit are added to the charity and/or community i.e. strategic charitable investments. However, embarking on this without consulting with NGOs and the third sector could produce very negative results, reducing essential resource provision for NGOs and damaging some very successful strategic partnerships and relationships for industry. It is the role of both industry and the third sector to work with each other to innovate traditional partnership/funding roles.

- o One could argue there is a need for NGOs to become more commercially driven and to move away from subsistence lifestyles to more corporate joint venture-based partnerships.
- o For businesses, a portfolio approach to investment and return – whereby an average is achieved across a range of activities where some generating a flat return are compensated by others generating a super return – may give businesses greater flexibility for partnering with NGOs.
- o Skills sharing and increasing employee volunteering as a resource for NGOs may have increased during the recession at the same time that corporate giving has decreased, and can indicate a fresh approach to this difficult issue.

We suggest a partnership model can be extended (that pre-recession was practised by a few but not widely enough promoted) that focuses not on pure money needed, but on resource and skills provision – for example sharing the skills and resource of a Marketing Department in a way that still ensures independence for both. This 'total wealth creation' approach (whereby a brand can be developed to maximise the wealth of all stakeholders) requires an innovative approach to brand and reputation management but could reap longer term loyalty and rewards in a post-recession environment where consumer values have significantly shifted from the days where they felt more cash-rich but where their demand for ethical and environmental responsibility has actually increased.

³⁰ Article 13. Views from the field: CSR and the recession. February 2009.

As seen from our research, many businesses have already started this journey – through sourcing and supply networks, as a way to continue cash-rich environmental commitments, and even with community-based work – by partnering in pairs to create networks with NGOs, where one partner provides skills and employees and brings the other in to provide sponsorship (the cash-rich partner). This ‘network’ approach to partnering for supply, community and environmental projects has many hurdles but can, through significant forethought and some trial and error, have a strong potential to provide a possible solution where all benefit from the associations. There are existing examples within each sector independently where this network approach works, and using this experience to work across the sectors could enable responsible businesses to thrive in a post-recession period where “*frugality is the new black*”.

Organisations such as CSR Europe and BITC can provide relevant advice and experience on such new partnership models, and could take a key role in developing best practice examples from which the CR industry can learn.

D. Recommendation: The bigger issues to consider post-recession

Research showed two key areas that may become determining factors for how the post-recession period affects CR. These are:

- o The growing challenge of climate change (environmental): this may be especially true for organisations within the consumer goods and retail sectors that are largely driven by consumer attitudes and preferences. One of the CR managers in this sector stated that they expected the post-recession period to be driven by their customers’ need to address climate change and continue to look for ways to reduce their carbon footprint. This was echoed by the CR manager from the car manufacturing industry, who added that their sector is also being driven by emission and air quality targets.
- o The increased significance of local communities (social): especially within the consumer goods retail sector interviewed for this research, which is seeing its customers being much more interested in their local communities than ever before. A CR manager within this sector highlighted the fact that through recent market research they are seeing that the recession has reinforced their customers’ attitudes towards their local communities. For example, their customers are more interested in donations to local versus nationwide charities and are worrying more about local community cohesion issues.

Furthermore, he sees this as an issue that will not go away post-recession. The CR manager sees parallels with the US president, Barack Obama and the British Conservative party leader, David Cameron’s approaches to new social contracts. Namely, that customers seem to be interested in revising their attitudes towards capitalism and wanting to go back to the way communities supported each other – in other words, a renewed emphasis on ‘mutuality’. In his organisation, they are preparing for the post-recession period through the way their stores interact with local communities in the future.

Both of these areas represent issues that will become more important as we move to recovery and hence may well affect the direction of CR over the next few years.

2) Recommendations for in-house CR practitioners

A. **Recommendation: Develop a strong and appropriate business model for how the CR function works and operates with the rest of the business**

We recognise, and advocate, a built-in approach to being a responsible business – and as such, everyone in the business has a role to play. However, the CR team is an essential component of these efforts, but not all organisations will have entered the recession with the right placement of CR resources/team, a clear CR driver or senior executive buy-in – as is the case with the responsible businesses discussed in the previous section.

The recession has presented an opportunity for CR to continue its growth by reinforcing what works, discarding what doesn't work and developing new practices. As was aptly put by one of the CR managers interviewed:

“Our CR team will emerge from the recession stronger than before we went in; when the recession is over, we expect to benefit from the good practice put in place now, which will give us a stronger foundation for the future and improve our CR operations”.

There are several approaches to how the CR function can operate and be staffed, from a large central team to a smaller team working with experts networked across the organisation. Smaller teams may have been set up pre-recession due to lack of resource, as a starting point for the company exploring what resource they need for CR, or because the company wanted emphasis to be on the business as a whole taking functional responsibility for actions. Regardless, these smaller teams, already streamlined and working across the business, seem to have fared better than their larger counterparts. As a business model, this approach has fared well pre- and during the recession, and is worth further consideration for use in the post-recession period where resource may still be scarce.

B. **Recommendation: Ensure your CR strategy is focused and proves the business benefits, in a way that links clearly to the corporate strategy**

At the very least, any CR team needs to have helped the company to create a well structured and set-up strategy that is clearly linked to the business strategy, or ideally integrated within the business strategy as a specific element. Although, the nature of CR means that each CR strategy will be different, the fundamentals of alignment to the strategy of its parent organisation should not be ignored. This was cited by all the CR managers interviewed as the key reason why their CR team and activities had not been adversely affected by the recession.

Seven out of the nine CR managers interviewed stated, in different ways, the importance of a focused strategy with clear business benefits. These were mostly said in the context of the fact that CR must not be seen as an add-on but as a fundamental and integral part of being a sustainable business i.e. must be related to corporate objectives and not just PR activities.

In practice, this recommendation may be more about verbalising and communicating the close alignment of the CR strategy with the corporate one, as a well thought out CR strategy should be an enabler of the corporate strategy, and vice versa. This communication should not be underestimated, however, as the appreciation of its

relevance was an enabler for the responsible companies' CR team during the recession.

According to Dr Richard Welford, author and Director of CSR Asia (an organisation providing information and services on sustainable business practices in Asia) CR programmes (whether related to supply chain, customers, environment or community) now have to be targeted at those most in need with better measurements of their outcomes and impacts³¹. Ideally, no CR project or activity should be considered without a clear business case and equally clear business benefits. According to one of the CR managers interviewed, although some of their CR projects have been put on hold due to cash flow problems, they have not been cancelled. This, he believes, is due to the fact that these projects have sound business cases behind them. It is more likely that boardrooms/executive committees will continue funding activities to support their CR commitment if they demonstrate clear returns on investments, deliver the most value for money and if the benefits to the company and stakeholders are tangible³¹.

However, measuring business benefit is still a challenge for most, if not all, CR teams, with a reliance on quantitative feedback to measure the ROI of CR investment/spend. The 2009 McKinsey global survey highlighted the ongoing conflict between the knowledge that CR programmes do create shareholder value (two-thirds of CFOs and three-quarters of investment professionals agreed) but are unsure how to value them when assessing the attractiveness of business projects, especially among CR professionals – with more than half reporting they don't know the specific effect these activities have on shareholder value. We recommend that even if qualitative figures are not available, CR professionals make it a priority to show how the CR programmes benefit the business, and are an investment vs. a cost, through means currently available (for example environmental cost savings on energy use are available, cost avoidance of fines for exceeding CO₂ emissions are available, new business opportunities that arise through good working relationships with stakeholders and customers etc).

C. Recommendation: Ensure your process for engaging and communicating with stakeholders, bringing their voice into the organisation, works efficiently

Despite some of the challenges that CR communicating faces – such as confusion over language, lack of consistency across reports and the issue of whether their levels of readership justify reporting cost – the research shows that responsible businesses still see good reporting, one tool for communicating, as good practice. Good reporting means striving to create leaner, more balanced, portable and cost effective reports⁵, that are accessible and relevant to the intended audience. Rather than seeing the production of a CR report as the end of the process, it should be the beginning – by using the data from the report to communicate relevant material to different audiences using different media such as blogs, speeches, team-briefings, in-store displays, press articles, webinars etc.

Kathee Rebernak, founder and chief executive of Framework: CR (a sustainability consultancy based in the USA) said recently that:

³¹ Richard Welford. How can corporations respond to CSR in a recession? CSR Asia. December 2008. www.csr360gpn.org/news/story/how-can-corporations-respond-to-csr-in-a-recession (accessed August 19th 2009).

“The convergence of the economic and climate crises could not only move sustainability forward but might also create a new paradigm for sustainability reporting ... companies that maintain or even step up their efforts to engage in balanced, transparent reporting on all issues material to their business will maintain an edge over those that do not⁵.”

Although the recession seems like a good time to cut down on corporate communications, responsible businesses know the value of CR reporting and those from our research are continuing with reporting measures. This, according to Rebernak, is because these organisations do not view CR and CR reporting as merely an extension of marketing and public relations but as key to the successful implementation of their business strategies.

One could argue that reporting bonds relationships to stakeholders, setting expectations and commitments of the role an organisation will have with a stakeholder. This not only strengthens the relationships between stakeholder and organisation (critical in a recession, especially at point of purchase) but also commits the organisation to CR actions that have been committed, reported and promoted. Plan A at M&S did not become Plan B during the recession – too much of M&S identity attraction, culture and brand loyalty is tied into it.

The research also showed that having developed the connection to stakeholders, for the purposes of reporting, specifically to consumers, allowed the internal organisation to ‘hear’ their voice, and open up new opportunities. Cited earlier were examples of new brand strategies addressing the concerns of consumers, as well as recognising the growth for ethical goods despite economic restrictions.

D. Recommendation: Ensure you have visible and constant leadership support

There is a widespread recognition that the people leading or coordinating CR efforts in a company must have leadership support, which is in line with all the change management literature. Indeed, reports such as ‘Mobilising Board Leadership’ by IBLF/SustainAbility and ‘Leadership Qualities and Management Competencies for CR’ by Ashridge & EABIS, emphasise the importance of this and are good sources of information for how one can build visible and constant leadership support. See also the Doughty Centre ‘Guide to CR how-to Guides’ for publications that can advise you on developing ‘tone from the top’ and ‘governance and board oversight’.

Learning from our data supports this recommendation, and we emphasise that it is not just a nice-to-have but a critical success factor, especially when operating conditions become more challenging. The emphasis is not just on having leadership support, from board to executives and to department heads, but that it is visible to the organisation and constant throughout both the positive and the more challenging times.

E. Recommendation: Consider the new, the controversial, and the bold

Almost all the CR Managers interviewed agree with the fact that pure philanthropy is not a CR activity, despite the historic link between corporate philanthropy and CR. If an organisation’s donations to charity are based on a sound strategy, even in cases where they are badly affected by the recession, they are more likely to keep up their commitments in this area, albeit in different (often non-monetary) ways. This is why, despite the effect of the recession on some of the organisations interviewed, they are

still finding ways to continue with their committed donations and partnerships even if they might not necessarily enter new partnerships at this time.

As with all areas of CR, thinking long term is important. As an organisation evolves over time, so might its strategic aims and objectives. This may mean that the relationships built up with partners such as charities or community organisations may also need to change. As was seen by one of the interviewees, being able to stop charitable donations in cases where there are no longer any clear business reasons is something they have been unable to do due to the fear of the PR backlash that might happen as a result. A top tip is that having an 'exit plan' deliberately included in the original corporate giving strategy will avoid having to give indefinitely even when the partnership is no longer the right fit.

We further suggest that an opportunity the recession brings is a platform on which to build a stronger and more efficient CR programme – to look inward at ourselves. Any programme built to withstand recession should do well when times get better, although of course there should be regular reviews to allow adaptation to changing circumstances. There is real opportunity to cut any 'fluff' and focus on real priorities for the business.

The research also showed that in some instances a CR team can make use of the recession conditions among the workforce to engage them further in CR and to improve morale through connecting with CR projects. The examples cited earlier included internal activities increasing as staff find they have more time, the role the CR team played in considering alternatives to redundancies, and opportunities to promote programmes to improve morale overall. These were opportunities these CR professionals identified that both encouraged the CR agenda and made a positive impact on the organisations in trying times. We recommend that CR professionals scan for such opportunities as conditions change, especially post-recession when growth returns and organisations will undergo further periods of flux – corporate culture and identity may get confusing and an opportunity could present itself to CR teams to strengthen that identity and reduce uncertainty through positive CR stories, and opportunities for staff to engage with customers and communities or even take on additional responsibilities such as supplier liaison (to generate more satisfaction from job roles that for a period of time have been insecure and challenging).

APPENDIX

Appendix A: Definitions

Definition/description of key terminologies used in this paper

Corporate Responsibility or Responsible Business refers to a business, which is committed to:

- Minimising negative environmental and social impacts and maximising positive environmental and social impacts
- Open and transparent business practises that are based on ethical values and respect for employees, communities, and the environment
- Designed to deliver sustainable value to society at large, as well as to shareholders
- It is not a bolt-on to business operations – it has to be built-in to business purpose and strategy

*Doughty Centre for Corporate Responsibility*³²

Responsible Business Behaviour

Responsible business behaviour is the practical aspect of being a responsible business. It refers to the process and activities by which a company manages, measures and reports on its commitments to be a responsible business. It is managed through a company's operations, product and services and through its interaction with key stakeholders within the workplace, marketplace, environment and community.

*Adapted from Business in the Community*³³

'Good' versus 'not-so-good' responsible business behaviour (in responding to the recession)

What is 'good' or 'not-so-good' responsible business behaviour can be highly subjective and is dependent on the organisational and situational context. Nevertheless, some clear examples of these exist and include:

- Unilateral redundancies without consultation (bad) versus involving employees in exploring alternatives e.g. pay cuts, sabbaticals (good)
- Abandoning sustainability commitments (bad) versus finding creative approaches to maintain sustainability commitments for the long-term (good)

Recession

A recession is a "significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income, and other indicators".

*National Bureau of Economic Research*³⁴

³² Doughty Centre for Corporate Responsibility. www.som.cranfield.ac.uk/som/p9345/Research/Research-Centres/Doughty-Centre-for-Corporate-Responsibility/Vision-and-Guiding-Principles. (accessed 19th August 2009).

³³ Business in the Community. www.bitc.org.uk/resources/jargon_buster/responsible_busine_1.html (accessed 19th August 2009).

³⁴ National Bureau of Economic Research: Recession Dating Procedure. www.nber.org/cycles/recessions.html (accessed 19th August 2009).

Appendix B: Acknowledgements

The author would like to thank the following people:

1. Professor David Grayson, Nadine Exter and Thea Hughes of the Doughty Centre for Corporate Responsibility, for the opportunity to work with the Centre and for their time, help and advice in researching and writing this paper. Dr Peter Howsam (academic supervisor) for his time and patience in providing advice and feedback in ensuring that this paper fulfilled the academic requirements of an MSc thesis.
2. John Heaslip and Gillian McKee of Business in the Community Northern Ireland (BITC NI), Helen Rowntree of Corporate Responsibility Group (CRG) and Laura Maanavilja of Corporate Social Responsibility Europe (CSR Europe) for their help in disseminating the survey. The BITC CR Index as a guide for responsible businesses to interview.
3. Key experts in the field of CR who gave their valuable time to review and comment on this occasional paper: Amy Clarke, Charlotte Grezo, and Gillian McKee.
4. The CR Managers (as listed below) who kindly agreed to be interviewed despite busy schedules and provided valuable information without which the major findings in this paper would not have been possible.

Interviewee	Title	Company
James Wallace	Group Head of CR	RSA Group
Jat Sahota	Head of CR	Sainsbury's
Emma Medd-Sygrove	Senior CR Manager	Aviva
Rebecca Perry	Social Responsibility Manager	Diageo
Josh Hardie	Head of CR	Tescos
Andy Taylor	Director of Sustainability	Ford of Europe
Yogesh Chauhan	Chief Adviser on CR & Environment	BBC
Karen Bradley	Manager, Comms & External Affairs	Toyota Manufacturing UK
Gemma Lacey	General Manager, CSR	John Lewis Partnership

5. The CR practitioners who responded to the survey request and provided supporting data for this paper's main findings.

About the author

Abiola Barnor completed a full-time Master of Science (MSc) degree in 'Environmental Management for Business' at Cranfield University, UK (2008-2009 academic year). This paper forms part of her academic thesis, which was submitted in September, 2009 in partial fulfilment of the requirements for this MSc. She can be contacted at aadesina@hotmail.com

This paper has been edited by Nadine Exter, Associate of the Doughty Centre for Corporate Responsibility, from Abiola Barnor's thesis, for the purposes of an Occasional Paper.

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"Engaging Business in the Community - not a quick fix" by Geoffrey Bush, David Grayson and Amanda Jordan with Jane Nelson. With the Smith Institute (2008)

"A new mindset for Corporate Sustainability" - a white paper on sustainability as a driver of commercial innovation, produced in partnership with academics from MIT, Beijing, Singapore and IESE in association with BT and CISCO (2008)

The Doughty Centre Year Two Report to Stakeholders (2009)

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