

FACTSHEET

WHY BE A RESPONSIBLE BUSINESS: THE BUSINESS CASE

Business in the Community (BITC) defines responsible business as one that delivers long-term value for all stakeholders by minimising any negative impact and maximising their positive impact on society and the environment. Being a responsible business is crucial as there is no such thing as a neutral business; every business has an economic, environmental, and social impact, and it is up to businesses to ensure their positive impacts outweigh any negative impactsⁱ.

This factsheet gives an overview of the research-based benefits of responsible business.

Introduction

We know that responsible business has a direct positive link to equity returns; a recent review of over 2,000 studies on business responsibility and Environmental, Social and Governance (ESG) found that 63% of studies show that being responsible is beneficial to equity returns, whereas only 8% of studies show the reverseⁱⁱ. The individual benefits from different forms of responsible business action go beyond this and are plentiful.

At BITC, we view responsible business through three lenses:

- creating a healthy business through internal strategies and governance
- healthy communities to support the people and communities your work impacts.

- and a healthy planet to support the environment throughout your work.

Healthy Business

BITC members are more socially responsible and less at risk

BITC members of all sizes have lower than average risk of insolvency over the next 12 months, measured by the Delphi risk scoresⁱⁱⁱ. Almost three quarters of BITC members fall into the low or very low risk Delphi score band showing that they are stable and more resilient businesses^{iv}. Additionally, over half of BITC members have the highest Social Responsibility Score, a form of ESG rating measuring a business' social and responsible progress^v.

ESG scores correlate with better financial performance



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High ESG scores were found to have a positive correlation with improved financial performance in 58% of corporate studies but only had a negative correlation in 8% of studies^{vi}. Whilst ESG alone doesn't drive financial performance, sustainability initiatives improve risk management and innovation, leading to better financial performance^{vii}.

Other benefits of higher ESG scores are:

- rarely underperforming and often outperforming the market^{viii}
- outperforming by 14.4% in emerging markets and 5.2% in developed markets over five years^x
- products with ESG claims average 28% cumulative growth over five years, relative to 20% for products without claims^x
- products with multiple ESG claims had a growth rate approximately twice as large as products with only one claim^{xi}.

If you want to learn how to navigate ESG as a responsible business read BITC's [factsheet](#).

Responsible business improves employee engagement, and in turn financial performance

We know that employees who perceive their business to be more responsible are more engaged^{xii}, which in turn leads to:

- an increase of 19% in operating income and 28% in earnings per share^{xiii}
- a business is 23% more profitable, alongside a 43% reduction in employee turnover^{xiv}
- 2.7 times as likely to report significant increases in productivity when integrating employee experience in business strategy^{xv}
- every £1 invested in employee mental health gives a return of £5.3^{xvi}.

Healthy Communities

Businesses are constantly working with or around different communities, from employees to local residents and beyond. Being a diverse and inclusive business not only supports these communities but supports businesses too.

- having higher-than-average diversity scores increases innovation revenue from 26% to 45% for businesses with low diversity^{xvii}
- an inclusive work environment can make you twice as likely to meet or exceed financial targets; six times as likely to be innovative and agile, and eight times as likely to achieve better business outcomes than a non-inclusive environment^{xviii}
- businesses with greater inclusivity had up to 2.3 times higher cash flow per employee over three years^{xix}
- more diverse teams make better decisions 87% of the time, doing so twice as fast with half the meetings^{xx}
- ethnically diverse companies are 35% more likely to outperform their peers^{xxi}.
- Gender-diverse companies are 15% more likely to outperform their peers^{xxii}
- companies with more women on their board statistically outperform peers over long time periods^{xxiii}
- businesses supporting fairness and equality for LGBTQ+ employees outperformed the S&P 500 Index return in the ten years up to 2016^{xxiv}
- diversity across older workers boosts productivity with the 20% most productive firms having managers 2-2.5 years older than the 20% least productive firms^{xxv}.

Healthy Environment

Working on environmental issues is more pressing now than ever, but beyond your business helping mitigate the likes of climate change, being an

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environmentally friendly business has huge benefits.

- businesses within the S&P500 with sustainability in the core strategy had an 18% higher return on investment than those without^{xxvi}
- insufficient climate practices led to 33% of companies losing business to competitors^{xxvii}
- better waste management can save up to £1,000 per employee^{xxviii}.
- Being able to see nature at work improves productivity by up to 7-12%^{xxix}.
- Carbon emission reduction initiatives have an average negative cost, generating profit over their lifetime^{xxx}.

To learn more about becoming a responsible business and creating a responsible business culture throughout your organisation, have a look at our [How to Develop a Responsible Core-Business Strategy](#) and [How to Activate Employees on Responsible Business](#) toolkits.

ENJOYED THIS CONTENT?

You might also like to:

- find out more about our [Responsible Business and Strategy work](#)
- [learn more about our advisory services](#)
- [join us for one of our upcoming events](#)
- tell us [your feedback](#)



Talk to one of our expert team today to learn how membership of BITC can help you take your responsible business journey further, and drive lasting global change.

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ENDNOTES

ⁱ [ESG framework | McKinsey](#)

ⁱⁱ [ESG framework | McKinsey](#)

ⁱⁱⁱ Commercial Delphi score is an analytical tool designed to highlight the strength, performance and ultimately the creditworthiness of each company in a single score <https://www.uk.experian.com>

^{iv} Recent research by Experian, commissioned by BITC.

^v Recent research by Experian, commissioned by BITC.

^{vi} https://www.stern.nyu.edu/sites/default/files/assets/documents/NYU-RAM_ESG-Paper_2021%20Rev_0.pdf?trk=public_post_comment-text

^{vii} Clark, C., & Lalit, H. (2020). ESG Improvers: An Alpha Enhancing Factor. Rockefeller Capital Management. [Rockefeller-Asset-Management_ESG-Improvers-Whitepaper.pdf \(rockco.com\)](#)

^{viii} https://d16yj43vx3i1f6.cloudfront.net/uploads/2021/12/AXIOMA_ESG_2018.07.pdf

^{ix} <https://www.investmentweek.co.uk/investment-week/news/3066178/esg-drives-outperformance-social-focus-begins-gains> // <https://www.msci.com/research-and-insights?topic=esg>

^x <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/consumers-care-about-sustainability-and-back-it-up-with-their-wallets>

^{xi} <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/consumers-care-about-sustainability-and-back-it-up-with-their-wallets>

^{xii} Glavas, A., & Piderit, S. K. (2009). How Does Doing Good Matter? Effects of Corporate Citizenship on Employees. The Journal of Corporate Citizenship, 36, 51–70. <http://www.jstor.org/stable/jcorpciti.36.51>

^{xiii} McConnell (2011), "Business-unit-level relationship between employee satisfaction, employee engagement, and business outcomes: a metaanalysis", Journal of Applied Psychology, 87(2):268- 279

^{xiv} <https://www.gallup.com/workplace/236927/employee-engagement-drives-growth.aspx>

^{xv} <https://www.wtco.com/en-GB/Insights/2021/07/2021-employee-experience-survey>

^{xvi} <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consultancy/deloitte-uk-mental-health-report-2022.pdf>

^{xvii} <https://www.bcg.com/publications/2018/how-diverse-leadership-teams-boost-innovation>

^{xviii} <https://hireology.com/blog/the-importance-of-inclusive-recruitment/> //

<https://www2.deloitte.com/us/en/insights/deloitte-review/issue-22/diversity-and-inclusion-at-work-eight-powerful-truths.html>

^{xix} <https://joshbersin.com/2015/12/why-diversity-and-inclusion-will-be-a-top-priority-for-2016/>

^{xx} [//">https://www.forbes.com/sites/eriklarson/2017/09/21/new-research-diversity-inclusion-better-decision-making-at-work/?sh=7fc017624cbf//](https://www.forbes.com/sites/eriklarson/2017/09/21/new-research-diversity-inclusion-better-decision-making-at-work/?sh=7fc017624cbf) [https://www.cloverpop.com/hacking-diversity-with-inclusive-decision-making-white-paper?utm_campaign=Forbes&utm_source=Forbes&utm_medium=Forbes%20Hacking%20Diversity%20White%20Pa](https://www.cloverpop.com/hacking-diversity-with-inclusive-decision-making-white-paper?utm_campaign=Forbes&utm_source=Forbes&utm_medium=Forbes%20Hacking%20Diversity%20White%20Paper)

[per](https://www.cloverpop.com/hacking-diversity-with-inclusive-decision-making-white-paper?utm_campaign=Forbes&utm_source=Forbes&utm_medium=Forbes%20Hacking%20Diversity%20White%20Paper)

^{xxi} <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters?cid=other-eml-alt-mip-mck&hlkid=4544abd2e8754189a3d1dde5d27f0754&hctky=11855514&hdpid=4eaa142d-de5f-46b3-aa50-423380d53597>

^{xxii} <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters?cid=other-eml-alt-mip-mck&hlkid=4544abd2e8754189a3d1dde5d27f0754&hctky=11855514&hdpid=4eaa142d-de5f-46b3-aa50-423380d53597>

^{xxiii} <http://www.catalyst.org/media/companies-more-women-board-directors-experience-higher-financial-performance-according-latest>

^{xxiv} <https://www.pwc.com/gx/en/people-organisation/pdf/outnext-survey.pdf>

^{xxv} <https://vervoe.com/age-diversity/> // <https://www.oecd-ilibrary.org/sites/15f92878-en/index.html?itemId=/content/component/15f92878-en>

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xxvi <https://www.theguardian.com/sustainable-business/2014/sep/23/business-companies-profit-cdp-report-climate-change-sustainability> // <https://cdn.cdp.net/cdp-production/cms/reports/documents/000/000/845/original/CDP-SP500-leaders-report-2014.pdf?1472032950>

xxvii <https://www.environmentalleader.com/2022/03/climate-inaction-progressively-costly-for-us-companies-report/> // <https://www.nextenergyinsights.com/>

xxviii https://greenbusiness.ie/wp-content/uploads/2016/06/WRAP_Green_Office_Guide.pdf

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xxx https://cdn.cdp.net/cdp-production/cms/reports/documents/000/004/958/original/Doubling_down_Europe's_low_carbon_investment_opportunity.pdf?1586852291