

CSR, ESG or both? The key questions to ask yourself

CSR (Corporate Social Responsibility), ESG (Environmental and Social Corporate Governance) or both? Chances are, you're not starting with a clean sheet of paper, and you already have an approach to your 'CSR' and the question of 'sustainability', perhaps even a strategy.

Are you feeling confident in your approach, or are some of the more pointed ESG questions that your investors are now asking starting to cause you concern? Sometimes a reset is needed, and here are some pointers to help shape your approach.

1) What is your business and how do you go about doing it?

It's really quite simple; you have to think about what your business is and how you do it. Answer those questions while remembering that people are expecting you to not just be able to make a profit but do it responsibly and sustainably.

Look at what you do and how you're doing it through the eyes of an outsider. Only then can you start to think through the questions you might get asked and what your answers are.

Let's say you're in the business of healthcare, surely an inherently good business? Consider:

- what is your safety record like?
- How do you look after your patient's data?

How much profit do you make and what do

- you do with it?

Martin "Pharma Bro" Shkreli earned the title of "most hated man in America" for obtaining the manufacturing licenses for several life saving pharmaceuticals and raised their price by more than 5450%.



In thinking about and answering these questions, one starts to get to the fundamentals that lie at the heart of what's likely to be scrutinized about you in the first place.

2) Is what you do (and how you do it) creating a good for society?

The starting point for any business is that it produces something – a product or service – which someone wants and is prepared to pay for. That must mean it's performing a good in society – right?

Let's say you're an oil company. The world still needs oil. But even the largest oil companies now accept that the planet faces an existential threat in climate change, and at some point mankind may need to diversify beyond burning fossil fuels.

The oil industry has now started to tell the story as to how that might happen, as well as how they currently go about the dangerous activity of producing oil we currently need in a responsible way.

3) How do I tell the [CSR] story?

CSR should be the story your business tells about where it sees its place in the world; where it fits in and what its relationship is to the issues (or causes) it is connected to. Depending on your size and sector it is also an answer to the fundamental questions; **Who are you, what do you do and how do you do it.**

Its reasonable for any business, even the most controversial ones, to tell their own story about how they see themselves versus the issues they create or are connected to. In fact if you operate in a controversial sector then there is an unquestioning need to do this, otherwise other's will do it for you, and they may not be generous in their assessment.

The problem for many is when they shy away from the fundamental narrative that is likely already told about them, and try to side-step difficult scrutiny. **Every business should always feel they can tell their own story – as long as they ask this basic test question; is the story I am trying to tell one which has integrity and is representative of how we do business?**

Learning from Unilever



You may provide an inherent good to society in what you do, but the likelihood is you have lots of 'impacts' along the way, and people want to know what you're doing to mitigate those. **You have and start to prioritize which ones you need to address directly, or have an indirect or pan-industry approach to manage.**

Unilever, seen as the undisputed leader of Consumer Package Goods (CPG) in its approach, has gone to the extent of defining a strategy for every ingredient it uses, and the ultimate consumer impact involved in all its products (like boiling the kettle to make a cup of tea with one of its tea bags).

4) How do I measure CSR? Do I need to measure it?

We all know that old cliched refrain, 'what gets measured gets managed' or the opposite, 'if it's not measured, it can't be managed'.

The generally accepted starting point might be to prove that what a business is doing is both good for the business and society, and we can prove it with these measures. CSR has evolved to being a set of activities which have a clear business link and need, and as such businesses then started to measure what they measure everywhere else – outcomes – just like they measure profit as an outcome of investment.

There are also now a series of indices and benchmarks in place to evaluate your entire approach – such as the Dow Jones Sustainability Index (DJSI). These can be useful exercises and provide a level of accepted endorsement to your approach. But participation can be resource intensive, and may distract you from what you need to focus on; your own impacts and outcomes.

Investor groups are starting to set their own criteria for your performance in this area using ESG metrics just like they would for every other aspect of your business.

5) Sounds like I might need armies of people to my CSR and ESG approach?

Depends. Once you've taken the steps above, you need to prioritize and focus, and channel likely limited resources (time and money) to make sure you're addressing the biggest impacts you have first.

Armies of people and consultants often get in the way of each other, leading to a 'bureaucratized' response where the 'how' becomes the focus rather than the outcomes aimed for in the first place.

Focus and prioritize, and don't duck difficult and fundamental questions.

Some businesses take the approach that they will only focus on those things where they feel they have sufficient scale to leverage a solution at an industry-wide level. This poses two further questions:

- 1)** can you really just manage with an industry approach if the question is so fundamental to your business?
- 2)** while it's important to focus on priorities, just because you only use a small amount of a material or ingredient does not exempt you from having good answers for your management of that resource.

The Final Word

- CSR, as with charity, starts at home. If you don't ask yourself the tough questions first, someone else will (and then give answers you might not like!)
- There's no need to aspire to become a 'thought leader'; start off with being able to explain what you do, what your impact is, and what you're doing to address it.
- No one expects you to have all the answers to big societal issues, but they will expect you to have thoughts about them, have a view and explain what you're doing to try and address them.
- If you're just 'throwing money' at a problem, it's unlikely that will solve it, and no amount of 'good PR' or community investment will paper over a problem or get you through a crisis on its own.
- If you can show you know your business and the impact it has, and you are working with stakeholders to address these impacts, then you will more likely be listened to with an open ear, if still a skeptical one, and be on the right side of the balance of doubt.

Change starts with a conversation. Let's talk.

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