

Corporate responsibility: an introduction

Explores corporate responsibility and putting it into action in the workplace

Introduction

Corporate responsibility (CR) is concerned with the sustainability of an organisation over the long term. At its core, corporate responsibility seeks to add value to an organisation's activities by ensuring they have a positive impact on society, the environment and the economy. The traditional model of CR includes the workplace, marketplace, community and environment.

The factsheet discusses why corporate responsibility matters and highlights the role of HR in putting it into action. Factors and mechanisms influencing corporate responsibility include legal and voluntary measures, partnerships with external agencies, and social and environmental reporting. The factsheet also provides an overview of current debates surrounding corporate responsibility, examining both its proponents and opponents. It concludes by offering a set of guidelines for introducing a corporate responsibility strategy, which are especially pertinent to employers and HR practitioners.

What is corporate responsibility?

Corporate responsibility (CR), also known as corporate social responsibility (CSR) or business sustainability, addresses the ethics of an organisation's activities and how it operates in a way that is viable over the long term. These two factors are intrinsically linked, as a business that damages the systems on which it depends will ultimately be unsustainable.

CR starts with recognising that organisations' activities impact on society, the environment and the economy, as well as on their own workforce. Value creation is not only a matter of finances. Indeed, the traditional shareholder value approach to business, and the short-termism that often goes with this, are central reasons for the global economic crisis and numerous environmental and other ethical corporate disasters - we look briefly at social value creation below. Committing to CR means looking carefully at an organisation and the full range of its stakeholders, attempting to maximise the positive

impact of operations and minimise any negative effects.

Areas of corporate responsibility

CR initiatives usually fall into four main areas:

- **workplace** – focusing on the rights and well-being of employees and other workers in the value chain
- **market place** – including areas such as the impact of its products or services, supply chain issues, as well as fair trading, corporate taxes and anti-bribery.
- **environment** – concerned with the organisation's environmental impact
- **community** – focusing on how the organisation's activities positively or negatively affect the societies in which they operate.

Why does corporate responsibility matter?

The need to focus on CR has become increasingly apparent over recent decades. There has been sustained attention on environmental disasters, poor labour standards and the responsibility that consumers and companies in developed countries have for global value chains. Equally, reckless lending and opaque financial transactions were clear contributors in the recent global financial crisis.

As a result, businesses are witnessing increasing demands from statutory bodies for detailed information about their corporate standards. At the same time, the widespread loss of trust in business means a genuine focus on CR is crucial for restoring and maintaining consumer and investor confidence. CR is not a luxury that can be avoided but a necessity that has grown in importance through the global recession. And in 'doing the right thing' by their stakeholders, organisations will also realise a range of benefits from brand enhancement and reputation, to building employee retention and satisfaction.

See our factsheets on [employer brand](#) and [employee engagement](#) for more on those topics.

What is social value?

The emergence of 'social value' as a key driver for business is no fad. Social value considers more than just financial transactions and can include happiness, health, well-being, inclusion and empowerment, it's something often difficult to measure but which is 'of value to people in society'. Social value goes beyond traditional corporate responsibility since it actually drives core business purpose rather than sitting alongside it.

Embedding corporate responsibility into practice

There are various factors and mechanisms involved in putting CR into action.

Stakeholders in corporate responsibility strategy

The foundation of CR is a stakeholder-based view of value creation and an organisation's responsibilities. This should take account of the long-and short-term interests of customers, employees and workers throughout the wider value chain, as well as the general public. This informs an organisation's understanding of the potential value it creates or the damage it can do for employees, local communities, customers and the environment, as well as shareholders.

Legal and voluntary measures

Many ethical considerations in the core areas of CR are enshrined in law, including employment law. However, CR strategy typically aims to go beyond legal obligations with organisations taking voluntary measures and initiatives. Indeed, CR has grown in part due to perceived limitations of legislation, either in its scope, detail or power to influence.

Some of the most visible voluntary CR activity relates to community-based activity, for example, supporting local community projects financially or via employee volunteering programmes.

Governance

In shaping how an organisation creates value and questioning how it operates, CR relates closely to corporate governance, the mechanism for holding executive management to account. Effective boards will hold a long-term view, have a clear understanding of business models and will have the strength and independence to challenge the business.

The role of HR

HR has an important role to play in building and maintaining ethical cultures within organisations, where corporate responsibility is recognised by all. For instance, HR might encourage decision-makers to review the ethical dimensions of business decisions. Additionally, people professionals build people management systems that support ethical behaviours through appropriate reward and performance management processes. Read about how HR can establish an ethical culture in our [Ethical practice and the role of HR factsheet](#).

However, the role of the HR function in shaping and embedding CR strategy is twofold. First, it concerns ensuring fair practices within the 'workplace' area of CR. Secondly, in the absence of a central CR function, HR can also play a coordinating role in running other elements of CR for example, employee volunteering programmes.

HR's role in CR takes various forms, including:

- **Employment and people management practices.** The HR function needs to first look at its own domain, embedding CR into core HR practices. It must ensure that, as a minimum, statutory obligations are met in all aspects of employment and people management, and that the organisation aims to go beyond this where possible. This applies to the whole range of HR practices, including recruitment, terms and conditions, health and safety, communications, diversity and fair treatment, learning and development, performance management and reward and benefits. One area of HR practice that has received particular attention is the fair treatment of whistleblowers.
- **Supporting a broad CR strategy.** HR has a role in communicating with and training employees at all levels on their social and environmental responsibilities. As well as threading sustainability concerns through people management policies and practices, HR can play a central role in ensuring alignment between the organisation's values, culture and business activity. Equally, learning and development functions play an important role in developing management capability and promoting organisational learning in corporate responsibility.
- **Volunteering schemes.** HR often leads community-based schemes such as employer-supported volunteering programmes. Various CIPD research has argued that these can make important contributions to learning and development as well as employee benefits and engagement.

Beyond its own remit of people management practices, HR is ideally placed to be able to gauge, understand and help change organisational culture, the critical aspect to corporate responsibility that is often summed up as 'how we do things around here'. Organisational culture runs through all aspects of a business and, in acting as its guardian, HR can act as a mirror of conscience to the rest of the organisation.

However, this is often not reflected in HR's current standing. Our research report The role of HR in corporate responsibility shows that many business leaders do not consider that HR plays a central role in CR. This is not just a problem of perception. The research shaping the CIPD's Profession for the Future strategy shows that HR practitioners often feel they have to compromise their principles to meet current business needs. Following standard 'best practice' may not suffice because contexts vary. A surer approach emphasises the principles that need to be followed for ethical decision making. We

believed that the solution lay in developing the principle-based standards for people management in our [new Profession Map](#).

Partnerships with external agencies

Understanding stakeholder interests is no simple task and an organisation's potential impact and responsibilities vary greatly depending on their size, sector and the nature of their work. CR strategies can thus benefit from working in partnership with government bodies and non-governmental organisations that protect or represent stakeholder groups, so that the organisation's local and global responsibilities can be appropriately reflected within its business strategy. Our report [Youth social action and transitions into work: what role for employers?](#) shows that working with charities can also increase the effectiveness of community focused CR activity, as employers can draw on their expertise and infrastructure.

Measurement and impact reporting

CR initiatives can contribute to business targets directly (for example, through reduced environmental costs) and indirectly (for instance, increased employee engagement). Both can be assessed. One way outcomes can be measured is through a balanced scorecard approach which allows for the different types of factors that contribute to a business's bottom line including internal people, processes and customers.

For more on the quantitative reporting of indicators relating to employment issues, see our factsheets on [human capital](#) and [people analytics](#).

Alternatively, CR or sustainability reports which focus on impact and outcomes, are now widely used, particularly by larger companies, to communicate information regarding the organisation's social, environmental, economic and ethical performance to a variety of stakeholders, including shareholders, customers, employees, local communities, regulators and government. These can be standalone reports or embedded in a company report or website. The main features include a policy statement, targets, measuring progress and assessing key impacts.

The [Global Reporting Initiative](#) (GRI), a not-for-profit organisation that promotes economic sustainability, provides guidance and support to organisations around sustainability reporting and has produced a comprehensive framework that is used worldwide. The FTSE Group also produces a [FTSE4Good Index Series](#), which aims to measure the performance of companies that meet certain globally recognised CR standards. See Useful contacts for these and other external organisations.

Debates over corporate responsibility

Critiques of corporate responsibility

Sceptics of CR argue that it is an attempt by companies to pre-empt regulatory requirements and maintain the initiative in the area of business ethics and corporate standards, and that it is essentially a publicity exercise to enhance company brand. These may be factors to some extent, and companies should keep them in check, but they do not invalidate CR. Overall, the initiatives and standards that a voluntary focus on CR has brought about strongly testify to its potential for good.

Proponents of corporate responsibility

Perhaps the most major drive to promote CR has come from the [United Nations Global Compact](#). It promotes ten principles, focused on human rights, labour, environment and anti-corruption, which are derived from Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

Guidelines for introducing a corporate responsibility strategy

The following guidelines may be helpful for the HR function and/or the business to consider when introducing a CR strategy:

- Identify all the stakeholder relationships that are necessary for ethical and sustainable business success.
- Clarify the areas of CR that are relevant for the organisation, from environmental impacts, to remuneration policy, to labour conditions in subcontractors and supply chains.
- Understand how the CR strategy is aligned to business strategy and HR practices.
- Get the top team on board, and know how to argue the case for CR, including the business benefits, to different stakeholders.
- Ensure CR is properly reflected throughout the suite of training provided.
- Effectively measure and evaluate CR performance so that the results of CR activity can be seen clearly and improved upon.
- Publicise and promote successes.

Useful contacts and further reading

Contacts

[Institute of Corporate Responsibility and Sustainability](#)

[Institute of Business Ethics](#)

[Business in the Community](#)

[Forum for the Future](#)

[World Business Council for Sustainable Development](#)

[Energy Saving Trust](#)

[Carbon Trust](#)

Books and reports

BLOWFIELD, M. and MURRAY, A. (2019) *Corporate social responsibility*. 4th ed. Oxford: OUP.

KEW, J. and STREDWICK, J. (2016) *Human resource management in a business context*. 3rd ed. London: Chartered Institute of Personnel and Development

LEIPZIFER, D. (2017) *The corporate responsibility code book*. 2nd ed (ebook). London: Routledge.

Visit the [CIPD and Kogan Page Bookshop](#) to see all our priced publications currently in print.

Journal articles

BASKA, M. (2019) *Jobseekers prefer 'woke' businesses, says survey*. *People Management* (online). 13 September.

DE STEFANO, F., BAGDADLI, S. and CAMUFFO, A. (2018) The HR role in corporate social responsibility: a boundary-shifting literature review. *Human Resource Management Journal*. Vol 57, No 2. pp549-566.

EHNERT, I., PARSA, S. and ROPER, I. (2016) Reporting on sustainability and HRM: a comparative study of sustainability reporting practices by the world's largest companies. *International Journal of Human Resource Management*. Vol 27, Nos.1-2, January. pp88-108.

RANGAN, K., CHASE, L. and KARIM, S. (2015) The truth about CSR. *Harvard Business Review*. Vol 93, No 1/2, January/February. pp40-49.

CIPD members can use our [online journals](#) to find articles from over 300 journal titles relevant to HR.

Members and *People Management* subscribers can see articles on the [People Management](#) website.

This factsheet was last updated by Fiona Scott.