

Social responsibility is free

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The benefits of social responsibility

It's easy to say that organizations should behave 'properly', and in a socially responsible manner. But why should they? How does social responsibility fit with a capitalist ethos?

Can organizations, small and large, 'do well, by doing good'?



“Make a decent profit in a decent way”



C L I F F O R D
C H A N C E

The time is not far off when companies will have to justify their worth to society with greater emphasis being placed on environmental and social impact than straight economics.”

Being a responsible global citizen, we at SKF strive to act in a way that not only secures strong financial performance but also supports global environmental sustainability.

BP’s objective is to create value for its stakeholders and supplies of energy for the world in a safe and responsible way.

Clifford Chance's overarching vision is to become both the leader of the emerging elite group of international law firms and to be regarded as one of the world's leading professional services organisations. But to achieve these twin ambitions means tackling a third: to be the law firm whose corporate responsibility (CR) activities are most closely aligned with the way it does business.

A QA approach to social responsibility

- Lessons of marketing and brand management
- Lessons of quality assurance

We don't do marketing and determined brand management, or painstaking quality control because:

- “It makes us feel good”
- “it is the ‘right’ thing to do”
- “it is good for the community”
- “it fulfils our staff”

Social responsibility is ***sustainable*** when

- Socially responsible behaviour is good for business and/or
- Socially *irresponsible* behaviour is *bad* for business

Why quality is free

- Philip Crosby's famous exhortation that "quality is free" can only be understood if a wide interpretation of the notion of cost of quality (CoQ) or cost of non-conformance (CoNC) is used. With a narrow interpretation, quality is not free.



First phase CoQ equation (manufacturing view) invest
when:

Cost of quality assurance < Cost of non-conformance
(defect replacement + scrap/rework)

Cost of loss



- Taking a wider view, loss becomes not just the loss of scrap goods, or the loss of direct time and cost in replacing a faulty product or service, but the loss of a repeat customer; the loss of brand reputation; loss of potential revenue, investors and shareholder value
- The cost of replacing defecting customers, using a 'Lifetime Value of a Customer' metric, normally outweighs the cost of trying to retain them.
- Second phase CoQ equation (marketing view)

invest when:

Cost of Loss Prevention < Cost of Loss (Non-Conformance + Lost Future Customer Revenue)

CSR is free

- Third phase CoQ equation (CSR and whole business view) -
Invest in CSR when:
- **Cost of Socially Responsible Actions < Cost of Actual or Perceived Irresponsibility** (lost shareholder value + legal and other sanctions + lost reputation + lost future customer revenue + lost potentially desirable employees...etc)



If we want to - we can



- We can quality assure socially responsible behaviour, just like we quality assure our products and services
- figure out what it means to us and our communities
- set specifications
- understand and manage tolerances and variables
- document and audit the process
- train for it and reward it

Capitalism rules – for now at least

- Good capitalism and social responsibility aren't from different universes. A successful business is likely to be a good corporate citizen already
- Socially responsible business is a journey, rather than a destination.
- Like quality, it needs re-addressing and re-defining constantly. Continuous improvement is the key issue.



Saving the world?

- Won't be addressed by politicians
- Might be addressed by businesses (importance of business leaders and educators)
- Can be addressed by individuals
- Companies can do well out of doing good. Sustainability makes sense commercially as well as morally.
- Nothing will happen if we wait for something to happen

Do good, and do well

- Sustainability is key
- CSR can't be a luxury item or a charitable act
- Find ways to demonstrate 'Taking Sustainability Seriously'
- Make and keep promises on CSR
- Take a 'cost of non-conformance' view of CSR – what can be gained; what can be lost?
- Run a successful business – in a decent way



Right livelihood

- Lack of a 'body of knowledge'.
- Plenty of research and ideas on how to run a business well, how to manage people etc.
- Plenty of philosophy or religion on how to lead a 'good life'.
- Not too much on how to do both – a 'right livelihood'.
- But we are starting to build the body of knowledge.