

Corporate Social Responsibility for SMEs

A Smarter Business Guide

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A Chamber Publication



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*An Roinn Gnóthaí Pobail, Tuaithe
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Department of Community, Rural
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Introduction

What is Corporate Social Responsibility?

Corporate Social Responsibility (CSR) highlights the role business plays in contributing to a better society by actively engaging and consulting with stakeholders in a manner that goes beyond its financial and legal commitments.

Stakeholders are those who have a vested interest in the company because its activities impact directly upon them. A company's stakeholders include its customers, employees, shareholders and the local community in which it operates.

At the core of CSR is the belief that to ensure continued success, companies must act in a responsible and transparent way towards their stakeholders.

What Benefits will CSR Deliver to My Company?

While it is some years since large multi-nationals first began to implement official CSR policies more and more small and medium enterprises (SMEs) are waking up to the benefits CSR provides to companies.

Business Benefits of CSR	
• Customer attraction and retention	• Can generate increased revenues
• Increased brand value and reputation	• Greater access to capital
• Easier to attract and retain staff	• Improved efficiency
• Better corporate governance	• Enhanced risk management
• Fosters local good will	• Greater shock resistance

Source: United Nations

Building a CSR Programme

The prospect of putting together a Corporate Social Responsibility (CSR) programme can seem quite daunting at first. However, for many SMEs, CSR is simply a new term to describe something they have been practising for years. Businesses in Ireland have long been engaged in various forms of socially responsible activities in their local communities, from sponsorship for sports and cultural activities to employees volunteering in local schools or via partnerships with not-for-profit organisations.

Under the banner of CSR companies are working to further integrate social and environmental concerns into their everyday business operation and their interactions with the communities in which they operate.

Getting Started

There is no set formula for companies wanting to get involved in CSR. The key is to establish a CSR programme that is inline with the company's own unique core values. An effective CSR programme is one that is tailored specifically to the resources of a company and the requirements of its stakeholders.



Nine Steps to a CSR Programme

1 Confirm commitment to responsible business conduct: A basic requirement is the commitment of senior management to treat responsible business conduct as a corporate priority. Rather than reacting to outside pressures, a company's voluntary adoption of its own business principles should be motivated by the desire to express the values that guide its approach to doing business.

2 State company purpose and agree on company values: Responsible business conduct is built upon the values and goals of the company itself, as well as on legal requirements and stakeholders expectations. Business principles commonly include a statement of mission, values and operating principles. All companies should consider articulating their core values as an underpinning for their own principles.

3 Identify key stakeholders: Business principles set out what companies see as their responsibilities to employees, shareholders, customers, business partners and other groups in society. Finding out from stakeholders what issues are important to them is therefore essential.

4 Define business principles and policies: Each company needs to think through its principles for itself (rather than just taking an existing code "off the shelf"). Some companies choose to do this through open dialogue and collaboration with selected stakeholders. Some companies' business principles are just high-level statements of principle. Others contain more detailed statements of policy, while some prepare separate materials on policies, management systems, implementation and monitoring procedures. The underlying reasons why business principles make good economic sense should be borne in mind in defining the principles. Companies should consider legislation, social expectations, reputation indicators, risk management, bottom-line benefits, corporate and product image and strategic advantage.

5 Establish implementation procedures and management systems: Companies must raise awareness among their own personnel and other stakeholders if business principles are to be effective and command wide support. Processes or formal management systems for developing, adopting and implementing individual principles should therefore include internal consultation and communication. Companies offer many examples of management systems covering areas ranging from health, safety and the environment to business integrity, human resources and sustainable development. There are also international standards for these

systems, such as those of the International Standards Organization (ISO). In some sectors, management processes and guidelines also apply both to joint ventures and to contractors and suppliers. The range of issues covered varies between sectors but continues to develop to include, for example, diversity of the work force, climate change, biodiversity, waste management and recycling. In order to implement its business principles effectively, a company should define objectives and targets and a structured programme to achieve them.

6 Benchmark against selected external codes and standards: Government-mandated or other external codes are unlikely to be a viable alternative to voluntary business principles developed by the company itself, although these may have significant value as external benchmarks. Some companies choose to express public support for one or more of these external codes. It is for an individual company or industry sector to decide what the most useful benchmark codes are and to develop their own understanding of how business principles relate to external codes and guidelines, and to societal expectations.

7 Set up internal monitoring: Corporate policies and their implementation need to be kept under constant review to keep abreast of developments in technology and scientific understanding, customer needs and wider societal expectations. It is for the company to assess its social performance through internal consultation and periodic review by management. Equally, it is the company's responsibility to check that its business principles are being acted upon. The extent and manner of external reporting of performance is, of course, for the company to decide. Given the wide differences between industries and individual companies, the contents of such reports are bound to vary.

8 Use language that everyone can understand: Principles, policies and guidelines must be clearly expressed, particularly if the material is to be translated. The same is true of any external reports.

9 Set pragmatic and realistic objectives: These recommendations require the commitment of executives running the business and the development of expertise and internal processes. Above all, responsible business conduct requires a sustained effort by everybody in the company. A key element of a company's organizational development is promoting the importance of responsible business conduct and ensuring that new managers are well versed in this area.

Source: International Chamber of Commerce World Business Organization 2002



THE CSR Strands

CSR activities can initially be separated into three separate strands; Community, Environment and Workplace.

Strand 1: Community

By their nature, community-based projects are generally the most visible aspects of a company's CSR activities. These projects depend on direct interaction between the company and the community in which it operates.

Unlike larger companies, SMEs generally integrate seamlessly into the community. They are recognised as an integral part of the community, generating economic and social vibrancy in the locality. An SME can build on this goodwill by using its grassroots knowledge of the issues facing those living in the surrounding area to deliver an effective community-focussed CSR strategy.

There are many different options open to an SME that wants to engage in community-based CSR activities. These can include the sponsorship of local sports teams, giving advice on organisational strategy to non-governmental organisations or engaging staff in a fundraising campaign for a particular charity.

When deciding on the strategy for community-based CSR strategy, the key is to design a project which reflects the company's philosophy, fulfils a need within the community and matches the available resources of the firm with the objective of the overall project.

Key Points

Community CSR Activities:

- Engage with the community
- Build on local goodwill
- Match community needs with the company's philosophy and available resources

Case Study – Deycom Computer Services

Deycom Computer Services is an IT service provider based in County Carlow. The company decided to work with local volunteer groups as part of its CSR programme. The firm recognised the need for Personal Computers (PCs) among these groups and initiated a donation programme. Deycom encouraged its customers when replacing its staff computers with newer models, to donate older PCs for recycling and then to be given to community groups unable to purchase new PCs. The company also provides free office space on its premises to the voluntary organisation which prepared the PC for change of owner ship.

Deycom's CSR programme reflects the IT ethos of the company while at the same time delivering positive change to the community.



Strand 2: Environment

Public concern regarding the impact of commercial activities on the environment has increased significantly in recent years. There is a growing awareness of the need to implement policies which enable sustainable development.

Sustainable development requires the various pillars in society to find a balance between economic growth and social inclusion with the preservation of a healthy environment for future generations.

SMEs may have, in the past, underestimated the impact of their activities on the environment. However, owner-managers of small enterprises are increasingly seeing the need to implement policies which enable sustainable development and contribute to a more environmentally-friendly economy.

Environment-based CSR projects may not garner the same amount of publicity as those with a community focus, however, many SMEs find they provide substantial financial benefits as well as improving the firm's image as an environmentally-aware company.

It is important to note that meeting environmental legislative standards is not in itself a CSR activity. The aim is to implement processes which go beyond mandatory regulations and deliver environmental benefits along with economic advantages.

Key Points:

Environment CSR Activities:

- Focus on sustainable development
- Go beyond legal obligations
- Can deliver cost benefits for businesses

Case Study – SuperValu

Tommy Grimes manages Hurley's Supervalu store in Middleton County Cork. In keeping with Musgrave Group Environmental Policy, this store has introduced a rigorous environmental programme aimed at minimising waste at source, increasing recycling and improving energy efficiency.

The use of reusable plastic crates for transporting produce to the store, instead of disposable transit packaging, is a typical example of waste minimisation. Crates circulate in closed re-use loops between suppliers, Musgrave distribution depots and the store, before being cleaned / sterilised and returned to suppliers for refilling and re-use.

Tommy also closely monitors the volumes of waste generated in store with the aim of minimising waste at source whilst maximising opportunities for recycling. This attention to detail has resulted in year-on-year improvements in in-store recycling performance such that almost 75% of the store's waste is now sent for recycling instead of disposal.

A recent energy audit highlighted opportunities for improvements in energy efficiency within the store. The resulting reduction in energy use has had positive effects in the form of reduced emissions and lower operating costs.

These simple measures have seen overall reductions in waste and energy usage; they also have a positive environmental effect and make sound business sense.



Is CSR a legal requirement?

Strand 3: Workplace

Employees provide the know-how, productivity, customer service and innovativeness necessary for business activity. Therefore, the continued success of a company is reliant on the commitment of its staff.

Employers should seek to put in place policies that promote the retention and development of their staff and nurture workplace environments that will attract recruits of the highest calibre.

Workplace CSR projects can affect many different areas of a company's HR policy such as health and safety, the work-life balance of employees, staff diversity and cultural awareness.

While the main benefit to SMEs with health and safety processes that surpass the basic legal obligations is the greater protection of their staff, these firms may also enjoy secondary benefits such as lower insurance premiums, good corporate images and reduced staff absenteeism rates.

Seeking a healthy balance between the work and non-work aspects of employee's lives is essential in order to avoid burn out of staff and for retaining a committed, motivated and innovative workplace environment.

An intercultural workplace takes account of the different ethnic and social backgrounds of its staff and implements policies which ensure an inclusive working environment that is supportive of diversity.

Key Points:

Workplace CSR Activities :

- Recognise employees as a valuable resource
- Aim to attract and retain staff of the highest calibre
- Focus on work-life balance, diversity and safer work places

Case Study - Cpl Resources

Cpl Resources is a leading recruitment company based in Dublin. It CSR activities pay particular attention to promoting diversity within the workforce. The aim of the company's "Disability in the Workplace" project is to encourage clients to employ people with disabilities. All Cpl employees are trained on disability best practice within recruitment and selection. The company promotes awareness among its corporate clients of the business benefits of recruiting from within the disabled community.

Through partnership with various disability organisations, it organises workshops for companies on employing people with disabilities and provides career advice and interview technique training to people with disabilities.

Currently, there is no legal requirement for companies to engage in CSR. However, there is a growing debate about whether or not companies should be obliged to do so by law.

Chambers Ireland firmly supports the case for CSR to remain a voluntary activity of business. It is the Government's duty to provide a basic legal framework for the operations of business, however, good corporate practice is spread most effectively by strong corporate principles and example rather than rigid and compulsory codes of conduct.

A company can choose to engage in CSR and prove its commitment and conviction through voluntary actions which go beyond the basic demand of legislation.

At present, CSR is a positive experience which enriches the entire organisation through the introduction of more efficient systems and encourages a corporate culture of innovation as companies strive for constant improvement. Voluntary CSR has the advantage of offering the flexibility to tailor solutions to particular conditions and inspires many companies to go beyond the regulatory baseline.

If CSR is made mandatory, it will be little more than a regulatory burden that destroys the goodwill of stakeholders towards companies who would otherwise have voluntarily engaged in responsible business practice and therefore takes away the motivation to go beyond meeting the basic requirements of the law.