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Business associations

## Addressing the responsibility challenges?

By Rajesh Chhabara

**It is unclear how successful the many sustainability-focused business associations are in delivering value for their membership**

The corporate social responsibility movement that began in earnest in the early 1990s brought with it a flourishing of business associations aimed at developing, driving and managing the corporate responsibility agenda for their members.

Some of the earliest international business associations included Business for Social Responsibility in the US, CSR Europe, International Business Leaders Forum, and the World Business Council for Sustainable Development.

National level associations included Business in the Community in the UK, Canadian Business for Social Responsibility, and Instituto Ethos in Brazil. Even the United Nations entered the fray by launching the United Nations Global Compact, a membership-based corporate social responsibility organisation.

Many of these organisations have undergone transformations to keep pace with the changing landscape of business responsibility. And recently companies and other stakeholders have begun to question what the business associations are for, and the value that members get for their often hefty annual subs.

Aron Cramer, chief executive of Business for Social Responsibility, says that the organisation's initial purpose was to help companies understand what corporate responsibility was and why it was important. The emphasis is changing slightly, he suggests: "Our main task [now] is to help companies figure out how corporate responsibility can make a difference to their business and to the wider world."

US-headquartered BSR, one of the most influential business associations, has more than 250

members that together account for \$6tn in revenue.

CSR Europe, the main European initiative on responsible business, was set up in response to an appeal by the European commission. Laura Maanavilja, communication manager at CSR Europe, says the network has moved from its early activities of awareness building to a platform for companies to share their experiences and expertise and to develop practical tools they need to drive their CSR strategies and practices.

CSR Europe members include 70 multinational companies and 27 national organisations in 23 countries. In total the network has more than 2,000 members.

Business in the Community, the largest and oldest of the associations, was set up in 1982 in the UK. It now has more than 830 members and a staff of more than 350.

### Mobilising and regenerating

BITC's initial purpose was to mobilise companies to help regenerate local economies across the UK through charitable contributions. Over the years, the organisation has transformed to promote wider corporate responsibility and a sustainability agenda.

Today, there are a large number of such associations promising to help their members deal with the ever-evolving challenges of corporate responsibility.

"There are so many of these organisations that it would be impossible for us to be a member of all of them," says Richard Ellis, group head of corporate social responsibility at the UK retailer Alliance Boots. "So we have to pick and choose."

Ellis says that Boots chooses associations where

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### CSR Europe – initiative timeline

- Members include **75** companies and **27** national organisations.
- 1995:** Founded by companies on appeal from the European commission president **Jacques Delors**.
- 1995:** 20 companies and European commission sign the **European business declaration against social exclusion**.
- 1995:** The declaration signatories create the **European Business Network for Social Cohesion**.
- 2000:** Renamed as **CSR Europe**.
- 2002:** Establishes the **European Academy of Business in Society** in partnership with universities.
- 2005:** Releases the **European roadmap for businesses**.
- 2008:** Launches the **European toolbox for a competitive and responsible Europe**.
- 2008:** Launches a guide to **sustainable marketing**.
- 2010:** Publishes CSR guidelines for the **construction sector**.
- 2010:** Launching **Enterprise 2020**.

## Business for Social Responsibility

- Established in 1992 in Washington, now has **250 members** and about **100 employees**.
- 45 founding members included **Ben & Jerry's**, **Patagonia** and the **Body Shop**.
- Expanded by opening offices in Hong Kong (2001), Paris (2002), Guangzhou (2005), New York (2007) and Beijing (2007).

**1993:** The first BSR conference in Washington.

**1994:** Moves head office to San Francisco.

**1995:** Launches **human rights** programme.

**1998:** **Governance and accountability** programme launched.

**2004:** Opens China Training Institute in Guangzhou.

**2007:** Launches Herproject, a factory-based health initiative for **women workers**.

**2008:** Launches the **China water initiative**.

*"There are so many organisations that it would be impossible to be a member of all"*

*Richard Ellis, Boots*

the company can make a contribution and get something in return. "What we are looking to do is to build relationships with these organisations whereby we can share knowledge and understanding to push the agenda forward."

Charlotte Wolff, CSR manager at ArcelorMittal, says one of the key points is whether the association provides a good opportunity to interact on key issues, be it in the form of working groups or seminars. "We also quite like it if the organisation gives us access to key decision makers and an opportunity for us to present our side of approach on specific issues," she adds.

Choice of an association also depends on the current agenda. "At the moment, the most important agenda is carbon management. So we work with the Carbon Trust," Ellis says.

Personalities of leaders both in companies and associations play a role too. "Sometimes, different people get on really well and that means the partnership works very well," says Ellis.

He says that when people don't get on quite the same way, the relationship does not progress as well. "It also explains why we work with an organisation for five or six years and then we choose not to work with them and start working with another organisation."

### Roles evolving

Significantly, there have been recent changes in leadership at organisations including CSR Europe, the International Business Leaders Forum and research and standards boutique AccountAbility. These have surprised sustainability professionals and left observers wondering about the future direction of these institutions.

Most business associations started out with a simple objective of spreading awareness about corporate responsibility. Many have morphed into more complex entities engaged in a range of activities including advocacy, consulting, research, training and stakeholder engagements across sectors.

Observers say dwindling funding and expanding operations have forced these associations to look for viable revenue models. For example, BSR follows a hybrid model that includes membership, consulting, cross-sector collaboration and research.

More than half of BSR's revenue comes from consulting services followed by 25% from membership fees, about 15% from government grants and 10% from conferences. The organisation's total revenue has grown from \$7.5m in 2004 to \$12.5m in 2009.

Cramer says the revenue mix is likely to remain the same as it is now.

CSR Europe is known more for advocacy than for consulting, on account of its role in promoting dialogue and cooperation between businesses and the European Union authorities.

Maanavilja says this link with the EU is a key reason companies join CSR Europe. The organisation also plays the role of an incubator for joint



Can associations give the edge?

projects between companies and stakeholders on specific issues.

Companies and experts that Ethical Corporation spoke to accept that the associations need to rely on consulting to generate revenue to support their work. But some argue for caution in terms of their consulting role.

The head of corporate responsibility at a multinational company, who wants to remain anonymous, argues that if there is too much consulting, "you pay double". He points out that companies pay a big membership fee and then pay on top of that for consultancy. "You pay separately for each working group. After a while you end up paying a million dollars to the same organisation for being involved," he says.

Wolff of ArcelorMittal says each association has its own strength. As long as each focuses on its strengths, is clear on what it is for and has a clear mandate to serve its membership, it works well.

Networking opportunities, mutual learning and sharing, and facilitating collaborations and dialogues are among the top expectations member companies have of these associations.

Setting the corporate responsibility agenda is one of the potential roles, says David Grayson, director of the Doughty centre for corporate responsibility at Cranfield School of Management, UK.

Grayson says associations should be able to engage at the top level of company leadership. He says the agenda is much more credible when the senior leadership is actively engaged, genuinely worrying about these issues and seeing what some



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of the possible solutions are.

He says: "It also makes it much easier to sell to other companies because it is an agenda developed for businesses by businesses."

Leaving the agenda in the hands of the members can cut both ways, though. "Their agenda is driven by how much pressure is out there and how much they think they can avoid by moving up," says Prakash Sethi, president of Sethi International Centre for Corporate Accountability and professor at Baruch College, New York.

"We operate on a push and pull basis. We are not an organisation that imposes a single agenda or a single set of solutions on members," Cramer says. BSR says that it judges where to invest resources after talking with members, carrying out analysis by its own staff, and by engaging with a very wide array of experts and stakeholders.

### Staying relevant

A key challenge for business associations is to stay relevant in the face of constantly changing issues and the diversity of their membership.

Adrian Hodges, vice-president for corporate responsibility and global community partnerships at GlaxoSmithKline, points out that companies are a lot more sophisticated than they were when these institutions were established. This means the associations need to have the skills and knowledgeable employees to be able to collaborate with companies.

In a way, because of the success of the business associations, companies see how material sustainability issues are to their business. "And therefore

they are looking for increasingly more direct value from the institution in return for their membership," says Hodges.

Observers say that striking a balance between the needs and expectations of those members that are at the cutting edge of sustainability practices and those that are beginners is another big challenge for the associations.

David Stangis, vice-president for corporate social responsibility at Campbell Soup, says that while leader companies are interested in understanding what will be the key issues in ten years' time, there is a big group of members that join because they need the basics and practical tools.

"If they do too much for the leaders they leave everybody else behind. If they try to satisfy the vast masses, leaders will go – as they will not be getting any value," Stangis says.

Cramer says classifying companies into leaders and learners is difficult as most companies are leading in some areas and have a bit to learn in other areas. He says BSR aims to help companies based on where they are on a particular issue.

Cramer acknowledges other challenges. He says that the biggest barrier that BSR faces is that the topics that it works on – such as climate change or the availability of water or economic development and poverty – "are very complex topics", he says. The biggest challenge, now that there is good engagement, is to figure out solutions that really work, he adds.

### Crystal ball

Stangis says associations are challenged with predicting the future in a way that everybody can find value in. "It is very difficult for them to create thought-leadership for the leaders."

John Swannick, executive director of the European Academy of Business in Society, says associations supporting businesses in their corporate responsibility work are having to confront the professionalisation and internationalisation of the corporate agenda.

Swannick explains that the key corporate responsibility questions are often very familiar, but the background and experience of people charged with delivering the response seems to be shifting. "That's a real challenge to the traditional support agencies if they don't have the business experience or mindset and, more importantly, the right touch points within the company," he says.

However, no one denies that some of the business associations have really made a difference.

"Many of these organisations have achieved a lot," says ArcelorMittal's Wolff. "Without them, corporate responsibility wouldn't be where it is today."

But in order to move to the next level, the associations now need to figure out ways to stay relevant and effective and offer real value for memberships that are more diverse, more demanding and more sophisticated than ever before. ■

## Business in the Community – key activity

Set up in 1982 in the UK, now has over **830 members** and more than **350 staff**.

**1985:** Prince of Wales accepts the presidency.

**1986:** Launches employers' forum on disability.

**1989:** Sets up Business in the Environment.

**1996:** Launches BiE index of corporate environmental engagement.

**1997:** Launch of pilot principles of corporate community investment.

**1998:** Launch of right to read initiative.

**2001:** Launches rural action programme.

**2002:** Launches a corporate responsibility index.

**2004:** Launches CSR academy.

**2005:** Launch of business action on health initiative.

Source: Business-led Corporate Responsibility Coalitions report, by David Grayson, director of the Doughty centre for corporate responsibility at Cranfield School of Management, UK.

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