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WHY IT'S TIME

FOR EVERY MANUFACTURER TO PRIORITISE SOCIAL RESPONSIBILITY

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How corporate social responsibility has become essential in modern manufacturing.

When we look back on the first industrial revolution two centuries ago, the first thing that often comes to mind is a Dickensian dystopia of class stratification, child labour, and the beginnings of widespread environmental degradation. In that world, industrialist fat cats had a reputation of putting profits above everything else.

But even as far back as the 1800s, there were exceptions, just as there are still organisations to this day that place profit before the wellbeing of their communities. Manufacturing is a sector that continues to undergo substantial reforms, particularly in the case of those which have an inherently negative impact on the environment.

Today, we call this consciousness corporate social responsibility, or CSR.

What is CSR, and why does it matter?

Although responsible companies had already been around for over a century, the modern term of corporate social responsibility was coined by American economist Howard Bowen in 1953. By the 1990s, CSR became a universal practice around the world. By 2015, about 92% of the world's largest companies had started informing stakeholders and the public about their CSR practices – but that's only the beginning.



As a form of self-regulation, CSR is not required to operate a business, but it has become the standard practice across the manufacturing sector. A robust CSR policy backed up by proven actions taken to enforce it, is itself a major competitive advantage in a world where customers have more power than ever over those they do business with. In other words, what is an ethical imperative, is almost invariably good for business – especially in the longer term.

Encouraging socially responsible practices

Manufacturing firms must lead by example for the betterment of their communities, as well as the world at large. This doesn't only apply to major firms and household brand names, but also to all the countless smaller manufacturers and other organisations that make up today's supply chains. For these companies, CSR makes them more attractive to do business with, while also giving them the opportunity to have a positive impact on their local communities.

IKEA is one brand that often pops up in conversations about CSR. Back in the 80s and early 90s, the company found itself in the midst

of a stream of scandals involving formaldehyde, a highly toxic chemical compound traditionally used in wood and resin production. In response to the scandals, the furniture manufacturer and retailer decided to take a proactive stance to the point of making environmental action central to its entire corporate vision. IKEA now plans to make its entire supply chain climate-positive by 2030, which means all its suppliers will need to do the same.

Attracting top-tier talent and customers

Social and environmental challenges are now top of mind, especially for younger generations. A 2019 study even found that almost 40% of millennials chose a job because of environmental sustainability. Moreover, 70% claimed that a robust sustainability plan would influence their decision to stay with the company. Some would even be happy to work for less compensation, so long as they feel they are making a positive impact on the environment and their community. In other words, employees want to be part of the solution, rather than the problem, thus making CSR essential for attracting and retaining the best talent.

Unsurprisingly, exactly the same applies to customers as well. No longer is sustainability just a gimmick promoted by half-hearted marketing agendas – it's a driver of purchase decisions in both B2C and B2B industries.

A global study by market research firm Nielsen found that two thirds of the world's consumers would be willing to spend more on sustainable products. By contrast, sales and coupons didn't even make it into the top five drivers of purchase decisions. This emphasised the fact people increasingly put their values before their personal benefits. The same applies to B2B buyers, who often choose sustainable suppliers to uphold their own commitments to sustainability.

Creating a competitive advantage

Sourcing and manufacturing are ordinarily the stages at which sustainability plays the biggest factor. But becoming a sustainable brand is about far more than just having a 'green' product. CSR has broadened and evolved to the point of incorporating environmental, economic, and social aspects as well. The tailoring sector, for example, has long been subject to controversy for capitalising on child labour and poor working conditions in poorer countries. Globalisation itself has seen ample criticism, especially when it comes to large organisations perpetuating poverty and environmental degradation all in the name of acquiring cheap labour.

Customers and business partners, including everyone in the supply chain, are now holding manufacturers accountable.

For manufacturers, this means walking the walk to set an example and becoming a champion of positive change and sustainability. In doing so, they can create a competitive advantage, while also having a positive impact on the industry as a whole. Simply paying lip service to the pressures of the market is not enough. Now that 88% of consumers want you to help them make a difference, it's time for your products and processes to reflect the values that today's society holds most dear.

For example, global coffee chain Starbucks only works with roasting houses that guarantee ethically sourced coffee. The oft-cited pioneer of social responsibility has met almost all of its CSR milestones so far, including creating a global network of sustainable farms, promoting ongoing education for its employees and partners, and contributing to community service.

Building a sustainable business model

A sustainable business model creates and delivers value for all its stakeholders without relying on practices that drain more resources than it provides. It doesn't deplete natural resources to the point it runs out, and nor does it fuel social and economic problems that would eventually become impossible to manage. These are the companies that can adapt and thrive through the challenges ahead by aligning with the most pressing concerns of today, and tomorrow.



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