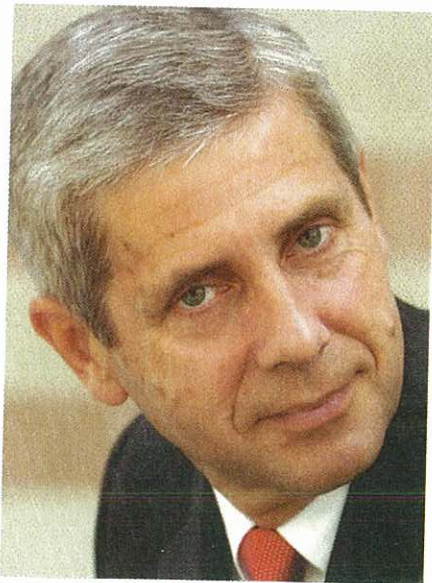


IN business, as in politics, character and leadership only really get tested in adversity. So, too, corporate responsibility (CR) will be tested in the tough economic times we face. Businesses which have treated CR only as a 'bolt-on' to business operations (for example, high profile community projects, a manager for 'CSR' and glossy reports) will probably cut and run. Where corporate responsibility has been built-in to business purpose and strategy, it should be secure.

As Sir Stuart Rose declared in his recent Cranfield lecture: 'Climate change won't slow down just because the economy does. The problems of waste, obesity, the depletion of the world's natural resources and poor working conditions in third world factories won't go away either. So, if we believe that doing our bit to tackle these issues is the right thing to do then we have to stick to our principles. Our customers have long memories — if we fold under the first sign of pressure they won't forget it.'

Increasingly, leading companies are talking the language of sustainability — in the environmental and social senses as well as commercial sustainability. Given the challenges of climate change, resource depletion and burgeoning global population, businesses can no longer be committed to corporate responsibility, without a commitment to sustainability. As the New York Times op-ed writer Thomas Friedman argues in his new book *Hot, flat and crowded*, 'the task of creating the tools, systems, energy sources and ethics that will allow the planet to grow in cleaner, more sustainable ways, is going to be the biggest challenge of our lifetime'.

For businesses, sustainability needs to embrace their operating processes, logistics



Sir Stuart Rose, executive chairman of Marks and Spencer: 'If we fold under the first sign of pressure, our customers won't forget it'

Sustainability will drive our recovery

David Grayson

and premises; it may involve introducing new products and services which are more sustainable; and it can also become the overall strategy of the business. This involves innovation to create sustainable products and services; but their impact will be sub-optimal without the business community also being willing to choice-influence and even to choice-edit for consumers. De-stocking incandescent light-bulbs would be an example of the latter. Procter and Gamble's Ariel washing powder reformulation which enables washing at the lower temperature of 30 degrees is an example of the former.

So, in difficult trading conditions, a sustainable business needs to ask itself: 'are we sharing the pain fairly?' Instead of knee-jerk mass redundancies, for example, are we examining alternatives such as temporary salary-cuts, reduced working hours, unpaid sabbaticals linked to training and job guarantees afterwards? In tough times, responsible businesses do not suddenly tolerate shady sales practices, start marketing irresponsibly, or turn a blind eye to bribery dressed up as 'facilitation payments' to make up the numbers.

Rather, now is the time to tap employee loyalty and commitment; to get employee creativity and ingenuity working to find sustainable business solutions. This needs businesses which have embedded CR. There are no quick fixes but from research and practice, we know a number of the key things that businesses have to do if they wish to embed corporate responsibility and sustainability. These become all the more important in tough times.

Companies need to make an explicit link to their business purpose and strategy. In the words of the BT chairman, Sir Mike Rake, it has to be 'hardwired' into the business. The

global fast moving consumer goods company Procter and Gamble (P&G), has amended its statement of business principles and made sustainability part of their corporate strategy. They now define the company's purpose as follows: 'We provide branded products and services of superior quality and value that improve the lives of the world's consumers now and for generations to come.' P&G aims to sell at least \$20bn-worth of environmentally improved products over the next five years. In 2007, total global sales were \$68bn.

Businesses have to be able to explain their commitment in terms of living their values. Innocent, the entrepreneurial business that has three quarters of the UK fruit smoothies market, defines itself as being natural, entrepreneurial, responsible, commercial and generous. Innocent is one of an increasing number of companies that use their values as key criteria in the recruitment of staff. They incorporate values into induction and on-going staff training as well as in appraisals and for determining compensation and promotions.

The values are the criteria against which the business takes tough decision. There also needs to be an effective whistle-blowing system and capacity to learn from breaches of company values or company code, treating such as 'values learning incidents.'

'Tone from the top' to quote Sir Michael Rake again, is critical for embedding CR and sustainability. In recent years, staff and other stakeholders have become far better informed about, and sensitive to, their organisation's social and environmental performance. Indeed, it has become a key factor in the growing 'war for talent.' Top leadership has to 'believe in and walk the talk' on corporate responsibility.

Staff and other stakeholders need to hear their leaders explain regularly what responsibility and sustainability means for the business and why it is important. Allianz, the international insurance company, have

recently circulated a magazine to employees, media and other opinion-formers: *Edition Three*. This reviews latest data and insights on several global trends relevant to Allianz such as ageing populations and climate change. They explain what these trends mean for the businesses of Allianz, what Allianz is doing in response — and also what individuals can do themselves to help tackle these issues.

Yet it is surprising how even in companies committed to corporate responsibility, staff say they have never heard their bosses talk about what this commitment means in practice for the business. Hence, the importance of the example of Marks and Spencer's ambitious Plan A: a five year commitment to make the business more sustainable. Effectively, they have made a brand out of their sustainability commitments to become carbon neutral, cut waste to landfill, promote healthy eating and the like.

There needs to be effective governance and preferably board oversight of the company's commitment. A forthcoming Doughty Centre report, based on the 51 companies which have completed the Business in the Community Corporate Responsibility Index every year since 2002, shows that more than 60 per cent of these companies have some form of a CR committee in 2007. This is up from 13 per cent in 2002.

Some companies have a board committee for corporate responsibility and sustainability. Some have a lead non-executive director in charge. Some have a mixed committee of executives and non-executives. Whatever the precise structure, it is important that the company regularly addresses what are its most significant, most material responsibil-

'Corporate responsibility needs to be everybody's business — not hived off to a "good works" department'

ity and sustainability issues, and that they discuss these at the most senior levels. The bar of expectations of business behaviour is rising and companies need to ensure reality matches rhetoric.

Embedded CR requires every business unit and each business function to translate the overall commitment into their own strategy and operations, and to define what CR demands of them. Unilever has developed an innovative 'Brand Imprint' assessment to identify and measure the social, economic and environmental impacts of every product that it makes.

For multinational businesses there are the additional challenges of working through how to embed their commitment to corporate responsibility across different cultures, political systems and varieties of capitalism. There is much work to be done in helping such companies to work out what of their global policies to adopt, what to adapt and where to innovate. How, for example, does an American or European headquartered bank or IT company, which has exemplary policy and practice on diversity in its workforce, behave when it expands its presence in the Middle East? Does it push as hard for women senior managers or does it soft-pedal?

Similarly, more research is needed in identifying good practice in how international companies identify, codify and disseminate their learning about embedding CR and sustainability. Construction giant Lendlease, for example, applied their sustainability experience in building the Sydney Olympic Village to creating their own new corporate HQ in Sydney and to developing sustainable building technology globally which has helped them win the contract to build the Olympic Village for 2012.

Corporate responsibility has to be everybody's business — not hived off to a 'good works' depart-

ment. In particular, this means effectively engaging stakeholders to better understand external expectations and demands. The Australian bank Westpac has topped the Dow Jones Sustainability Index rankings for the financial services sector for five of the last six years. One reason for this has been their approach to stakeholder engagement. David Morgan, until recently Westpac's CEO, established a community advisory panel with professors of sustainability, NGO leaders and other external stakeholders. Morgan used this as a sounding board for identifying and developing responses to new societal concerns.

Stakeholder engagement may extend to a business working closely with regulators and legislators on new governance frameworks, or with community or voluntary organisations to develop new products and services. R&D and CR need to be aligned.

In a just published think-piece for the prime minister's council on social action, the Doughty Centre argues the case for collaborative commitments: 'agreements made voluntarily between individuals and organisations from business, public sector and civil society, to achieve positive social impacts which would not be possible for one sector acting alone to obtain.' Learning how to work with stakeholders, including how to work in business sector alliances and in collaborative commitments, needs to become a core management skill and to be part of training general managers in corporate responsibility.

Another growing aspect of responsible business is transparency and accountability, which means a business being able to measure and then report their environmental and social impacts in an increasingly varied range of different formats: from websites and blogs to putting environmental or health information on packaging and leaflets for consumers.

This is going to become more important as social networking and web 2.0 technology gathers pace, driving and being driven by the desire for more interactivity.

All of us who want to see a speedy and sustained economic recovery should reflect on how we can encourage more embedded corporate responsibility and sustainability, as one of the drivers of recovery — as well as one of its positive consequences.

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www.doughtycentre.info



Computer generated impression of the proposed 2012 Olympic village. Their sustainability experience helped construction firm Lendlease to win the contract