Developing a CSR Strategy: 5 Steps to Get Started

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Introduction

Nowadays, it has been widely accepted that corporate social responsibility (CSR) makes business sense; that a company will financially do well if it does good. On this point, a number of empirical studies (Barnett & Salomon, 2011; Eccles et al., 2012; Edmans et al., 2014) have found a positive relationship between corporate social responsibility and financial performance. The authors of these studies conclude that CSR is cost effective, makes businesses more sustainable, and improves the image of the company, making it more attractive to investors, customers, and employees (Bear, 2010).

What makes a company "socially responsible"?

There is no single and universally accepted definition for CSR. Part of the uncertainty stems from the different perceptions of what the social responsibilities of a company are. The three different areas in CSR are often dealt with separately: good governance, environmental and civic responsibilities. First, there is the idea that CSR refers to a company's duty towards environmental protection and sustainability. Second, there is the subject of governance within a company, referring to salaries, benefits, labor protection, safety, and diversity in the workplace. And third, there is the socially oriented area of CSR, which refers to a company's civic responsibilities.

There is also a trend now to think about global CSR, referring to the fact that societies now hold companies accountable "for actions far beyond their boundaries", thus expect companies to choose partners, distributors, suppliers, and even governmental alliances responsibly (Davis et al., 2008). In an attempt to use a definition that encompasses all of these areas of CSR — environmental, social, governance, and global — I define CSR with Aguinis (2011) as "context-specific organizational actions and policies that take into account stakeholders' expectations and the triple bottom line of economic, social, and environmental performance" (p. 858). In other words, CSR is not just charity or philanthropy. It also involves a company's commitment to channel its business strategy and practices towards creating value for, and having a positive impact on society.

Why is CSR important in our society?

The consensus is that by taking into account the expectations of all stakeholders, socially responsible companies generate benefits for the society at large. At the individual level, people who are directly engaged with a socially responsible company — such as employees — benefit from a positive work environment that promotes creativity, personal and professional growth, and motivates individual philanthropy (Gond et al., 2010). Nonprofits and other organizations benefit from CSR by receiving financial and nonfinancial support, from partnerships, and possibly from a larger volunteer pool — which includes corporations' employees. Also, since CSR is a way for corporations to offer public services, for example through public-private partnerships (PPPs), it also supports the public sector on meeting societal needs and the challenges of sustainable development (Nelson, 2008).

The environment also benefits from an environmentally responsible company that uses renewable resources, whose input and output products have a greater recyclability, and a higher durability and functionality. Moreover, CSR also secures the interest of society by ensuring product safety and quality, supporting fair trade, and sponsoring community education, housing and anti-poverty programs. As Stanford Professor Eric Orts has observed, "corporations are the dominant institutions on the planet today. Therefore, they have to help address [the] social [and] environmental issues that affect humankind." (Harrison & Coussens, 2007, p. 83)

Transition challenges

However, a large number of corporations have yet to transform their business models to make them more responsible, or to at least start incorporating sustainable practices into their day-to-day operations. Why is this?

First, becoming a socially responsible company is not a one-time change. It is a continuous path that needs to constantly evolve to adapt a company's interests to society's needs, the economic environment, and the markets in which it participates.

Second, many influential parties and concerns participate in this transformation. The stakeholders of a company's social responsibilities include: investors, employees, suppliers, creditors, unions, consumers, related governmental and non-governmental agencies, and the general community. Therefore, aligning the interest of each party takes time and compromise.

Finally, there is not a one size fits all framework for a company to ease its business model in a more socially responsible direction; there are several different approaches and targets for a company to focus its efforts on.

Organizing and responding to the issue

Even when it is possible for a company to agree on the purpose of becoming more socially responsible, the path towards CSR is not necessarily a clear one. They still face the challenges of: differing and sometimes conflicting views, actors, interests, and targets; the lack of a universal framework for transitioning into CSR; and the continually changing environment to which the company has to adapt its strategies and its goals.

In Spring 2016, at the American University of Beirut, top management representatives from different companies and industries presented their views and approaches to CSR. Reflecting on this panel, I have laid out five basic general steps for a company to start thinking about its CSR strategy.

1º Crowdsource ideas from within the company

As in any organizational change, step one is to get people from within the company, from frontline workers to managers and executives, involved in the thought process (Behn, 1995). Even feedback from customers and suppliers is important. What do customers want? How are suppliers able to help? This crowdsourcing will allow for a more inclusive, democratic, and participatory strategy, which will ultimately get stakeholders participating in CSR practices more committed.

2º Define the company's priorities

Depending on who takes the lead on the company's CSR initiative, the priorities will be different. Is the company's main goal to increase profits? Is it to be innovative? Is it to promote social or economic development? Regardless of the corporate goals, it is always possible for a company to become socially responsible.

3º Match the company's priorities to stakeholder interests

Knowing the interests and priorities of the key actors involved in the process determines how the path and the goal are structured and planned. For example, if the company's priority is to increase profits, the main idea to get across will be that the company's financial performance will improve by being more socially responsible, and plan accordingly.

4º Look closely at areas of improvement

Taking into account industry and human capital limitations, determine the areas in which business practices can be improved to make them more sustainable and socially responsible. These areas could include internal governance, community development, environmental protection, or in social, economic or human development. Another important decision concerns the company's level of involvement: Would the initiative be embedded on day-to-day practices? Would the company support employee's external engagement on social initiatives? Would it offer training, expertise, and support to other organizations engaged in social purposes? Or, would it limit its involvement to financial investments that support areas for social development?

5º Establish a framework

Once ideas on potential CSR initiatives have been gathered and evaluated according to the company's priorities and capabilities, it is important to establish solid grounds for the development of a CSR strategy: define SMART goals.

Form a CSR Committee. While not necessary in all cases,such a committee would make sure the company stays on track towards the goals. It will also help the company to concentrate the expertise needed, while being offering specialized support to the different departments involved.

Establish the company's benchmarks. To measure progress and evaluate the effectiveness of the CSR strategy, it is necessary to establish points of reference. These could be: hours of volunteer work done by employees, the amount of revenue directed to social investments, the number of people commuting to work by bike or public transportation, or the amount of paper used on internal meetings.

Summary and Conclusions

Starting from the widely agreed conclusion that socially responsible companies do well in business, companies face the issue of transitioning into more socially responsible business models. Their main problem here is that there is no single and universally accepted definition for CSR. Therefore, once the decision to be more socially responsible has been made at the organizational level, the path towards it is not necessarily clear. To help address this problem, I have tried to provide a framework for the development of a CSR strategy by suggesting five basic and very general steps to shape the starting path. These are: (1) Crowdsource ideas from within the company; (2) define the company's priorities; (3) match the company's priorities to stakeholder interests; (4) look closely at areas of improvement; and (5) establish a framework.

Hopefully in the coming years, with further development and consensus in the CSR field, transitioning into CSR will be a smoother and clearer process.

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