

White Paper: why Corporate Social Responsibility is about more than the corporate, and how working together will deliver increased riches with sustainability

Corporate responsibility



Social responsibility



Governmental responsibility



Can work together
For mutual benefit.
Here's how

Corporate Social Responsibility

Or

So Much Rubbish?

It's about sustainability – and

improved profitability

through CSR applied thoughtfully

By:
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It's about getting it all joined up and into perspective

CSR is no longer about just corporates; it’s about interdependencies

Industry and corporate business cannot work alone; it depends on society to provide talent and purchasing power, and government to provide a license to operate. Commerce, Government and Society are inextricably linked, the relationships are shown below.

Much of the literature and emphasis is about corporates interacting beneficially with society; this is now encapsulated in the new standard: BS26000 which examines how commerce relates to society e.g. Human Rights, Environment, Governance etc. This is discussed in more detail in the White Paper *“How well do you measure, manage and control CSR?”*

The Corporate ↔ Society relationship:

Corporates and Society: The corporate needs to act in a responsible and supportive manner towards society for its own long-term benefit; damaging society or depleting resources can only build problems for the future

Society and Corporates: Society has to help itself and; despite the finer feelings of particular groups of people; the world [and society] needs money to operate. Society provides the skills and talent that the corporate needs in order to evolve, compete, grow and generate the wealth that makes things happen

CSR IS MORE THAN SO MUCH RUBBISH – or “What about interdependency?”

The Corporate ↔ Government relationship:

Corporates and Government: it is the corporate that is the fundamental source of sustainable income to government through taxes on sales, corporation tax and indirectly through the income tax the workforce pays

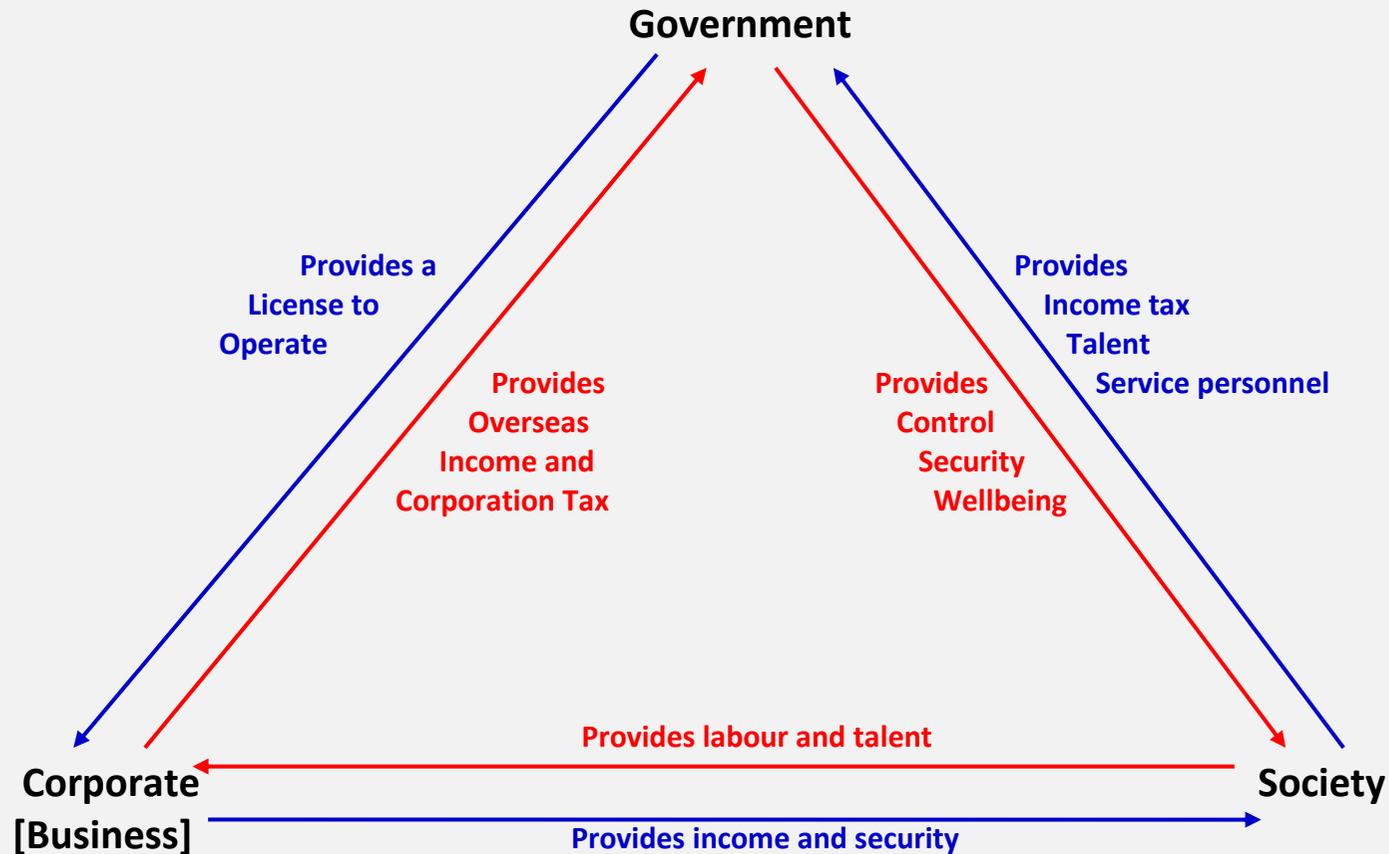
Government and Corporates: government gives corporates a license to operate and the framework in which to operate responsible business; too much regulation causes creativity and competitiveness to falter, too little regulation and there's always Jack the Lad to take advantage of the weak or unwary

The Government ↔ Society relationship:

Government and Society: rarely do we think about the purpose of government [answer on page 10] yet government manages and regulates society; if this is done irresponsibly or in an unequal manner [reduced social mobility, loss of access, bankers' bonuses for example] society is undermined and weakened as a result, sustainability has been eroded

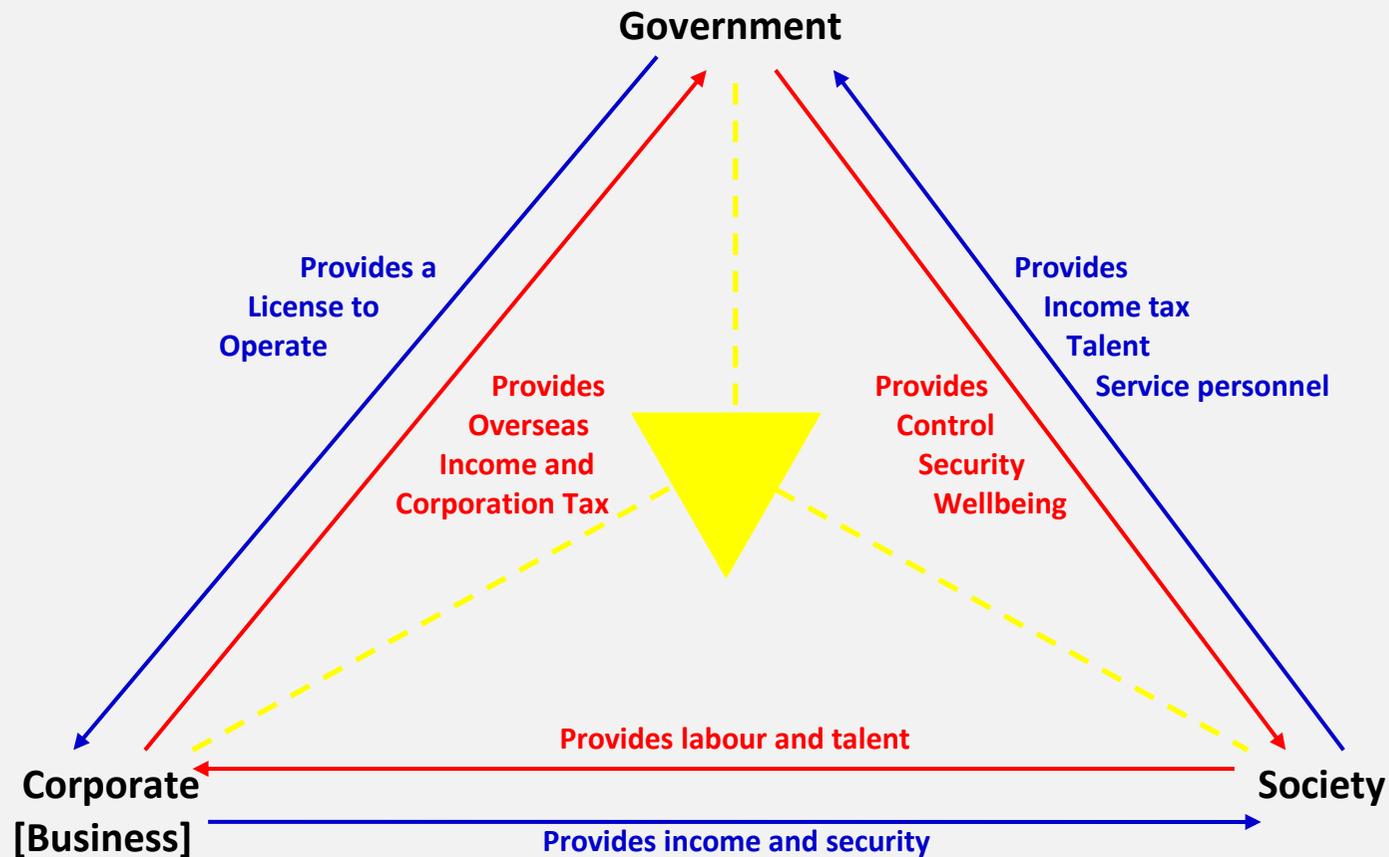
Society and government: Society provides income tax to help pay for governance and also furnishes the talent to run government well, deliver public services and protect our shores

Interdependent Responsibilities – how the parties are inextricably linked



And there is a point where this all works in harmony – the Sweet Spot [see below]

The Sweet Spot – where it all works in harmony for mutual benefit and inclusive wealth



Let's examine some of the negative impacts of interdependency

When Society breaks down

One extreme example of societal breakdown is the rioting seen in the UK recently and several other countries more recently; businesses get trashed and there are huge costs in policing and infrastructure replacement – commerce and government suffer as a result:

The UK Guardian newspaper in August 2011 analysed the reasons behind the riots and identified a number of close correlations, two have been selected to illustrate the point:

- “... appears to confirm that the accused are overwhelmingly young, male and unemployed” – Business failing to deliver work
- “... while education attainment was significantly lower.” – Government failing to deliver education

When Government breaks down

When governments break down, commerce and society suffer as a result:

The *Fund for Peace* describes a failed state [government], and which Wikipedia summarises as: “...*the common characteristics of a failing state include a central government so weak or ineffective that it has little practical control over much of its territory:*

- *non-provision of public services;* [failing to support society]
- *widespread corruption and criminality;* [taking from society and business]
- *refugees and involuntary movement of populations;* [damaging society]
- *and sharp economic decline*” [not supporting business]

When Commerce breaks down

The impact of commerce breaking down is business closures – where society and government suffer as a result:

- Business closures inevitable lead to subsequent lay-offs, which damages society
- Falling revenues and growing margins leads to loss of tax revenue [and often increased off-shoring] which damages government

We cannot operate in isolation

For too long governments have sat back and acted as ‘policemen’, judging the probity of its citizens and standing aloof. At the time of writing [August 2012] a recent programme created by **Sky News** ‘*Born Bankrupt*’ is a damning indictment of a government sitting back, observing and failing to act [interestingly there are very few interviews with politicians – who are normally the first to mount the soapbox]. Government has acted in isolation and failed to support its citizens and its industry in the longer term.

Business, likewise, more and more concentrates on short-term returns and has failed to invest in itself, its people or the society in which it operates. Some years ago, there was a study that compared major stock-market quoted companies with major companies that were either unquoted or mostly owned by the founders [a good example today is Mars]. The differences were significant over the longer term, with the ‘private’ companies significantly outperforming those whose shares were freely traded.

CSR IS MORE THAN SO MUCH RUBBISH – or “What about interdependency?”

There are examples too of societies that have operated in isolation, China being a good example; closing out the world for many centuries and eventually being subject to extreme poverty. Upon embracing the world, their economy has grown substantially and poverty reduced although not eliminated. The opening up was to industry and with recognition of other governments [Hong Kong acting as a gateway – see below]

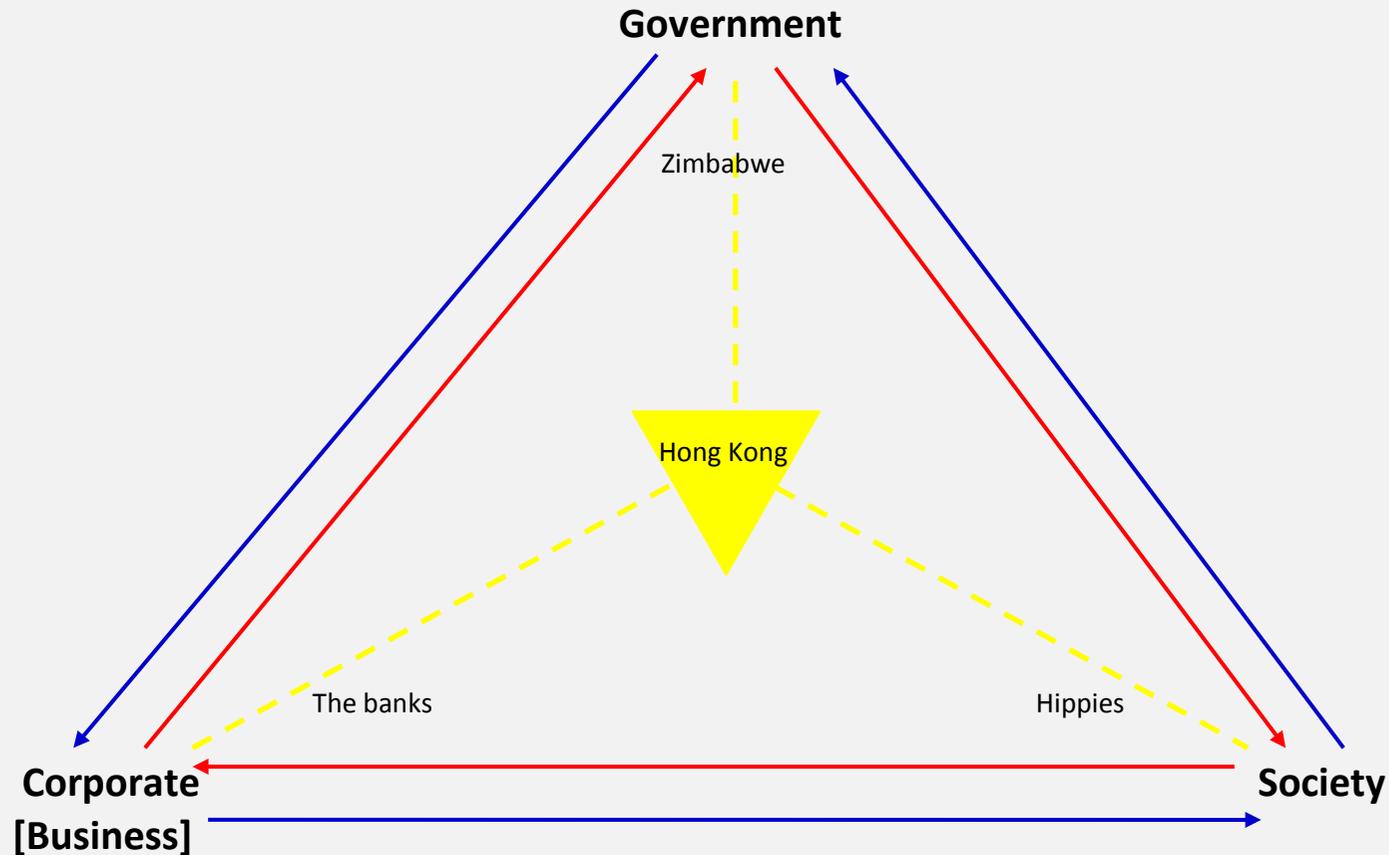
Now let's look at some of the positive impacts of interdependency

On a more positive note, there are examples of significant success where all three parties work together from a position of trust and have due regard for each others' capabilities where they may not have appropriate experience [how many politicians have actually worked in industry, how many people have participated in government and how many industrialists have their main residence in high density towns and cities]

There are examples of 'sovereign cities' where the rules [governance] are different from the country of which they are a part, where free trade is encouraged, where finances are sound with taxation controlled and guaranteed and where ambitious, challenging and creative people are welcomed. The original model was Lübeck on the north coast of Germany which was described as one of the 'five glories of the empire' by Charles IV [discussed in more detail in the excellent book *Adapt* by *Tim Harford*]. Venice and Florence operated in similar fashion and modern day examples include Hong Kong, Singapore and Shenzhen; Dubai is a similar area with non-oil trade growing 12% p.a. [See Gulfnews.com]. Each of these areas has different rules to the 'parent' country and independently managed economies.

So yes, by working together and recognising the others' needs, Corporate, Social and Governmental responsibility creates a very positive and rich environment for all those involved

Some examples of good and bad



Each of the examples at the extremes [and there are many more] have often shown a high profile, a sense of splendid isolation [and arrogance?] and subsequently folded or demonstrated staggering incompetence in managing their affairs responsibly.

The examples in the 'sweet spot' continue to grow and power the world

A simple conclusion:

Properly applied Corporate [Societal and Governmental] Responsibility, which addresses and incorporates the needs of others will continue to make a profit, strengthen society and support government

But, as Tim Harford comments when discussing the economist Paul Romer who wants to develop the *Charter City* concept [a modern day Lübeck] using Guantanamo Bay as a fanciful example: “...Cuba, the USA and Canada agree to transfer Guantanamo Bay to the Canadians, who establish a Hong Kong in the Caribbean: the Cubans gain a gateway to twenty-first century capitalism; the Americans rid themselves of a public-relations problem; the Canadians gain influence and wealth. Economically this is plausible. Politically it is almost inconceivable”

Or in other words:

The real problems are easy to resolve; it's the imaginary ones that are difficult

**All we need is the will to apply a little joined-up thinking, let go of ego and the status quo
and to trust others to be good at what they do**

And then CSR can demonstrably be genuinely profitable

Answer to page 3: The purpose of government is to maintain the integrity of the realm and to improve the lot of all those who live within that realm – not just a chosen few!

About the Author

Steve

Steve started his career with well known blue-chip companies: Mars, Grand Metropolitan and Gallaher; he has delivered projects on time and to budget, and also discovered that as an MBTI Mastermind his greatest strength is in supporting the Fieldmarshal in taking organisations and products into new markets. He has worked with organisations as diverse as Medium and Small organisations as well as companies such as BT and HSBC to support development projects; Steve also teaches management and provides high level training in development and marketing.

To discuss this paper further, explore opportunities, or to discuss a particular project

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