

# Corporate responsibility: the implications for Smaller Quoted Companies

Gone are the days of corporate philanthropy, says Dr Lance Moir, CFO of AIM-listed WIN plc. Corporate responsibility is now thought of as the impact that a business has on its various stakeholders.



Corporate responsibility (CR) has become a hot topic, particularly for multinationals; but for smaller firms, is it just a luxury as there are no resources to deal with the NGOs and the form filling involved? As we enter harder economic times perhaps it's just a nice thing to have, which managers and directors can ignore as we focus on making money.

CR has developed over the last twenty years, and many think it is just about doing good. This was true - but decades ago! Corporate responsibility is now thought of as the impact that business has on its various stakeholders. This is not in opposition to the primary business purpose of creating shareholder value, but is an issue of how that value is created and the risks to that value creation. In the past corporate social responsibility (with the emphasis on social) was about

corporate philanthropy, where often the Chairman would give money to his pet cause without any business benefit. However, increased scrutiny and corporate governance has led to a point where corporate giving is scrutinised - such that even corporate giving is now focused on causes where there is some link back to the business. This might include involving employees - for example, at my company, WIN plc, we support individual employees sponsorship attempts and also obtain acknowledgement of the company's involvement - thereby achieving a marketing benefit.

The diagram opposite shows how there are many levels of thinking about CR, from simple giving to being an integral part of strategy.

CR is not something that is an add-on, and is increasingly seen, including by

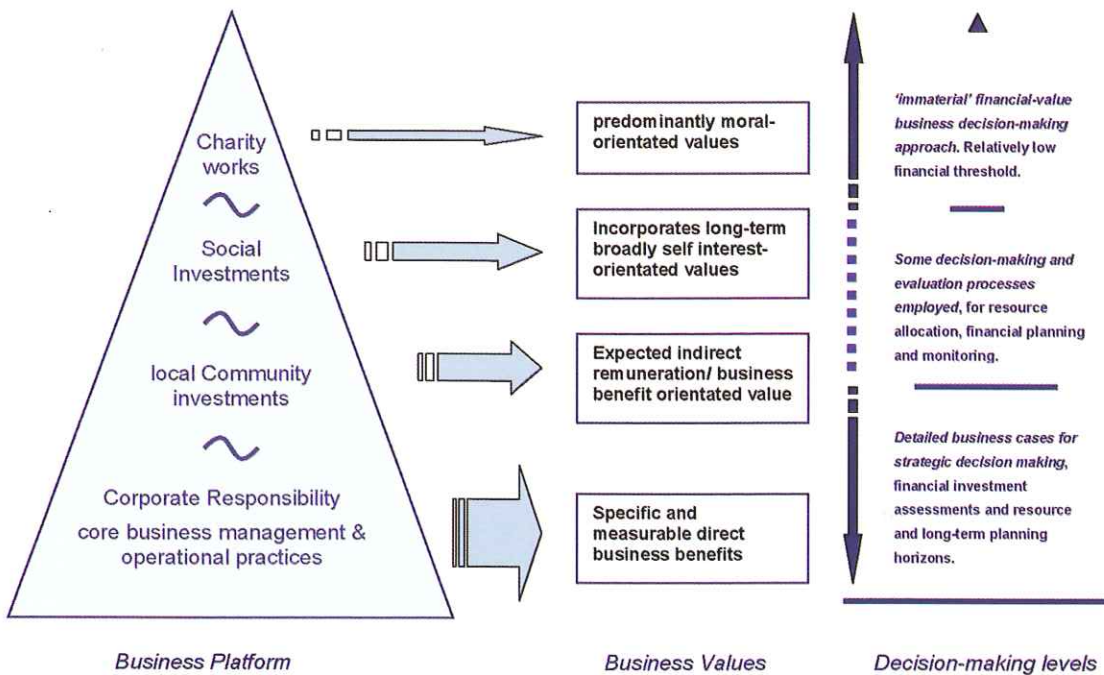
certain investors, as part of normal good business. For smaller firms, there are three groups of stakeholders who are key to the consideration of how it might form part of their business strategy and operations:

- Employees
- Customers
- Shareholders

## Employees

For many smaller companies, retaining motivated employees is an important factor. Therefore supporting employees causes has always been a traditional form of good HR management and becomes even more critical when trying to retain key individuals that are vital to the success of a business. In addition, younger employees have been shown to look for businesses that reflect their values, for example those that are more environmentally aware.

## Pyramid of CR Practice and Values



### Customers

For many businesses, supporting the top line is critical. However, many customers require that firms provide evidence of their responsibility as part of the supply chain. This is especially true when dealing with the government or other public bodies. Suppliers are increasingly asked to submit policies, not just on equal opportunities, but also environmental and human rights policies. At WIN plc, we routinely have to provide such support to the major network operators and the BBC. Therefore, it is much better to have clear policies in place - and also to note that some suppliers reserve the right to have them audited!

### Shareholders

Realistically, shareholders are only concerned with the financial returns, especially for smaller companies. I think it will be some time before the pressures on large companies to report fully hit smaller companies. Nonetheless, where there are good examples, it is worth reporting on them. The real impact is increasing corporate governance - for example, the business review can require firms to talk about their impact

on society and the environment, where it has a meaningful impact on the company's overall performance. At the least, there is likely to be an increasing emphasis on environmental reporting, and as a CFO, I am not at all that keen on gathering data on our carbon emissions (most of which come from travelling to our customers). But, I see the day coming, as it may have an impact on the bottom line.

In the end, companies will undertake activity that has an impact on their success. Much of the history of corporate responsibility is littered with stories of firms who did not see it coming. Therefore, the best approach now is to think about how the business impacts on key stakeholders and also how those stakeholders can impact the company's performance. Then think about what matters to those stakeholders and pay attention to that. It requires not a lot more than:

- discussing issues with employees
- having clear policies on equal opportunities, the environment and the supply chain
- talking about successes

- anticipating regulation
- when giving donations thinking what the company can get back

Companies are subject to increasing scrutiny and the environment within which they operate is changing. It is causing managers to re-examine the purpose of their firm within a wider society. This does not mean removing the need to be profitable and provide a return to shareholders, but it does mean having to think about business impacts on wider society and focusing on a wider range of objectives. But activities undertaken need to be consistent and integrated with a strategy and not treated just as an add-on!

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