CSR in Budget Crunch Times

12 strategies for success

-by Wayne Dunn
With plummeting oil prices, the mining industry facing sustained low prices, high costs and economic turmoil and the world economy looking scary, many firms are taking close looks at budgets and cutting far and wide.

When budgets get tight CSR is often at the top of the list for cuts.

Sometimes this makes strategic business sense. Sometimes not.

When CSR is at the top of the cutting list it may be because that makes the most sense, given all of the other constraints and issues the company is facing.

After all, the business does need to survive financially if it is to be able to produce value for society. A bankrupt or shuttered business produces few benefits for society or shareholders.

Sometimes CSR is at the top of the budget cut list for the wrong reasons. This isn’t good for shareholders or society.

I’ve found two main reasons that CSR can be wrongly placed at the top of the budget crunch cut list. After this I’ll list twelve strategies for addressing CSR when budgets are getting cut. They are mostly about CSR and value so are good practice at any time.

1. Company CSR leaders were not effective at internal communications and helping internal stakeholders understand the strategic and shareholder value of CSR (see Seven proven ways to engage internal CSR stakeholders http://linkd.in/1z7vQN7 for more discussion on how to do this).
2. Not enough was done to capture all available shareholder value from CSR projects, investments and activities (For more discussion on this see Smarter CSR Budgets: Connection budget to value http://linkd.in/1wa8W8L and Eight self-interested steps to a CSR Plan http://linkd.in/12viCNs)

Of course, there are exceptions and sometimes it is just a bad decision to cut CSR first.

Or, sometimes budget crunch times help CSR to be smarter, more streamlined and more efficient at delivering social and shareholder value.

Over a lot of years, a lot of projects and working with a lot of smart and experienced people I’ve come up with twelve strategies for CSR in budget crunch times.

There are no magic bullets in this list. Budget crunch time is not easy, for anyone. Hopefully you might find one or two things in this list that can be helpful.
And, remember, many of them are good to do on an ongoing basis – you don’t have to wait for budget crunch time.

Here’s the list.

1. **Know the link to shareholder value**

   This shouldn’t wait for budget crunch time. The link between a CSR project/budget item and shareholder value (and societal value) is absolutely key. Always.

   Why else would you want to do a CSR project if it didn’t create value? It doesn’t make sense.

   Of course, you may not have a directly quantifiable relationship between a specific project and value. It isn’t likely you can say something like ‘if you invest in this CSR initiative share price is projected to go up by X% next quarter’.

   But, there should at least be logical and anecdotal connections to shareholder value. Find it. Build on it and know how and when to communicate it.

2. **Check how your budget lines are positioned**

   Sometimes CSR budgets and departments end up with projects that are much more properly in another area of operations.

   A colleague was recently telling me about a supply chain project she was working on. She discovered that basic things to bring workplace health and safety in-line with regulations was budgeted and done through a Foundation the firm had set up.

   Meeting workplace health and safety was booked as CSR in the budget.

   Nobody can question the importance of this work but it certainly shouldn’t be seen as part of a CSR budget.
3. Don’t leave money on the table! Look for ways to enhance shareholder value

Shareholder value doesn’t happen by accident – at least not very often. With CSR projects initial work on aligning interests can go a long way towards optimizing shareholder and stakeholder value.

And to keeping CSR budgets from the top of the cut list.

But, there is often a lot more that can be done to increase shareholder and/or societal value. Partnering and communications are two prime areas to look. Strategic initiatives in these areas can often create additional value at little or no cost.

4. Internal communications

There will be some in your company who think that $0.00 CSR budget is probably about right.

Sometimes you can get through to them and sometimes you can’t. But, you can limit their influence on your work and your budget.

Be sure that you are communicating effectively about the value the company is getting from your CSR projects. Give your internal allies information and motivation to advocate for CSR.

Helping people to understand the value that CSR work brings to the company and to their work can help to bring them onside and neutralize those who might like to totally eliminate CSR.
Budget crunches seldom sneak up unannounced. You can see and feel them coming.

Know where you can cut and get by with less budget (and if you don’t need to drop it for a budget cut, then look to repurpose that spending to something with more value).

Always be looking for how your CSR budget can create more value, for shareholders and society.

CSR projects and activities shouldn’t be designed to go on forever. Periodically, and at least once a year, take a look at your CSR budget and make sure that you are getting the best value from all of your spending.

Identify projects and line items that can be phased out with the budget repurposed to other CSR areas or offered up for cutting in budget crunch times.

Saying everything is critical and can’t be cut likely won’t work! If it does you either don’t have a real budget crunch or there are some questionable decisions being made.
If your company, your industry or the whole economy is in trouble your stakeholders and partners likely know about it. If not, they should.

If you are hitting budget crunch time be open with them. Bring them inside your thinking. Tap into their thinking, networks and resources.

You’d be surprised at how often out of the box solutions can emerge that can end up actually being better than the starting point.

In one case budget cuts were about to eliminate two company positions that were supporting a community/NGO/company partnership.

The CSR leader looked at this with project partners and then went back to the company with a proposal to move the positions to the NGO where they would be cost-shared for two years and then the NGO would take them over totally.

This eliminated operating budget for the company, reduced overall cost and helped to grow the capacity of the NGO. Much better than just cutting the two positions.

Always worth taking a look at this. Sometimes natural partnerships were somehow overlooked, or failed to start at the beginning of a project. (See 13 Common mistakes that prevent and destroy multi-sector CSR partnerships http://linkd.in/1y830NH for more on this)

Or perhaps the motivation on the part of the company or partner wasn’t all it could have been at the time.

When budget crunch happens motivations can change and/or new synergies can be found. Definitely worthwhile to take a close look before axing people, projects and programs.

Sometimes you just have to fight! Seriously. There will be times when you are asked/ordered to make cuts to staff, programs and activities that just don’t make sense.

Cutting them will clearly destroy shareholder and societal value all out of proportion to the budget that is saved. It may cause long term damage to the company and brand.
8. Be ready to fight. But, stay rational.

When this happens be ready to fight for your budget. But, fight rationally. Fight with logical and rational arguments, tied to value and the interests of the company.

Use your communication skills to help key decision makers and influencers understand how the company’s interests are harmed if they go ahead with the cut.

But, before doing any of this, make sure that you are not simply looking at things too subjectively. Make sure that an objective, rational person can understand your argument and justification.

Don’t let emotions drive your decisions and actions. It’s OK to be emotional about your projects and work, but don’t lead with that.

Let your emotions drive you to develop and deliver strong rational arguments in a way that can be heard and accepted.

9. But, be part of the team. Or leave.

When budgets get slashed it can get emotional. You will lose battles that you fervently believe you should win. That’s life.

You will lose staff, budget and programs while others that you think less deserving remain. This can be incredibly frustrating. Especially when you feel like you may have let down fellow workers, communities or project partners.

At the end of the day the company needs to survive if it is to be able to continue producing value for shareholders and stakeholders. Decisions have to be made and some of them will be tough to accept.

Sometimes you will find, even after trying to create some emotional distance you can’t support the decision or let go of it.
If you can’t agree to disagree maybe you owe it to yourself and your company to resign. Take time, make sure it is the right decision for you. Hopefully it doesn’t come to that and you will continue on but sometimes it does.

If you can’t be a fully engaged and contributing part of the go-forward team do yourself, your stakeholders and the company a favour and find another place where you can be fully engaged and contributing.

EveryCSR program started because it filled a need and provided value to society and shareholders (or at least that should be why it started!).

If you don’t know why a particular program started (and you should know that) then find out. It may be that the underlying why that prompted the creation of the program is gone and the program is no longer crucial.

Or, it may be that it is there stronger than ever and what seemed like an inconsequential program is really quite strategically important.

At any rate, find out the why of your CSR programs, especially before cutting them. Finding the why also helps you to focus your value creation thinking, arguments and strategies.

10. Find the why.

11. Can you second staff to your partners?

Is it possible to move staff to partner organizations? Maybe this is good long term strategy anyway.

Sometimes budget cuts will have the capital to cover the costs of transferring a position but not to retain a position. This won’t work for all situations, but there are some where it might work nicely.
**12. Look for the value connection again**

This really is worth doing twice. Identify all the ways in which each CSR project or budget line is creating value for society and for shareholders.

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**9. But, be part of the team. Or leave.**

Budget crunch time is difficult and nothing on this or any list is going to erase that difficulty.

What is important to remember is that achieving success is like solving a puzzle. It takes many players, many pieces of the puzzle and different perspectives.

Nobody has all the answers.

None of us is as smart as all of us.
WHAT OTHERS SAY ABOUT OUR WORK

Professor Dunn brings a practical and realistic approach to CSR, blending theory and practice to develop realistic models and approaches to address real-world challenges

**Dr. Ellis Armstrong**
Former CFO, BP Exploration

...coherent, thoughtful, stimulating and insightful... state of the art! The network of participants from the public, private and civil society sectors was incredible, some of the leading experts in the field.

**Kojo Busia, Ph. D.**
Snr. Mineral Sector Governance Advisor
United Nations Economic Commission for Africa/UNECA

...pragmatic blend of theory and practice, very applicable to helping organizations meet real-world challenges.

**Frank McShane**
Manager, Corporate Responsibility Policy and Ethics, Talisman Energy

... readily available to provide support to organizations like Amref that are seeking partnerships, and looking to bring about positive change in a collaborative and concrete way. Wayne and the CSR Training Institute helped us to identify and connect with potential partners and are always available. The training, the expertise, the network and the overall support are world-class.

**Onome Ako**
Director of Strategic Partnerships, Amref Health Africa

“The program enhanced the CSR knowledge and strategic skills of our Kosmos Energy Ghana team, and offered the participants a platform for networking with professionals from other organizations across Africa and Ghana.”

**Reg Manhas**
Sr VP Kosmos Energy

Very much helpful Wayne; some of the tips and questions you gave will be an extremely helpful guide in the process of developing a CSR Strategy for my company.

**Emmanuel Aubynn**
Regional Social Responsibility Manager, Newmont Africa

The CSR Program was excellent. A key aspect of my work is to encourage and support private sector development that contributes to Ghana’s overall socio-economic growth. The learning that I and my staff take away from attending this program will help us immensely with this responsibility. I highly recommend this program.

**Hon. Rashid Pelpuo (MP)**
Minister of State for Private Sector Development and Public Private Partnerships (Ghana)

New and exciting insights into the theory and practice of CSR... great faculty and participants, very diversified. An excellent learning experience, very practical and useful. I’m very happy I was able to participate in it.

**Hon InusahFuseini (MP)**
Minister of Lands and Natural Resources (Ghana)
Should Business Serve SHAREHOLDERS?

Should Business Serve SOCIETY?

IT SHOULD SERVE BOTH.

WAYNE DUNN, PRESIDENT AND FOUNDER

Wayne Dunn is President & Founder of the CSR Training Institute and Professor of Practice in CSR at McGill. He’s a Stanford Sloan Fellow with a M.Sc. in Management from Stanford Business School.

He is a veteran of 20+ years of award winning global CSR and sustainability work spanning the globe and covering many industries and sectors including extensive work with Indigenous Peoples in Canada and globally. His work has won major international awards and has been used extensively as ‘best-practice’ by industry and academia.

He’s also worked oil rigs, prospecting, diamond drilling, logging, commercial fishing, heavy equipment operator, truck driver and underwater logging, done a couple of start-ups and too many other things to mention.

Wayne’s career includes big successes, and spectacular failures. He hopes he’s learned equally from both.

CSR Training Institute
Helping business to serve society and shareholders, SIMULTANEOUSLY.

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