

DOWN BUT NOT OUT: CORPORATE RESPONSIBILITY IN TURBULENT TIMES

85%

of Ipsos MORI's Reputation Council agree corporate responsibility investment will continue



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Over the last year we have seen unprecedented change in the corporate world. The collapse of the sub-prime mortgage market, falling global demand in manufacturing, massive stock market falls and declining economic confidence have left everyone wondering how businesses should best operate now.

The economic crisis has placed a question mark in some people's minds as to whether issues such as sustainability, transparency and corporate responsibility will retain importance at the leadership top table or will be the victim of budget-cutting. The messages that Ipsos MORI's Reputation Centre are hearing relating to this are mixed, but the over-riding sentiment is that this is not the time to be cutting back in the area of reputation.

Ethical purchasing a declining concern for consumers

At the close of 2009, we remain in the longest recession since records began and unsurprisingly the economy tops the agenda for the general public and business community alike.¹ Against this backdrop, it is perhaps not surprising that consumers' priorities for companies have changed over the last year. In particular, as the recession bites, the importance of corporate responsibility

¹ For British public findings, see Ipsos MORI's Issues Index: www.ipsos-mori.com/issuesindexoctober
For Communications Professionals' findings, see Reputation Council Report: www.ipsos-mori.com/reputationcouncilreport

89%

of the global online public agree that companies should pay more attention to the environment

57%

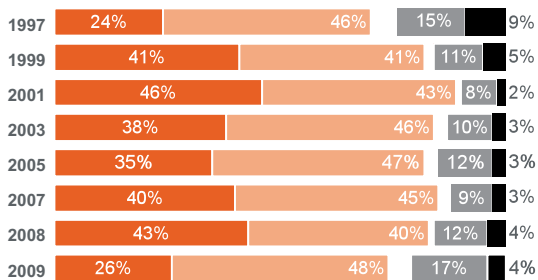
of UK Captains of industry say companies will continue to invest in corporate responsibility

in people's purchasing has declined sharply. When choosing a purchase, only around a quarter (26%) of the British public say it is very important that a company shows a high degree of social responsibility, compared to 43% in 2008 (in fact, we haven't seen a 'very important' figure this low since 1997) (see chart below).

Importance to purchase fallen back to 1997 levels

Q When forming a decision about buying a product or service from a particular company or organisation, how important is it that it shows a high degree of social responsibility?

Very important Fairly important Not very important Not at all important



Base: 1,011 GB adults 16+, 4th – 10th September 2009; 1997-2008 c. 1,000 GB adults 16+ each year. Asked face-to-face

A further 48% say it is fairly important, bringing the total 'important' figure to 74% - down from 83% in 2008. So while a majority still think ethical purchasing is important to some degree, the intensity of people's opinion has seen a particularly marked decline.

Value for money will, of course, be overshadowing many other considerations for consumers at the moment. When many people still see an ethical or responsible purchase inevitably to involve paying a price premium, it seems that for many consumers ethical purchasing remains a fair-weather activity. Companies therefore need to help consumers understand the purchases they can make which are good for society and good for their wallets.

Yet consumer expectations of business remain high

We have seen rising levels of consumer activity in other areas – particularly those environmental measures involving cost savings (or which are at least cost-neutral). The proportions of the public which have in the last year recycled, taken energy efficiency measures in the home, and cut down on using the car for environmental reasons, all continue to rise year-on-year.

And there is also a sense that globally the public expect companies to continue to act responsibly – nine in ten of the online public across 23 countries agree that companies should pay more attention to the environment (89%) and that companies should do more to contribute to society (82%). In Britain, we have seen no significant decline in these high levels of expectation since 2007.

Business audiences believe CR investment will continue

Among business audiences, there is a belief from several quarters that companies will continue to invest in corporate responsibility through the tougher economic times. The majority of communications practitioners and business leaders within companies, and the majority of some key stakeholders working in the corporate responsibility field, believe that companies will continue to invest in this area despite a tougher economic climate (see chart below).

This opinion is most common among communications professionals within companies. These leading communicators who participate in Ipsos MORI's Reputation Council are clear in their view that the current economic conditions should not detract from issues of corporate responsibility. As trust in business becomes a more prominent issue

for many Council members, they feel that now is not the time to ignore sustainability issues which are relevant to their sectors. Climate change is particularly prominent, but they also mention issues as diverse as health, waste, business ethics and acting as a responsible employer while making redundancies.

“The recession in no way should deflect business from tackling its environmental impact and consumers absolutely expect to see business doing its bit. Not only to reduce its own impact, but increasingly also to help consumers reduce their impact – and woe betide the business that decides environment is no longer important!”

Ipsos MORI Reputation Council Member

It is the Board that is most likely to need convincing of the case for CR investment: among Captains of Industry (MDs, CEOs, Chairmen and other Board Directors of FTSE 500 companies), 57% agree companies will continue to invest in corporate responsibility despite the tough times, lower than the other groups, albeit still a majority view.

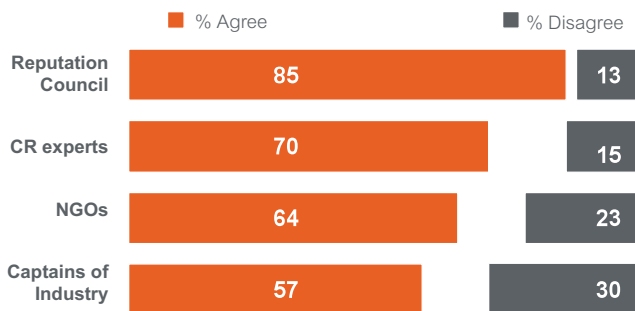
The outlook for 2010

Looking forward to 2010, economists are split in their views regarding whether the road to recovery will be short and swift or long and drawn out. If the latter, of course the focus will remain on demonstrating value for money for budget-conscious consumers and linking corporate responsibility to cost savings. If the former, and we are to follow our European neighbours France and Germany more swiftly out of the recession, the consumer spotlight may well return to ethical purchasing more rapidly, with the strategic focus returning to maximising the opportunities from corporate responsibility as well as managing the risks.

However long the recovery takes, it is clear that ‘doing more with less’ will continue to be a preoccupation for some time yet in reputation management, as in all aspects of business operations. The following quote is typical of the mood of many Reputation Council members regarding how they plan to tackle these challenges, re-focusing on the strategic priorities:

Investment in corporate responsibility

“Companies will continue to invest in corporate responsibility despite a tougher economic climate”



Base: c. 50 Reputation Council members – communications professionals from leading European companies March 2009, 20 Corporate Responsibility Experts – from membership organisations, think tanks, commentators and spokespeople July/August 2009, 22 NGOs – senior representatives on business responsibility from a range of campaigning organisations and charities July/August 2009, 100 Captains of Industry – MDs, Chairmen, CEOs and other Board Directors from FTSE 500 companies, Sep-Dec 2008

“We’re trying to do the same amount on a smaller budget and that just means being nimbler, more efficient, quicker, grabbing opportunities when you see them and then making sure you do the stuff that really, really matters – not the stuff which is ‘nice to have.’”

Ipsos MORI Reputation Council Member

Unlike previous recessions, this time around every layer and level of organisations have been affected and the speed of the downturn has necessitated quick reactions as companies restructure and re-focus. This means that, more now than ever before, the recession has acted as a magnifying glass, highlighting management flaws and confusion that in more buoyant times would perhaps have remained undetected. In corporate responsibility, this prompts a renewed emphasis on proving the business case for initiatives, evaluating the benefits of activity and communications, and ensuring CR programmes are absolutely aligned with the company’s strategic priorities. Stakeholder scrutiny of companies could also further intensify in the recession’s wake. The cynicism towards business that has emerged in some circles as fall-out from the banking crisis is contributing to a renewed focus on trust as the guarantor of an organisation’s ‘license to operate and grow’.

In terms of the policy and regulatory context for companies, a lot will of

Ipsos MORI’s top CR agenda items across the years		
	Business reputation issues	Corporate responsibility issues
2010	Doing more with less, focus on value Rebuilding trust Social media and web 2.0	Climate change, responsible use of water Transparency & governance Employee engagement / values-driven culture
2000	Online gathers pace, dot.com bubble Anti-capitalist demonstrations The accounting scandals of the early 2000s yet to hit (Enron, Worldcom, Parmalat, etc)	Responsible supply chain / labour scandals Regulatory vs. voluntary approaches Company social reporting, stakeholder dialogue and social responsible investment on the rise
1990	Operational re-structuring and efficiencies, Total quality management (TQM), Six Sigma Industrial relations prominent Food scares hit the headlines	Emergence of environmental management – ‘dirty industry’ focus e.g. chemicals, oil, energy Companies focus on community investment Emergence of earliest CSR-focused business associations and consultancies

Source: Ipsos MORI Reputation Centre

course depend on the ramifications of December’s UN Climate Change Summit in Copenhagen, and the further climate change negotiations planned for Mexico at the end of this year. Whether or not most consumers are even aware of the summit and its significance, climate change will continue to be high profile in the media and there will remain a demand among consumers and wider stakeholders for companies to be seen to be ‘doing their bit’ on the environment. Along with the further emergence of the issue of responsible use of water, experts expect climate change to remain at the top of the agenda for companies, and the business contribution of course remains critical in addressing the huge challenges we face in pursuing a sustainable future for our society.

So while some consumers may have been distracted from ethical purchasing concerns as they struggle to cope with the recession, the long-term pressures on companies to act responsibly remain. Those companies best-placed to capitalise on the recovery (when it arrives), will be those companies which are seen to have stood by their principles during the tough times, emerging with their reputations intact. ●

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