

# THE CHANGE CHECKLIST

## A practical guide to developing and installing a CSR strategy

In the twenty-first century, employees expect it, shareholders demand it and regulators require it. So who is going to grasp the opportunity and lead the way on developing and implementing your CSR strategy? It could be corporate affairs, the company secretariat, the legal or risk management teams, compliance, EHS management... but why not the HR team?

With CSR encompassing ethics, culture, employees, community, human rights, health and safety, governance and many other people-related areas we see the opportunity for proactive HR professionals to play a **leading role** in the grown-up world of CSR – after all it has been said that “CSR without HR is just PR”.

So when the board recognises that “we must do CSR”, our advice is to take advantage of the momentum and ensure that HR is at the centre of the action. Then some of the key questions are ‘where to start?’ and ‘what to do?’

The ethics programme is a key area which helps to set the corporate culture and is the primary tool for guiding staff on corporate standards of behaviour. Although this all sounds like core territory for the HR team, surprisingly it is not. According to a 2010 survey by the **Institute of Business Ethics**, only 10 percent of codes had the HR department behind them, down from 16 percent in 2004. The main departmental beneficiary seems to have been compliance, not HR, which should be its rightful home.

Our experience of working with different organisations over the last nine years suggests the following practical steps.

- **Undertake a systematic appraisal of the current CSR ‘status’ of your organisation:** This will build a picture of where the opportunities for progress and early wins are. To do this, use a workshop format to set out the headline CSR-related risks and opportunities for your organisation, who is responsible for them, any existing relevant CSR policies, how these are implemented, how effective they are, how this is monitored and reported, both internally and externally, and how each policy links to the overall strategy of the business.

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- **Establish what ‘grown-up twenty-first century CSR’ means for your business:** CSR has evolved from ill-defined, fluffy and “nice to have” into a long-lasting, harder-edged, focused and value-added business concept. In our experience, the most successful companies ensure that CSR is aligned with the overall business strategy and is a driver and creator of long-term sustainable shareholder value with implications for all areas of the business.
- **Construct a simple ‘traffic light’ test to screen your CSR strategy, priorities and programmes:** If an element of your CSR strategy does not support the overall business strategy, and cannot be tracked back to long-term sustainable shareholder value, it should be flagged red on a traffic light test. If it is red, it may be indefensible in the face of scepticism from your colleagues and so threaten the credibility of the whole CSR strategy.
- **Grasp the importance of the ethics programme:** We see taking responsibility for the code of ethics as critical for the HR team in ensuring the CSR opportunity has the right ‘home’. As a public document which, in effect, sets out what ‘dirty laundry’ you could have, getting the code right for your company can be an effective way to engage the senior team to help shape the overall CSR programme. This engagement can also be done in parallel with the detailed development of your CSR strategy.

We generally recommend one of **three models for a code of ethics**: stakeholder-based, risk-based or a hybrid. The first sets out the approach to ethical matters with respect to each key stakeholder group (customers, shareholders, suppliers, etc), the second adopts a key risk approach (environment, conflicts of interest, corruption, etc), while the hybrid combines the two.

For companies with UK operations (not just UK-listed companies), the forthcoming UK Bribery Act places extra emphasis on codes of ethics and ethics programmes as part of a potential ‘adequate procedure’ defence, without which your directors could end up in jail. This means monitoring the effectiveness of the code through staff surveys, whistleblowing lines, helplines and similar ‘speak-up’ procedures, and with regular reports to the audit committee or direct to the board – we normally expect to include the company secretarial team on this.

- **Drive the CSR strategy process and ensure it is aligned with the overall strategy and priorities for your business:** Input here will be critical to ensuring the role of HR in CSR is successful and sustained. From our experience of crafting and implementing board-level



strategies for global companies, a formal CSR strategy framework works if you are to avoid the retreat to 'fluffiness'. The same framework can be used to develop 'sub-strategies' to cover EHS, community engagement and other areas. The development of a CSR strategy can be done as part of a two-pronged approach in parallel with working on the code of the ethics. Use the traffic light test developed above at every stage, and ensure the finalised strategy includes a vision, objectives, priorities, deliverables, responsibilities and an implementation plan.

- **Include both internal and external stakeholder expectations in the CSR strategy development process:** Ensure your strategy covers the expectations of and from both key external and internal stakeholders (including potential employees) with respect to all areas of CSR, including policies, systems, outcomes and reporting. Your systematic appraisal of the CSR status of your organisation will be helpful here, and will be critical to getting internal buy-in.
- **Review policies from a CSR perspective. Policy influence can be key to success in politics and business:** Your policy infrastructure is a key part of the way in which the business is managed and so can impede or drive the embedding of your code of ethics and the implementation of your CSR strategy. Many companies have policies which have been drafted at different times, by different departments, and often as a response to a particular situation. So it is not surprising that some of them conflict. We recommend that policies are reviewed for consistency and compatibility with your code of ethics as part of the implementation of your CSR strategy and then on a regular cycle every 18 months to two years.

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- **Become an evidence-based organisation:** In the HR arena, focus on key business performance issues and link these to the overall business strategy and priorities. In our work with companies, we often start with human capital management metrics such as retention and turnover, absenteeism, training and diversity (in terms of male/female and full-/part-time), before moving on to productivity and senior management metrics including reputation. Check each of these against the traffic light test.
- **Include non-financial measures in performance-related pay schemes:** The new UK Corporate Governance Code requires remuneration committees to ensure that performance-related pay schemes are designed to promote the long-term success of the company. HR directors are ideally placed to ensure non-financial measures, linked to the implementation of the overall business strategy, are included in the bonus criteria for executive directors and other senior managers.

## Summary

With CSR becoming more evidenced-based, harder-edged and integrated into the overall strategy for the business, there is the opportunity for senior HR professionals to use their influence and skills to help **lead the organisation** on to the next stage.



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