

Embedding CSR in the Public Sector : Some Personal Reflections

Professor Ken Peattie, Director, ESRC Centre for Business Relationships, Accountability, Sustainability and Society (BRASS), Cardiff University.

When CSR is discussed in relation to the public sector, it is usually based around the assumption that the public sector represent the “*good guys*” who have a policing role to curb the excesses of the “*bad guys*” in the private sector. This is an unhelpfully over-simplified view, and with recent changes to the regulation of gambling and gaming and the licensing laws, cynics might argue that even in their role of referee, the public sector is not engaged enough with CSR.

When people use the word “*corporate*”, it is generally taken to mean as to do with “*big business*”, although the word itself means neither commercial nor large. It relates to the formalization of a body to act or be treated as though it were an individual, and in relation to CSR it can be helpful to think of it in terms of meaning the social responsibility of the behaviour of an organization as a whole. Over recent years I have spent a great deal of time in meetings in which there have been debates about what CSR is and is not, and what issues it should, and should not, encompass. I think the most helpful view of CSR, and one that is equally applicable to both the public and commercial sector, is to view it as concerning the professional and responsible management of relationships with your key stakeholder groups. This allows us to consider different stakeholder groups, and whether it is the public or private sector treats them with the greatest responsibility and professionalism.

In terms of the treatment of suppliers, there are two key dimensions to consider (a) how responsibly and professionally you treat your suppliers, and (b) how (and whether) you use your power as a purchaser to influence your supplier’s behaviour.

In the private sector the largest of companies are often only too aware of the ability they can have to squeeze their suppliers in negotiations, and in certain industries there are some disturbing trends in the passing of contractual risk up the supply chain to small suppliers. Against that, some of the most proactive work in organizations working with their supply chains to raise ethical or environmental standards has come from the private sector. A few years ago, for example, I was very impressed by the holistic and long-term vision that Sainsburys had developed in terms of reworking many of their supply chains to raise social, environmental and ethical standards. More recently, it has been from the public sector that some of the purchasing initiatives that have most impressed me have come, particularly the development of the NHS Sustainable Procurement Network, and the lead that Defra is taking within government purchasing.

Despite such bright spots, amongst the majority of the public sector for too long there has been a tendency to hide behind “*Best Value*” to pursue lowest price at any cost. As Jamie Oliver showed so graphically, 37 p for a plate of turkey twizzlers as a school dinner is neither “*best*” nor “*value*”. Public sector food purchasing provides opportunities to raise nutritional standards and health, reduce environmental costs and stimulate British agricultural communities. In practice however, UK public sector buyers seem to have felt themselves constrained by EU competitive tendering regulations in ways that have not seemed to trouble their counterparts in other European countries.

Compared to the private sector, public sector purchasing may be gaining ground in responsibility and the integration of sustainability principles, but experience suggests that it perhaps has further to go in terms of professionalism. Most people who supply government departments, local authorities and universities seem to have horror stories to tell of lost or delayed contracts, general “*messing about*” over contract terms and tendering, and a haphazard approach to getting paid. Although public sector purchasing services are often under-resourced and over-stretched, they seem to expect suppliers to accept behaviour that would not be tolerated in the business-to-business sector, and that they would not tolerate from their suppliers.

When it comes to employees, the traditional view is that in the public sector the job security and solid pension benefits made up for the comparatively lower rates of pay. However, these rules no longer seem to apply. We have recently seen strike action called over public sector pensions, and have seen the Chancellor announce plans to cull 104,000 civil service jobs. This rather negates the concept of job security, and when juxtaposed with record government spending on consultants last year of £1.86bn (representing a growth of 46 % from the previous year) it is debatable how responsible this will feel inside the public sector, or appear from outside it.

In terms of wages, if we strip out the “*Top Dogs*” (or more accurately perhaps, the “*Fat Cats*”), then CIPD research showed that in 2004, public sector workers actually earned an average of 3.5% more per week than their private sector counterparts taking on comparable work. However, they perhaps paid for it in other ways, in terms of pressure and impact on their health. Public sector workers took an average of 10.3 days off compared to 6.8 for private sector workers. The CBI rather disappointingly used this as an excuse to launch an attack on the UK public sector as relatively “*unproductive*”. A look within the figures shows that the public sector group taking the greatest number of sick days, which skewed the figures upwards, are nurses. Anyone who imagines that many nurses take unnecessary sick days, has really not been paying attention. The public sector is often very good on the rhetoric of looking after employees in terms of policies and procedures. However the realities of constant changes, re(dis)organisations, and always having to try to do more with less mean the reality is often very different.

Considering investors as a stakeholder, here there might appear to be no comparable relationship to manage in both the public and private sectors. In the private sector you have those with financial capital invested in organisations pressuring them to provide ever-increasing returns, with an emphasis on the short-term, and often insisting on restructuring (aka job cuts) when things get difficult. By contrast, in the public sector you have those with political capital invested pressuring organisations to provide ever-increasing returns with an emphasis on the short-term, and often insisting on restructuring (aka job cuts) when things get difficult actually perhaps they are not that different. Neither side tend to do enough about considering the long-term sustainability of returns on their investments, so perhaps we'll call that a draw.

When considering the environment as a stakeholder, given the public sector's role in environmental protection, one might expect the public sector to win hands-down in the environmental responsibility stakes. However, in practice that is not always true. Public sector organisations such as universities, local government offices and hospitals can be remarkably slow at taking some very basic, and cost effective, steps to cut waste and energy and reduce their environmental impacts.

Last but not least, comes the treatment of customers (or “*service users*” in public sector parlance). This is an area where the differences perhaps represent a clash of style over substance. From my personal experience of the education system, having put two children through three different schools, I am astonished by the extent to which their teachers are all willing to really knock themselves out in their efforts to educate my children. Similarly with the health services, which circumstances have forced us to make use of recently, the quality and standard of “*customer care*” we have experienced has been exemplary. A common denominator here though is the feeling that where excellent service was being provided to us, it was more despite the system and organization behind the individuals than because of them. By contrast, in commercial companies, they often have all the systems, structures and style in place orientated to customers. The only problem is that by the time you reach the frontline of the customer help desk, you find yourself dealing with a disinterested youth who was not paying attention during all the training bits about the customer being all important. So perhaps the public sector has a problem in relation to customer service that is far more to do with image (and perhaps also media portrayal) than quality.

However, I think the public sector can perhaps learn two very important lessons about responsibilities towards customers from the private sector:

1. It is about giving customers what they want, not what you think they want. A perfect example of this is “*choice*” in the health service. This seems to be exactly what the politicians think that people want, yet Consumers’ Association research shows that more than 80 % of patients do not want to have to make choices about their healthcare, they just want good local services to be available.
2. Satisfaction comes from meeting expectations, not from hyping expectations up. Businesses have learnt that you have to either deliver, or manage expectations down to meet what you can deliver. In the public sector there seems to be too much refusal to talk about costs, or compromises, or to consider non-“win-win” scenarios. Saying that we are going to have better schools, better healthcare, a better transport system and a cleaner environment and yet taxes will not be going up to pay for it all, is not creating realistic expectations, and is ultimately neither responsible nor sustainable.

Ultimately the reason why CSR is important, for both the private and public sector, is in terms of building trust. Trust is a precious commodity, and it was interesting to note recently the emphasis placed by Sir Gus O’Donnell, in his view of his mission as Cabinet Secretary, on the need to enhance trust in the public sector. In the business sector, Mori polls continue to show trust in businesses and business leaders reaching new lows. When it comes to building trust, many of the things that need to be done are obvious : avoid spin, avoid bandwagon jumping, and most importantly, if you are going to do something, make sure it is with clear and genuine motives. In the public sector this means avoiding the all-too common step of holding consultation exercises in which the aim is not to learn or to shape strategy, but as an alternative to making progress, or as a means to communicate, justify or legitimise a strategy.

In my experience, most people in the public and private sector do want to work responsibly within a responsible organisation, and to be amongst the “*good guys*”, but pressures and perceptions often get in the way. What people need is help in tackling the CSR agenda in a coherent way that is meaningful to their organisation, and this is what GoodCorporation Standard offers. In the years to come, my hope is that the BRASS Research Centre will contribute research that helps those in business and the public sector to develop a more socially responsible approach to management, and that the work of GoodCorporation with its partners in both the commercial and private sectors will help to deliver it in practice.