

Banking your non-financial profit

A Guest Article by Greg Davies
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The corporate responsibility agenda

Historically a business's success – and, for that matter, failure – has always been about its financial position. And in all honesty this is unlikely to change. If you are not making sufficient money to maintain the business, satisfy stakeholders – particularly shareholders – and reinvest as necessary, the chances are that you are not considering the long term, however long that may be.

In the face of this flies the increasingly triple bottom line (finance, social and environmental) reporting and the ever-increasing corporate responsibility agenda. Their incorporation into today's businesses is as disparate as it is increasing.

The former, having had its "gilded" wings clipped in terms of the operating and financial review, still sees enhanced director reporting as a consequence for business.

The latter, a wholly voluntary activity, is rampant. In 2006 all FTSE100 companies had corporate responsibility information on their websites and over half provided full reports. Yes, some are still dispelling myths or managing negative perceptions, whereas others appear far more altruistic – or could that be philanthropic – in their approach.

Unmissable opportunity

The "doing something because everyone else is" attitude misses both the basic reason for corporate responsibility reporting, as well as – and possibly more damagingly – the business benefits that can arise from it. Being green or charitable for its own sake, rather than combining it with clearly identified business needs, is a lost opportunity.

Broadly, the topic covers four accepted subject areas:

- workplace
- environment
- marketplace
- community.

Whole departments can be devoted to gathering this information into glossy, recycled paper pamphlets, books and tomes – or, for the more environmentally conscious, web pages. Often one of the four subject areas will be the primary

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focus, and the outputs of what the organisation has achieved in this area will be to the fore.

Taking workplace, and then health and safety, as an example, the recently introduced Corporate Manslaughter and Corporate Homicide Act 2007 does not look at output but at process, i.e. how the organisation's activities are managed or organised. The fact that your organisation hasn't had a workplace fatality doesn't mean it won't, or that your systems are robust enough to prove reasonable practicability.

Importance for employees

One further interesting take on this is recruitment. According to data provided by one of the big management consultants, the second most asked question by prospective new graduate employees is about corporate ethics, environmental issues and charity/community investment. Bearing in mind the current market, could this be why so many high profile organisations went for and received the CommunityMark award recently?

In a similar vein, recycling 30%, 40% or 50% of paper in your office is certainly a good thing, but its environmental benefit and business cost is insignificant when compared to an unoccupied office space that is lit sometimes 24 hours every working day!

Future-proofing your business

Organisations that can combine both financial and non-financial success are the ones that will really insure themselves against future unpredictability, as well as profiting both financially and in terms of image in the benefits they produce. Here are some questions you may wish to consider.

1. Do you know and could you convey your organisation's stance on community, health and safety or environment?
2. If asked to prove this, how would you do so?
3. When was the last time health and safety was a minuted item in a senior management or board meeting?
4. What standards/accreditations are your competitors achieving (there are a host of them out there), and will this bring them any future competitive advantage?

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5. Where is the drive for community investment, environmental improvement, and good health and safety practice coming from in your business?
6. How is this being co-ordinated/managed?
7. What business benefits could it bring?
8. What should non-financial compliance in other business areas for your organisation look like?
9. How much profit is there in it?

Knowing where your areas of liability are in terms of business operation, and managing these accordingly, is the key. Compliance, as indeed with environment and community, is the responsibility not of departments but of the whole business. Otherwise wouldn't we all have specific departments responsible for profit?

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If you would like more information on any of the points covered in this Guest Article, please contact **TCii** on **020 7099 2621**.