

Thought Piece

Evolution not revolution: CSR to ESG and back again



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Foreword from Jo Geraghty

Recent years have been nothing if eventful. From Covid-19 to the Black Lives Matter protests, a precarious political landscape in the UK, US and beyond, plus the continual threat of climate change affecting the most unlikely of economies from bushfires in Australia to flash flooding in Germany.

Never have businesses of all sizes been required to play their part more, in positively impacting our world, than now. Thanks to a perfect storm of consumer pressure, government policy change and an ever altering boundaryless world, corporates must move beyond bland platitudes and stale CSR policy. Policy is dormant and strategy means nothing without positive action and impact.

And it isn't a shift that solely sits on the shoulders of big corporations. SMEs account for 61% of employment and 52% of turnover in the UK, which means their impact on social and environmental issues is considerable and must now be addressed.

Medium-sized businesses must move beyond the tick-box exercise of an annual CSR report to now show genuine social impact. They must evidence their strides to achieve a more diverse, inclusive, and engaged workforce if they want to affect business performance. Therefore, understanding how to address the impact their business has on the world environmentally, socially, and ethically on the communities in which they operate, plus the physical and mental wellbeing of their employees, is integral.

This thought piece outlines the evolution in the market. Including how the government tender processes are driving change that those in the private sector can learn from, get to grips with the new area of CSR and discover how to implement and embed social impact to increase employee and stakeholder engagement authentically throughout your business.

Jo Geraghty

Director & Co-Founder
Culture Consultancy



What's in a name?

You need only look at the range of job titles responsible business professionals hold, to understand the confusion that exists when it comes to the terminology used to describe purpose-driven businesses. Arguably, it doesn't matter what we call it: CSR 2.0, ESG or Social Value – the time for businesses to show genuine social impact is here.

CSR (Corporate Social Responsibility) is a business commitment to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as the local community and society at large. For some, CSR has been treated as a tick-box exercise with a very internal focus. For example, volunteering days were used as an easy win for team building, with less thought given to the long-term impact of a short-term initiative.

There is now a shift in CSR becoming more outward in its focus, considering the businesses impact on the wider world, with a longer-term view.

ESG (Environment, Social and Governance) was originally coined to help ethical investors decide how to invest in companies against these criteria, rather than on purely financial terms. Heavily regulated industries such as the financial services and the government are mostly au fait with the term, as the regulating bodies have encouraged embedding ESG within businesses. However, the term is now regularly replacing CSR and has a far greater focus on the impact a business has on its wider world. That said, the legacy link to risk assessment and investment is off-putting to some practitioners.

Social Impact refers to the actions, inputs, outputs, and outcomes of an organisation's ESG, Social Value, or CSR strategy; it is the impact that is delivered by addressing social and ethical issues head on. While charities and social enterprises are driven by social impact, medium-sized businesses now need to demonstrate this too. The UK government now require all tendering businesses to prove their 'social value'. They want to see the societal benefit and value being created by businesses they work with. In turn, this is driving a change in the private sector to focus more single-mindedly on the positive impact businesses of all sizes have on the world.

Whatever term you use to describe responsible business practices and the impact they have, your strategy should horizon-scan to consider the risks in plain sight that need to be addressed immediately, as well as those coming further down the line. Then embed it throughout your business for the long term, on a daily basis as part of your culture.

“Terminology used depends on the maturity of the business. It's our job to convince the business to future-proof a title and give it space to grow as you demonstrate value.”

*Nadia Al Yafai
Head of Mutuality & Social
Impact, Royal London*

The Current Landscape

94 of the FTSE 100 reported on sustainability initiatives in 2020, according to KPMG. Yet, there is still much that can be done to increase the impact and longevity of these activities.

“Around the world, corporate leaders and boardrooms are slowly getting to grips with the clear connection between financial success and corporate responsibility. This goes far further than a CSR box-ticking exercise. Businesses can have a significant positive or negative impact on society’s biggest issues, including climate risk. What we need to see now is clearer collaboration across jurisdictions and an acceleration of efforts to tackle the environment, sustainability and governance challenges that are slowing the possibility of real, immediate progress.”

Sue Bonney
Head of ESG, KPMG UK

The 2021 Business of Fashion’s Sustainability Index measured the top 15 fashion retailer groups (from Nike to Under Armour) finding a distinct ‘sustainability gap’ in the impact these organisations have. With an average score of 36 out of a possible 100, against six sustainability criteria, these huge businesses still have a long way to go to live up to the ethical targets and communications they espouse.

The jury is out as to whether this gap is borne from a lack of connection between CSR strategy and ambition, an absence of operational delivery, or is purely symptomatic of greenwashing.



The Current Landscape

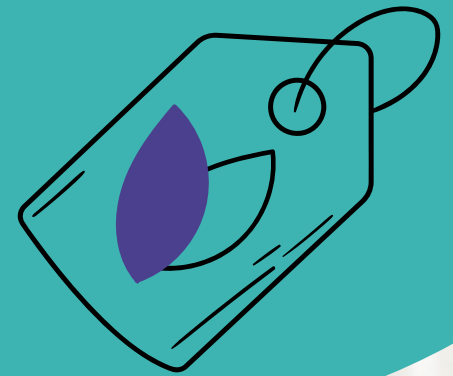
Fast fashion transparency: Boohoo

Fast fashion retailer, Boohoo, are no strangers to ethical controversy after being investigated for the working conditions and pay at its Leicestershire-based manufacturers in 2020. This led to Boohoo cutting ties with much of its UK supply chain and reviewing its procedures.

CEO, John Lyttle, came under fire once again in August 2021 after being questioned on BBC Radio 5 Live about the 'throwaway' nature of the retailer's products, with thousands of listings including tops from as little as £2. Instead, Lyttle suggested it had a clear strategy to become more sustainable with 20% of all its ranges hitting this quota by Autumn 2021, increasing to 40% by Spring/Summer 2022.

However, environmentalists suggest that this commitment is flawed as there is no standardisation across the industry, transparency about what 20% looks like, or any detail as to how the retailer will achieve its ambitions.

“As long as Boohoo remains untransparent about its supply chain, it can make every promise in the world without anyone being able to check. Without supply chain transparency, its promises are just empty words”
– Christie Miedema, Clean Clothes Campaign.



The Current Landscape

It is important for businesses to move beyond just reporting on their initiatives or strategic goals. They must now move to detailing how they reach those targets and the impact their initiatives are having.

Brave businesses pioneering the evolution of CSR not only communicate the positive impact they have, but also recognise the negative impact and are honest about the steps they take to drive change.

“Now more than ever is the time for businesses to stand up. No longer can business just be about profit. It needs to be authentic”

Emma Cooke
Director of Responsible Business, Herbert Smith Freehills

The power of SMEs

While big corporates have the resources and power to make significant social impact (and evidence it in the annual reporting cycle), there is still a job for smaller entities to follow suit.

Perceived barriers faced by medium-sized organisations when trying to embed social value include:

- Lack of understanding about the CSR and ESG landscape
- Social value doesn't tangibly affect bottom line
- Lack of resources (people and financial) to implement
- Too big a problem for a small organisation to fix

This is not to say that all SMEs lack social value consideration. In fact, many social enterprises have purpose baked into their foundations, and increasingly start-ups are forming to address specific sustainability or social needs. Those medium-sized businesses whose founders hold strong ethical values often find they are more easily adopted; the challenge then comes when scaling to 250+ employees.

However, social impact is a journey beyond a business's core service or product offering; it must address its operations, supply chain, policies, and people.

At Culture Consultancy, when supporting our clients, we always begin with their people; they are the cornerstone of the culture and the greatest deciding factor in the success of any change programme. Medium-sized organisations should therefore always engage their workforce at the start of their social impact journey.

Aside from the clear moral imperative to 'do good', as government, consumer, and shareholder priorities shift, so must medium-sized businesses.

UK government driving change

In September 2020, the UK government brought in new measures to deliver value to society through its procurement process. Businesses seeking to win government work must now demonstrate how they will also promote new jobs and skills, encourage economic growth and tackle climate change.

This shift is beginning to impact the private sector regardless of an organisation's intentions to tender for government work — setting a blueprint for UK businesses, large and small, to reflect.



The Current Landscape

Talent attraction and retention

As businesses emerge from the war on Covid-19 and the effects of Brexit become clear, a new battle for talent will emerge.

While the past two years have seen an employer-led talent market, up to 78% of those who secured new jobs at the end of 2020 were undecided whether to stay long term. This means employers should be ready for a retention drive in the coming months, as the economy begins to recover.

The hospitality sector is already feeling the full force of talent shortages with industry bodies suggesting one in five workers have left the sector during the pandemic. This has left the sector needing to address long-held cultures, behaviours and working conditions to attract a new breed of worker. Before embarking on a social value strategy, businesses in all sectors must get the foundations of good working conditions, pay, security, wellbeing, and an inclusive culture in place for their people.

Businesses will need to work harder than ever before to attract and retain top talent as it was predicted one in four employees would switch jobs in 2021. Couple this with 64% of millennials refusing to accept a job with an employer with poor sustainability credentials and generation Z now prioritising purpose over salary, the case for values-led businesses are clear. This is not something medium-sized businesses can ignore as they scale and diversify their workforce.

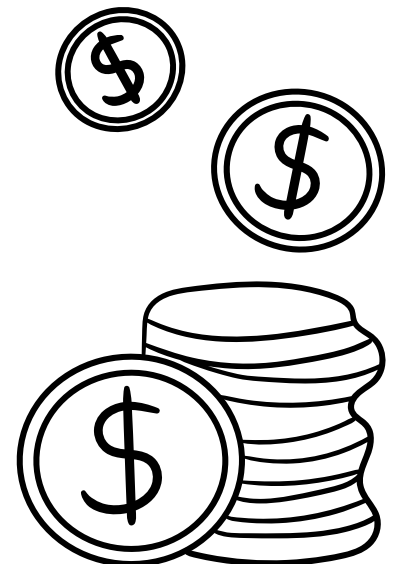
A forward-thinking D&I strategy is a huge element to the new era of CSR and ESG. It is a challenge organisations big and small must all address with only 3.7% of the FTSE 100 having leaders from ethnic minority backgrounds, and female board members still only filling 12.2% of the top three C-Suite roles. Shifting the diversity dial will only happen when businesses design and embed a culture of inclusion; something that must be prioritised by the top team to remain relevant and competitive.

Growth of ethical investors

Investors are increasingly considering non-financial data to make more ethical decisions with their money. Therefore, as social value and ESG starts to impact the bottom line, corporates can no longer just talk a good game.

In fact, inadequate conditions for its workers were cited as a contributing factor to Deliveroo's poor initial public offering (IPO) as it saw shares fall by as much as 31% when it launched in April 2021.

ESG investments are predicted to reach one trillion by 2030 and generated \$21bn in the first quarter of 2021 according to BlackRock. It is imperative for organisations to bring to life their social impact beyond the annual CSR report by implanting it into every aspect of how they operate, beginning with an engaged workforce that are aligned to the leadership's vision, values, mission, and business goals.





Mind the ‘social value’ gap

It’s simple enough to write a policy, but what happens when an organisation doesn’t live up to what it says it will do? Leadership should be beware of the reputational and financial risk associated with talking the talk without delivering on their commitments.

When it all goes wrong: BrewDog.

In June 2021, craft beer brand BrewDog fell under fire after 100 employees, past and present, signed an open letter accusing the brewer of creating a culture of fear, “by valuing growth, speed and action above all else”.

This was particularly poignant as the brewer’s commercial success was at least, in part, due to its self-styled anti-establishment brand, positioning themselves as an ethical option to impersonal corporates and espousing beliefs such as ‘radical transparency’, ‘taking a stand’, and ‘being a great employer’.

The open letter garnered negative press on a national scale forcing the leadership to issue a public apology and hire a culture consultancy, but there are fears the PR crisis could also hamper the brand’s IPO ambitions.



Mind the ‘social value’ gap

Responding to current affairs

Recent years have given businesses ample opportunities to respond to social and environmental issues. The Black Lives Matter protests of 2020 saw a tipping point in the UK, with individuals and businesses acknowledging systemic, institutional, and racial inequality on an unprecedented scale. UK inclusion charity Blueprint for All received one-off donations from over 400 new corporates wanting to address race equality in the UK.

While admirable (and transformational for this small charity working on the front line of inclusion) organisations need to consider the impact a one-off donation will have versus a longer-term commitment to a cause or social issue, which utilises the unique skills of their employees or the products and services they produce.

Knee-jerk gestures in reaction to current affairs can backfire. For example, in Pride month global businesses were accused of ‘corporate wokeism’ by Twitter users when they created rainbow logos to show allyship, only in countries where this is deemed acceptable. With few other initiatives throughout the year to support the LGBTQIA+ community, some corporates’ motives were accused of being opportunistic and inauthentic.

Fearless Girl: State Street Global Advisors

In 2017 US-based asset management company, State Street Global Advisors, commissioned artist Kristen Visbal to create a four-foot tall ‘Fearless Girl’ bronze statue to challenge the Charging Bull of Wall Street. The statue was installed on International Women’s Day to encourage female empowerment and advertise an index fund comprising of gender-diverse companies with a high proportion of female leadership.

The statue garnered global appeal and media attention. Yet it later emerged that State Street paid \$5m to settle a lawsuit from its female and minority employees who alleged the company violated equal pay rights.



Mind the 'social value' gap

Slick marketing campaigns will quickly unravel with today's savvy consumers. The key to building a successful social value strategy is ensuring it is lived and breathed within an organisation. To do this, we recommend organisations follow our 4Es Methodology to educate, engage, enable, and empower their employees.

Our 4Es Methodology



Educate

your people on any changes, why it is important to them, the business, and your industry.



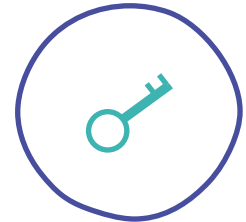
Engage

your people in the culture change to bring them along on the journey and input into it.



Empower

managers to delegate accountability. This is only achievable with the right structure and governance in place.



Enable

your people to act by boosting soft skills like communication and decision making, rather than focussing too much on compliance led tick-box exercises.

How to embed social value with impact

Make social impact a board-level priority

Social value must be a board-level priority. CSR has traditionally been outsourced to corporate communications and HR teams, but a thin marketing veneer will be easily exposed in today's market.

Senior leadership must drive any culture change, but often there is an education piece to be carried out initially to help these teams understand the business benefits of embedding social value, beyond the obvious ethical ones. One way to do this is to provide direct training through small workshops with skilled specialists that understand your industry and can connect with your leadership team.

Engage in self-reflection

Before beginning any sort of culture change, you need a clear understanding of where you are currently. Take stock and review your current practices, understand the points of views of your employees, customers, and wider stakeholders.

Work with external consultants or practitioners who can remain objective and support you in the audit process. You should undertake an audit to assess:

- Culture and behaviour mapping
- Your current social value efforts versus their impact
- Your own diversity and inclusion levels
- Gap analysis: identify if your leadership team are aligned with the rest of the workforce. Then, discover if the organisations internal values, behaviours and culture are aligned with external stakeholders' perceptions. If there is a gap, double down to close it.

Our Culture Consultancy Organisation Cultural Assessment™ acts as a critical friend to businesses at the start of their social impact journey. We use it to help medium-sized organisations to:

- Put in place structures to enable the audit process, such as reporting and internal committees
- Identify pain points
- Understand views from across the organisation
- Provide a baseline measurement for future success

“Embedding CSR starts with leadership. Hire conscious, purposeful, ethical leaders and equip them with the right skills. You want your people to share your values before they walk through the door. It is hard to get people to change their values, so better to hire those who already share yours”

*Jo Geraghty
Culture Consultancy*

How to embed social value with impact

Get to know your competitive set

You are not alone in needing to address the social impact your business has; your competitors must too. Spend time getting under the skin of your industry to see where your organisation can make a difference and carve out a unique and compelling social value proposition.

To make the most of your resources, consider where you want to:

1

Lead. What area of social value makes most sense for you to lead the charge on? Where can you have the biggest impact? What aligns with your values, products, services, and people? Is there a big challenge in your industry you can help solve?

2

Be competitive. Are there areas you can enhance without totally transforming? Do you have a competitor already ahead of the curve on a particular social value theme? Can you follow their lead, or even join forces to tackle a particular issue head on? Sometimes, making a small change (for example, an enhanced shared parental leave policy) can have a huge impact on perception, attraction and retention rates, which far outweigh the cost to the business.

3

Follow. You can't do everything at once; what can wait or be light touch for now? Social value is constantly evolving; there will always be opportunity to circle back and address more challenges in the future. Keep a list of initiatives, challenges or themes that can be reviewed annually when measuring your success and impact.



How to embed social value with impact

Building social value is, in its very nature, about collaboration. For this reason, we are seeing cross-collaboration of competitive organisations on social issues that affect an entire industry or sector. Take the newly formed taskforce designed to make the UK financial and professional services industries more representative, for example.

Innovative collaboration tackling big challenges: Tony's Choclonely

Dutch chocolate company Tony's Choclonely's mission to make '100% slave-free the norm in chocolate' is only achievable through collaboration with other chocolate companies. It has therefore created Tony's Open Chain, an industry partnership challenging producers and retailers to commit to five sourcing principles designed to drive structural change towards a more equally divided cocoa chain. No mean feat for a business which boasts just 150 employees.



How to embed social value with impact

Define your ambitions

Refine what success looks like. Shift your success metrics from valuing effort and initiatives, to instead measuring impact. Be clear about what it is you want to achieve, then design a strategy to achieve those goals.

By linking to board objectives and remuneration you will set your strategy up for the best chance of success. For example, if you need to address diversity in your sector, set clear KPIs to address what you need to achieve within your organisation and by when, then do the same for your wider industry. Once you have set objectives you will be able to plan how to achieve them and measure success definitively.

Investing in social mobility: PwC

PwC knew it needed to address social mobility within the professional services industry. Therefore, when opening a new assurance centre, it thought carefully about how this could generate employment and opportunity for people who wouldn't usually apply for roles at the big four accounting firm.

Instead of offshoring the service, they identified Bradford as an area they could invest in with an untapped pool of talent; talent that didn't want to move to London or travel to another city, talent that would otherwise not have had the opportunity to work for a global company with all the perks that entails.

In 2019, PwC worked alongside Bradford Council to open a 9000 sq ft office, with the capacity to create 300 skilled job opportunities in the city thus working towards its social mobility ambitions.



How to embed social value with impact

Don't bite off more than you can chew

No single entity will solve the social injustices and environmental challenges of the world alone, let alone a SME. Instead, be selective about where you can have the most impact. Make sure your initiatives align to your organisational values, business services, and are truly authentic to your culture.

To add true social value, businesses must move away from token, short exercises to instead consider what can have the most impact while being sustainable. To do this effectively, use the skills of your internal teams effectively.

Plan for the long term

There is no quick fix or silver bullet for SMEs (or any business) to employ, embedding a CSR strategy with social impact takes time. Design a strategy for the long term, however, consider how you can bring this to life with daily activities to make it tangible for your people and ensure the responsibility for your business to act purposefully, lies with everyone.

“Businesses that do not plan through a lens of CSR and ESG will probably fail. Organisations should not only have a five- or ten-year plan, but also a 50-year plan that envisages future business. This is significant for two reasons — firstly, the business can consider strategies that future proof against potential unseen threats. Secondly, people making a 50-year plan will not be there to see the results. This therefore shifts the mindset from short-term profits to consideration of legacy, enabling bigger thinking and more creativity.”

Marcus Jamieson-Pond
CSR Consultant

One way to do this, is for CSR to be used as a lens for employers to consider their skills shortages across the next ten years and focus on upskilling young people. This long-term solution could be a way to get young people into a business early, taking time to train them for the roles required in the future. This could avoid walking into a skills shortage situation and have an impact on youth unemployment.

Engage the whole business

A CSR or ESG strategy means nothing without the resources to implement and embed it across your business. Proving social impact will require the whole business to be on board. Create an experience early on that engages your employees in the process.

Don't assume managers will be able to lead your vision; provide them with the training and tools they need to deliver. To succeed you must balance both dedicated, skilled expertise with making your sustainable goals everyone's collective responsibility.

“If you can crack the right focus areas make them meaningful for your business and help your people on that long-term journey to understand how every single person's job contributes, that then drives culture, change and purpose”

Nadia Al Yafai
Head of Mutuality & Social Impact,
Royal London

Five steps to embedding your social value strategy

To embed a new strategy, you must design a future culture for the organisation that will allow it to thrive and grow. Consider the behaviours, values and working practices you need to establish to make this a reality by shifting your company culture.

Once you have senior management buy-in, the right structures in place and have built your social value roadmap, follow these steps to ensure it is embedded within your organisation and set up to succeed:

1 Upskill leaders and managers.

The leaders of tomorrow need to run purpose driven businesses. Instil the confidence and knowledge for them to take ownership of the culture change required at the outset.

2 Roll out training and internal communications.

Group training sessions and company or departmental wide communications are essential to ensure the whole business is aware of what is expected of them and the impact that the new strategy is designed to deliver.

3 Review all your policies, processes, and systems.

It's all very well having a vision and strategy but if the basics are not in place to corroborate this, mixed messaging will lead to internal apathy. A lack of employee engagement will kill any chance of your strategy coming to life. Work with specialists who can advise on best practice, governance, and the legalities of making changes.

4 Set KPIs and measure impact.

Understand what your baseline is. Set clear goals and benchmarks, then put in place all the technology and data management required to measure your success against your KPIs before you begin. When you start measuring your impact, report back to your internal teams before any external communications. Make their input tangible.

5 Evolve and iterate.

Change is the only constant, your social value strategy must adapt as your business, people, industry, and economy does. Engage all your stakeholders, not just your people, to stay ahead of the evolving landscape and take a long-term view of how you can enforce positive change.

“No matter your focus, acknowledge CSR has changed. It has moved from being activity, hours spent, or cash given — this is no longer a good enough measurement. Instead, everything must now be impact focussed. To do this you must be more strategic to demonstrate how you are moving the needle”

*Jo Geraghty
Culture Consultancy*

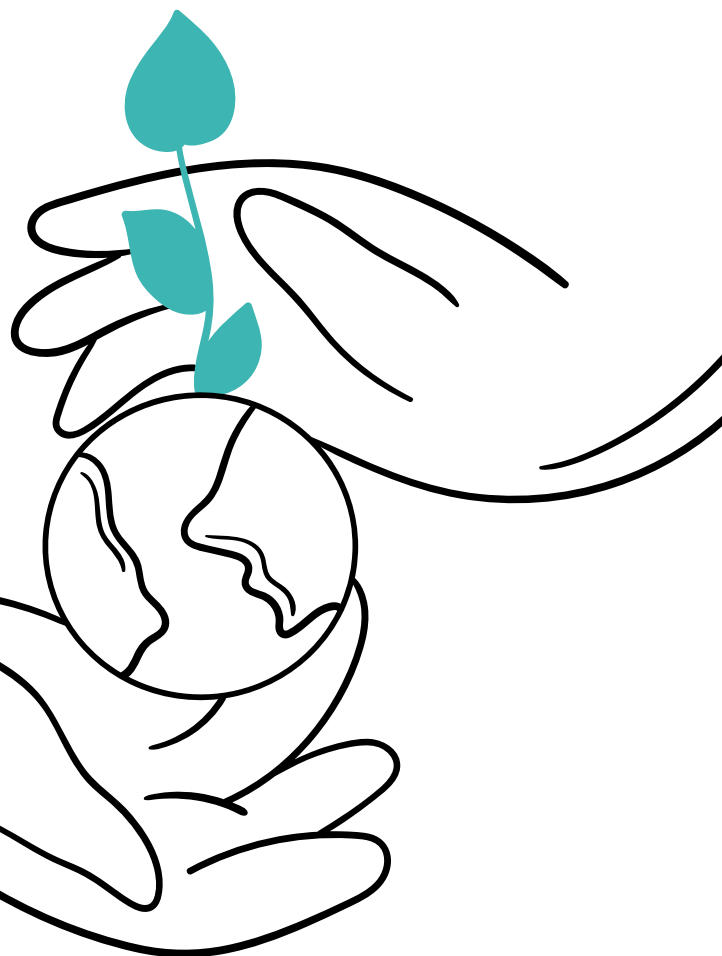
Conclusion

The UN is clear that SMEs play an important role in achieving Sustainable Development Goals and outline ways in which businesses can accelerate development. The challenge for medium-sized operations is twofold; align social initiatives with business operations, services, values, and cultures to prove authenticity. Then embed thoroughly to deliver impact.

CSR as a concept is far from dead. There is much work to be done for businesses of all sizes to fully embed it. There is, however, a distinct shift towards an external, wider world view which takes its lead from ESG. Businesses must consider their impact on the world rather than just the activities and initiatives they put in place to 'do good'.

To make this happen, businesses need to move away from sustainability initiatives sitting as a passion project for someone (often junior) within the organisation. Community action such as volunteering days or charity bake sales traditionally associated with CSR will no longer cut it alone.

Instead, leadership and those with specialist skills, must set a direction and make it a collective responsibility for everyone in the business to act upon. By moving to an ESG mindset, organisations can better consider their place in the world and the impact they have on it.



About Culture Consultancy

Culture Consultancy are experts in culture change. We understand humans and business and know what it takes to grow successful, efficient, and innovative organisations through an engaged workforce. We care deeply about the employee experience, wellbeing, diversity, and inclusion.

Through our work we embed the organisational cultures of tomorrow to improve business results, drive digital innovation, and create loveable workplaces.

Our multi-disciplinary team from diverse backgrounds in HR, customer experience, psychology, anthropology, technology and design, find innovative solutions to complex challenges. Much of our work centres around intricate business or people dynamics; mergers and acquisitions, IPOs, multi-site or remote working teams, leadership changes and other inflexion points.

All the services we provide our clients have long-term impact on their teams, industry, and bottom line. Our recent work with a medium-sized financial services firm has done just that.

Our client needed to update their approach to diversity and inclusion to remain competitive. Culture Consultancy worked with them to define a clear ED&I vision and mission, before helping them bring it to life. Via a series of hard-hitting workshops with the executive team we challenged unconscious biases, shifted perceptions, and built foundations for the leadership team to own the agenda and demand change within their business.

The project encompassed updating processes and policies, identifying mindset gaps, management training, bespoke internal D&I resources, frontline staff coaching, new wellbeing initiatives and practical advice.

Our client has now fully embraced D&I from its recruitment strategy through to gender and ethnicity pay gap reporting, employee led working groups fostering a greater sense of inclusion and a methodology to measure ongoing success.



Ready to talk culture?

If you want support in embedding a compelling social value strategy in your business that ensures your people are its biggest advocates, we would love to help.

Contact us for a friendly chat on
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