CSR is not about how you spend the money you make; it is about how you make the money you spend

Currently the global public’s expectation that business will operate in society’s best interests has rapidly increased to an all-time high, while the public’s perception that business is operating in society’s best interests has rapidly declined to an all time low. This increasing gap has led to a significant erosion of trust in business.

Our world is embroiled in multiple seemingly-intractable social and environmental challenges and there is little question that the business sector occupies a position of considerable power and resources. The concept of corporate social responsibility (CSR) is now making its way into mainstream business thinking and though there are a myriad definitions of CSR, there is little agreement on a universally-accepted one.

Perhaps the most globally accepted definition emanated from the Brundtland Commission’s work in 1987, which defined CSR as providing for the needs of today without sacrificing the needs of future generations. Net Impact, a global organisation of MBA students, alumni and professionals, gives perhaps the most straightforward and clean definition of CSR: using the power of business to create a better world.

Having no universally agreed-upon definition is not an excuse for a company not to engage in CSR, although it is often used as one. Savvy businesses will look to the leading definitions, and then define it for themselves based upon their own skills, the community needs and their own business objectives.

While there has been an explosion of CSR activity over the past five years, the space has few good examples of smart, strategic CSR, and is still rife with examples of non-strategic CSR. There is a set of good practices on which companies need to focus, at a minimum, as they develop CSR strategy.

Senior leadership and management of the firm, ideally including the board level, must make an authentic, firm and public commitment to CSR. CSR should be treated, and managed, as a core business strategy just as are the strategies of marketing, R&D, capital expenditures, and talent management.

It is imperative in developing CSR strategy that the company determines what its specific business objectives are. Is it growth in new markets, and if so, which? Is it penetrating new customer segments or grabbing market share from competitors, and if so, which market segments?

Companies should view CSR as both a risk mitigation strategy and an opportunity-seeking strategy. They should seek out partners in the community who have developed deep expertise in the cause or issue they are targeting, and work with these organisations – usually in the non-profit sector – to develop the best solution and build capacity. Their non-profit
partners are also in a better position to help the company communicate their CSR efforts as non-profits enjoy a much higher level of global trust.

Finally, companies should develop clear performance metrics, or key performance indicators, to measure the impact of their CSR strategies. If there are no performance metrics in place, there will be no way to prove that the strategy was effective and it will not be sustainable.

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