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International Institute for Environment and Development

Corporate Social Responsibility at a Crossroads:

Futures for CSR in the UK to 2015

Halina Ward and Craig Smith

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The Authors

Halina Ward is Director of the Business and Sustainable Development Programme at the International Institute for Environment and Development (IIED) in London. IIED is an independent, not for profit research institute working in the field of sustainable development. The Business and Sustainable Development Programme aims to build understanding of where and how business activities can best contribute to sustainable development, particularly in middle and low-income countries, and the kinds of public policy and civil society interventions that are needed.

Dr. N. Craig Smith is Senior Associate Dean of the Full-Time MBA Programme and Senior Fellow in Marketing and Ethics at the London Business School. His current research projects examine corporate responsibility, corporate–NGO relationships, marketing ethics, consumer boycotts, deception in consumer research, and ethical decision-making in an increasingly global business environment. His recent publications appear in the Journal of Marketing, Sloan Management Review, California Management Review, and the Journal of Business Ethics. He is on the Academic Board of the European Academy of Business in Society (EABIS), the Scientific Committee of Vigeo (a corporate social responsibility rating agency), and he consults with various organizations on business and marketing ethics and corporate social responsibility.

Additional inputs were provided by Taina Ahtela, IIED intern; Tom Fox, formerly IIED Research Associate currently with UNDP Zambia; and Bill Vorley, Head of IIED's Sustainable Markets Group.

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IIED
3 Endsleigh Street
London
WC1H 0DD
www.iied.org

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Foreword and acknowledgements

CSR at a Crossroads has been a collaboration between the International Institute for Environment and Development (IIED) and Professor Craig Smith of the London Business School. The initiative was funded by the Esmée Fairbairn Foundation.

The ideas in this report take their inspiration from the analysis and creative insights of participants in the interviews and workshops that were the central element of *CSR at a Crossroads*. But we have not systematically sought out the views of businesses or governments outside the UK, or of communities directly affected by the operations of companies based or headquartered in the UK.

In a project that focused largely on UK-based stakeholders, the 'ghosts' of these stakeholders cast a long shadow on our work. A virtuous CSR bubble in the UK could conceivably pass by communities and primary producers in the South, for example. So care needs to be taken in evaluating our analysis.

We would like to record our appreciation and thanks to everyone who offered their time and creative energies to the project. Their names are recorded in *Annexes A–C*. Special thanks to the London Business School, which kindly hosted our first workshop, to Taina Ahtela and to Juliana Garaizar, whose help in the two workshops organised during the project was much appreciated, to Camilla Toulmin, who chaired both events, and Phil Evans whose cartoons illustrate the report.

Executive summary

The UK as a whole is widely considered to be a leader in the field of corporate social responsibility (CSR); home to some of the word's leading thinkers, practitioners and campaigners in the field. Yet despite this leadership, by the middle of 2006 CSR has become a troublesome term. By 2015, it may well be dead, according to participants in *CSR at a Crossroads*, a process of analysis and stakeholder engagement to build scenarios for the future of CSR in the UK to 2015.

One major problem is that the lack of a single agreed definition of CSR and its objectives has become a real blockage in building understanding on how best to move forward. This problem has two underlying faultlines. First, the extent to which importance is placed on the centrality of the 'business case' for responsible behaviour in defining the scope of CSR practices. Second, the extent to which government is seen to have a role in framing the agenda – and how.

The definitional faultlines also account for lack of agreement on the basic markers of success for CSR in 2015. There may be a large measure of consensus around the goal of corporate social responsibility. But there is still ambiguity about what outcomes it should bring to claim 'success' by 2015. Suggestions in our discussions ranged from 'a more prosperous, equitable society' to 'business as a trusted partner', 'quantified greenhouse gas emissions reductions', 'a global framework for regulating multinational corporate activity', and 'business schools to incorporate CSR elements'.

CSR needs to be understood and practised at two levels; one operational, and one conceptual. At the operational level, CSR is increasingly breaking up into a distinct series of sub-agendas: business and human rights; business and corruption; business and tax avoidance, for example. At the conceptual level, CSR – whatever it is called – will remain useful because it provides space for a higher-level activity in which the boundaries of business obligations to society can be examined, argued and refined. At both levels, CSR needs to be localised so that it becomes more manageable, more tangible, more embedded within the organisation, and better shaped by the interests of stakeholders closest to a company's operations on the ground, wherever they may be.

Though there are always winners and losers, the practices associated with CSR today are deeply vulnerable to external negative shocks; economic recession, a pandemic such as avian flu, catastrophic flooding. Each could create significant disincentives for CSR. Individually, each may seem more or less unlikely. But collectively it is certain that shocks will happen.

A wide range of external contextual factors are also likely to impact on the future of CSR in the UK. Some are already part of the everyday consciousness of CSR practitioners – the implications for CSR of the growing economic and political significance of countries such as India, China and Brazil for example, or the threat of climate change disaster. Others are less part of a shared CSR consciousness: the implications of a shift towards predominantly Southern-based workforces in some sectors or UK-headquartered businesses, for example, or the implications for CSR of skyrocketing healthcare costs in the US and Europe.

Building an agenda that is resilient, and whose good practices are able to withstand external shocks and respond to the contextual factors that could impact on the future of CSR in the

UK, means strengthening the distinctive contribution played by key stakeholder groups in the UK.

Campaigning non-governmental organisations need optimal legitimacy in the eyes of others if they are to be effective. Think-tanks aiming for innovation coupled with influence on decision-makers need to resist the temptation to chase funding rather than set agendas. Business leaders who want ethical values to play a bigger role in business, but coupled with a strong financial business case for responsible behaviour, can make some limited progress alone – but they need other actors to create the right overall enabling environment. As one business person remarked in conversation, "*the real problem is that we currently don't have governments or consumers punishing the bad guys or rewarding the good*."

We considered four overarching scenarios for the future of CSR in the UK to 2015, based on the relationship between the financial business case for CSR, and the extent of the government appetite for intervention in the marketplace.

For government, an ideal scenario would be represented by a low appetite for intervention, coupled with a high and demonstrable commitment to sustainable development. But a primary obstacle to achieving this desired state is the limits of active consumer engagement for responsible business and the willingness to pay for it, coupled with continued evidence of the patchiness of the financial business case for CSR.

Even apparently implausible and undesirable scenarios – a low financial business case coupled with a high government appetite for intervention, for example – become entirely possible when plotted against possible external events. A government in hock to vested interests, or drawn to highly interventionist legislation in response to public outcry in the wake of a single event, might behave this way for example.

The distinctive contributions of existing stakeholder groupings to CSR will need to be strengthened if positive outcomes are to be maximised. But it is also clear that crude generalisations about the beliefs or perspectives of individual stakeholder groups may not hold good for the future.

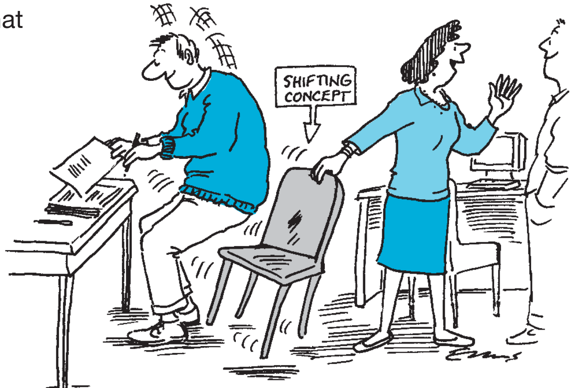
Increasingly, CSR business leaders and non-governmental organisations agree on the need for a clear, progressive public policy framework. That means that the UK government should play a stronger, more active role in promoting CSR, intervening in the marketplace when a clear societal case can be made.

Trade associations too must reform if they are not to become significant obstacles to progress. Frustration with the lowest common denominator approach of mainstream associations may cause some businesses to pull out. We see clear potential for the emergence of a progressive UK business coalition on sustainable development.

Seeking to future-proof CSR against all eventualities isn't feasible. But equally, it is clear that 'business as usual' will certainly not be enough to deliver the markers of success that are today associated with today's CSR aspirations and frustrations. The financial business case for CSR, whatever its sources, must be put beyond the reach of short-term boom and bust. All stakeholders will need to work to maximise their individual positive contributions, and new bedfellows will emerge. Only one thing is certain: the 'CSR agenda', whatever its content or its labelling, will not remain static.

1 Introduction: why 'CSR at a Crossroads' – and why scenarios

Corporate social responsibility, or CSR, is a shifting concept. People often talk about it as if it were a recent phenomenon, but in reality its core is the ongoing effort to understand what it means to understand business as part of society. And that is an effort that is as old as business endeavour.



'CORPORATE RESPONSIBILITY IS A SHIFTING CONCEPT'

This report records the analysis and ideas that emerged from a series of conversations and two workshops held over the period from February–July 2005. We framed our exchanges with a single question: *"what will the CSR agenda look like in the UK in 2015?"*, which is also the date set for all 191 UN members to meet the United Nations Millennium Development Goals.

Different metaphors describe the evolution of CSR. Some people might argue that having scaled a steep cliff, we are now at a gradually rising plateau. Others see more visceral geological forces at work, with *"CSR as a social phenomenon consolidating at the same time as pressures are building up"*[1] so that "*the crust is hardening, and that is creating more heat underneath*". Many people today would agree that corporate social responsibility (CSR) in the UK has reached some kind of crossroads or turning point.

Despite the UK's prominence in the field of CSR, there are few opportunities for collective strategic thinking about CSR across stakeholder groups. *CSR at a Crossroads* was designed to help to fill that gap. Our aim was to facilitate a dialogue across informed stakeholders in the UK; to provide an accessible map of the territory; and to set out some plausible scenarios for the future shape of the CSR agenda in the UK. We adopted a ten-year horizon to encourage participants to think beyond their usual planning horizons, whilst reflecting on what currently looks probable.

We based our work on the following stages:

1 Initial conversations between the project team[2] and a group of thirty CSR stakeholders (listed in *Annex A*), mostly but not exclusively UK-based, over February and March 2005. We took stock of the UK CSR agenda through exchanges on some key questions: "where has the UK CSR agenda got to and why?" "Is CSR at some sort of crossroads?" "What are the challenges for the future?" and "Is the UK considered a 'leader' in the field?"

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1 Quotes throughout are unattributed and approximate, designed to capture the essential flavour of interviewees' remarks and concerns

2 Halina Ward, Craig Smith, Tom Fox, Bill Vorley

2 In May 2005, we organised an initial workshop, hosted by the London Business School with a mixed group of twenty-four participants from business, not-for-profit and government backgrounds who considered a number of basic framing issues in more detail: the substance and significance of different working definitions of CSR; a timeline of key events in the history of CSR in the UK; external drivers of change in the UK CSR agenda to 2015; a stock-take of progress and key achievements to date; and a more detailed focus on a handful of specific CSR challenges.

3 The project team used these initial exchanges to guide development of an initial framework for a possible set of UK CSR scenarios to 2015. These were the basis for a second workshop, held in July 2005 at the offices of the Esmée Fairbairn Foundation. Some of the participants had been to the first workshop – but there were newcomers too. Participants elaborated a set of stakeholder-specific scenarios and desired futures for CSR in the UK in 2015, alongside a single set of four scenarios combining different stakeholder perspectives.

4 Finally, the project team worked through the possible decision-making implications of the scenarios that had been developed.

Readers of this report will gain most inspiration by reading it in its entirety; the views of the people who we talked to and who offered their ideas during the course of the project offer rich food for thought. But Section 4, *The road ahead,* can also be read as a stand-alone set of reflections on the implications of the entire endeavour for CSR in the UK to 2015.

Section 2 summarises insights from our initial conversations and the first workshop. And Section 3 contains more detailed information on the stakeholder-specific scenarios that led to our combined scenarios for the future of CSR in the UK to 2015.

'THE REPORT IS BEST READ IN ITS ENTIRETY...'

2 Taking stock of CSR in the UK: the 2005 landscape

What is corporate social responsibility?

Plotting the future of CSR presents some basic challenges. The first is the basic uncertainty over how to define the scope and the content of CSR. The lack of a single clear definition of CSR and its objectives can often seem like a blockage in building common understanding on how best to move forward.

Some UK-based campaign groups have contributed to an emerging backlash against CSR, most vividly in the Christian Aid publication *Behind the Mask: The Real Face of Corporate Social Responsibility*.[3] And many UK-based businesses are now showing distaste for the term; preferring instead to talk of 'corporate responsibility' or 'the business contribution to sustainable development.'

> *"CSR is a dreadful expression – it suggests an emphasis on the 'social' and not the 'corporate' "*
>
> *"we have to drop the 'social' of CSR – as long as it's there, CSR will be an add-on and not internalised within the business"*
>
> *"the 'social' part suggests that CSR isn't about issues such as environment"*
>
> *"we have to see the death of CSR so that social responsibilities move to the core of business"*
>
> *"the problem with the expression 'CSR' is the word 'responsibility', which makes it a branding or marketing exercise. The notion of 'corporate citizenship' is far less controversial"*
>
> *"we have to get beyond CSR because in CSR everything is trashed"*
>
> *"CSR is a dead term"*
>
> **Interviewee concerns about the expression 'CSR'**

The range of possible definitions of 'CSR' is closely related to two considerations. First, the extent to which importance is placed on the centrality of the 'business case' for responsible behaviour in defining the scope of CSR practices. Second, the extent to which one sees a role for government – particularly through legislation – in framing the agenda.

The range of possible definitions of 'CSR' is closely related to two considerations. First, the extent to which importance is placed on the centrality of the 'business case' for responsible behaviour in defining the scope of CSR practices. Second, the extent to which one sees a role for government – particularly through legislation – in framing the agenda. We returned to these underlying reasons for different definitions of CSR later in the workshop as we framed scenarios for its future in the UK to 2015.

3 Christian Aid, 2004. Available online at http://www.christian-aid.org.uk/indepth/0401csr/

If the 'business case' for CSR is key to defining the boundaries of the CSR agenda, that would indicate that as the 'business case' expands, so too do those boundaries. But 'business case' arguments are not the only way to define boundaries. Some businesses choose to balance 'values' and 'business case' based arguments for CSR: "*I don't think a company can do CSR purely based on values without taking account of the business case. You have to take values first and then build the business case on that*," said one business person we spoke to.

There are also businesses that understand philanthropic activities as an expression of CSR, though this is sometimes criticised on the basis that philanthropy that is not integrated in core business activities should not properly be considered 'CSR'. And there are more nuanced approaches to analysing the relationship between 'business case' and 'philanthropic' visions of CSR too: "*as soon as serious money needs to be spent, you need something more than CSR. For example, if a major pharmaceutical company decides to spend £Xmillion on access to essential medicines, it's still only doubling a small philanthropy budget. But if you want that company to devote 10% of its R&D to it, that's a whole different story. You need a real business argument to bring about this change*".

Whilst there may be general consensus that CSR is at heart about viewing businesses as part of society, there is much less certainty about the nature and scope of these societal obligations.

Many businesses understand CSR as encompassing only 'voluntary' business action 'beyond compliance' with legally mandated baselines. For example, the definition of CSR that is favoured by the European Commission is that it is "*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.*"[4] In contrast, many non-governmental organisations (NGOs) have chosen to focus on building support for a distinct agenda on 'corporate accountability' through law. And a few (IIED among them) have argued for the legal accountability of businesses to be brought more centrally into the CSR agenda, so that the two are effectively integrated.

Different approaches to defining CSR also reflect wider perspectives on its value in framing understanding of the role of business in society. For example, CSR could be understood essentially as a source of competitive advantage, or alternatively as a collaborative effort to change perceptions of the role of business in society. A similar sentiment was reflected in the contrast between the view that "*CSR is the business contribution to the wider agenda of sustainable development*", and the person who argued that companies don't 'do' sustainable development – they simply have a role.

The underlying rationale for different definitions of CSR may also be connected to views on a related question: "whose agenda is it? How much must the agenda focus on businesses, and on what businesses can and are willing to do?" Some people stress the importance of putting business at the centre: "*corporate social responsibility is only relevant when businesses have choices*". Or "*CSR is about business responsibility – which businesses can choose to take or not… CSR loses its purpose if it ceases to be business-led…*"

Whilst there may be general consensus that CSR is at heart about viewing businesses as part of society, there is much less certainty about the nature and scope of these societal obligations.

4 Communication from the Commission concerning Corporate Social Responsibility: A business contribution to sustainable development, COM (2002) 347(01), 2nd July 2002, available online at http://europa.eu.int/comm/employment_social/soc-dial/csr/csr2002_en.pdf

Is the UK a global leader in CSR?

In our early discussions, one commentator suggested that the UK provides an ideal breeding ground for CSR. We tested the idea of UK leadership when we invited participants at our first workshop to consider whether the UK is a leader or a laggard in terms of CSR. Except for one, all considered the UK to be a leader, and on a scale of –5 to +5 the mean value was around +3. But in discussion, two caveats emerged.

First, some participants saw the UK as a leader in voluntary CSR but a laggard in binding corporate accountability. And second, the concrete results of leadership were questioned. *"There has been a lot of noise so far, but it is interesting to see what the outputs … are".* While the UK might be very good at creating conversations and frameworks, that does not necessarily translate into improved performance.

If the UK is a leader what are the sources and nature of its 'CSR comparative advantage'? Initial conversations pointed to a number of distinctive factors:

- The UK's home as the headquarters of a number of the big accountancy firms, who "charged into the CSR space"
- An environmental NGO community pioneering engagement with business
- A *"sophisticated journalistic class"*
- The UK's experiences of some of the earliest privatisation processes and of the impacts of the industrial revolution
- *"Two powerful Anglo-Dutch drivers in the shape of Unilever and Shell"*
- The Quakers, Rotary International, the Freemasons, and the notion of the 'benign industrialist' – contributors to the evolution of CSR – all had a significant role in defining business practices in the UK
- The insurance industry, which was an important driver of change as asbestos claims impacted on the City of London
- Internationally, the UK government's "*unique role.. because of its international positioning and its colonial past"* – which, suggested one interviewee, had proved valuable in launching initiatives such as the Voluntary Principles on Security and Human Rights and the Kimberley Process Certification Scheme.

The balance between 'state' and 'market' in the UK may also be an important factor in the country's 'leadership' across stakeholder groups. "*We have been reinventing the relationship between business and society since Reagan and Thatcher*" said one interviewee who added: "w*hilst the Swedes or the Swiss or the Germans might regulate, we don't do that. Instead, the same values lead us to the CSR agenda*".

It would be wrong to be complacent about the UK's leadership. One business person pointed to the stronger record of US businesses on issues of diversity in the supply chain. Indeed, any steps to focus consciously on building and sustaining the UK's comparative advantage might also be counterproductive: "*We are beating our chests here in the UK – but we have to move the agenda* *to the South.*" One person went so far as to contrast what she saw as a 'wrong turn' in CSR in Europe with the emerging agenda in parts of the developing world such as Brazil or South Africa, which engages much more with issues to do with poverty reduction and development.

Understanding where the UK's leadership has come from points to a need to understand its historical context. And so at our first workshop we invited participants to add events to a 'timeline of key events in CSR in the UK'. (*See opposite.*)

Where has the UK CSR agenda got to today?

Five years ago companies were mostly sceptical about CSR – except for niche players – whereas today, CSR is generally seen as a legitimate, even mainstream activity. A degree of maturity in the agenda now is also reflected in the 'splitting off' of distinct themes – such as 'business and human rights'. "*CSR is increasingly breaking up, meaning different things in different places*" with the emergence of distinctive regional perspectives. There is a trend for *"corporate responsibility to get more sector-specific and more company-specific*" as individual sectors focus on the particular issues that are most significant to them, or individual companies develop distinctive approaches and innovative CSR practices.

Even if within the CSR community it may appear that there is steady progress, it is important not to forget that a larger proportion of businesses have not yet chosen to engage with the agenda at all. "*CSR is in the phenotype. But it's not yet in the genotype, and it's definitely not in the DNA*", was one way in which the essential challenge was expressed.

There is also a risk that companies have become adept at 'working the agenda' to their advantage – gaining credibility for their application of CSR tools, whilst carrying on businesses that many would consider fundamentally harmful for society. One person pointed to British American Tobacco's social and environmental reporting as "*technically perfect*" notwithstanding the harm caused by the company's core product.

BRITISH AMERICAN TOBACCO'S REPORTING IS 'TECHNICALLY PERFECT'

Equally, gaps in the coverage of the current CSR agenda may mean that the positive contributions of some players have been overlooked. For example, one interviewee remarked that SMEs are often more likely and ready to take a longer-term perspective on the 'value' of CSR-related actions. And a lack of sustained NGO or consumer pressure may also be a brake on progress for companies that would like to go further.

Landmark events in the history of CSR in the UK

1600 1700 1800 1900 1950 1960 1970 1980 1990 2000

- **1600** East India Company formed
- **1769** James Watt patents new steam engine
- **1785** New Lanark founded
- **1832** Factory Acts, slave trade ends
- **1884** Lever soap factory opens at Port Sunlight
- **1929** Stock market collapse
- **1960's** Thalidomide
- **1973-4** ITT-scandal in Chile, launch of UNCTC
- **1976** Body Shop opens for business
- **1977** Sullivan Principles
- **1984** Union Carbide: Bhopal
- **1985** Barclays pulls out of South Africa
- **1989** Exxon Valdez
- **1990's** Social Return on Investment (SROI)
- **1991** Robert Maxwell dies, BCCI collapses
- **1992** UNCTC and its Code dropped
- **1993** Forest Stewardship Council launched
- **1997** Tony Blair's Labour government
- **1998** ETI launched
- **1999** Seattle Protest
- **2001** Collapse of Enron
- **2002** Johannesburg Summit (WSSD)
- **2005** Future of CSR Workshops

- **1823** British Anti-Slavery Society
- **1895** Rowntree/Cadbury Bourneville
- **1917** Russian Revolution
- **1962** Silent Spring published
- **1973** Invention of the Internet
- **1970's** Rise of green groups
- **1977** Nestlé boycott starts
- **1981** Inner City riots
- **1989** First BSE case in UK
- **1991** Dissolution of USSR?
- **1992** Rio Earth Summit
- **1993** Ecology of Commerce published
- **1995** Brent Spar scandal
- **1990's** - 2000 Shareholder activism
- **1999** OECD Guidelines?
- **2000** UK's first CSR minister appointed
- **2001** Cape Plc litigation
- **2001** China's accession to WTO
- **2003** Film *The Corporation* released

"The real problem is that we currently don't have governments or consumers punishing the bad guys or rewarding the good."

"Consumers assume that the job has been done, for example on the issue of genetically modified (GM) foods. But supermarkets in the UK are on the brink of accepting GM products".

More pessimistically, there is also a view that "*without doubt the debate has gone backwards*". Businesses operate in an increasingly cutthroat marketplace which can make it more difficult to justify CSR activities that are not accompanied by clear short term gains. Another expert suggested that ethical trading issues overall are falling down the company agenda in terms of visibility and significance. And NGOs returning to calls for regulation may mean less campaigning directed at individual companies.

At our first workshop, we invited individuals from three stakeholder groups to offer their perspectives on where the CSR agenda has got to so far.

Taking stock: a Labour union perspective

"Incorporating employment relationships within the CSR agenda has been slow. The voluntary concept of CSR has made it easier for corporations to be picky on which issues they focus on in CSR. Employment issues are often seen as an issue only for human resources and nothing to do with CSR."

"This has changed in last five years, along with the notion of CSR as something that includes all of a company's activities. …The debate about the definition of CSR has helped to bring about a more comprehensive framework."

"Big labour standards scandals have brought about a public recognition of these issues that is far greater than 10 years ago. Major future challenges lie in the vast number of different initiatives, and in monitoring. Many existing voluntary codes do not include labour standards. And there is also a failure to understand the meaning of worker consultation."

"There still is a lack of recognition of trade unions and collective bargaining in the CSR debate. Collective bargaining should be at the core of CSR. If it is not, it is not clear what CSR is."

Taking stock: an NGO perspective

"In the 1970's, green groups were the first NGOs to take action on corporates. In the beginning of the 1990's NGOs recognised that even though their work had been successful in tackling specific issues, it had not changed the corporate world as a whole. NGOs were willing to give voluntary initiatives a go."

"Towards the end of the 1990's many NGOs got their fingers burnt and became disillusioned. They had put a lot of resources into changing corporate behaviour, but the corporations had not changed. This was a juncture point: business continued to go forward and NGOs started to question."

"Where do we go next? Will we continue to see this divergence, or convergence again? Will NGOs and corporations agree on the need for both voluntary and legislative regulation? If not, there will be more and more diversion in society. A key debate for the 21st century is what kind of capitalism do we want, if we want capitalism at all?"

Taking stock: a Government perspective

"The CSR agenda as a whole is not at a crossroads. It is not a one size fits all agenda, but a broad agenda, with different, specific issues: for example climate change, carbon tax, EU emissions."

"Neither is the key question about making a choice between voluntary or mandatory. There are a variety of initiatives. The question is where the balance lies."

"In government there is no political impetus or political space for mandatory solutions. Even if all was government mandated, would that deliver the goal of 60% carbon emission reductions? The answer is no. There are no generic solutions."

Taking stock of CSR: a business perspective

"Getting money men to understand CSR has been quite a challenge. Companies want to do CSR. But the CSR road is getting very congested. Taking the whole piece and implementing is tough."

"The shareholder returns are moderate… We have to recognise that there are tradeoffs: companies can't deliver everything. Companies need some guidance. There is a need for metrics to measure these tradeoffs."

"Change will be market driven, but it includes some regulation. Business is not always against regulation."

Is the UK CSR agenda at a crossroads?

We began our project with the idea that the CSR agenda in the UK has reached a 'crossroads', or perhaps a number of crossroads. We saw the crossroads represented by a series of dichotomies, such as the idea of a split between 'voluntary versus regulatory' approaches to pursuing business responsibility, or 'CSR in the corporate ghetto[5] versus CSR integrated in core business'.

A variety of alternative perspectives on 'CSR crossroads' emerged from our initial conversations. And it became clear that there were mixed views on the usefulness of this approach. The idea of a 'crossroads' didn't appeal to everyone. In the first place the choices are far from clear; the idea of a 'crossroads' may overstate the extent to which there are alternative directions; the notion of a crossroads is static not dynamic; and it suggests an intersection of two roads not, for example, a 'seven dials' or a 'turning point'. Alternative characterisations emerged.

● *"Yes" CSR is at a crossroads*

"We are at a crossroads, because we're not going to get any further with the current agenda. We should either drop the 'S' of CSR and make an aggressive business case, or we should regulate".

"We are at a crossroads with some businesses having a focus on the narrow business case, whilst others see a broader case based on a more all-encompassing view of 'enlightened self-interest".

"We are at a crossroads between CSR as purely enlightened self-interest versus CSR as fulfilling societal interests perhaps at the expense of corporate economic interests".

"We are at a crossroads 'between CSR as a voluntary corporate activity versus CSR as a result of greater accountability stemming from legal or regulatory change".

● *"No" CSR isn't at a crossroads*

"We are at a turning point characterised by increased consciousness of CSR".

"CSR is at a watershed which could go in very different directions because of different expectations on what the agenda is there to deliver".

"The agenda is at a significant point, but not in the sense that it either goes a certain way or dies".

"We have scaled a steep cliff in a short period. Now we are at a gently rising plateau. But we are generally on the right road".

(continued)

5 The idea of CSR in a corporate ghetto was put forward in an article by Craig Smith and Craig Cohon in an article in the *Financial Times*, "Good works in a corporate ghetto", 8th December 2004, page 21

"We are on a long dark road. With a torch, we can only see twelve feet ahead. So we can't see whether there's a crossroads ahead or not".

"Companies are now at a 'responsibility frontier' where responsibility starts to conflict with business value".

"There has been a gentle upward gradient of interest and that is likely to continue".

"The agenda has come full circle.. NGOs in suits emerged, and the CSR agenda as a whole became professionalised, with lots of competence but little consensus on what companies should actually be doing. And now a number of NGOs are beginning to say that the agenda needs to change again, through regulation".

"If we're coming to a crunch, it's whether companies are going to take this seriously".

Mapping key outstanding challenges

Taking the current CSR agenda as a given, in all its diversity, what are the key challenges or themes that still need to be addressed? This was one of the themes of our initial exchanges.

… in the next five years, CSR will either be about the whole process of how business creates wealth, or it will have faded away …

More than one person spoke of the changing role of business in relation to some of the great societal challenges of the twenty-first century. *"The real challenge is to make markets out of public goods"* said one. Another suggested that there is an outstanding need to bring clarity to understanding the respective 'spheres of influence' (and responsibility) of government and business actors respectively. "*Whilst there is a 'negative' consensus that Shell in Nigeria hasn't got it right yet, there is little consensus on what is needed*". One person saw a need for businesses to become more visible in public policy: *"Companies will need to be braver within the public space, for example on climate change"*. But another cautioned that "*the things that are now thrown at business"*, such as global poverty, *"will get business very confused*".

The economic policy dimensions of CSR may increasingly come to the fore. For one person, the constraints of market-based drivers of responsible business practices indicate that different market structures may for the future be needed. One predicted that *"in the next five years, CSR will either be about the whole process of how business creates wealth, or it will have faded away"* One suggested that we might see *"more on the normative governance of industries through economic regulators"* (such as OFWAT and OFCOM) and another interviewee made the suggestion that, at the heart of CSR might be the question: "*is someone being ripped off?*", as reflected in emerging discussions on corporate responsibility in the context of corporate taxation.

Business management issues

There were divergent perspectives on whether radical changes in business practices may be called for in the future. For one manager at least *"the core business principles won't vary… The centre of attention will be different, not the nature of the view"*. And whatever it is called, the notion that environmental and social considerations should be integrated in business activities needs a continuation of the CSR agenda and a central point of reference, said one business person.

A clear challenge for many is for CSR to move to core business activities. *"The next stage is embedding CSR in core management functions, such as marketing".* One positive trend is the emergence of a new generation of business leaders who view CSR (or CR) as an essential part of business success.

The tools of CSR

Some part of the future CSR agenda will be defined by the impacts and longer-term development of some of the current tools of CSR. A variety of views emerged. Some workshop participants identified a distinct problem in the increasing number of CSR-related codes and regulatory constraints. *"There is likely to be more on transparency"* said one person. "*But I fear that in the quest of improving reporting, people will put more emphasis on things that can be displayed numerically."* The International Organisation for Standardisation, ISO, has recently begun to develop an international guidance standard for organisational social responsibility. Could that, wondered one interviewee, *"be the biggest disaster for CSR… as the globally accepted lowest common denominator standard, or could it instead enhance the outreach and potential of social responsibility in a way that has not yet been seen?"* Another suggested that "*when aggressive players in the marketplace fail to engage with voluntary initiatives such as the Ethical Trading Initiative, there's a need for those initiatives to start naming and shaming.*"

The role of NGOs

Several conversations focused on the roles of NGOs and business groupings in the future agenda. Some interviewees suggested that NGOs are increasingly returning to government and regulation as the objective of their campaigns. So is a mass NGO withdrawal from CSR likely? No, said one. *"There is a sense that NGOs are saying that they will only invest in CSR if companies take it seriously. But I don't think it's yet time to up the ante, to say get in or get out. Because people still don't know what 'good' looks like. The experimentation isn't over yet"*. NGOs recognise that you need both carrot and stick. *"So companies have to be more serious if they are going to get a response from NGOs".*

NGOs might face their own 'crossroads', namely "*how to work with integrity as a partner and a critic.*" And another a business person cautioned: "*Don't underestimate the counterproductive effect of carping [from the sidelines] because it increasingly persuades businesses that engagement isn't worth the bother*". This contrasted markedly with those interviewees who saw a ramping-up of NGO and consumer pressure as essential to progress.

Two interviewees remarked on what they saw as a "*lack of credibility in the NGO corporate accountability agenda*" and one described a "*staggering lack of capacity to hold [individual] companies to account*", but added that even so, *"slowly the corporate accountability agenda will be proved right"*.

The role of business associations

A number of people offered thoughts on the collective representation structures for business. One wondered whether for the future an increasing number of 'leadership' businesses might leave their existing trade arrangements. Another pointed to the Confederation of British Industry's *"increasingly reactionary stance on issues such as emissions trading"* which *"might make it hard for companies to keep quiet"*. At the European level, one interviewee suggested that 'intrasectoral' cooperation and activity has already become a competitive issue, with the traditional European associations such as UNICE increasingly challenged by competitors, particularly with the emergence of a CSR-focused business association, CSR-Europe.

External factors that could affect the future of CSR

To understand the longer-term likelihood of insights into what needs to happen actually taking place, we took a step back. At our first workshop, we asking participants to consider "what are the external contextual factors that are likely to affect the future CSR agenda?"

Based both on initial conversations, and further discussion at the first project workshop, we identified a wide-ranging set of external contextual factors that, in some combination, would likely have an impact on the future of CSR (*see the Box below*). Some are already part of everyday consciousness for many CSR practitioners, others less so.

External contextual factors that could impact on the future of CSR in the UK

Political factors

- The probability (or improbability) of a political move back to the Left or a shift to the Right at domestic level, or other changes in the 'colour' of government.
- The future of international organisations such as European Union and the United Nations: which model will the EU follow along a scale from liberalisation to social protection? Will it develop towards tighter integration or grow in size?
- Potential failure to meet internationally agreed goals such as the Millennium Development Goals and the Kyoto climate commitments, and a failure of collective decision making in the UN.
- Changes in the political or economic environment in the US, which was mentioned by a number of interviewees as a key influence on business practices in the UK.

Economic factors

- The likelihood that a serious economic downturn in the future could reverse progress in CSR.
- The increasing economic significance of 'middle-men' companies that are neither branded nor widely known outside their sectors.
- A continued rise in the use of hedge funds, which now make up a significant proportion of equities, and in which stakes are typically held for between 24 hours and a week. If real money is made in hedge funds, suggested one participant, CSR could become irrelevant.

(continued)

- The future of the current City model
- Access to capital
- Increasing market concentration
- Skyrocketing healthcare costs in the US and Europe.

Social factors

- Change in value systems, for example, a rise of fundamentalism or the Christian right
- Change in people's life goals and values towards emphasis on social and environmental satisfaction, which could affect the CSR agenda by providing an underpinning for increasing challenges to pro-market philosophies.

Environmental factors

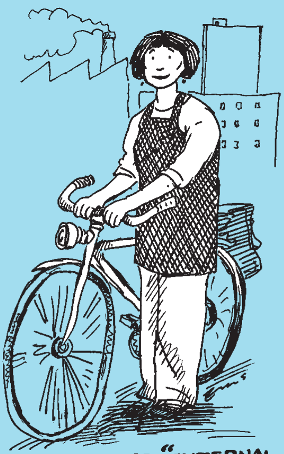
- The threat of climate change disaster, which might not only create chaos but also challenge current attitudes to economic growth.
- Recognition of the increasing scarcity of natural resources such as oil and water, which would bring a threat of increasing instability, conflicts and war.

Technological factors

- Whether new technologies and innovations create new problems or solutions to existing problems, the future of communications technologies and the digital divide has significant contextual implications for the future of CSR in the UK.

Growing significance of BRIC countries

- The growing economic and political significance of countries such as Brazil, Russia, India and China (the so-called BRIC countries) provides a general context for the future of CSR. The longer-term impacts of China's participation in the global economy and its implications for standards of social responsibility are already widely recognised as a significant issue: but what kind of capitalism will China choose for the future? One interviewee cautioned against the view that China's increasing presence in the global marketplace would necessarily drive down standards: "*Here in Europe, we're not more unemployed than we were fifty years ago. And increasingly the costs of employing a worker in South Korea are the same as those in parts of Europe*".



ABOVE: THE "EXTERNAL MENACE" OF CHINESE ECONOMIC GROWTH.

- A continued rise in the importance of Asian business and the potential for a shift towards predominantly Southern-based workforces in some sectors or businesses may have a significant implications for the geographical 'rootedness' of CSR strategies and approaches.

Markers of success in CSR

Working through the changing external context for CSR and its implications is helpful in getting to 'how to' thinking across stakeholder groups. The drawback is that, without a specific factual context, it can equally serve simply to raise general statements of what 'ought' to happen that mask real underlying differences of opinion within individual stakeholder groups. In our second workshop we sought to address these more directly.

Participants in an initial session at our second workshop focused explicitly on the question: *"what would constitute success in the CSR agenda of 2015 – whatever the agenda's label?"* Answers reflected a wide range of perspectives on both the scope of the term CSR and key issues that remain to be addressed.

At the most general level, a successful CSR agenda might be associated with achievement of a "*more prosperous, equitable society*". Many participants made points about mainstreaming CSR to the point where we stop discussing it, or view it simply as a standard part of business practice. This notion that CSR should become the norm was also reflected in the suggestions that CSR would be taken seriously by financial analysts, and that businesses would make ethical decisions even when there was no business case for doing so. *"Business as a trusted partner"* and "*trade associations drive a race to the top*" were also put forward as candidates for measuring success.

More operational suggestions highlighted ethical and social performance within the metrics of business. A number of markers concerned greenhouse gas emissions reductions – both as part of mainstream business activity and in terms of devising measurement tools. In the public policy realm, one suggested that green and social accounts should have taken on a status equivalent to GDP.

Several participants focused on the role of business in development, in which success might be measured by "*an inclusive agenda, where southern stakeholders and SMEs play a full role in shaping expectations*"; "*0.7% of company profits going to local community development in overseas operations*"; "*action on business and the MDGs (Millennium Development Goals)*"; "*proactive performance against relevant MDGs*" and "*an accepted definition of corporate complicity to tackle negative business impacts in fragile states*".

Public policy also emerged as a distinct theme, for example in the suggested markers "*leading players supported by good legislation and public policy*" – rather than exposed and less competitive; "*nobody ever talks about a 'voluntary versus regulatory' divide*"; "*governments are more assertive in asserting public interest in areas of market failure*"; "*meaningful, informed debate and action on the pluralist company*"; "*a regulatory framework in place to guarantee minimum standards*", and "*a global framework for regulating multinational corporate activity*".

A final cluster of ideas reflected on the quality of CSR debate and understanding of the role business in society, for example in the suggested markers "*a collective view on roles and responsibilities*", "*networking for best practice*", and "*business schools to incorporate CSR elements*".

3 Developing scenarios for the future of CSR in the UK

Stakeholder-based scenarios for the future of CSR in the UK to 2015

Our second workshop aimed to apply insights from our earlier analysis and exchanges specifically to the task of generating scenarios for the future of CSR in the UK to 2015. We began with stakeholder-specific scenarios for each of four stakeholder groups – business, campaigning NGOs, government and non-campaigning NGOs. In the second part of our workshop, we moved on to develop four overarching scenarios.

A simple scenarios development process often works by asking its participants to tell stories about possible futures. The futures are generated from the four corners of a grid formed from two axes – each of which should allow exploration of key issues associated with the central question that participants have been asked to explore. In this case the central question was "*what will the CSR agenda look like in the UK in 2015?"*.

The project team proposed a series of basic parameters – two for each of the four stakeholder groups. In each case the parameters were derived from some of the most significant undercurrents in our initial discussions.

We asked participants to test the proposed axes for their match against the following criteria, and propose changes where they were needed:

- Relevance in terms of enabling storytelling about each stakeholder group's role in CSR
- Usefulness in allowing reflection on the strategic decisions or challenges that appear currently to be facing that stakeholder group in relation to CSR
- Usefulness in allowing a range of external challenges and drivers of change between now and 2015 to be factored in
- Potential ability to stand the test of time, allowing exploration of major issues related to that stakeholder group's societal roles and functions – and consequently both of current significance and likely still to be of major significance by 2015.

Each of four stakeholder groups worked to identify and describe which scenario, they felt was most desirable by 2015, and which they considered most likely. Finally, each was asked to identify a single event that might drive their desired scenario substantially off course.

The final choice of axes are shown below, along with the desired scenario for each stakeholder group and, where it was identified, the scenario considered most likely by 2015.

Figure 1: Campaigning NGOs

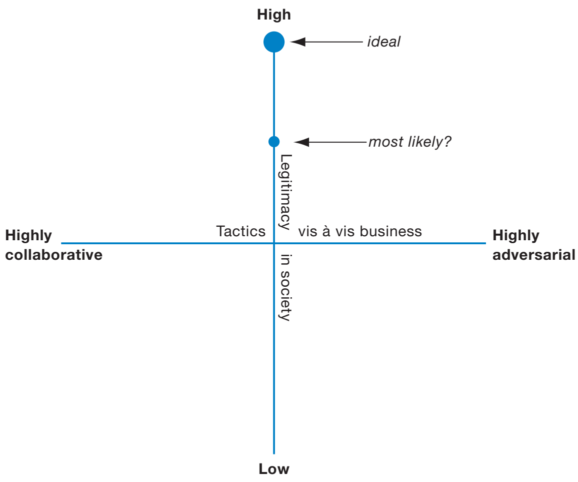


Figure 2: Business

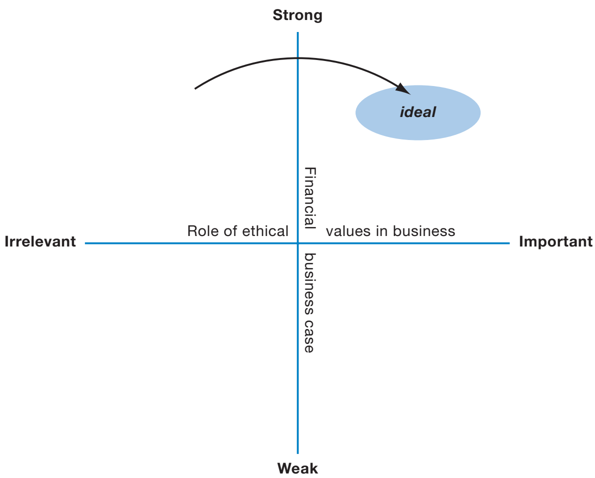


Figure 3: Government

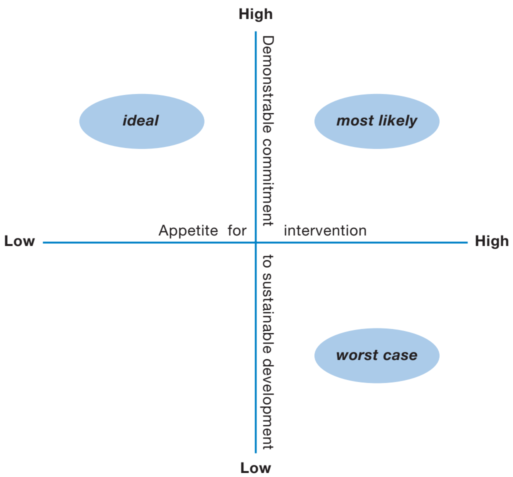
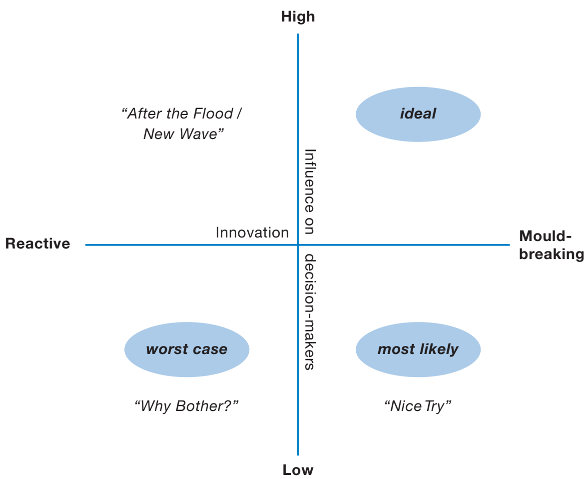


Figure 4: Non-campaigning NGOs



Campaigning NGOs

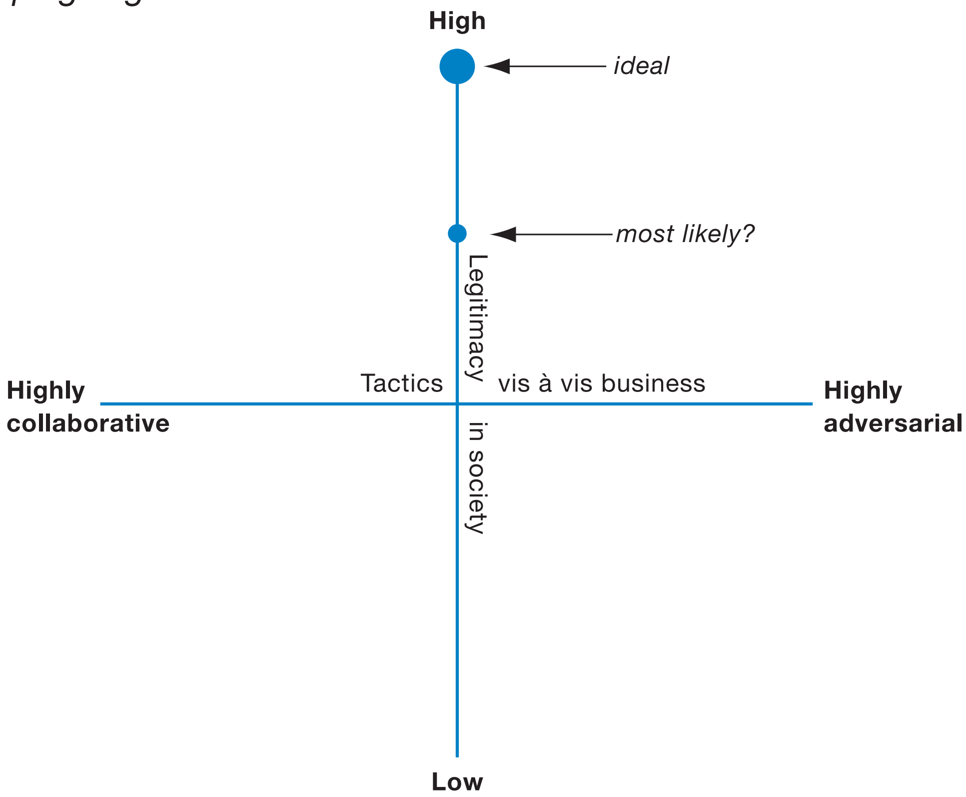


Figure 1: Campaigning NGOs

Whether the CSR agenda is business led or not, today it is unarguable that the actions of non-governmental organisations; campaigning and non-campaigning alike, shape the CSR agenda and its practices in the UK. As social actors, campaigning NGOs are increasingly challenged to demonstrate their societal legitimacy; particularly when the tactics that they use are adversarial, or when they claim to be 'representative' of particular societal interests or groups of people. And when NGOs work on business issues, they face choices about which campaign tactics will most efficiently help them to achieve their goals; from highly collaborative approaches involving various kinds of partnership arrangements with businesses, through to highly adversarial campaigning or non-violent direct action.

The bottom right quadrant might be associated with fragmentation among NGOs, violent NGO-led protests, or a 'Brent Spar' or Enron crisis for an NGO. The more adversarial NGOs become, the more media attention and critics they might attract. And the more adversarial the business response to NGOs, the more likely they might be to find themselves in this situation.

The bottom left scenario might be associated with a situation in which business has become much more effective at arguing its role in CSR and consequently NGOs become less relevant; it could be associated with the 'wrong type' of business-NGO collaboration: behind closed doors and with limited disclosure; or it might be associated with a situation in which nobody but businesses listen to NGOs.

Finally, the top left-hand quadrant might represent a scenario in which NGOs collaborate with all stakeholders, including directly affected communities; greater attention to the developing world by both business and NGOs; greater government engagement leading to a more productive collaboration with business; a diminished role for the state, leading to less regulation, less social service provision, and less public sector assistance – leading to a grater focus on NGOs and the private sector in filling the gap; and clarity on different kinds of NGO roles (for example campaigning as distinct from consultancy).

In the eyes of NGOs, the most desirable scenario would be for NGOs to find themselves by 2015 in the middle of the 'tactics' axis between collaborative and adversarial, and at the highest end of the 'legitimacy' scale. Taking an optimistic perspective, it was also likely that that will be where campaigning NGOs find themselves – though perhaps with legitimacy at a mid-point rather than at its highest possible point.

Whilst it is likely that NGOs will face considerable challenges in relation to legitimacy over the next ten years, the issues have already begun to be addressed. Perceptions of whether CSR had delivered its promised outcomes might have an impact on tactics. If CSR delivers its promised outcomes, or is thought to deliver them, less campaigning would perhaps be needed, but this would not necessarily have a direct impact on the legitimacy of NGOs. In this scenario, NGOs might have won a major 'we told you so' campaign, with the consequences both lending them more legitimacy and making them more adversarial.

The NGO group's desired scenario (for a very high level of legitimacy coupled with a mid-point between adversarial and collaborative tactics) is vulnerable to being knocked off course by an event such as litigation by a company against a major NGO, with the NGO losing not only in court but also in the court of public opinion.

Business

In the bottom left quadrant (*see over*) there are both weak ethics and weak financial value to adopting CSR. In this scenario, companies will likely be highly exploitative, looking for short-term gain. They are likely to be self-interested; exclusive. 'Stakeholders', here, will mean shareholders or owners of the company and no more than that. This is the scenario of 'cowboy operators'. The market and the general public fail to reward values, and the 'cowboys' are able to get away with it.

In the top left quadrant, there are relatively weak values within the organisation, but notwithstanding that fact, also some real advantages to doing things in a responsible way. In this scenario there is value in risk avoidance and cost reduction. Companies see the common sense of energy efficiency even though they don't care about the environment. There is probably a strong regulatory framework coupled with a simple compliance culture.

A business in this quadrant would be driven by the notion of a legal licence to operate and the need to identify a business case for every outcome. Overseas development assistance and foreign direct investment in this scenario would likely be conditional on host country responsibility. And strong government intervention would be based on the premise of a strong electorate and a situation in which both public opinion and market forces support CSR.

In the top right quadrant – 'enlightened self-interest', responsible business behaviour is rewarded. Values deliver real business value. There are effective market mechanisms in place to support sustainable development – an 'axis of collaboration' that goes beyond compliance, enabling

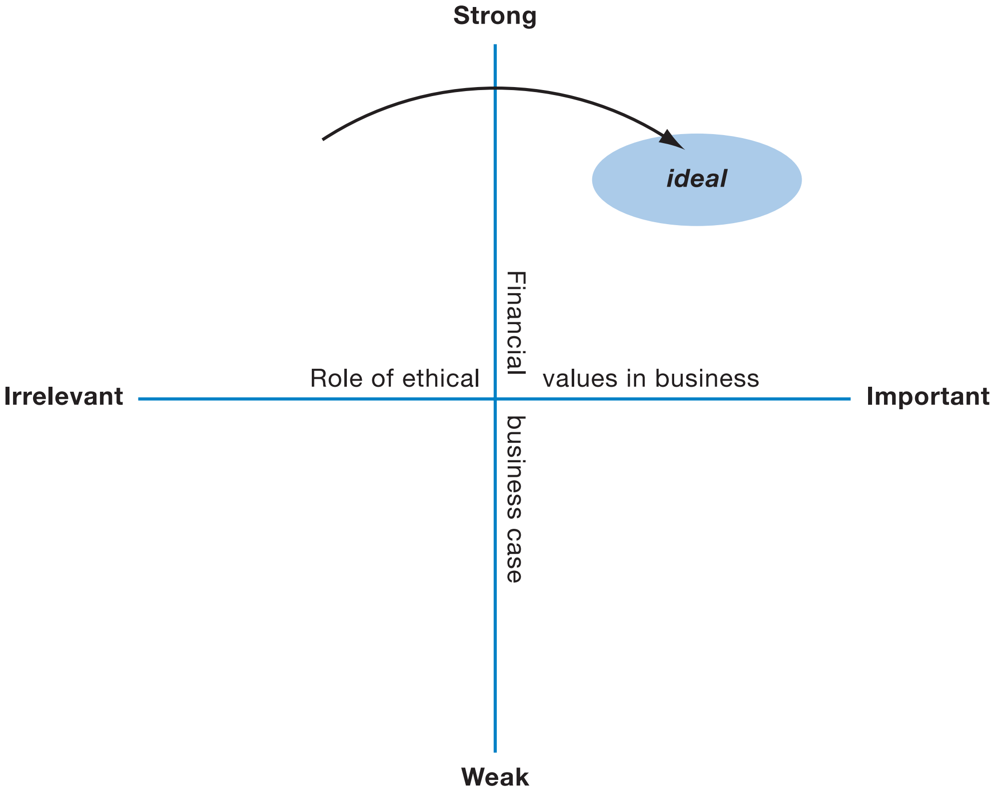


Figure 2: Business

innovation and market differentiation. But this scenario needs a strong electorate and public opinion, and supportive public policy.

Business participants in the workshop advocated this scenario as ideal – but recognised that the nature and scale of different kinds of operations might put them in different quadrants. For some companies it might be sufficient to be in the top left quadrant. Here, you know the rules. It is a comfortable position to be in, and a fairly traditional view of a corporation. In contrast, in the top right quadrant, companies are more likely to be expanding boundaries.

The fourth scenario, represented by the bottom right quadrant, envisages a strong values case but a limited financial business case. The context for this scenario is that the market fails to reward values, so that the marginal cost is bigger than the marginal benefit. In such a context, continued action can be based on intangible benefits, but there are question-marks over the sustainability of the model for the longer term. Nonetheless, if niche products can become mainstream – fair trade coffee for example – it may be possible to leverage tangible benefits.

In this quadrant, the dilemma facing businesses is how to persuade investors to stay invested. Without a financial business case, such action might be unsustainable in the financial sense. But if the value of the outcome is recognised, there is potential to begin to build a business case. Strong ethics without a business case is unstable and unsustainable. There are many ways out of this quadrant though. In such a situation it becomes important to work in partnership with others to make it viable; whether through government, or through other kinds of action (e.g NGO campaign pressure).

Business participants at the workshop felt they were already in the upper two quadrants. In internal communications, it was important to talk both about the values case and the business case. In the top right quadrant these were moving towards being coincident. However, the bottom right quadrant also resonated to the extent that the market currently fails to reward values, finding it hard to understand that increasingly 80–90% of the value of a company is in intangibles.

The business group, aiming for a scenario in which the values case and the business case for responsible behaviour converged, posited that an event such as the dissolution of the World Business Council for Sustainable Development on grounds that it could no longer sustain a business case for responsible behaviour might knock them off course. This might happen, for example, if a coalition between Brazil, Russia, India, China and the US were to debunk the idea of sustainable development and the emerging economic powers failed to buy into the sustainable development model.

Government

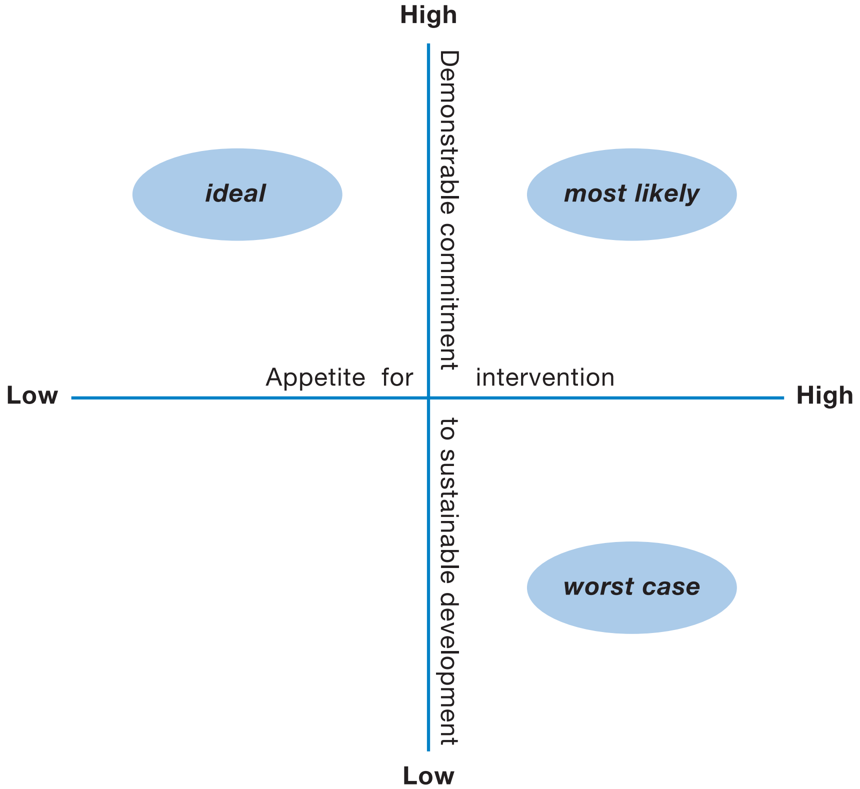


Figure 3: Government

Participants in this group worked on an assumption that governments would continue to prefer to operate in a 'small government' way. The assumption would likely make sense unless countries like India or China are seen to 'fail'. A further key contextual issue in framing the different scenarios concerns changes in the nature of scepticism about, or commitment to, the EU.

On the 'commitment to sustainable development' axis, a key question is whether a global or a local perspective is adopted.

An ideal scenario would be represented by the top left hand quadrant, when the government's demonstrable commitment to sustainable development is high, and the appetite for intervention is low. In this scenario, CSR would be mainstreamed within businesses, with market signals responsive to the concerns of CSR, and consequently there would be little need for government to intervene.

But a more likely scenario for 2015 might be found closer to the centre of the axes, with rather more government intervention. Government in this scenario might have been asked to respond to the increasing 'external menace' of growth in the Chinese economy, with protectionist action framed in terms of 'consume or risk losing jobs'. And a worst case would be represented by the bottom right quadrant. The EU in this scenario may have broken down with a very strong movement against multilateralism, with fear growing and a retrenchment in policy to focus only on the UK. In this scenario there would be high levels of concern and protectionism on the part of government, but intervention would be reactive to narrow short-term political concerns – for example prioritising jobs not sustainable development.

For government, aiming for a scenario in which there was no need for government intervention but a high degree of government commitment to sustainable development, a major epidemic could substantially knock them off course.

Non-campaigning NGOs

For non-campaigning NGOs in our second workshop, a worst case would be represented by the bottom left hand quadrant: the 'why bother'? scenario. Here, conservationism becomes conservatism. Funders become less progressive. Non-campaigning NGOs become too depressed to engage. Their influence declines. They chase funding. It is a disruptive mode: with an ageing population there is a highly influential population that want simply to maintain the status quo. There is a real risk of a downward spiral emerging, to lowest common denominator ideas and no innovation.

A 'nice try' scenario might emerge through movement from the top right to the bottom right quadrants. If this movement were to happen, non-campaigning NGOs might report "we were leading but our competitors did not follow. We had lots of ideas but they were not influential".

'After the Flood' or 'New Wave' might emerge from a trigger event that changes opinion on the role of think-tanks, for example if, as a result of significant flooding in coastal regions the insurance industry decides that it no longer wants to insure private homes. At that point, think-tanks could suddenly become very hot property due to a perceived need for new and interesting ideas on the confluence of public and private action.

Which scenario is the most likely will depend on external events. And those external events – whatever they might be – will certainly happen, and require responses. On balance the bottom

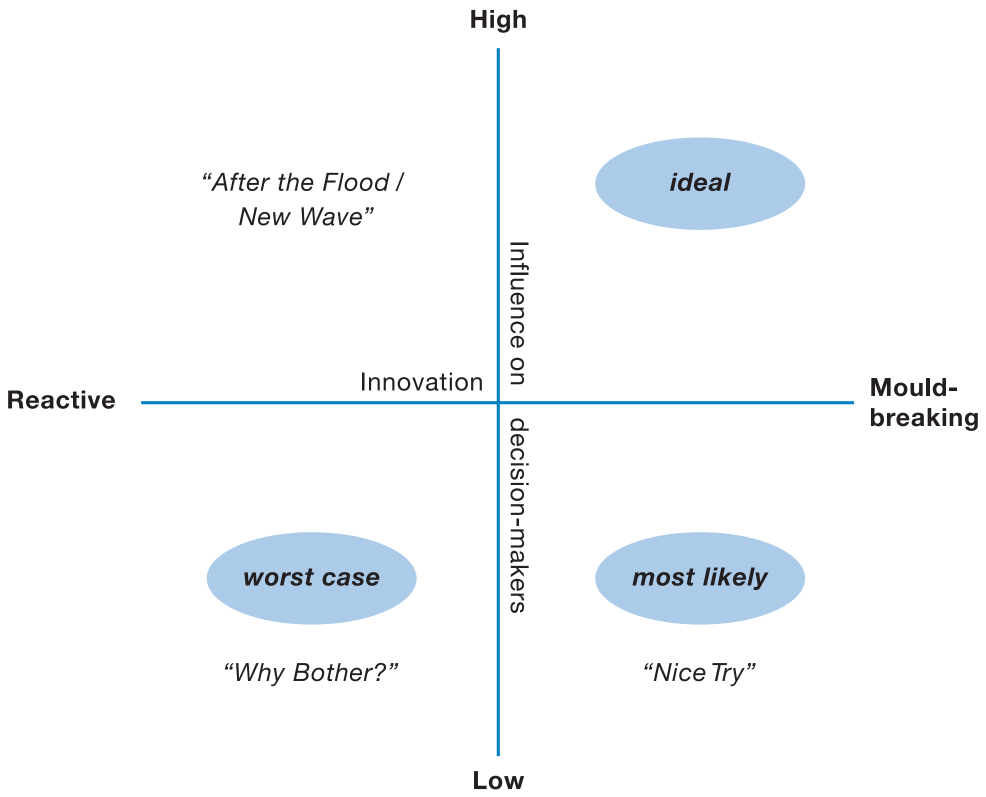


Figure 4: Non-campaigning NGOs

right scenario (nice try) seems the most likely, with the top right the most desirable. If non-campaigning NGOs slide down the downward spiral of the 'why bother' scenario they will be in completely the wrong place for when the market of ideas is ready.

For non-campaigning NGOs who aimed by 2015 to be innovative think-tanks feeding into government strategic decision-making, an event such as an economic depression coupled with a political shift to the right could knock them off course.

Overarching scenarios for the future of CSR in the UK to 2015

The remainder of the discussion focused on a single set of overarching scenarios for the UK CSR of 2015. The two axes for this exercise drew on one of the axes from the earlier business scenarios – financial business case, and one from the government scenarios – government appetite for intervention. Collectively, these represented what in our assessment were also underlying reasons for differing definitions of CSR.

In four mixed stakeholder groups, each of which considered just one of the four possible scenarios, participants worked to answer the following questions:

- What currently discernable trends could potentially lead in the direction of that scenario?
- Who would win and who would lose in that scenario, in terms of the desired outcomes for each of the four stakeholder groups?
- What other winners and losers are there in terms of that scenario?

In a final portion of their discussion, stakeholder groups were given a major ‘external shock’, derived from discussion at the first workshop. Their task was to discuss the impact that that external shock might have on their scenario.

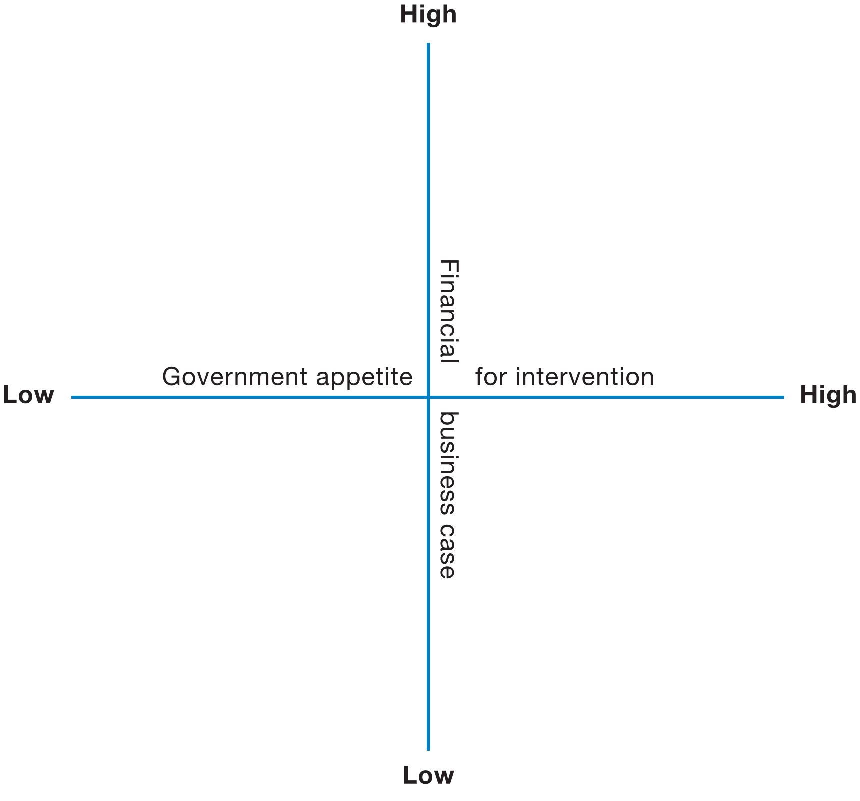


Figure 5: Overarching scenarios for the future of CSR in the UK to 2015

High financial business case, low government appetite for intervention

Current trends leading towards a scenario in which there is a high financial business case, coupled with low government appetite for intervention might include:

- A trend towards 'getting the measurement right'
- A rise in the use of raw materials with high oil prices fuelling distinctive 'business cases'
- Celebrity endorsement campaigns such as 'Make Poverty History'
- Efficiency gains from the need to keep costs down in response to spikes in resource scarcity
- NGOs 'getting their act together'
- Increasing demands from ethical consumers
- Businesses 'taking a trick out of the NGO book' and working together.

For the most part this is a 'business wins' scenario – but some businesses would win more than others. Potentially, there might be problems around some businesses ('bottom feeders') seeking to take advantage of a lack of intervention or a level playing field. Government in this scenario would be a winner, with more revenue but fewer social problems. And NGOs would have achieved their goals – but potentially put themselves out of business.

Consumers might lose if bottom-feeding businesses prospered. But for the major part, consumers would benefit from safer, cleaner, more ethical products and services. And industry groups might be able to deal effectively with bottom-feeders or 'free-riding cowboys'.

What if, in this scenario, a major economic recession unfolded? The impacts would likely depend on its causes. If the source was a high oil price, businesses working to short-term business cases might go out of business. Government intervention might increase, and businesses with stronger values might succeed.

Low financial business case, low government appetite for intervention

This scenario is most likely to be associated with a stagnant economy. Businesses abroad would look to cheaper markets – possibly markets with relatively unregulated labour standards. There might be a growing sense that CSR is not working, and that the business case is unfounded so that there was no investment from business in sustainable development. On the government side, the WTO and multilateralism might have failed. All this could lead to a depressing point in which there was no government intervention and low opportunities in sustainable development.

The principal losers in this scenario would be primary producers in developing countries; marginalized countries and people, SMEs, labour. Big branded companies might feel that they are operating in a more risky environment. The winners might be the non-campaigning NGOs, faced with a richer field from which to draw on ideas and collectively to work together to 'sort out the mess'. Some SMEs might also benefit, if they gain contracts from companies looking for cheaper suppliers or labour. And educated consumers might win too. In essence though this scenario represents a bad environment associated with a low sense of morale.

What if, added to this scenario, oil prices were to hit US$150 a barrel? Resource wars might break out, industries would decline, travel and logistics would be constrained, there would be worldwide insecurity and a desperate search for renewable energy sources. Policy makers would likely have little time for foreign policy. Government would intervene heavily as it might in a wartime economy. The UK could move into a closed, protectionist, interventionist economy. Nearly everybody loses who isn't forearmed with knowledge of how to deal with this scenario. There might potentially be environmentally positive impacts too since oil and gas consumption might decrease – but a high oil price might equally simply make some currently off-limits resources more commercially viable.

Low financial business case, high government appetite for intervention

This group reported that initially they had considered this scenario implausible. Then they recalled that governments may be in hock to vested interests, leading to bad but highly interventionist policies: the US energy bill, over-regulation of the labour market, or a government response to rail crashes that gives rise to massive investment in railway safety instead of improvements to the railway systems themselves. This scenario would be associated with government intervention that leads to bad sustainable development policies. It represents the dark side of government intervention. And all of this could be worsened by a rise in protectionism and of the anti-globalisation movement.

Losers in this scenario are taxpayers who find themselves paying for public 'bads' not public goods. Customers would routinely lose. People in poor countries who might otherwise be afforded opportunities to compete would lose because they would be denied those opportunities. In short, the losers would be widespread losers.

The 'shock' for this group was the election as Prime Minister of a hard rightwing figure. That could mean at least two different things – hard right in the George W. Bush sense (which might mean only business as usual, but a bit worse). Or hard right in the sense of an ultra liberal, *laisser faire* conservative. If the latter were assumed, government intervention would be rolled back massively. And such a politician might be attracted to market-based instruments of various kinds, which might deliver good regulatory outcomes. Companies and individual consumers responding positively to such a scenario might take on more responsibility themselves.

High financial business case and high government appetite for intervention

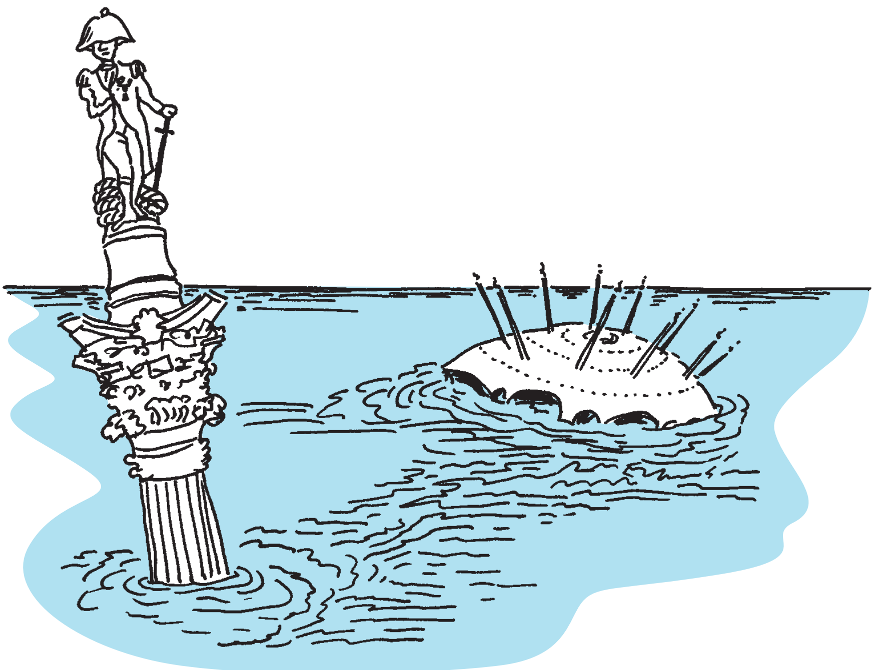
This scenario might emerge out of government intervention driving a financial return and triggering a virtuous circle.

Trends that might be said to point in this direction could include the Operating and Financial Review; businesses working positively towards sustainable development; emissions trading, and increased penalties for regulatory violations.

In this scenario, business would by definition win, because there is a good business case. Non-campaigning NGOs would become part of the solution, playing a powerful role in the process of change. But it is less clear what would have happened to NGOs. On one hand, their mission might have been fulfilled. On the other hand, their organisational imperatives might be threatened. One of the outcomes might be more space for more extreme NGOs to occupy space at the margin, leading to an increase in 'hard' NGO campaign activity.

As to missing stakeholders – much would depend on the extent of the business case. One could envisage a virtuous CSR bubble in the developed North which could pass by communities and primary producers in the South. The outcome for future generations is also unclear.

What if, added to this scenario, catastrophic flooding hit the UK? Insurance companies might fold, and there would be immediate downward pressure on equity markets. If the flooding really were catastrophic there would likely be a global catastrophe triggering serious recession which would undermine the business case. CSR would come back down to earth with a bump.



"WHAT IF THERE WAS CATASTROPHIC FLOODING?"

4 The road ahead

CSR is dead… Long live CSR…

The UK as a whole is widely considered a leader in the field of corporate social responsibility (CSR). The sources of that leadership lie with individuals and organisations within many stakeholder groups.

Today, the UK is home of some of the world's leading thinkers, practitioners and campaigners in the field. And from the seventeenth century British East India Company, to nineteenth century Lever Brothers and Cadbury, to contemporary oil behemoths BP and Shell, UK companies have played a key role in shaping international understanding on how to address issues associated with both the positive and the negative impacts of business on society.

This is 2006. By 2015, the term CSR may well be dead in the UK, according to a clear majority of participants at a workshop we organised in July 2005.

By the middle of 2006, CSR has become a troublesome term. On multiple counts, ranging from its emphasis on *social* responsibilities (implying less concern for environmental impacts) to the baggage that has come to be associated with it as a *"three-letter word in search of PR"*, CSR in the UK is today too often a problematic concept, not one that offers an inspirational agenda for change.

Businesses and NGOs have begun to re-label what might previously have been called CSR. 'Corporate responsibility' or 'business and sustainable development' are often preferred. And a related 'corporate accountability' theme led by campaign groups is running alongside. The re-branding trend is born of frustration at the definitional bickering that dogs any meeting on CSR; bickering that too often has the effect of handing UK-based lobbyists a large space in charting the boundaries of actions for the future.

This is 2006. By 2015, the term CSR may well be dead in the UK, according to a clear majority of participants at a workshop we organised in July 2005.

The problem is not that CSR has no relevance, or that it is likely to become less important over time, even if it receives less attention. For as long as we have capitalism, there will be questions about the responsibilities of business. At heart, CSR – whatever it is called – is about the obligations of business to society. These obligations may differ from industry to industry and firm to firm. They may change over time and in the light of events. But they won't go away; they are an integral part of the social contract between business and society. And there is always likely to be discussion about the nature and scope of business obligations, if only because obligations to different stakeholders can be in conflict (e.g. less harmful impacts versus lower consumer prices).

The two levels of CSR

CSR needs to be understood – and practised – at two levels: one operational, and one conceptual. On the operational level, one reason for criticism of the term CSR is that it can seem so abstract. For this reason alone, it is not surprising that CSR is now breaking up into a distinct series of sub-agendas, each associated with a different theme; 'business and human rights'; 'business and corruption'; 'business and tax avoidance', 'business and labour', for example. At the same time as many businesses continue to search for convergence among norms for responsible behaviour, or even globally applicable minimum standards, there is an emerging acceptance that CSR may carry different meanings in different contexts.

To give the concept real meaning capable of implementation by business managers CSR needs to focus on particular issues: human rights, or environmental protection; or labour issues in the supply chain, not some fuzzy notion of corporate social responsibility.

There is still a requirement for businesses to consider CSR at the more conceptual level, if only to identify where its obligations lie, and what the issues are that need to be addressed at the more operational level. At this second level, CSR provides a strategy and policy space where the boundaries of business obligations to society can be examined, argued out and refined. The notion of a 'social licence to operate', which incorporates a 'legal licence to operate' but goes much further offers one entry point for structuring such efforts. And this higher-level activity, whether it is called CSR or not, needs at a minimum to be on the agendas of senior managers and boardrooms, public policy-makers and citizens.

Keeping it local

CSR needs to be 'localised' at the operational and strategy and policy levels. As workforces and centres of global production shift, reflecting the re-emerging economic might of countries such as China and India, old approaches to management of social, community and environmental issues will increasingly come under strain.

There is rightly continuing discussion on the value and content of 'globally applicable' business principles that could provide the basis for a level playing field between responsible businesses around the world. But almost any CSR issue needs 'local' management at the issue-specific level, that is management on the ground by those parts of the organisation that are closest to the issue. In this way, it can become more manageable, more tangible, and more deeply embedded within the organisation. For example, an organisation facing supply chain issues (e.g. potential labour abuses at supplier factories) would task its procurement operations with responsibility for ensuring that products are sourced from factories with good labour practices, rather than delegating responsibility to a separate compliance or CSR function.

At both the operational and the conceptual levels, approaches to setting boundaries for CSR also need to reflect more deeply on the notion of localisation. This means working out how to account for differing social or environmental priorities around the world. When businesses are faced with competing views on what is the 'acceptable' social or environmental cost of economic development, or what constitutes good practice, how can they best make choices? Businesses operating in highly authoritarian regimes, or in so-called 'failed states' where government scarcely functions will attest to the difficulties. Communities and businesses involved in mining or oil exploration in remote parts of the world also deal with the consequences of a lack of consensus on how best to arrive at an acceptable balancing act between national and local visions of 'good' development and its impacts.

If, as we think it should, the exercise of understanding how to balance competing goals and outcomes for CSR is to be undertaken both locally and nationally or in home countries, stakeholders who have not so far actively engaged in shaping the debate will need to be more involved.

Had we engaged directly with the 'ghosts' in our project – stakeholders outside the UK affected by the operations of UK companies or UK government or NGO policies in relation to CSR – it is possible that our visions for the future, and our assessments of winners and losers under different circumstances, would have been different. For many citizens of developing countries, for example, questions of corporate accountability in the context of economic globalisation carry particular weight, and the idea of grass-roots resistance to corporate power and control is perhaps more often expressed among activists in developing countries than in the UK.

As the external context and the inevitable surprises for CSR unfold to 2015, all UK stakeholders will be better served by better understanding the range of perspectives and markers of success that exist among stakeholders beyond the UK. An international multistakeholder process to develop scenarios for the future of CSR to 2015 could provide a helpful next step.

CSR at multiple crossroads

At the start of *CSR at a Crossroads*, we saw two distinct crossroads in CSR in the UK. From within IIED, a think-tank working on business and sustainable development in middle and low income countries, we saw the risk of a damaging split between two views. On one side, advocates of 'corporate social responsibility' or 'corporate responsibility' (viewed as an agenda for market-driven business action above and beyond legally binding requirements). On the other, advocates of 'corporate accountability', who focused on the need to introduce new forms of legally binding corporate accountability and reform company law with social ends. The split was reflected in Christian Aid's 2004 report, *Behind the Mask: The Real Face of Corporate Social Responsibility*.[6]

From his vantage point within a leading business school, Professor Craig Smith had a clear view of a different crossroads; one in which CSR was either headed towards becoming more embedded in business organisations ('*mainstreaming*') or simply staying in a kind of '*corporate ghetto*' as a superficial bolt-on with little real impact on a firm's social or environmental performance.[7]

As our conversations evolved, we continued to see the descriptive value of the two crossroads that we had brought with us to our work. But it became clear too that they only offered a partial characterisation of where CSR in the UK is today. Others rejected the idea of a crossroads as too

6 Christian Aid, 2004. Available online at http://www.christian-aid.org.uk/indepth/0401csr/

7 See Craig Cohon and Craig Smith, "Good works in a corporate ghetto", *Financial Times*, 8th December 2004

simplistic, or, more substantively, as pointing to major, not incremental, change for the future. A variety of alternative characterisations emerged.

- ***Philanthropy versus core competence-based CSR**:* Here, CSR understood as charitable giving is contrasted with approaches that focus on applying the distinct competences or capabilities of a firm to address social environmental issues (for example telecoms company BT's initiatives to promote digital inclusion).
- ***CSR versus the business of business is business:*** In this characterisation, the firm that has adopted CSR is contrasted with the firm that views maximisation of shareholder value as the sole legitimate purpose of business.[8] This crossroads might alternatively be seen as a possible 'tipping point', at which great things might be about to happen through CSR as opposed to business as usual.
- ***Narrow versus expanded business case*:** the future of the CSR agenda could be viewed in terms of possible shifts in the business case for CSR. This approach would be based on a distinction; between the narrowly crafted clearly established business case that is difficult to question where it does exist (because it is a 'no-brainer') and the broader business case that relies less readily on clear projections of a financial return and to a greater extent on more qualitative reasons (e.g. enhancing corporate reputation, or improving employee morale).

  For some businesses, the narrower business case hardly qualifies as CSR; it is simply business as usual, albeit 'good business'. And it has been argued that hard quantitative evidence of 'the business case' is elusive in practice. Conversely the expanded business case takes a longer-term perspective, and is founded on the support and enlightened vision of business leaders. Arguably one example would be J.P Garnier's decision as CEO of GlaxoSmithKline to take a leadership position on developing country access to essential medicines.
- ***Pure business case versus combined business and moral case***: A variant on the narrow versus expanded business case is the view that one future pathway for CSR could be a continued strengthening of the business case, and the alternative could be greater reliance by business on a combination of 'business case' and 'moral case' or 'normative case' arguments. This latter approach is evident in the activities of some privately held corporations, such as Novo Nordisk, or Grupo Nueva. For publicly held corporations, the moral case for CSR (that it is 'the right thing to do') is more difficult to make. A generally perceived, if not legally required, obligation consistently to enhance shareholder value presents barriers.

  Publicly held corporations could give more weight to the moral or normative cases if stakeholder models of the firm had greater currency. This might happen through an erosion of shareholder primacy in legal terms. It could also result from a sense of greater legitimacy attached to the stakeholder model, in which managers fulfil their duties by balancing the interests of multiple stakeholders – including shareholders but also others such as consumers, employees, communities or even the environment.

8 See e.g. *The Economist*, 'The good company – a sceptical look at corporate social responsibility', 22nd January 2005

- ***Shareholder capitalism versus new models*****:** Some of our conversations pointed to a crossroads characterised by a possible move away from shareholder capitalism to a radically different enterprise model in which social purpose is placed above profit, or profit is harnessed to social purpose. Social enterprises exemplify this alternative model, but more radical alternatives include overhaul of company law to reflect a 'stakeholder'-driven rather than 'shareholder-driven' approach.

The range of views on whether significant change or gradual evolution are the road ahead is a good indication of overall mood among a group of CSR commentators, policy-makers and practitioners. And it is also a good indication of the range of views on what might need to happen to reach desired futures. One might speculate that those commentators who saw gradual evolution on the horizon were logically more likely to favour scenarios that could be associated with such a process. Those who saw a clear crossroads, or perhaps a turning point or a tipping point, might be more likely to contemplate the desirability of scenarios in which significant change was required.

Taking account of shocks and external events

Developing scenarios of the future can help to anticipate the impact of possible actions and events. We considered many, falling into two distinct categories.

First, there are those that are *external and uncontrollable* – shocks or pleasant surprises that might knock CSR off course or facilitate it. These could include economic recession, a global epidemic such as avian flu, or the endorsement of CSR by emerging economic powerhouses such as China.

Second, there are events or actions that are largely within the sphere of influence of different CSR stakeholder groups. These might be considered *internal and controllable.* They range from NGOs becoming better organised, to increasing demands from 'ethical consumers', or businesses better mainstreaming CSR in their activities.

Though there are always winners and losers, the practices associated with CSR today are deeply vulnerable to external 'negative' shocks. Individually, each may seem relatively unlikely. But collectively it is certain that shocks will happen.

What impact would a crystallising threat of climate change have on CSR practices? What if oil hit US$100 a barrel? As participants in our second workshop, in the central London offices of the Esmée Fairbairn Foundation, asked themselves these questions, Red Arrow fighter jets flew overhead, trailing red, white and blue smoke to mark the success of the country's Olympic bid. But the next day was 7^{th} July 2005. With the news of rush-hour bomb attacks on the capital, a very different set of futures for the UK seemed immediately plausible; futures in which CSR as we know it today would struggle to survive.

Wider implications of stakeholder-based scenarios

Developing stakeholder-specific scenarios based on central 'performance axes' for each individual stakeholder group helps to structure a discussion of goals and aspirations of individuals or organisations working on CSR (or in some cases corporate accountability or sustainable development), and the possible impacts of external events and drivers of change. It also throws out challenges to other stakeholder groups.

How can NGOs and government actors help to create the 'win-win' outcome of both a strong financial business case and an important role for moral values in business decision-making? Assuming that NGOs by and large would agree with working towards this 'win-win', what role might businesses and government actors play in helping to maintain the NGO legitimacy that is an important underpinning of their effectiveness as 'drivers' of good business practice on CSR? Equally, what more could NGOs collectively do to maintain their legitimacy and head off the risk of a crisis of legitimacy to the detriment of all pro-CSR advocates?

The 'win-win' government scenario of minimum government intervention coupled with a high commitment to sustainable development presents challenges for NGOs and 'responsible' businesses. Could they; should they, work to achieve this desired government state? It is worth recalling here that the scope of the range of possible definitions of 'CSR' for different stakeholders (and consequently its 'markers of success') is closely related to the centrality of the 'business case' for responsible behaviour in defining the scope of CSR practices, and second, the extent to which one sees a role for government intervention of various kinds.

Potential fault-lines between different stakeholder groups are exposed when the implications of each group's 'desired state' are considered in this way. Most significant is continuing failure to reach consensus on appropriate levels of government intervention to force a 'financial business case' where none exists. The interplay between 'voluntary' market or values-driven approaches to CSR and regulatory approaches is a primary determinant of alternative outcomes (at least before external drivers of change are accounted for). The extent to which a business fulfils its societal obligations is a function of what it is legally required to do and what it chooses to do.

There are significant management challenges in the task of seeking to embed CSR at the heart of business activities; getting it *out of the phenotype and into the genotype*, to use the late Richard Sandbrook's words. If there is a low level government appetite for intervention against the grain of the market, hopes for step change – at least for those who consider it necessary – must rest on market-driven approaches; in other words, creating drivers of change through citizen, consumer, investor and supplier pressure.

Building a strong 'moral' case for doing the right thing across the UK business community must in part depend upon the appetite more widely for 'doing the right moral thing' in those areas addressed by CSR. Managers are not automatons, passively responding to market signals. They can develop strategies that change the rules of the game; for example, stimulating consumer demand so that social and environmental considerations are a significant factor in consumer choice. Similarly, firms with a demonstrable commitment to CSR could target investors that care about these issues.

Today, many campaign groups working on CSR and corporate accountability in the UK see a need for greater government intervention to create the 'financial business case' for responsible business behaviour, contrary to the desired position of government participants at our workshops. Many see changes in the regulatory environment – particularly company law and company reporting – as a prerequisite for enabling business decision-makers to take greater account of moral values that cannot be clearly connected to a narrow business case.

UK research institutes and think-tanks have been influential in shaping ideas on mainstream CSR; that is CSR that is characterised by the search for market-based narrow business cases and only such government intervention as runs with the grain of the market. But think-tanks have largely not found the resources both to innovate and to have impact in the more contentious areas of the CSR (or corporate accountability) agenda, including company law reform or mechanisms of legal accountability for multinational corporate groups.

The near-global commitment to capitalist economic models based on liberalisation of trade and investment; deregulation and privatisation sets high stakes for advocates of greater government intervention in the marketplace. Fears (some transparently little more than posturing) that intervention will cause weakening of the UK's overall competitive position run high.

Fundamental change in the economic system appears unlikely between now and 2015. So the challenge for advocates of greater intervention is to make the case for *sound* regulation with a values base so strong that it is a real match for political concerns associated with the imperative to remain globally competitive. This raises issues about the nature of the UK's commitment to CSR.

At our second workshop, a general frustration emerged that public institutions had failed to deliver the necessary policy frameworks to support CSR. One surprising explanation emerged: that a lack of government willingness to intervene might be a reflection not of a failure to listen to demands for greater intervention, but rather a lack of internal capacity to do so. In contrast, subnational governments are now becoming increasingly significant innovators – as seen in the example of London's congestion charging scheme.

In our second workshop, participants saw the adoption of the Operating and Financial Review (OFR) as part of a trend that could lead to a future based on both a high financial business case and a high government appetite for intervention. Justified as providing the information necessary to secure real 'enlightened shareholder value' approaches to corporate governance, the OFR would also have provided for mandatory transparency on environmental and social issues the part of the increasing number of non-UK companies now entering the FTSE-100.

As we write, debate continues about the Labour government's U-turn on proposed OFR requirements. The seven-year process of discussion on how best to promote 'enlightened shareholder value' through the corporate governance framework was trumped in November 2005 by Chancellor Gordon Brown's reading of the OFR as 'gold-plating' implementation of the EU Accounts Modernisation Directive – which had scarcely received any attention in the wider discussion leading to the process of drawing up the OFR.

Brown announced to a meeting of the Confederation of British Industry that: *"[b]est practice is of course for companies to report on social and environmental strategies relevant to their business. But I understand the concerns about the extra administrative cost of the goldplated regulatory requirement that from April next year all quoted companies must publish an operating and financial review. So we will abolish this requirement and reduce the burdens placed upon you – the first of a series of regulatory requirements which by working together we can abolish in the interests of the British economy".*[9]

For governments committed to low intervention, a primary obstacle to achieving the range of desired outcomes for CSR is the limits of active consumer engagement for responsible business and the willingness to pay for it; coupled with continuing evidence of the patchiness of financial business cases for CSR. It seems unlikely that the problem will ever conclusively be resolved for

9 Speech by the Rt. Hon. Gordon Brown MP, Chancellor of the Exchequer, at the CBI Annual Conference in London, 25th November 2005, available online at http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2005/press_99_05.cfm

so long as it is assessed at the level of individual businesses. CSR benefits some businesses but, to be effective, must effectively penalise 'bottom-feeders' – to the point of collapse in worst cases. This may be to the benefit of society; even to the benefit of 'responsible' competitors. But efforts to prove the 'business case' all too often fail to account for the 'business case' for *irresponsible* behaviour at the individual firm level.

An overarching framework for considering the future of CSR in the UK

In our second workshop, we sought to develop overarching, scenarios for the future of CSR in the UK to 2015. Our scenarios placed government appetite for intervention on one axis (with 'low' at one end of the scale and 'high' at the other), and financial business case on the second axis (from 'low' at one end of the scale to 'high' at the other).

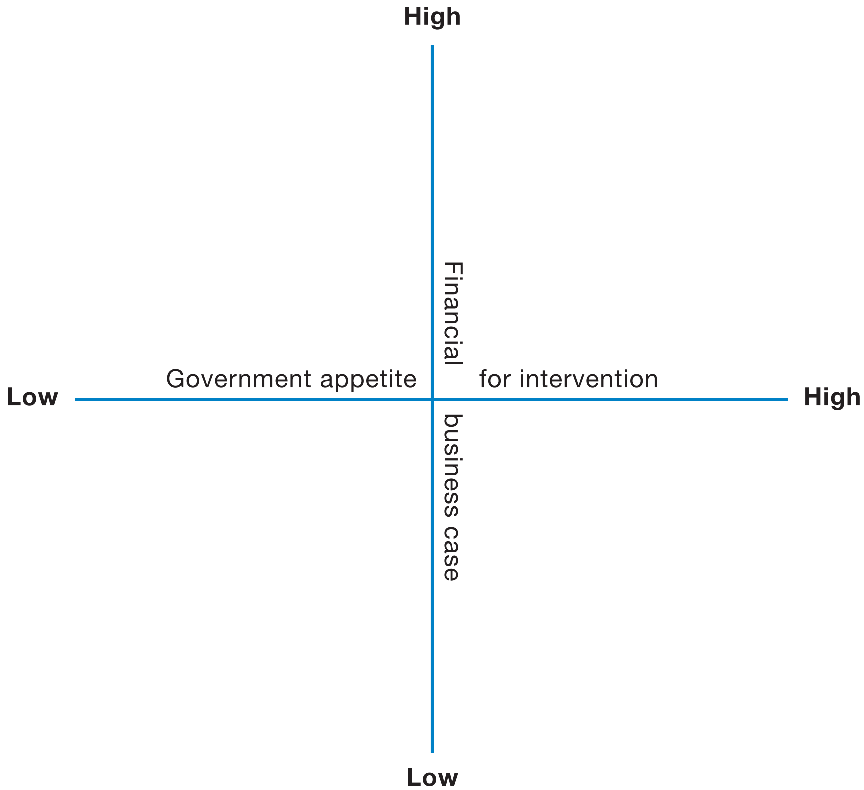


Figure 5: Overarching scenarios for the future of CSR in the UK to 2015

It is easier to comment on desired outcomes than to predict which is more likely. And even judgements on which outcomes are more or less desirable vary widely. In our discussions there was a large measure of consensus around the goal of greater corporate social responsibility. But there is still ambiguity about what outcomes this should bring.

From the perspective of a *business* seeking to fulfil its social obligations, the ‘low government appetite for intervention and low financial business case’ scenario appears least desirable – but might conceivably arise at a time of economic stagnation. The most desirable scenario from a business perspective would appear to be ‘high financial business case and low government appetite for intervention’.[10] But ‘high financial business case and high government appetite for intervention’ might also bring benefits, with government intervention triggering a virtuous circle of financial reward and ‘good’ CSR outcomes.

In contrast, a ‘low financial business case coupled with high government appetite for intervention’ could be triggered by knee-jerk, highly interventionist policy responses to external events that could take voter and consumer attention away from the positive social outcomes associated with CSR, triggering a vicious cycle of high intervention, low financial reward, and a low ‘values’ case premium in the marketplace for many kinds of CSR. But even the scenario of ‘low financial business case coupled with a high government appetite for intervention’ should not be dismissed as entirely undesirable; it might still achieve the goal of business fulfilling its social obligations where those obligations are fully regulated.

Breaking the boundaries of CSR in the UK: new roles for government, trade associations and NGOs

The scenarios and insights that were developed during *CSR at a Crossroads* point the way to institutionalised break-up of existing positions on CSR across stakeholder groups.

One faultline for such a shift was in fact revealed by a remarkable degree of convergence: CSR business leaders and NGOs alike agreed at our second workshop on the need for a clear, progressive public policy framework, including a role for regulation.

If the UK government is to play, as we think it should, a stronger, more active role in promoting CSR, that means getting beyond rhetoric. Any UK government needs to be prepared to intervene in the marketplace where a clear societal case can be made. It should lead the way to greater citizen concern for sustainable development and the lives of people in other countries; not act belatedly to follow ‘market signals’ from consumers.

For the future, collaboration between businesses and NGOs to develop a clear statement on the appropriate mix between legally binding regulation and market-driven initiatives or voluntary action for different specific outcomes could be a real catalyst for progress.

For the future, collaboration between businesses and NGOs to develop a clear statement on the appropriate mix between legally binding regulation and market-driven initiatives or voluntary action for different specific outcomes could be a catalyst for progress.

Trade associations too must reform if they are not to become significant obstacles to progress in CSR. In the marketplace, the frustration of leading businesses at the government’s unwillingness to intervene in the market, even with mechanisms like the OFR that facilitate the free flow of

10 Though there is an assumption here that the financial business case will result in the best outcome for society as a whole – the problem of conflicts between stakeholder groups is assumed to be resolved (e.g. consumers who want safe products versus animal rights advocates who don’t want products tested on animals)

information, shows clear potential for the emergence of a progressive UK business coalition on sustainable development. Intensified competition from goods sold on the basis of 'lowest cost' marketing could hasten the process. But alongside CSR leaders in business, pressure needs also to come from government. UK plc is ill-served by lowest-common-denominator lobbying.

Progressive coalitions are already emerging on an issue-specific basis – for example the Business Leaders Initiative on Climate Change[11] and the Business Leaders Initiative on Human Rights. The emergence of a group of business stakeholders expressing their collective concern following Chancellor Gordon Brown's decision in November 2005 to drop the Operating and Financial Review is another example.[12] But for such an initiative to have real clout, its members must be prepared not to hide behind the conservative positions taken by mainstream trade associations when that is what appears to suit them better.

One thing is clear: the 'CSR agenda', whatever its content or its labelling, will not remain static.

One thing is clear: the 'CSR agenda', whatever its content or its labelling, will not remain static.

Seeking to future-proof CSR against all eventualities isn't feasible. But if the practices associated with CSR are not to be knocked off course by currently unforeseen events, there is a need to continue the long-term tasks of ensuring that government and citizen commitments to sustainable development are strong; that NGOs working for responsible business or sustainable development carry real legitimacy in the eyes of their publics here in the UK and internationally; that the capacity exists within think-tanks and the research community to develop ways of tackling and pre-empting challenges; and that the financial business case for CSR, whatever its sources, is put beyond the reach of short-term boom and bust.

No small challenge. For some it may read like 'business as usual'. But it is clear to others – ourselves among them – that business as usual will simply not be enough to deliver wide-ranging markers of success that *CSR at a crossroads* has identified for 2015.

11 See www.blicc.org. The Business Leaders Initiative on Climate Change is an international programme for industry leaders committed to reducing the impact of business-related Greenhouse Gas emission reductions
12 See http://www.sustainability.com/news-media/news-resource.asp?id=415

Annex A:
CSR at a Crossroads: initial discussions

First Advisory Group discussion

Michael Massey, Department of Trade and Industry*
Lesley Roberts, Pentland Group
Rory Sullivan, Insight Investment

*Individual discussions***

Mallen Baker, *Business in the Community*
Mike Barry and Katie Stafford, *Marks and Spencer*
Mandy Cormack, *Unilever**
Roger Cowe, *independent writer and journalist****
Malaika Culverwell and Danny Graymore, *Department for International Development*
Joan Fontrodona, *IESE Business School*
Mark Goyder, *Centre for Tomorrow's Company*
Gavin Grant, *Burson Marsteller*
Adrian Henriques, *University of Middlesex*
Will Hutton, *The Work Foundation*
Ellen Kalinowsky, *UN Global Compact*
David Logan, *The Corporate Citizenship Company*
Craig Mackenzie, *Insight Investment*
Professor Dirk Matten, *Royal Holloway College*
Jonas Moberg, *International Business Leaders Forum*****
Margaret Mogford, *BG*
Patrick Paris, *Lafarge Ciments*
Kavita Prakash-Mani, *SustainAbility*
Dan Rees, *Ethical Trading Initiative*
Anthony Sampson, *Aviva*
Richard Sandbrook, *independent consultant*
George Starcher, *European Baha'i Business Forum*
Sophia Tickell, *PharmaFutures*
Chris Tuppen, *BT*
Mike Tyrrell, *HSBC*
Mark Wade, *Shell*

* Now independent
** Discussions with two people from the same organisation are indicated on a single line
*** Now Context
**** Now UN Global Compact

Annex B: Participants at May 2005 workshop

Andy Binns, *BT*
Priya Bala, *Consumers International*
Craig Bennett, *Friends of the Earth*
David Capper, *Department for Environment, Food and Rural Affairs*
Craig Cohon, *Global Legacy*
Stephanie Draper, *Forum for the Future*
Peter Frankental, *Amnesty International UK*
Jane Goodland, *Henderson Global Investors*
Adrian Henriques, *University of Middlesex*
David Logan, *The Corporate Citizenship Company*
Michael Massey, *independent consultant*
Ben Mellor, *Department for International Development*
Margaret Mogford, *BG Group*
Martine Pauley, *HM Treasury*
Jules Peck, *WWF-UK*
Lesley Roberts, *Pentland Group*
Professor Diana Robertson, *London Business School*
Janet Williamson, *Trades Union Congress*

Project team

Taina Ahtela, *IIED*
Juliana Garaizar, *MBA student, London Business School*
Craig Smith, *London Business School*
Camilla Toulmin, *IIED*
Bill Vorley, *IIED*
Halina Ward, *IIED*

Annex C: Participants at July 2005 workshop

Craig Bennett, *Friends of the Earth*
Craig Cohon, *Global Legacy*
Malaika Culverwell, *Department for International Development*
Stephanie Draper, *Forum for the Future*
Fiona Gooch, *Traidcraft Exchange*
Jane Goodland, *Henderson Global Investors*
Adrian Henriques, *University of Middlesex*
Jane Leavens, *Department of Trade and Industry*
Craig Mackenzie, *Insight Investment*
Michael Massey, *independent consultant*
Jonas Moberg, *International Business Leaders Forum*
Jules Peck, *WWF-UK*
Lesley Roberts, *Pentland Group*
Brian Shaad, *CORE*
Rory Sullivan, *Insight Investment*
Sophia Tickell
Mark Wade, *Shell*

Project team

Taina Ahtela, *IIED*
Craig Smith, *London Business School*
Juliana Garaizar, *MBA student, London Business School*
Camilla Toulmin, *IIED*
Bill Vorley, *IIED*
Halina Ward, *IIED*

International Institute for Environment and Development

The UK as a whole is widely considered to be a leader in the field of corporate social responsibility (CSR); home to some of the world's leading thinkers, practitioners and campaigners in the field. Yet by the middle of 2006, CSR has become a troublesome term. By 2015, it may well be dead, according to participants in *CSR at a Crossroads*, a process of analysis and stakeholder engagement to build scenarios for the future of CSR in the UK to 2015.

This report records the ideas and analysis that emerged from *CSR at a Crossroads*. Based on wide-ranging conversations and workshops, the report charts possible future scenarios for Corporate Social Responsibility in the UK to 2015, and assesses some of the possible implications.

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About IIED

The International Institute for Environment and Development is an independent, non-profit research institute working in the field of sustainable development. IIED aims to change the world in partnership with others by providing leadership in researching and promoting sustainable development at local, national and global levels. Our goal is to shape a future that ends global poverty and sustains fair and sound management of the world's resources.

IIED's Sustainable Markets Group brings together IIED's work on Business and Sustainable Development, Market Governance, Environmental Economics, Foreign Direct Investment, and Trade. The Group drives IIED's efforts to ensure that markets contribute to positive social, environmental and economic outcomes.

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