

# Corporate Social Responsibility – A Memorandum for Creativity and Innovation

Allianz

BASF

Bayer

BMW Group

Bosch

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Deutsche Bahn

Deutsche Bank

Deutsche Börse

Deutsche Telekom

DuPont

EnBW

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Ernst & Young

Evonik Industries

HeidelbergCement

Linde

Lufthansa

PwC

RWE

SAP

Siemens

Tetra Pak

ThyssenKrupp

TUI

VCI

Vodafone

Volkswagen

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## Change

For econsense – Forum for Sustainable Development of German Business, Corporate Social Responsibility (CSR) is the implementation of the concept of sustainable development at a corporate level. The principle of sustainable business has already been integrated within the corporate strategies of the econsense members – as part of their corporate objectives of acting responsibly, they are therefore committed to achieve sustainable commercial success by harmonising economic, social and ecological aspects.

At a political level, CSR is based on the initiative of the former EU Commission President Jacques Delors. In 1993, he made a plea for greater commitment to combat social discrimination. This gave rise to the European Business Declaration which was signed in 1995 by major companies. Finally, this change process led to the alliance of internationally-active companies within the business-to-business network CSR-Europe which now comprises 75 member companies and 27 national partner organisations.

In Germany, econsense – Forum for Sustainable Development of German Business is a business alliance of 28 globally active German companies and organisations – it is the national partner organisation of CSR Europe.

The members of econsense are (as of Mai 2010):

Allianz – BASF – Bayer – BMW Group – Bosch – Deloitte – Deutsche Bahn – Deutsche Bank – Deutsche Börse – Deutsche Telekom – DuPont – EnBW – E.ON – Ernst & Young – Evonik Industries – HeidelbergCement – Linde – Lufthansa – PwC – RWE – SAP – Siemens – Tetra Pak – ThyssenKrupp – TUI – VCI – Vodafone – Volkswagen

### New opportunities

The forum promotes a CSR policy characterised by creativity, innovation and a local focus. It sees CSR as a business case with a close conceptual relationship with “sustainability”. CSR is thus a factor in corporate decision making. Responsibility towards society (and the stakeholders such as customers,

employees, shareholders, NGOs etc.) is therefore not merely an external obligation, it is an integral part of corporate management to guarantee the future viability of a company – and thus naturally in its own interests, as well as meeting its responsibilities as a corporate citizen.

The business case of corporate social responsibility is reflected in various fields at a corporate level and is immune from strict classification because of its diversity and creativity. CSR as a category of organisation policy raises at a strategic, and thus political level, policies previously developed by separate companies in an individual and ad hoc way – and usually implemented out of the general public eye. CSR therefore provides companies with a platform to make their social investment visible and comparable, and is a means of satisfying the growing demand for communication with social stakeholders. It also enables companies to integrate social projects as value-adding factors within their core commercial activities.

### **The business case**

This management strategy approach opens up three main opportunities:

#### **(1) The world looks at what's behind the product – making restructuring transparent to the global public**

The economic frameworks within which companies move today are shaped by a spectrum of different stakeholders. The players have their roots at an enormous range of levels. Politics, administration and non governmental organisations (NGOs) influence political, economic and social agendas against the background of an enormous communications environment. Rating agencies and corporate indices measure the CSR performance of companies, and make the different corporate policies transparent, comparable and rateable according to the specific target catalogue of each stakeholder. “Social-ethical” funds stipulate exclusion criteria which can keep companies at arms length from potential investors.

This ultimately creates an atmosphere of zero tolerance. Those who counteract this by using the whole range of media available to establish a culture of transparent and open dialogue with stakeholders, will protect and positively increase major asset values such as brand names and image.

#### **(2) Profit and principle**

The supposed opposites “success equals profits and morals equals costs” have not been true for some time and are counterproductive for sustainable and lasting corporate success. Demographic changes in society - “the ageing society” - create new challenges in the jobs market for employees as well as employers:

- In times marked by a “war for talents”, companies and employees join together for their mutual benefit. A shortage of competitive employees is a bottleneck factor for corporate success. Employees are important for companies precisely because of, not despite of, their exchangeability. In a knowledge society, no company can afford to simply let highly qualified key staff move on.
- Protecting and developing the employability and competitiveness of employees is becoming a key priority of human resource development. Opportunities to acquire qualifications are becoming standard parts of remuneration packages; life-long learning is becoming an employment factor; investment in employability is becoming an investment reward for individuals.

- Employees are already adapting to flexible forms of working merely in the interests of staying in employment. Additional aspects include life-long learning, customer-orientation, and quality and cost awareness. When embodied by the workforce, the values which hallmark the competitiveness of a company evolve into productivity enhancing factors.
- Government and society must concentrate on providing all citizens with educational opportunities capable of improving their employability and competitiveness. This demands more investment in flexible training courses, standardised qualification-certificates, service-oriented administrations, and more independence for citizens and companies.

This level of complexity of the employment and employability aspects of CSR underline that sustainable corporate success is not guaranteed by state education and training courses alone. Each and every company will find its own answers to its own needs within a knowledge society.

### **(3) Think global, act local**

The responsibility of companies for tackling social, economic and environmental challenges is also a local issue. Bottlenecks for sustainable corporate development come in different shapes and sizes at different localities. It is precisely the striving for sustainable corporate success that gives rise to the optimal allocation of resources at a local level as part of prudent CSR involvement. Every region makes a different range of qualified employees available to a company. Every region needs different publicprivate partnerships to force local structural change and establish a reputation overall as an attractive region for high potentials. Every region needs different answers to optimise environmental quality.

CSR is a pragmatic approach. CSR creates local responses which, precisely because of their specific nature, are extraordinarily attractive to employees, stakeholders, and especially customers. CSR gives competitive-edge and is therefore a business case. CSR therefore fulfils much more than just legal stipulations. CSR is the corporate answer to the economic sustainability of a company and the sustainable quality-of-life of society and the environment. Both bring about the other. At a time when governments are forced to curtail their activities, companies have a major opportunity of creating and accelerating the symbiotic harmonisation of corporate and social sustainability on the basis of innovative and creative local projects. This balance is also supported by the social commitment of a company. This type of assistance includes the funding of cultural, social and environmentally-oriented foundations specifically set up by companies for this purpose.

Because CSR has a local reference, it is also a superb instrument for small and medium-sized enterprises. They profit from the pioneering role of the global players and can align themselves to the good practice communicated by bigger companies. Unlike the global players, however, the smaller companies need more customised concepts, more individual freedom of action, and more streamlined organisations. Voluntary pan-sector networks are the most effective means of organising the distribution of the expertise required.

### **CSR is practice-oriented**

CSR is dynamic and continuously develops new “Good practice” – out of the well understood selfinterest of the companies – which benefits numerous stakeholders and society as a whole. Examples and projects developed by companies and reflecting their market orientation, have usually successfully passed the feasibility test. And precisely because they can be put into operation, the future will continue to see CSR projects initiated by companies being picked up by

local authorities, German states and the federal government, and further developed as positive models. Occasionally, such projects are developed as PPP measures (public-private partnerships). This creativity also provides the diverse examples which we need in industry as benchmarks.

In an open society, in an expanding internal market, as well as in a global economy, it is counterproductive to standardise CSR. Such “standards” force companies into over-generalised uniformity which shackles the development of innovative and local solutions.

### **CSR must remain efficient and voluntary**

The current CSR discussion is threatening to diverge from the creative, innovative and company-specific approach. The creative potential of corporate CSR projects is increasingly jeopardised by the traditional political debate. Companies are justifiably fighting this development with all they power at their disposal. This standardisation process began with the publication of the Green Book “European Framework for Corporate Social Responsibility”, which was firmed up by the publication of the report “Corporate Social Responsibility: a Corporate Contribution to Sustainable Development” and led to a traditional “European Multi-Stakeholder Forum” initiated by the EU Commission.

Companies inspired to act as an example by realising creative and innovative projects and measures are forced by this process to justify their useful actions. The CSR debate could again follow traditional political patterns in the EU which are primarily interested in laying down standardised social and ethically correct behaviour instead of analysing the creative potential of companies and making them available to other areas of policy making. Precisely because of the economic dimension of sustainability, companies are correctly meeting their responsibilities to CSR. It is therefore only logical that the political debate at a national and EU level must not be allowed to ignore economically responsible action and the objective of sustainable economic corporate success.

Regulations in the form of guidelines and standards for such conduct automatically come to the fore: demands for transparency and the disclosure of corporate performance, their measurability in the sense of testability, and their classification in the sense of hallmarks and quality marks. These rigid regulations counteract the progress which was successfully developed and implemented previously on a voluntary basis.

To ensure there are no misunderstandings: compliance with social standards, human rights, OECD guidelines and ILO recommendations are already an integral part of good corporate governance for globally-active companies. However, additional standards can easily exceed the limits of what is and what is not feasible, even when global players are involved.

The fascinating aspect of CSR is its voluntary approach in which companies formulate solutions for problems in specific regions – solutions which society either cannot or will not provide to establish a stable balance between economic and social aspects of sustainability. The efforts of consumer protection organisations and standardisation institutes to implement standards stifle the efforts of companies to find intelligent win-win projects, and tie up resources in static and bureaucratic measures. This is all the more surprising given that numerous corporate examples of good practice have already been accepted by politicians in the mean time as making a valuable contribution to social welfare, and given that the basic principles behind corporate good practice have also been harnessed by the public sector. Creativity and innovation cannot be standardised – they are shackled by regimentation.

Future economic and social development will find their potential efficiencies not in an over-regulated state – which already fails in the face of the performance-deficits of excessive bu-

reocracy, but in corporate citizens which also make their skills available for the benefit of society. This can also bear fruit in all regions around the world in which globally active companies are locally involved (“think global, act local”).

### **“Shared” responsibility**

Corporate Social Responsibility stands for the active responsibility of companies in a competition-oriented environment. Voluntary commitment should not be abused by burdening companies with new problems which are actually the obligation of the state to deal with as part of its obligation to provide basic care, e.g. by guaranteeing the existence of a properly functioning infrastructure. This is particularly true in times marked by a need for major social and political reforms. Social systems, education, environment, employment relationships, and a great deal more, are currently adjusting to global competition and the efficiency and capabilities of its citizens. The government bears constitutional responsibility for the overall framework. Industry is willing to take on additional responsibility as long as industry itself considers this viable within the market and competitive background in which it operates. The “shared” responsibility in this sense is highlighted by the endeavours to promote constructive dialogue, in which econsense will also continue to participate actively in future.