

Market differentiation via CSR

Corporate social responsibility is finally gaining traction in some organisations as they realise its potential to deliver increasing value and marketable differentiation.



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Australian business is increasingly seeing corporate social responsibility (CSR) as a strategic opportunity for creating new value, not just a tactic for risk mitigation. But this insight – based on a survey of almost 500 Australian managers, many of whom are involved in organisational CSR decision-making – is not unambiguous.

Business continues to send out mixed messages as to whether it fully comprehends the opportunity to create value, heighten competitiveness and enhance differentiation that CSR presents.

This needs to change as the integration of CSR thinking, processes and skills into organisational DNA will help boost long-term organisational economic, social and environmental performance.

Our fourth *State of CSR in Australia Annual Review* has identified that organisations are generating more value based on the application of CSR, but that reputation and risk management remain the main outcomes.

The value from CSR integration can come from new ways of working – saving costs through using more cost-effective resources, more efficient supply chains and employee work flow – along with new products and services and new business models, with the latter helping develop new markets and enhance existing market opportunities.

Unilever is one company that has identified this opportunity. It recently announced its intention to ‘decouple’ growth from environmental impact. It has set targets to 2020 for itself, its suppliers and customers and plans to neutralise negative environmental impacts and create new social and environmental value through innovation. Such an ambition still eludes many Australian companies.

In our 2010–11 report, 80 per cent of respondents agreed or strongly agreed CSR had contributed to strengthened reputation (it was less than 40 per cent in 2008); more than 60 per cent agreed or strongly agreed CSR had contributed to reduced risks, strengthened competitive advantage and new value (compared to less than 40 per cent in 2008); while just more than 60 per cent saw CSR contributing to reduced costs (less than 20 per cent in 2008).

Buy-in is the blocking point

Despite organisations getting more value out of CSR, managers continue to say that getting organisational ‘buy-in’ is their biggest obstacle to success. Why has senior organisational management still not fully comprehended that the opportunities flowing from CSR require full strategic consideration?

We can no longer argue that business leaders are

hostage to a ‘shareholder mentality’, as the role of customers, employees, suppliers, governments and local communities in delivering business outcomes is now almost universally acknowledged.

Rather, it is the nature of the CSR function itself, probably the most cross-functional, cross-silo business discipline to emerge so far in the history of management. It requires a profound level of cross-business functionality and integration to be effective. This is a challenge to most companies, which are founded on vertical accountabilities.

Clearly, there is still something at the core of many organisations that says they don’t get it. The people are hired and budgets are committed, but

there isn’t the commitment to make it an integrated part of organisational processes and planning. Top management seems superficially committed to the notion, but isn’t backing up the rhetoric by embedding CSR into organisational DNA, thereby denying organisations greater opportunities for value creation and differentiation.

On the positive side for Australian business, CSR staff and budgets are rebounding after the Global Financial Crisis and the intention is to increase CSR hiring and budgets in most industries, especially mining, transport and property development. This indicates a commitment to the process and principles of CSR and reflects the resilience of the emerging CSR profession.

A further positive is that organisations are realising the opportunities for new products and new markets that come from having a deep level of stakeholder engagement and dialogue. The report’s research emphasises this is the key capability for organisations to deliver enhanced CSR performance, with its positive business flow-on effects.

Managing regulatory impact through CSR is becoming a higher priority for organisations and, I suspect, is a primary underlying driver for CSR within organisations. CSR adoption in these cases may be driven more by the fear of additional compliance costs, rather than the opportunity to increase value through innovation.

Others, however, are increasingly using CSR as a means through which to create new revenue streams while simultaneously creating positive environmental and social impacts.

No organisation has ever succeeded, or continued to succeed, by staying the same. Change is part of business and successful ones adapt and move forward. The adoption of a more comprehensive approach to CSR will help achieve this.



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