



Department
for Business
Innovation & Skills

CORPORATE RESPONSIBILITY

Good for Business & Society:
government response to call for
views on corporate responsibility

APRIL 2014

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1.0 Overview

1.1 Corporate responsibility (CR) is the voluntary action businesses take over and above legal requirements to manage and enhance economic, environmental and societal impacts¹. It is about being a responsible business and as a part of an integrated and strategic approach creates shared value for business and society. The exact approach varies and is influenced by factors such as business size, sector and locality. In an increasingly volatile, uncertain, complex and ambiguous world, many UK based companies are leading the way.

1.2 Businesses increasingly see that responsible business is not only good for society but can deliver bottom-line business benefits in terms of: staff recruitment and retention; managing risk in supply chains; driving innovation and productivity; and opening up new markets. It can also lead to new business models such as those associated with the sharing and circular economy.

1.3 CR is by definition voluntary² and therefore success relies on a business-led approach. It is also diverse and constantly evolving to meet changing circumstances. The call for views³ was carried out in recognition of the increasing importance of CR to business. We received 152 responses from a wide range of stakeholders, including business of all sizes, charities, representative bodies, educational bodies and individuals. The responses have enhanced our understanding of the importance of CR to sustainable growth and, where relevant, will inform future Government action. There were lots of examples of good practice and a range of case studies can be found in the Annex to this document, via links to Trading for Good and Business in the Community⁴.

¹ The European Commission's 2011-14 corporate social responsibility (CSR) strategy defines CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with stakeholders on a voluntary basis."

² CR does not replace the need for laws and regulation to govern business conduct where market failure can lead to unacceptable adverse impacts. For example UK laws and regulations are in place for sections of the economy, such as finance and for issues such as employment rights, environmental protection and Director's duties.

³ On 27th June, the Department for Business, Innovation and Skills (BIS) launched a 3 month call for views on corporate responsibility (CR).

⁴ Trading for Good and Business in the Community are two non government organisations supporting and promoting effective CR.

2.0 Summary of responses

The following is a summary of the call for views responses, which includes quotes and is set out under key themes which emerged.

CR evolution

2.1 Many respondents noted that CR has come a long way, from being regarded as philanthropy or something done as an add-on. It has evolved from how businesses spend their money to how they earn it.

“Many companies view CR as philanthropy or little more than eco-efficiency by reducing operating costs through energy, water and waste reduction. This narrow perspective means many businesses fail to examine what this agenda means for their organisation and consumers in future, depriving the organisation of the ambition to pursue new business opportunities and transform their business model.” - Jonathan Garrett, Jaguar Land Rover.

“The field of CSR / CR/ sustainability is not a static set of practices, but a constantly evolving field which has been largely driven by business. CR used to be an “add-on,” but has evolved to become a more integrated and disciplined field, increasingly managed and assessed as any other business function.” - Camilla Drejer, Corporate Responsibility Group.

“IBM believes that the concept of CR is now recognised and understood and that it is now increasingly accepted as a required area of business activity. It has moved beyond the status of ‘latest management fad’ and a significant body of policy and practice has been established, delivered through an increasingly professional body of CR practitioners and others.” - Mark Wakefield, IBM UK Ltd.

Horses for courses

2.2 A significant majority of respondents pointed to differences between business (e.g. size, sector, communities in which they operate and the varying complexity of their operations) and noted this had implications for how CR is practiced.

“We believe that it is essential to be mindful of the very wide range of organisations from the very large global institutions and the SME sector and it would be more productive, if the purpose is to generate behaviour change across organisations, to develop a ‘maturity model approach’ to CSR that allows a small 2 –person organisation to self assess as well as a large corporate UK regional office.” -anonymous respondent to call for views.

2.3 It was recognised that diversity presented particular challenges and a universal approach would end up either as too complicated to apply, or become a simple ‘box-ticking’ exercise, neither of which was desirable.

“The pressures on differing industry sectors are very different, any attempt to purely address this through a one size fits all results in either a very light touch approach or one that is of varying relevance to each sector.” - Peter Cafferkey, Geneva Global.

2.4 A more flexible approach was preferred that encourages innovation and adoption of responsible business practices amongst organisations of all types and sizes.

“We recognise the importance of internationally recognised principles and guidelines. However we would urge the Government to ensure that encouragement for large corporate organisations to include the guidelines in their corporate responsibility policies does not risk excluding small businesses from being considered responsible because they are not using the diverse and complex set of principles.” - Carol Sherriff, In Business For Good.

2.5 A flexible approach was also considered useful in terms of language. The terminology around corporate responsibility was considered unfriendly to SMEs in particular and many preferred the more inclusive term of ‘responsible business.’

Collaboration

2.6 Respondents commented that collaboration, in a number of forms, was seen to be an increasingly important aspect of corporate responsibility. Collaboration could exist on a sector basis (particularly where there were high-risk factors where a common position was thought to be beneficial), multiple companies using the same supplier (where the bureaucratic burden on the supplier could be reduced), and companies convening a range of suppliers (to identify and share best practice and troubleshoot common problems). However, particularly in this last regard, it was also noted that collaboration between SMEs and large companies rarely happened.

“Corporate responsibility is essentially about finding solutions that benefit society and the company itself; collaboration among interested parties in order to learn from each other; being smart with the finance and resources available; and learning from best practice.” - David Hawkes, Chartered Institute of Building.

“Sector specific initiatives can help to define and address materially important issues, promote collaboration and provide the scale that is often required to make improvements.” - Rowland Hill, Marks & Spencer.

2.7 A significant number of respondents suggested that a more supportive and collaborative approach through the supply chain and sectors was important to advance the sustainability agenda. Such support might include mentoring, providing guidance, knowledge and training, setting expectations and making available resources such as expertise and funding. Other respondents considered that behavioural changes could be influenced through tendering or contracting practices, including those of public authorities.

“Within the UK there is a thriving network of organisations and programmes seeking to support businesses in contributing to social outcomes. However, firms without the capacity or resources to seek these out would benefit from clearer signposting as to what support, infrastructure and opportunities are available. There would also be societal benefit in encouraging wider collaboration between businesses.” - Ian Roe, Roisin Sharkey, KPMG.

Community

2.8 Respondents identified a disconnection between business and society, particularly at a local level which, if resolved, would be a powerful force for good. On the one hand, businesses did not know or understand the social issues that existed and how they might help. On the other hand local communities, and in particular charities, did not articulate the issues relative to them well enough for businesses to at least consider getting involved.

2.9 From a business perspective, it was felt that there has been a shift away from philanthropy toward a pursuit of shared social value. While philanthropy, charity and volunteering were all still considered to be important cornerstones of corporate responsibility, there was now a greater expectation that such activity should benefit both parties more through shared value and that this was a message that hadn't been properly communicated.

“...There is perhaps a lack of understanding within some companies about how social outcomes can be wider than a philanthropic donation and that through integrated, strategic partnerships companies can look to leverage all of their assets to create greater impact and change.” - Howard Risby, PwC.

“There may also be a lack of awareness of the issues, risks and opportunities to strengthening links between business and communities, which goes beyond traditional philanthropic activities.” - Caroline McCarthy-Stout, Lloyds Banking Group.

2.10 A few respondents noted that there was an expectation from all corners of Government for businesses to contribute to worthy causes often, seemingly, without the recognition that businesses were already contributing to, and delivering on, other causes initiated from elsewhere in Government.

“Government should encourage companies to contribute to social outcomes but be cognisant that this will rightly take many different forms.” - Rowland Hill, Marks & Spencer.

“In a sense local government has a greater role here than central government. Identifying local needs in collaboration with businesses so generating a better idea of how business intervention might support social initiatives is essential. For example, I know of a steel stockholder who believed that their work was not relevant to their local community until they were asked - to supply and erect a fence for a local playgroup. This broke the ice and their involvement in further social initiatives followed.” - Tom Levitt, Sector4Focus.

Role of Government

2.11 There was a near equal split between those who favoured more legislation in this field and those against it. Of those that supported legislation, the positions put forward were either in connection with changes to existing legislation (particularly the Companies Act and Public Services (Social Value) Act). Or new legislation to condition certain behaviours including: enforcing ethical standards (specifically on modern slavery, trafficking or abusive child labour within supply chains); enforcing companies to adopt effective and transparent supply chain management practices; and compelling companies to conduct studies of the behaviour of chosen suppliers before contracting and during association.

“To ensure widespread adherence to the most important internationally recognised principles and guidelines it is essential to make the corporate responsibilities within the UN Guiding Principles on Business and Human Rights legally enforceable. This could be done by adding to the Companies Acts a requirement on corporate office holders to put into action the requirements of the Principles on human rights policy, due diligence and remedies, as well as the transparency which has been promised in the recently published UK [Business & Human Rights] Action Plan.” - Gerry Boyle, CARE International UK.

“Companies should engage their suppliers in their CSR initiatives and consideration should be given to extending the Social Value Act to the private sector (as it is essentially a permissive Act rather than instructive it will encourage rather than force businesses to engage with suppliers positively).” - Tom Levitt, Sector4Focus.

2.12 Many respondents felt corporate responsibility was not something that could be driven or influenced by external agents, suggesting that businesses should determine for themselves what responsible business practices suited them. Those who were against legislation argued that there was already enough in place, that any new legislation would be bureaucratic, difficult to implement, difficult to enforce and that it would promote a ‘tick-box’ approach, that would do little to change behaviour.

“Weak regulation could well stymie early stage development and prematurely hamper companies’ ability to develop the best business solutions that create value for themselves and for society.” - Paul Thackray, individual

2.13 The majority of respondents said that Government should have the equivalent of a ‘light touch’ role, particularly as there were already many organisations occupying this space. Respondents saw Government’s role as chiefly one of an intermediary, bringing business, regulators and other stakeholders together to facilitate, in particular, a dialogue between all sides and agreeing action on ways forward.

2.14 Finally, respondents also called for more guidance that included setting out the Government's expectation and minimum standards, case studies and, examples of best and bad practice. It was suggested that Government could work with a range of stakeholders in order to develop such material. A few respondents noted that as more companies look to include corporate responsibility in their business plans, credible and reliable guidance and advice, particularly for smaller companies, was becoming even more essential.

"The government could show more clearly the business case for involvement in social initiatives. This must include the financial contribution." - Nicola Stopps, Simply Sustainable.

"The government can promote and encourage large companies to manage their supply chains more effectively by helping to ensure that they pay their suppliers promptly and - more generally - by encouraging collaboration between large and small businesses. These two light-touch measures have the potential to have long term benefits." - Gavin Bounds, Fujitsu

3.0 Devolution

3.1 This document addresses the UK economy but the issues covered are a mixture of reserved and devolved matters. Initiatives are in place to support businesses across the UK and there is a common interest in promoting corporate responsibility across national and local economies.

Annex

CR in practice

Businesses increasingly see that CR as part of an approach to responsible business is not only good for society but can deliver benefits in terms of: staff recruitment and retention; managing risk in supply chains; driving innovation and productivity; and opening up new markets. It can also lead to new business models such as those associated with the sharing and circular economy. Trading for Good and Business in the Community are two organisations working to promote effective CR. Further detail on what these organisations do is provided in the following boxes, which also includes links to case studies on businesses putting CR into practice.

Trading for Good

Trading for Good is a digital service helping small businesses improve their reputation and grow their business by showcasing the good work they do in their communities.

It also gives free advice to local businesses to help them get involved in socially responsible projects. Trading for Good assist small businesses in one or more of five areas:

- Supporting charities and communities
- Helping young people into work
- Improving impact on the environment
- Working better with your suppliers
- Making life better for employees

Examples of businesses putting CR into practice can be found using the following link.

<http://www.tradingforgood.co.uk/find-a-business/>

Business in the Community

Business in the Community is a business-led charity committed to shaping a new contract between business and society. It has over 30 years experience forging better relationships between business and society, driven by a unique collaboration of business leaders. Its goal is to stimulate action by challenging and supporting thousands of businesses to create a fairer society and a more sustainable future - through local, national and international campaigns.

Business in the Community's work focuses on seven areas:

- Stimulating the local economy and create jobs that are essential to vibrant communities
- Reducing the impact of unemployment particularly on young people and others who feel excluded from society
- Addressing the skills shortage necessary for business to compete in the future
- Addressing inequality in recruitment, pay and promotion for women and black, Asian and other ethnic minority groups
- Creating healthier, happier and more productive employees
- Cutting dependency on diminishing natural resources
- Allowing for 9 billion people to lead quality lives by 2050

Business in the Community is one of The Prince's Charities, a group of not-for-profit organisations of which The Prince of Wales is president.

Case studies of businesses putting CR into practice can be found using the following link <http://www.bitc.org.uk/our-resources/case-studies>

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