Learning outcomes

- Understanding the context to CSR
- The current thinking on effective CSR
- Designing effective CSR – including metrics and external expectations
- Understanding stakeholder management
Your Views

• Can you think about an example of an excellent CSR programme?

• Give two reasons why you believe the CSR effort to be effective
Corporate Social Responsibility

- What is the role of business in society?
  - Obey the law – regulations and taxes
  - “Licence to operate”
  - ‘Enlightened’ self-interest: greed and self-interest are not the same! – ‘A Force for Good’
  - Strategic - win, win situation long-term: Shared value creation
  - Presently changing due to the emergence of NGOs and networks with collective engagement and lobbying power.
The Key Questions

- **Responsibility to whom?**
  - Stakeholders are varied in their interests and agenda
  - Their influence and power varies over time and with risk

- **Responsibility for what?**
  - Business has a very specific role prescribed in law – why do more?
  - Diluting the purpose of business can create inefficiency and dependency
  - …. But business does not exist in a vacuum… needs to be relevant to the local context and sustainable
The Reality

- Green or sustainable business is growing, innovative and exciting.
- A sustainable (CSR) business strives to have little, limited or no negative effect on communities, society, the economy or the environment.
- Sustainable business is worth $billions, yet critical issues such as climate change, carbon-based economies, consumerism, and resource depletion and biodiversity loss are not being adequately addressed, nor can they be properly addressed, in countries such as China and India – (cannot stifle grow).
The Reality: China

- World’s second largest economy
- Workforce of nearly 800 million people
- Largest consumer of coal globally
- Population of 1.3 billion people
- Growth rate of about 7%
- Largest consumer of steel: massive infrastructure development
- Biggest car market globally – project to reach 30 million new cars per year by the end of the decade
- CSR is a great idea – but carbon-based economies dominate
Context shaped by sustainability challenge (Energy Consumption)
Context shaped by sustainability challenge (CO2 Emissions)

Energy outlook 2030, BP 2011
Parallel Terms

- Corporate social responsibility (CSR)
- Corporate Responsibility
- Corporate citizenship
- Corporate social performance
- Corporate social responsiveness
- Accountability
- Sustainability
- Social accountability
Terminology

- **Corporate Social Responsiveness**: corporate response to social pressures – actions taken to achieve goals. Emphasis on what can be achieved, not just should be achieved.

- **Corporate Social Performance**: the performance benefits to a firm gained from the implementation of a CSR programme.
New Terminology

- Climate change/global warming
- Biodiversity/sustainability
- Carbon capture and storage (CCS)
- Carbon neutral/trading/balance/trading
- Carbon offsetting/low carbon economy
- Resource efficiency
- Environmental management systems
- Green wash/blue wash
- Food and water security
- Eco-tourism
- Narrative reporting
- Triple bottom line
What is CSR?

**Broad consensus on key aspects**

“A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a **voluntary basis**.”

*European Commission 2006*

‘Corporate social responsibility is a way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors. CSR is a voluntary, enterprise-driven initiative and refers to activities that are considered to exceed compliance with the law.

*ILO Governing Body 2006*

**Triple Bottom Line**
What is CSR?

“The responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that (a) continues to contribute to sustainable development, health and the welfare of society; (b) takes into account the expectations of stakeholders, (c) is in compliance with applicable law and consistent with international norms of behaviour; and (d) is integrated through the organisation and practiced in its relationships”

CSR: Context

CSR related to the following elements:

1. Corporate governance
2. The community
3. The environment
4. The workplace
5. The marketplace
Philanthropy

- **What is corporate philanthropy?**
  - From a European perspective, corporate philanthropy is the act of a corporation donating money or its resources for a charity or cause.
  - However, in the US and many other parts of the world, philanthropy has a wider meaning, which is more in tune with business responsibly in the wider community.
The Pyramid of CSR

**Philanthropic Responsibilities**
*Be a good citizen*
Contribute resources to
The community; improve

**Ethical Responsibilities**
*Be ethical*
Obligation to do what is right,
just, and fair. Avoid harm

**Legal Responsibilities**
*Obey the law*
Law is society’s codification of right & wrong.
Play by the rules of the game.

**Economic Responsibilities**
*Be profitable*
The foundation upon which all others rest
Stakeholders vs. Shareholders

- An approach towards **corporate governance** that recognises the broad objectives of maximising shareholder value, whilst acting fairly in the interests of other stakeholders with an interest in the company’s affairs.
CSR Characteristics

Most CSR programmes or campaigns will address three key factors:

- The issue(s) in question
- The resources involved
- The implementation
CSR Characteristics

Issues – what problem is to be CSR addressed?

- Community
- Corporate governance /regulation
- Diversity and inclusion
- Employment issues and labour rights
- The environment and resource use/sustainability
- Human rights
- Products
CSR Characteristics

**Implementation** – how a company tackle problem/issue

- Cause-related marketing
- Corporate social marketing
- Volunteering
- Philanthropy
- Cause promotion
Stakeholders’ Reactions

Do they understand the CSR context and programme?:

• Understanding, awareness, and efficacy (perceived value)

• Usefulness: what are the stakeholder benefits? – functional and identity-related
Stakeholders’ Reaction

- Communication is central to effective CSR management
- Very important to craft CSR messages carefully
- Balance between extrinsic corporate motivation balanced against evidence of some intrinsic good or benefit
- E.g. Mont Blanc and Signature for Good Campaign with UNICEF: child literacy
- E.g. Pampers and UNICEF tackling new born tetanus
A quick history

- Ethical concerns about business around since the time of Aristotle and was a key issue in the question of abolition of slavery

- Gradual raising of public environmental and political awareness around issues such as pollution and adverse environmental impact of business:
  - 1984 Union Carbide explosion in India catalyst for chemical industry in the US and in Europe adoption of "responsible care" initiative
  - Exxon Valdez spill of 10.8 million US gallons of oil in Alaska in March 1989 generated a global outcry.

- Broadening of concern from environmental to social practices (particularly labour):
  - Nike and Gap supply chain problems,
  - Accusations of Shell’s role in the death of activist, Ken Sawo-Wiwa in Nigeria.

- Ethical buying becomes a key consumer trend

- Media interest has increased tremendously in corporate responsibility
Drivers of CSR
Why has CSR come on to the management agenda?

- Increased affluence and globalisation
- Ecological sustainability
- The Internet and the free flow of information (social media)
- Brand power
- Corporate misgovernance
- Public recognition of climate change
- Wider shareholder franchise
- Activism and actions of NGOs
- Political initiatives
Business Case for CSR

- Compliance, risk and above all, reputation
- Improved efficiency – sustainable use of resources and reduction in waste
- Enhances brand value
- Attracts better employees
- Customers are satisfied - improved profits
- Correlations between Environmental, Social and Governance (ESG) actions and financial performance
Arguments For and Against CSR

- Make a list of those arguments for and against CSR. When preparing the list, pay particular attention to the economic arguments,

- Examine the impact of Socially Responsible Investment (SRI) has had on investors
Current Context for CSR

- Financial crisis generated a significant debate about the purpose and sustainability of modern capitalism
- Globalization, relational technologies and social media means:
  - all local actions can be global,
  - virtual networks of common interests abound and,
  - more ‘voices’ are heard,
- Change in attitudes of civil society towards business – need for **accountability and transparency** – growing sense of inequality
- Action on Climate change challenges ‘business as usual’
- Increasing **ethical overlap** between business and personal morality – fair and reasonable
- Complex, pluralism of markets with highly interactive customers
- Emergence of BRIC’s – challenging ‘developed’ narrative
- Local vs. global – false dichotomy?
- Emergence of ‘Reporting’ and global codes of practise.
The Business Case for CSR

Empirical evidence exists for CR behaviour having a positive to neutral effect on financial performance, while there is little evidence of its having a negative effect.

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<td>51</td>
<td>109</td>
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Table 1: Summary of the CRP and CFP link from five meta-studies

CRP – Corporate Responsibility Performance
CFP – Corporate Financial Performance

‘Non-financial performance metrics for Corporate Responsibility Reporting Revisited’ by Malcolm F. Arnold, (2008), Doughty Centre for Corporate Responsibility, Cranfield University
CSR role in the firm

- **Neo-classical economic** approach – responsibility – optimize profit and shareholder return
- Move from **managerial capitalism** to **stakeholder capitalism**
- **Socio-economic approach** - embraces stakeholder theory and CSR

“The business of business is to maximize profits….,” Friedman 1970
CSR role in the firm – applied approach

- Risk management and “licence to operate’
- Reducing waste and costs
- Improving relations with regulators (advocacy tool)
- Reputation benefits - Improving image and visibility
- Generating brand equity
- Improving employee morale and productivity
- Supplier loyalty
- …… and new UK company law requires enhanced reporting on environmental, social and governance
## CSR opportunities in the value chain – From ‘inside out’

<table>
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<tr>
<th>Relationships with universities</th>
<th>Financial reporting practices</th>
<th>Procurement &amp; supply chain practices (e.g., bribery, child labor, conflict diamonds, pricing to farmers)</th>
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<td>Ethical research practices (e.g., animal testing, GMOs)</td>
<td>Government practices</td>
<td>Uses of particular inputs (e.g., animal fur)</td>
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<tr>
<td>Product safety</td>
<td>Transparency</td>
<td>Utilization of natural resources</td>
</tr>
<tr>
<td>Conservation of raw materials</td>
<td>Use of lobbying</td>
<td></td>
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</table>

Value chain analysis to identify the positive and negative social impact of a firm’s activities.

CSR opportunities in the competitive context value chain – from ‘inside out’

Strategy and Society, Micheal Porter and Mark Kramer, 2006
What’s good for society is good for business

The concept of shared value, in contrast, recognizes that societal needs, not just conventional economic needs, define markets. It also recognizes that social harms or weaknesses frequently create internal costs for firms—such as wasted energy or raw materials, costly accidents, and the need for remedial training to compensate for inadequacies in education. And addressing societal harms and constraints does not necessarily raise costs for firms, because they can innovate through using new technologies, operating methods, and management approaches—and as a result, increase their productivity and expand their markets.

ISO 26000: Framework for social responsibility management

Source: http://www.iso.org/iso/iso_catalogue/management_and_leadership_standards/social_responsibility/sr_discovering_iso26000.htm
Designing CSR – internal considerations

• Elements of a successful CSR programme:
  • Alignment with firm’s strategic direction and values – CSR should be integrated into the core business activity of the firm.
  • There must be leadership support – level of the CEO
  • Consistent with Issues management – defining issues that matter to the business strategy,
  • Supportive of relationships needed to do business – who and how to engage?
  • The process of design – be inclusive
  • Consider transparency and reporting – what can be disclosed?
  • Let’s not forget basic economics – scarcity.
Elements of a successful CSR programme:
- Understanding of the main concerns of consumer groups, investors, governments and NGO’s about your product or industry – stakeholder engagement.
- Competitor analysis – what are other industry player’s doing in this space and what would differentiate your company?
- Emerging trends in global regulations or policy
- In delivering CSR programmes seek alignment with credibility of external party - third party alliance or partnership.
- What ‘reporting’ standards might be relevant to your specific industry and would be most applicable to your CSR programme?
- How do you build in continuous feedback into your CSR process?
Designing CSR – Critical success factors

• Delivered together with civic society groups – business acts as a catalyst for alliances;

• Co-create with the impacted parties;

• Consult with the most vocal critics – NGO’s can be partners!

• Allow for employee involvement;

• Seek external validation and embed transparency from the onset – think “auditable”

• Think sustainability;

• Consider your exit strategy – at the beginning!
Two Examples

**Operating risk management**
- BP Tangguh Integrated Social Program (ISP) in Indonesia – established to develop and implement the policies and programs that together meet the social, economic and cultural commitments in the ESI. Establishes environmental and socio-economic development commitments and the framework by which they are to be achieved.

**Supply chain development**
- In Colombia, Nestlé helped dairy farmers increase their milk production five-fold through nutritional supplements for their cows, while simultaneously improving the quality of their milk. This helped them earn above-market prices. Better agricultural practices strengthen Nestlé’s core businesses; they also help farmers earn a better living by producing higher food outputs using fewer natural resources.
Emerging expectations:
Significant global responsible business initiatives

- **UN Global Compact** – UN sanctioned initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.
- **UN Principles of Responsible Investing** - A voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices and so better align their objectives with those of society at large.
- **Global Reporting Initiative (GRI)** – A reporting Framework that sets out the principles and Performance Indicators that organizations can use to measure and report their economic, environmental, and social performance.
- **Carbon Disclosure Project**: A reporting frame through which companies from some 60 countries around the world measure and disclose their greenhouse gas emissions and climate change strategies.
- **Harvard Professor John Ruggie’s UN sponsored work on business and human rights.**
- **Extractive Industries Transparency Initiative** - Voluntary initiatives to promote revenue transparency in the extractive sector.
- **The Kimberley Process Certification Scheme** – international governmental certification scheme requires governments to certify that shipments of rough diamonds are conflict-free.
- **ISO 26,000** - SO 26000 is an ISO International Standard giving guidance on Social Responsibility – voluntary guidelines, not requirements, and therefore is not for use as a certification standard.
- **Issue specific collaborations**: Rainforest Alliance / Fair trade / Round table on sustainable palm oil– incredibly influential in terms of policy and even tier 1 supplier concerns
Metrics and CSR

- **Economic indicators**: wages, pensions, taxes, subsidies received, benefits to employees, re-investment

- **Social indicators**: GRI social indicators, labour issues, Health and Safety, diversity, Human Rights, child labour, community relations

- **Environmental indicators**: energy use, waste generation, water use, biodiversity, use of hazardous substances, recycling efficiency, emissions of gases

- Need for evidence-based approach

- FTSE4Good Index and the DJSI
CSR and Investment

- What is socially responsible investment?

  Responsible investment is an investment strategy which seeks to generate both financial and sustainable value. It consists of a set of investment approaches that integrate environmental, social and governance (ESG) and ethical issues into financial analysis and decision-making.

  Responsible investment goes by many names - it is variously referred to as socially responsible investing (SRI), ethical investing, sustainable investing, triple-bottom-line investing, green investing - but underlying these differing names is a common theme focused on long-term value creation. Value in this context refers not only to economic value, but to the broader values of fairness, justice, and environmental sustainability.
Styles of SRI

- **Negative screening** - avoiding companies in moral/ethical grounds
- **Community investing** – allocating capital directly to enterprises and project based on their societal contributions
- **Shareholder activism** – using shareholder rights to pressure companies into changing environmental, societal or governance practices
SRI Indices

Flagship indices include:

• KDL Domini 400
• Dow Jones Sustainability Index (DJSI)
• FTSE4Good Index
Legal and Quasi-Regulatory Approach

- Corporate governance relates to CSR in the context of business practices:
- Corruption and bribery
- Pollution and use of hazardous substances
- Health and safety; working conditions
- Workers’ rights
Reporting Standards

- SA8000
- AA1000
- ISO 26000 Guidance on Social Responsibility
- Other bodies involved in standards:
  - The Global Sullivan Principles
  - The UN Global Compact
  - The OECD
  - The ILO
Context: Sustainability

- **Interdependence**: The art of doing business in an interdependent world

- **Forms of progress** that meets the needs of the present, without compromising the ability of future generations to meet their needs
What is a Stakeholder?

- **A stakeholder**, according to Freeman is
- “any group or individual who can affect or is affected by the achievements of the organization’s objectives”
- Many different definitions and perspectives
- A **stakeholder is a person, group, organisation, or system who affects or can be affected by an organization’s actions**
Who are Stakeholders?

- Shareholders
- Suppliers/distributors
- Customers
- Employees and potential employees
- Community
- Media
- Professional bodies/lobbyists
- Competitors
- Trade groups
- Religious groups
- NGOs/special interest groups
- Financial analysts and providers
- Academics
- Regulatory bodies
- User groups/opinion
- groups/bloggers
- Referral groups
- Political bodies/local/national
What is Stakeholder Management?

- The management of relationships with individuals or groups. It is a planned approach to **identify**, **analyse**, and **engage** stakeholders, thereby influencing outcomes.
- Key questions:
  - **Who are the key stakeholders?**
  - **What are their “stakes?”**: power/interest
  - **What opportunities/challenges do they present?**
  - **What responsibility does the firm have to the stakeholders?**
  - **What are the best strategies/actions for engagement?**
What is Stakeholder Management?

- The elements and process of stakeholder management involve:
  - **Stakeholder identification**
  - **Analysis** of their needs/”stakes” and their power/interest relationships
  - **Analysis of the issues involved** with each stakeholder group – interests/conflicts
  - **Development of policies and procedures** to integrate with stakeholders needs
  - **Engagement**: how and when to talk to stakeholders and involvement in helping to provide solutions to common problems
Stakeholder Strategy

- Boycotts
- Union activity and strikes
- Negative investment screening
- Shareholder activism
- Letter-writing campaigns
- Social networking/viral campaigns
- Direct activism
- Media campaigns/social media
Stakeholder Mapping: the Power/Interest Matrix

Level of interest

Power

Low

High

A
Minimal effort

B
Keep informed

C
Keep satisfied

D
Key players

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Management Brief: Stakeholders Mapping

- Dormant stakeholder
- Dominant stakeholder
- Definitive stakeholder
- Dangerous stakeholder
- Dependent stakeholder
- Demanding stakeholder
- Discretionary stakeholder
- Non-stakeholder
Mapping Stakeholders Dispositions (1)
Mapping Stakeholders Dispositions (2): examples

- **The enemy;** taking every opportunity to undermine your efforts
- **The cynic;** fires cheap shots to test your resolve
- **Fence sitter;** not engaged; waiting to see how it goes
- **Willing helper;** anxious to lend a hand
- **Change champion;** takes personal responsibility for ensuring success
Worked Example: a School Change Initiative

Key: Size of circle = degree of influence on change

Diagram:
- Against
- For
- Involvement

- Part-time teacher
- Parents
- Chair of Governors
- Admin 1
- Governing body
- Admin 2
- SMT
- Deputy head
- Full-time teaching staff
- Headteacher
- LSA

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Key: Thickness of line = strength of relationship

Illustrating Relationships

- Against
- For

Involvement

0

+5

-5

Part-time teacher
Parents
Admin 1
Chair of Governors
Admin 2
SMT
Deputy head
Full-time teaching staff
Headteacher
LSA
Governors
Governing body

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CSR and Stakeholder Management

- Stakeholder engagement and collaboration
- Shift from management to collaboration
- Stakeholder management capability (SMC)
- **Level 1: rational level** – identify stakeholders and develop stakeholder maps
- **Level 2: process level** - organisation develops and implements procedures, policies, environmental scanning etc
- **Level 3: transactional level**: engagement
Stakeholder Engagement

- **McDonald’s** – alliance with the Environmental Defence Fund to eliminate polystyrene packaging that was not biodegradable
Stakeholder Engagement

- **Desired outcomes** – change perception or reduce conflict etc
- Defined desired outcomes help select methodology
- **Scope** - Purpose and rationale; scope; context
- Securing, where appropriate, institutional or key stakeholder support
- **Engagement** – facilitation and communication
Stakeholder Management

- **Scope** – how much can be achieved?
- What is the level of participation/risks involved
- Are aspects mandated by law?
- **Context**: history, the decision making environment, shared interests, timing
Criteria for Engagement

- What criteria determine actions to influence corporations?
  - Severity of problem
  - Corporate image and credibility
  - Strong demand from clientele
  - Corporate visibility
  - Corporate power and financial situation
Ways to Engage

- Social media/blogs/facebook/podcasts
- Published material
- Focus groups
- Forums
- Meetings/events-visits
- Media briefings
- Questionnaires
- Surveys

- Presentations
- Internal communications
- External: corporate affairs
- Corporate advertising
- Sponsorships
- Conferences
- CSR Reports
Principles of Stakeholder Management

- Clarkson Centre for Business Ethics

- **Principles**
  - Acknowledge and actively monitor
  - Listen and communicate
  - Adopt processes
  - Recognise the interdependence of efforts
  - Work co-operatively with other entities
  - Avoid activities that might jeopardize inalienable human rights
  - Acknowledge the potential conflicts
Types of CSR Initiatives

- Cause promotions
- Cause-related marketing
- Corporate social marketing
- Community volunteering
- Socially responsible business practices
Cause Promotions

- Persuading people to find out more about a cause
- Persuading people to donate time
- Persuading people to donate non-monetary resources
- Participation in events
- **Example: British Airways Change for Good**
Cause-Related Marketing

- Specific sum $ for each product sold: **Kellogg’s Bran Flakes, Canada**

- Specific sum for every application or account opened: **Banks**

- A percentage of sales of a product or transaction: **Avon, breast cancer**

- A % of net profits
Cause-Related and Affinity Cards

- The role of affinity cards
- Royal Bank of Scotland
- Rotary Foundation
- **American Express**: Statue of Liberty
- Concerns are developing about CRM
Corporate Social Marketing

- Health issues – Nicorette – Youtube videos
- Environmental issues – **EDF Energy and Green Team Britain/ Marks and Spencer’s Plan A** – climate change
- Community involvement issues- health issues
- Injury prevention issues
- **Pampers** and child vaccination: Unicef
Timberland

- Timberland is a corporation that would appear to have integrated CSR into its values approach
- Clear strategic communication: **Four Pillars**
- Well developed stakeholder engagement process
- Various strategic alliances and partnerships
CASE STUDIES for STRATEGIC CSR

• **Wal-Mart** – help educate consumers
• **Whirlpool**
• **British American Tobacco** – [www.bat.co.uk](http://www.bat.co.uk) (world leader in eliminating child labour in the tobacco industry) – The tobacco industry provides directly & indirectly jobs to over 100 million people globally
• **Tetra Pak – Indonesia** – milk programme (50,000 children)
• **IBM and the Global Leadership Network**
• **Coca-Cola and sustainability** – Plastic Bottle - Plantbottle
Carbon Labelling

- **Food footprints** - becoming important
- **Carbon labelling** - becoming important

**Examples:**
- **Walkers Crisps** brand in the UK actually show the carbon impact and amount of carbon dioxide produced during the manufacture of their products: the first key brand to do so
- Other companies followed: **Timberland, Coca Cola, Muller Dairy, HSBC & Dell** (pledging to become carbon neutral)
- January 2007 – **Tesco** announced it would put carbon emission labels on all products on its shelves
- **McDonalds** – plans to convert its oil used to cook fries into fuel for all its delivery trucks in the UK
- **UK Carbon Trust** working with **British Standards Agency** to develop a single standard of measurement
Case study: Nestlé in India

- Nestlé in the Northern district of Moga
- Nestlé committed to working with small farmers
- Involved in training farmers, technology, and setting up collection points
- Nestlé buys milk from 75,000 farmers, collecting it twice daily from 650 village dairies
- Death rate of calves has dropped by 75% and milk production increased 50 fold
Widescreen Test Pattern (16:9)

Aspect Ratio Test

(Should appear circular)