
Corporate Social Responsibility - Why bother?

Why should your organisation bother with corporate social responsibility? Why go to the effort of behaving as a good corporate citizen and measuring and reporting your activities and performance?

For to many companies, it's just too much like hard work, or else it's an unwelcome distraction from what they see as the real business of business: making a profit. But what these organisations do not realise is that they are probably already exercising their corporate social responsibilities (CSR) to some extent and so the transition to implement a structured managed CSR programme is not as great as they think. Moreover, CSR is not just about doing the right thing by fulfilling duties to society; it is also the smart thing to do because being responsible and accountable brings significant commercial advantages.



Profit :

Several studies have shown a direct correlation between socially responsible business practices and positive financial performance. A 1997 DePaul University study found that companies that have a clear commitment to ethical principles do better financially (based on annual revenues) than companies that don't. An 11-year Harvard University study, published in 2004, found that 'stakeholder-balanced' companies showed four times the growth rate and eight times the employment growth than companies that were shareholder only focused.

Access to capital :

The rise of socially responsible investment (SRI) means that companies committed to CSR often have access to capital that others do not. The Dow Jones Sustainability Index, the FTSE4Good Index, the Morley Fund Management Sustainability Index, the Business in the Community Corporate Responsibility Index and others analyse companies' CSR activities. Investors turn increasingly to these indices before committing their funds. And according to Eurosif, by 2006 the SRI market in Europe was estimated to be worth up to €1 trillion, representing as much as 10 to 15 per cent of total European funds under management. This is a 36 per cent growth since 31 December 2002,¹

Also, fund management companies are becoming more vocal and assertive about their expectations regarding corporate responsibility, which they are increasingly seeing as being fundamental to companies' risk profiles.

Greater productivity and quality :

Efforts to improve working conditions lessen environmental impacts or increase employee involvement in decision-making often lead to increased productivity and reduced error rate. For example, companies that improve working conditions and employment practices among their suppliers often experience a decrease in merchandise that is defective or can't be sold.²

Lower operating costs and greater efficiency :

Improved management systems for non-financial issues do not automatically result in greater cost. Many environmental initiatives improve operational efficiency by reducing waste production and water usage and increasing energy efficiency. In the human resources arena, flexible scheduling and other work-life initiatives result in reduced absenteeism and increased retention of employees and save companies money through increased productivity and reduction of recruitment and training costs.





Enhanced reputation :

So much of a company's reputation is based on trust among its stakeholders. A strong reputation in environmental and social responsibility can help a company build this trust — as long as it is the result of deeply ingrained policies and practices, and not just corporate lip service to CSR. A strong CSR programme can also help cushion a company's reputation from damage. Non-governmental organisations and local communities are far more willing to defer protests and action against a company as a result of an incident if it is evident that the company has genuinely worked hard to prevent it happening in the first place, and has in place solid management practices for rectifying the situation — quickly — and for avoiding a repeat.



More sales :

Research has shown that consumers not only want good and safe products, they also want to know that what they buy was produced in a socially and environmentally responsible way. A CSR Europe/MORI study in 2000 found that a company's commitment to CSR was important to 70 per cent of European consumers buying a product. In addition, one in five would be willing to pay more for products that are socially and environmentally responsible, and one in six shoppers said they frequently buy or boycott products because of a manufacturer's reputation.

Improved recruitment and retention :

A company's dedication to CSR can help to attract and retain employees. People are no longer concerned just about promotion and salary; they want to work for a company that is run in accordance with their own values and beliefs. After Novo Nordisk launched its Values in Action programme, which aligns its business objectives with sustainable development, it saw a five per cent drop in staff turnover. More generally, 78 per cent of employees say they would rather work for an ethical and reputable company than receive a higher salary³

Lower risk and more effective risk management :

The more a company is committed to CSR, the less it is exposing itself to risks, for example:

- **risk of damage to corporate reputation**, for example, Nike has suffered in the past with allegations that it was using sweatshop labour;
- **financial risk**, for example unanticipated costs for installing new pollution abatement technology or paying fines for non-compliance with employment legislation;
- **environmental risk**, for example being required to reengineer products to remove a newly controlled substance; and
- **legal risk**, for example failing to anticipate and plan for new legislation relating to disabled access to premises.

New commercial opportunities :

At its best, good CSR practices will build trust in your company and open up new lines of dialogue with your customers and stakeholders. This interaction creates new insights into society's emerging expectations and, harnessed effectively, should help to fuel innovation processes. For example, mobile telecommunications company Vodafone responded to challenges about unequal access to its services by developing new banking services in sub-Saharan Africa based on SMS texting.

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