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Corporate responsibility: an introduction

Explores corporate responsibility and putting it into action in the workplace

Introduction

Corporate responsibility (CR) is about the impact an organisation makes on society, the environment and the economy. Having an effective CR programme contributes positively to all stakeholders as well as adding value for the organisation itself, and ensures it operates in a sustainable way.

This factsheet discusses why corporate responsibility matters, and highlights HR's role in putting it into action. Factors and mechanisms influencing corporate responsibility include legal and voluntary measures, partnerships with external agencies, and social and environmental reporting. The factsheet also outlines current debates on corporate responsibility, examining both its proponents and opponents. It ends with guidelines for introducing a corporate responsibility strategy which apply especially to employers and people professionals.

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What is corporate responsibility?

Corporate responsibility (CR), also known as corporate social responsibility (CSR) or business sustainability, is about the ethics which drive an organisation's activities and how it operates so that it's viable over the long term. These two factors are intrinsically linked because a business that damages the systems on which it depends will ultimately be unsustainable.

CR starts with recognising that organisations' activities impact on society, the environment and the economy, as well as on their own workforce. Value creation is not

just a matter of finances. Indeed, the traditional shareholder value approach to business, and the short-termism that often goes with this, are central reasons for the global economic crisis and numerous environmental and other ethical corporate disasters - we look briefly at social value creation below. An organisation committed to maximises the positive impacts of its operations for all its stakeholders.

Areas of corporate responsibility

CR initiatives usually fall into four main areas:

- **Workplace** – What’s the best way to look after employees and other workers in the value chain?
- **Market place** – What impact does the organisations’ products or services have? Do they comply with all fair trading, corporate taxes and anti-bribery requirements?
- **Environment** – How can environmental impact be minimised or improved?
- **Community** – How can the organisation contribute positively to society?

Why does corporate responsibility matter?

CR matters because wider societal issues matter to people. In ‘doing the right thing’ by their stakeholders and sharing the same values, organisations will themselves see benefits from brand enhancement and reputation, to building employee engagement. It therefore makes good business sense to operate sustainably.

What is social value?

The emergence of ‘social value’ as a key driver for business is no fad. Social value considers more than just financial transactions and can include happiness, health, well-being, inclusion and empowerment. It’s often difficult to measure but is ‘of value to people in society’. Social value goes beyond traditional corporate responsibility since it actually drives core business purpose rather than sitting alongside it.

Embedding corporate responsibility into practice

There are various factors and mechanisms involved in putting CR into action.

Stakeholders in corporate responsibility strategy

The foundation of CR is a stakeholder-based view of value creation and an organisation's responsibilities. This should take account of the long-and short-term interests of customers, employees and workers throughout the wider value chain, as well as the general public. This informs an organisation's understanding of the potential value it creates or the damage it can do for employees, local communities, customers and the environment, as well as shareholders.

Law and voluntary measures

Many ethical considerations in the core areas of CR are enshrined in law, including employment law. However, CR strategy typically aims to go beyond legal obligations with organisations taking voluntary measures and initiatives. Indeed, CR has grown in part due to perceived limitations of legislation, either in its scope, detail or power to influence.

Some of the most visible voluntary CR activity relates to community-based activity, for example, supporting local community projects financially or via employee volunteering programmes.

Governance

In shaping how an organisation creates value and questioning how it operates, CR relates closely to corporate governance, the mechanism for holding executive management to account. Effective boards will hold a long-term view, have a clear understanding of business models and will have the strength and independence to challenge the business.

The role of HR

HR has an important role to play in building and maintaining ethical cultures within organisations, where corporate responsibility is recognised by all. For instance, HR might encourage decision-makers to review the ethical dimensions of business decisions. Additionally, HR professionals build people management systems that support ethical behaviours through appropriate reward and performance management processes. Read about how HR can establish an ethical culture in our [Ethical practice and the role of HR factsheet](#).

However, the role of the HR function in shaping and embedding CR strategy is twofold. First, it concerns ensuring fair practices within the 'workplace' area of CR. Secondly, in the absence of a central CR function, HR can also play a coordinating role in running other elements of CR for example, employee volunteering programmes.

HR's role in CR takes various forms, including:

- **Employment and people management practices.** The HR function needs to first look at its own domain, embedding CR into core HR practices. It must ensure that, as a minimum, statutory obligations are met in all aspects of employment and people management, and that the organisation aims to go beyond this where possible. This applies to the whole range of HR practices, including recruitment, terms and conditions, health and safety, communications, diversity and fair treatment, learning and development, performance management and reward and benefits. One area of HR practice that has received particular attention is the fair treatment of whistleblowers.
- **Supporting a broad CR strategy.** HR has a role in communicating with and training employees at all levels on their social and environmental responsibilities. As well as threading sustainability concerns through people management policies and practices, HR can play a central role in ensuring alignment between the organisation's values, culture and business activity. Equally, learning and development functions play an important role in developing management capability and promoting organisational learning in corporate responsibility.
- **Volunteering schemes.** HR often leads community-based schemes such as employer-supported volunteering programmes. Various CIPD research has argued that these can make important contributions to learning and development as well as employee benefits and engagement.

Beyond its own remit of people management practices, HR is ideally placed to be able to gauge, understand and help change organisational culture, the critical aspect to corporate responsibility that is often summed up as 'how we do things around here'. Organisational culture runs through all aspects of a business and, in acting as its guardian, HR can act as a mirror of conscience to the rest of the organisation.

However, this is often not reflected in HR's current standing. Our research report [The role of HR in corporate responsibility](#) shows that many business leaders do not consider that HR plays a central role in CR. This is not just a problem of perception. The research shaping the CIPD's [Profession for the Future](#) strategy shows that HR practitioners often feel they have to compromise their principles to meet current business needs. We believe that the solution lies in developing principle-based standards for people management. Following standard 'best practice' may not suffice because contexts vary. A surer approach emphasises the **principles** that need to be followed for ethical decision making. We are currently developing these principles for the HR profession.

Partnerships with external agencies

Understanding stakeholder interests is no simple task and an organisation's potential impact and responsibilities vary greatly depending on their size, sector and the nature of their work. CR strategies can thus benefit from working in partnership with government bodies and non-governmental organisations that protect or represent stakeholder groups, so that the organisation's local and global responsibilities can be appropriately reflected within its business strategy. Our UK report *Youth social action and transitions into work: what role for employers?* shows that working with charities can also increase the effectiveness of community focused CR activity, as employers can draw on their expertise and infrastructure.

Measuring corporate responsibility

CR initiatives can contribute to business targets directly (for example, through reduced environmental costs) and indirectly (for instance, increased employee engagement). Both can be assessed. One way outcomes can be measured is through a balanced scorecard approach which allows for the different types of factors that contribute to a business's bottom line including internal people, processes and customers.

For more on the quantitative reporting of indicators relating to employment issues, see our factsheets on [human capital](#) and [people analytics](#).

Social and environmental reporting

CR or sustainability reports are now widely used, particularly by larger companies, to communicate information regarding the organisation's social, environmental, economic and ethical performance to a variety of stakeholders, including shareholders, customers, employees, local communities, regulators and government. These can be standalone reports or embedded in a company report or website. The main features include a policy statement, targets, measuring progress and assessing key impacts.

The [Global Reporting Initiative](#) (GRI), a not-for-profit organisation that promotes economic sustainability, provides guidance and support to organisations around sustainability reporting and has produced a comprehensive framework that is used worldwide.

United Nations Sustainable Development Goals

Perhaps one of the most major drives to promote CR has come from the [United Nations](#)

2030 Agenda for Sustainable Development. The Agenda is founded on 10 principles in four key areas: human rights, labour, environment and anti-corruption and promotes 17 Sustainable Development Goals in the areas of people, planet, prosperity, peace and partnership and are an urgent call for action by all countries in a global partnership.

Guidelines for introducing a corporate responsibility strategy

The following guidelines may be helpful for HR teams and/or the organisation as a whole to consider when introducing a CR strategy:

- Identify all the stakeholder relationships needed for ethical and sustainable business success.
- Clarify the areas of CR relevant to the organisation. These might include environmental impacts, remuneration policy, labour conditions in subcontractors and supply chains as well as societal and community impact.
- Understand how the CR strategy is aligned to business strategy and HR practices.
- Get the top team on board, and know how to argue the case for CR, including the business benefits, to different stakeholders.
- Ensure CR is properly reflected in employee induction and development.
- Measure and evaluate CR performance effectively so the results can be clearly seen and improved.
- Publicise and promote successes.

Useful contacts and further reading

Contacts

[Institute of Corporate Responsibility and Sustainability](#)

[Institute of Business Ethics](#)

[Business in the Community](#)

[Forum for the Future](#)

[World Business Council for Sustainable Development](#)

[Carbon Trust](#)

United Nations Sustainable Development Goals

Books and reports

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Journal articles

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This factsheet was last updated by Fiona Scott.