the inside track #12

Highlighting CSR Issues of the moment

Corporate Social Responsibility – a cultural perspective

As regular readers of anything incorporating any form of combination of the words "corporate, social, responsibility, and sustainability" we read alerts from around the world highlighting what national cultures perceive as CSR challenges or breakthroughs.

At the beginning of the summer, an article appeared in The Huffington Post (or HuffPo), an online news US website described as the US's most popular "analysis and opinion website". It is seen as left of centre (although how that translates into UK political jargon is probably closer to centre-right).

The article was written by Jim Talent, Republican Senator for Missouri until 2006, and currently active in Romney's Presidential campaigns. Entitled "Beyond the Bottom Line: Redefining Corporate Social Responsibility", one of his conclusions was that whilst "business success is still about making money … it can't only be about that" – hardly world shattering, you might suggest.

He referred to a survey conducted by Fleishmann-Hillard and the National Consumers League. This found a majority of Americans believe the most important thing a company can do to be viewed as socially responsible is to "treat their employees well." It also found Americans who evaluate a company's CSR commitment modify their views depending on whether they are considering their own position as employees, investors, customers, or voters.

Remarkably, the survey found Americans are united in their view of corporate performance, and regardless of political affiliation, the overwhelming majority believe:

• Corporate priorities are out of alignment with Americans' priorities.
• U.S. corporations do not act responsibly.
• Government should intervene.

Probably few of these findings (or even Senator Talent's views) will be particularly surprising if read from a UK perspective, but for the article and the survey, they represented new ground in USA. As relevant was the range of online responses that Talent's article provoked, which ranged from supportive to outright abuse (often accusing Talent of relinquishing his Republican heritage).

Perhaps the message from both Talent and his accusers is that CSR is seen through the eyes of the culture in which it is being practised.

Whilst the survey suggests responsible US company practice is all about how well it treats its employees, the same result would be unlikely in an EU survey, where employee legislation is more rigorous. Instead, it is likely that an EU company's responsibility would be judged on environmental practices.

This will differ in the developing world. Here environmental initiatives are seen to be promoted by the West to establish trade barriers against local companies. In these countries, judging by the CSR alerts we read, the primary factors will be a combination of approaches towards human rights, corrupt practices and care for indigenous peoples and their communities.

Along with Talent's article came news of political approaches to CSR that represent this opposite end of the spectrum. In the Philippines, the Government's Board of Investment is requiring all companies registered under its 2007 Investment Priorities Plan (with six year tax holiday incentives) to implement CSR programmes. Its objective is to ensure incentives benefit the communities hosting their projects.

In a similar, but perhaps harsher action, the Indonesian Government has passed a new corporations' legislation that will make CSR programmes legally mandatory – with a special focus on companies engaged in the exploitation of natural resources.

In both sets of legislation, sanctions are planned for non compliant companies.

Today, more than ever, in evaluating CSR programmes, account has to be taken of both the culture and the politics of regions in which the company is located.

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Whether Senator Talent's views will take hold in the USA is probably not the question that most companies need to consider when developing CSR strategies and programmes.

More important is how flexible are their CSR programmes and policies, and do they take account of differing cultures and politics in their CSR strategies? This is relevant both for companies that have international operations and those that sell to international customers.

It is vital that companies avoid a "western civilisation" basis for their CSR strategy or attempt to implement uniformly across all international operations.

An example of problems caused by such a business approach is that of Coca Cola in India some years ago. Their stance on the percentage of local ownership led to accusations of Coca-colonisation – consequently, preference was given to its competitors. Understanding cultures across different regions, such as in the sub-continent, is also a challenge for CSR practitioners. Successful global CSR implementation is almost impossible to achieve if a "western civilisation" approach is adopted as the basis for CSR.

These differences apply beyond developing countries. Our recent study for a client across Europe showed different attitudes towards environmental programmes in its subsidiaries. They ranged from legislatively driven approaches in Central and Eastern Europe to a more evangelical approach in the UK. Did the outputs vary across Europe? No, this was not the case. Legislation in the more traditionally centrally controlled economies tended to be more demanding than that in the UK. A single minded approach to environmental initiatives could lead to confusion (and even disregard) if applied uniformly across all subsidiaries.

Diversity is similar. Guidance we produced for one client took into account both differing legislation, such as prohibiting the collection of diversity information in France, and differing cultural attitudes towards diversity, such as in Italy, where politically incorrect language can arise when discussing issues relating to disability. These examples demonstrate the challenges and pitfalls of a "one size fits all" approach. Our experiences suggest that a better tactic consists of several separate but interlinked activities.

The first is to provide a group-wide umbrella for CSR related policies. These represent the group's view of minimum acceptable levels of responsible action but enables subsidiaries to move beyond this if market conditions or country legislation require.

The second is to have identical measurement for common business issues. An example is health and safety accident rate measurement - often challenging with differing legislative standards. A solution is to define internal measures against which subsidiaries report to corporate management. This enables internal benchmarking and performance improvement programmes to be driven forward.

The third is to recognise various parts of the world will be at differing levels of CSR attainment. An approach is to compare these different levels – we often use traffic lights. These link to umbrella policy standards. With these in place, the management challenge is to assist less advanced subsidiaries to move to higher levels of attainment over time. As they progress along their own path, this gives the group CSR team the opportunity to review global umbrella policies and if necessary to enhance standards as overall company performance improves.

The well-worn phrase "one man's terrorist is another man's freedom fighter" is as relevant to perceptions about CSR as to political developments. A good CSR strategy respects cultural differences across all operations, rather than trying to demonstrate a seamless consistency across all of them.

> **If you would like an objective and impartial view on addressing cultural issues in your CSR strategy, contact Tony Hoskins - thoskins@thevirtuouscircle.co.uk or Ian Redington - iredington@thevirtuouscircle.co.uk**

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