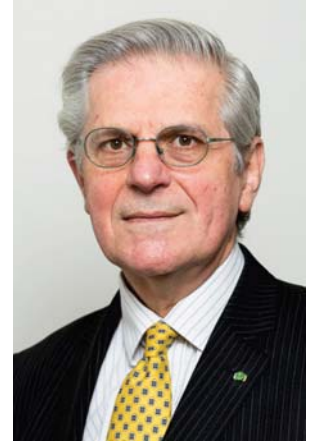


# Embracing and Embedding Total Corporate Social Responsibility

\*Prof Colin Coulson-Thomas



If they have not recently done so, the start of a new calendar year represents an opportunity for directors to reassess the purpose and visions of the companies on whose boards they serve and consider whether their aspirations and priorities are still aligned with those of their stakeholders. Many stakeholders might also be re-thinking their priorities and prospects in the light of further extreme weather events and additional evidence of the impact of human activity upon the environment, bio-diversity and global warming. They may share the concerns of many speakers at IOD's international conferences in recent years. Transformation to more sustainable lifestyles and business and development models needs to occur while there is still time. Responsible board leadership is now arguably an essential requirement for our survival. The Institute's forthcoming 14<sup>th</sup> International Conference on Corporate Social Responsibility (CSR) represents an opportunity to consider whether and how the principles and experience of Corporate Social Responsibility should apply to all corporate activities.

The theme of IOD's 2020 International CSR Conference is "Embedding CSR Mandate into Corporate Business Strategy". To restore trust in enterprise and capitalism, increase faith in markets and make a greater corporate and collective contribution to tackling challenges facing mankind and seizing related opportunities, directors and boards may need to rethink their aims and goals and secure a fresh mandate from stakeholders. This might involve engaging with them beyond the normal cycles of AGMs and corporate reporting and dialogue with a wider range of interests. A board with a mandate can be in a stronger position to be bold in terms of innovation and corporate objectives and more determined to achieve them. A board that is open about its intentions and which has secured the support of key stakeholders may be freed of the temptation to be defensive, overly cautious and

apologetic. It might proceed with confidence, in the knowledge that if it behaves responsibly and ethically its actions may be regarded as acceptable, legitimate and worthy of backing.

## Board Leadership for Strategizing CSR

By themselves Governments, cannot address challenges such as global warming and climate change. They need the support of their citizens and business. A variety of enterprises acting responsibly and largely unhindered within open markets inside a dynamic capitalist system might unleash the diversity, creativity and innovation and the flexibility and options required to complement national and international initiatives and help them. As directors we should strive to confront shared challenges. If boards and business leaders behave responsibly they will deserve the trust and support of stakeholders and the public. Directors should ensure that corporate objectives are responsible, and that steps they take to develop a corporate strategy, the strategy itself and how it is implemented are also responsible.

Many directors try to be alert to changing customer requirements, but how aware are they of their anxieties and those of other stakeholders? Do they have their best long-term interests and those of the communities and societies in which companies operate at heart? Are they sensitive to economic and social concerns as well as financial pressures? Are they committed to delivering sustainable social value and outcomes? Do they endeavour to ensure that all corporate aims, policies and strategies are socially responsible and not just those earmarked to satisfy a legal CSR obligation? In the case of qualifying Indian companies, do boards try to ensure that a 2% of net profit requirement does not distract from achieving a more demanding objective that all corporate activities should be socially beneficial and contribute to inclusive and sustainable development? Are corporate strategies in place to make this happen?

If more companies are to become social contributors as well as economic players, do their directors need to ensure that corporate strategies are responsible in relation to community, social, environmental and sustainable development goals? Should more companies have an ethical social purpose as well as financial objectives? Should financial profit be seen as but one measure of performance and the efficient use of natural resources and corporate capabilities? Are social measures of performance and contribution needed to complement traditional financial ones? Are the change agendas of boards aligned with and contributing to the achievement of those of local and national Governments in the territories in which they operate? Are they working with these authorities and other entities to support the extension of the shared and circular economies and create and disseminate shared value? Do the discipline of CSR and its people need to step up from project to enterprise level to help facilitate this?

#### **Building Bridges between Business and Society**

How many companies are considered a good corporate citizen and how many are seen in a negative light, for example as a polluter or contributor to global warming? Some directors and boards feel under attack for contributing to social and environmental problems. They might be tempted to hunker down, avoid confrontation and make hay while they still can. Instead, should they be engaging and endeavouring to build bridges between business and society? Directors who are criticised and sometimes reviled for activities designed to fulfil obligations to stakeholders and satisfy their demands, could enter into a dialogue with them and/or contribute to public debates on what such obligations and the requirements of their stakeholders should be. Most directors do not set out specifically to pollute the environment, wipe out species or trash the futures of their children. They and the communities and societies of which they are a part face shared challenges of reassessing priorities and adjustment.

There is scope for collaboration to bring about the change of aspiration, demand and activity needed to transition to more responsible lifestyles, business models, cities and societies. How should boards work with public bodies, NGOs and corporate partners to build more sustainable communities? What should their role be? Should they be catalysts in enabling business responses to social issues that can either usher in or accelerate social change? Are annual board reviews and nomination committees consciously setting out to build more socially responsible boards? Could CSR or a broader vision of a socially responsible company and responsible board leadership provide a new agenda for governance? What should this be? What new objectives should be set and new strategies formulated for more business inspired social initiatives and community involvement? How might these be aligned with national actions to implement UN Sustainable Development Goals (SDGs) and address the needs of wider society? Is this what good corporate citizenship should be about?

**Concerned individuals address gaps in funding and/or become social entrepreneurs. Should companies establish philanthropic funds to kick start social ventures, undertake blue skies research when and where they have the capabilities, support those at the 'bottom of the pyramid' or help the excluded to participate?**

#### **Business Giving and Corporate Philanthropy**

Critics of business sometimes suggest that companies take rather than give. They cite surpluses paid to shareholders as dividends rather than invested in better services, noxious emissions from factories and products of consumer capitalism such as polluting vehicles that contaminate our air and degrade our health. They point out that fossil fuels threaten our prospects of survival on our endangered planet whenever they are burned. Many young people around the world have little awareness of the significance of incorporation or the role of company directors. Is the criticism turning them against business? Do they see our contemporary companies as a major threat to their life chances and future generations?

Should more be done to put a positive case for business and board leadership and direction in the creation of opportunity, innovation and wealth? Should directors stress benefits shared by a variety of stakeholders and wider society, such as value to customers in voluntary exchanges in the marketplace, dividends to shareholders including pension funds, public services funded by corporate and business related taxation, or incomes of employees that also support local communities? Where there is competition, what about the benefits of diversity and choice? Maybe stakeholders should reflect upon their own responsibilities and what they require from companies. Polluting cars are bought by customers. Our lifestyles, consumer preferences, laws, regulations and what we are prepared to pay determine what is produced. Demanding customers sometimes blame those who supply them when they do not like the environmental consequences of their purchases. Is this hypocritical and schizophrenic?

Some business leaders, entrepreneurs and owners of enterprises become philanthropists. They 'give back' to people in need. They share their success. Generations of wealthy individuals have donated to: public libraries; schools, colleges and universities; and hospitals, medical research and other good causes. Concerned individuals address gaps in funding and/or become social entrepreneurs. Should companies establish philanthropic funds to kick start social ventures, undertake blue skies research when and where they have the capabilities, support those at the 'bottom of the pyramid' or help the excluded to participate? Might this also benefit a brand, especially when corporate CSR and philanthropic strategies are aligned? Could funds be raised from other and external sources to support CSR and philanthropic projects? How might this best be done and how could social media and crowd funding help?

#### **Recognising Stakeholder Perspectives**

Directors and boards should not automatically assume that a majority of stakeholders will be for or against particular courses of action or activities. Stakeholder trust, social and ethical priorities and views on social responsibility can and do change. Engagement with stakeholders that makes them aware of different options might speed up a process of adjustment. In particular, growing public awareness of the impacts of climate change is making people more alert to the need

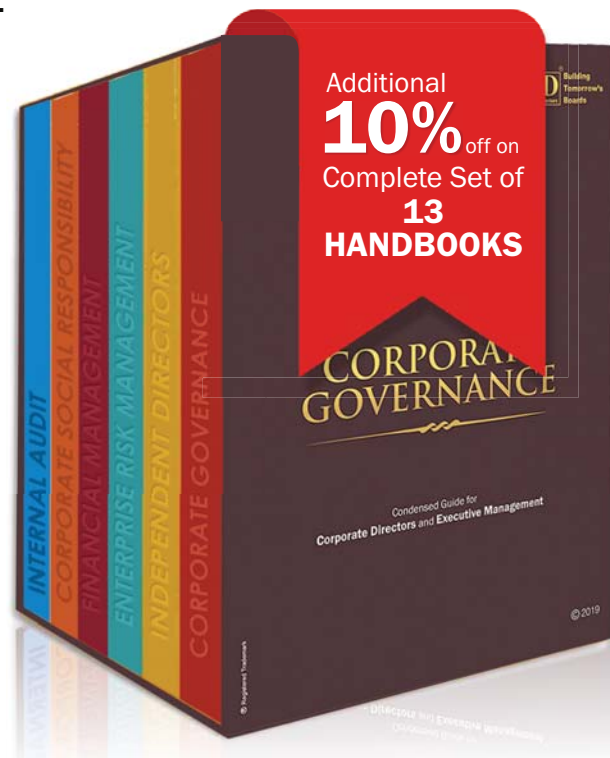
# Directors' Handbooks

IOD's Intellectual Portfolio of Publications

IOD's most sought after **condensed guides** and ready reckoners on offer to enhance boardroom skills and **engage your minds.**

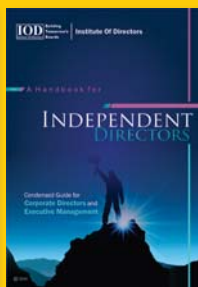
## HANDBOOKS AVAILABLE

- Corporate Social Responsibility
- Enterprise Risk Management
- Environment Management System for Green Growth & Sustainability
- Independent Directors
- Business Ethics
- **Financial Management** ▶
- Innovation Management
- **Insolvency and Bankruptcy Code** ▶
- Change Management
- **Corporate Governance** ▶
- **The Board** ▶
- Emotional Intelligence & Organizational Excellence
- Internal Audit



## **SPECIAL OFFER**

upto **30%** off for all **IOD Members**



**NEW EDITIONS**

**BUY NOW**

**FREE  
DELIVERY**

on an order of Rs 1000/- from  
[www.iodglobal.com](http://www.iodglobal.com)

also available at: [amazon.in/](http://amazon.in/) [Flipkart](http://Flipkart)

for action to reduce harmful emissions. Investors who seek ESG opportunities and organisations that declare climate emergencies are potential allies in the creation of more sustainable and less environmentally damaging choices. How aware of stakeholder agendas and changing priorities are many corporate boards? Where aspirations and goals are shared, do directors look for collaboration opportunities and alliances?

What roles could and might supportive stakeholders play in the furtherance of a company's social responsibility mission? What should be done to engage them, develop a shared vision and agenda, and move CSR considerations from the margins to the mainstream? How might stakeholders help the transition from CSR projects to socially responsible company? With their support, what might the future hold for CSR and socially responsible businesses? Can CSR scale up from individual projects to a total enterprise? How easily will corporate capabilities transition to social initiatives? Will existing markets, exchanges and institutions embrace entities with a social as well as an economic purpose? Will they adjust or will Social Stock Exchanges be required? Will new forms of activism and movements arise to enable engagement with and support of socially responsible ventures, activities and organisations?

#### Corporate Governance Considerations

Rethinking the purpose of a company; greater pressure from stakeholders and concerned citizens; and the adoption of a social as well as an economic mandate may have corporate governance consequences. Governance arrangements might need to embrace a social as well as an economic purpose, greater stakeholder activism and collaboration with both public and private sector organisations. Does good social responsibility governance practice need to be codified, or might this inhibit creativity and the development of approaches that better reflect the social aspirations and stage of development of individual companies?

Interventionist Governments and legislatures may create new requirements to speed up corporate responses to climate change, environmental and other challenges. These may create extra costs, but also opportunities for corporate responses that complement those of public bodies, embrace new approaches and business models and demonstrate responsible corporate citizenship. Do some boards need to renew or sharpen a focus upon increasing productivity and the efficient use of resources to achieve agreed ends? Should directors do more to stress the relative freedom that companies have to creatively explore alternative ways of generating greater economic and social value with the minimum of inputs, especially of limited natural capital and fossil fuels, and reducing negative impacts upon the environment?

Whereas public bodies tend to adopt single and standard solutions as and when they can secure funding in an annual budgetary cycle, boards may find they can simultaneously pursue different possibilities. They may be able to be flexible according to local interests and reallocate resources as required. Engagement with stakeholders can take place throughout the year and, unlike democratic Governments, they do not need to obtain a specific mandate from an electorate before taking difficult decisions or moving in a different direction. How should a social tone at the top be expressed? Should more boards give a lead in: articulating a social purpose and agenda that turns a business into a cause that engages stakeholders and secures their support;

embedding them into corporate vision and values, strategy and governance arrangements; and ensuring these are aligned with corporate conduct and activities?

#### Corporate Involvement in Community Developments

Responsible business leaders endeavour to ensure that all corporate decisions and activities and their outcomes and impacts are both socially responsible and ethical. They do not limit ethical considerations to a subset of corporate operations. Other than when required to do so by law, does it make sense to distinguish particular activities as CSR projects and apply different criteria to them? Might the board and management of a company whose operations are an integral element of certain communities have a better understanding of local issues and needs, and where it could make the greatest contribution, than members of a Government department who draw up national guidelines? Do enough companies have the programme and project management skills for implementing socially responsible community development strategies and transitioning to a socially responsible enterprise and corporate citizen?

Where a board is engaging with stakeholders, pursuing a responsible purpose and seeking to devote corporate resources to maximising the social and economic value of its contribution and achieving sustainable development goals, could the devotion of effort to CSR projects that meet a legislative requirement result in a less than optimal use of resources? Community engagement can help to ensure that corporate activities are socially relevant. Do corporate communications need to be social purpose driven to achieve this outcome? Do companies have the people and capabilities needed for successful community engagement, social innovation and entrepreneurship? Do corporate policies, processes and practices support them and do they enable socially responsible initiatives and activities to be effectively monitored, evaluated and reported? Are social benefit, value added and return on investment measured?

Responsible leadership has been championed by IOD for approaching 30 years. Its elements are evident in the names of Golden Peacock Awards and international events at which members can discuss, demonstrate and share what they do to respond to developmental, existential and social challenges. Telecoms companies can connect the unconnected. Energy companies can reduce harmful emissions and transition to renewable sources. Most directors have a historic opportunity to re-purpose and re-engage with the communities and societies in which they operate by embracing total corporate social responsibility. They can earn the trust and respect of the excluded and younger generations by pursuing social as well as economic aims and working to ensure a carbon-neutral and more sustainable and inclusive future. ■

**\*Prof. Colin Coulson-Thomas** is Director General - UK & Europe Operations of IOD, India and President, Institute of Management Services, UK. He has advised Directors and Boards in over 40 countries. Currently, he holds a portfolio of leadership roles.