

# Strategies for Corporate Social Responsibility

Dr. Vanja Markovic

# Certification Maintenance Points

This seminar has been approved by:

-ABIH (American Board of Industrial Hygiene)

Please complete a quiz by visiting this link,

<http://www.zoomerang.com/Survey/?p=WEB227UA5C>

[FVQZ](#), and a certificate will be sent to you. Note: You have 14 days to complete this survey. On June 4<sup>th</sup>, 2008 it will no longer be available.

Pending Approval

-IHMM (Institute of Hazardous Material Managers)

A certificate will be sent to all attendees after the presentation

**Vanja Markovic - Currently a core faculty member of The Prince of Wales's Business and the Environment Program at the University of Cambridge. She also serves as a member of Dow Chemicals's Corporate Environmental Advisory Council. Former Director of European Affairs and Director of Corporate Affairs for Central and Eastern Europe, Middle East and Africa (CEEMA), Kraft Foods International**

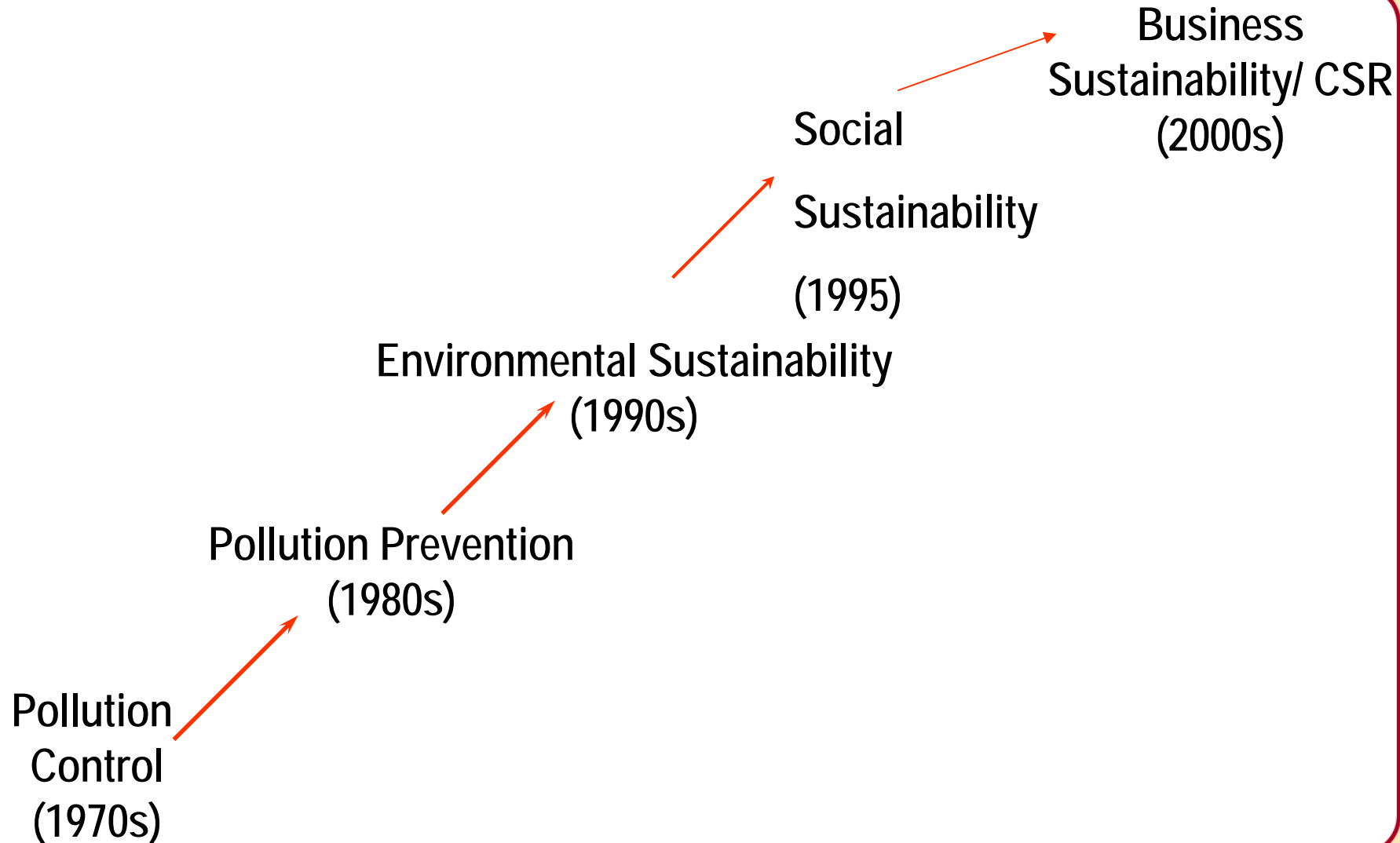
- Ten years of international experience in safety, global environmental affairs and regulations, compliance, and waste management.
- Has been instrumental in helping international food and chemical institutions develop strategies for corporate social responsibility and public policy.
- Has commercial management experience and thorough understanding of international business have enabled her to become a sought-after expert for the food and chemical industries.

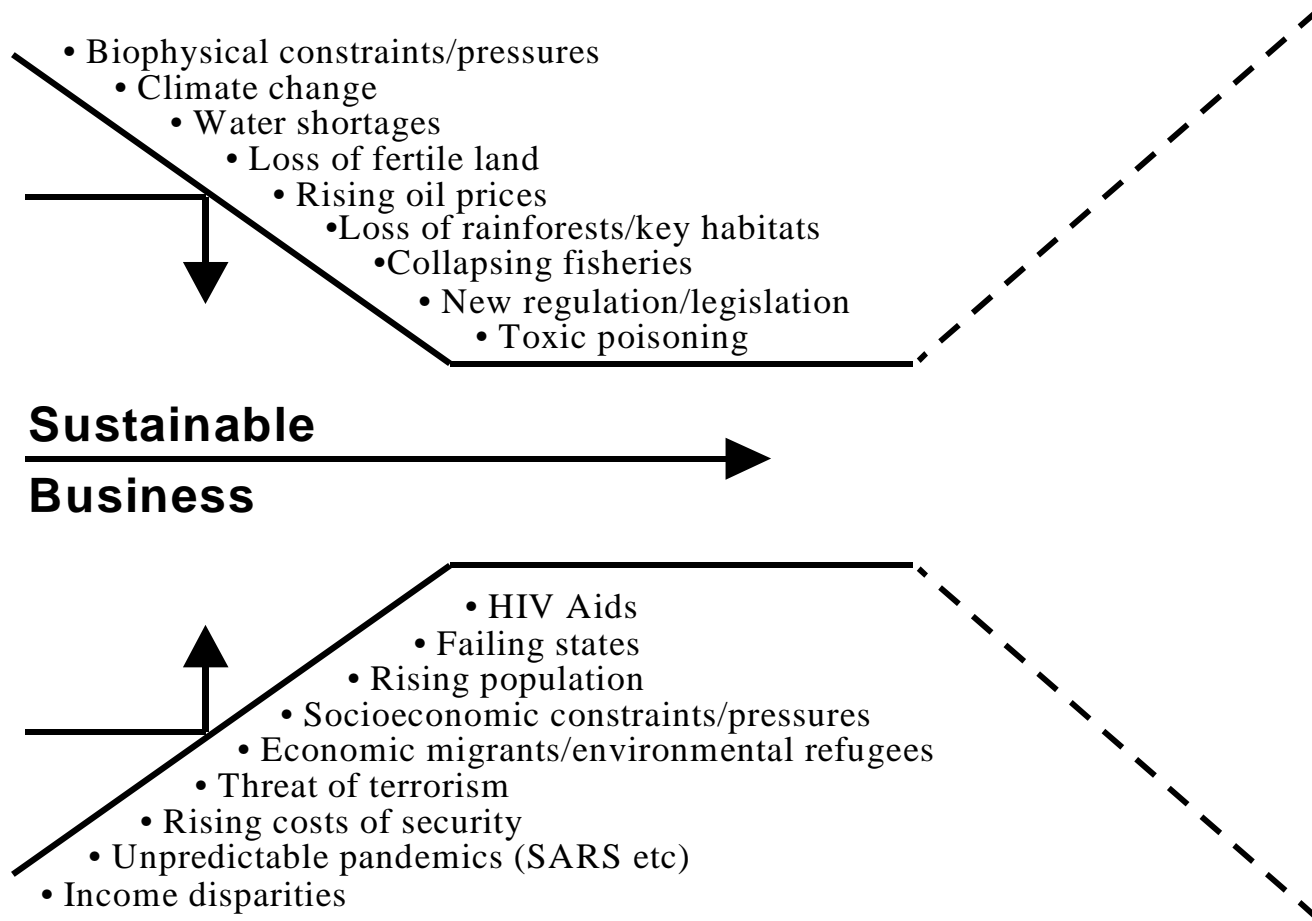
- The evolution of CSR
- Is there a business case for CSR /sustainable development? Interface with EHS
- What is the link between value creation and CSR?
- Some challenges
- A few company examples
- Communicating CSR internally and externally

- *“The roots of the (sustainability) crisis are political and social issues that exceed the mandate and capabilities of any corporation.*
- *At the same time, corporations are the only organisations with the resources, the technology, the global reach and, ultimately, the motivation to achieve sustainability.”*

*Prof Stuart Hart – Harvard Business Review*

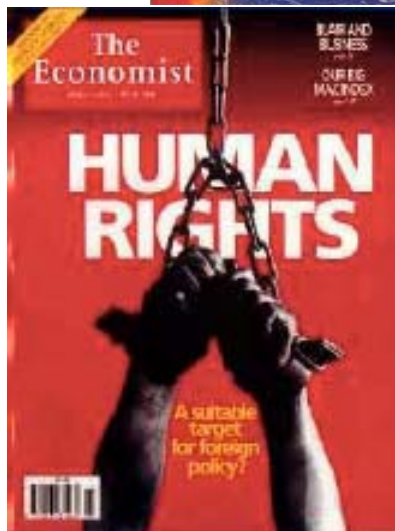






- International Initiatives
  - *Statements of Principle*
    - UN / Business “ Global Compact”
  - *Management Practice Standards*
    - ISO 14000 environmental standards
    - SA 8000 social accountability standard
    - Development of ISO guideline on CSR
  - *Reporting Guidelines*
    - GRI Sustainability Reporting Guidelines
  - *Sectoral Initiatives*
    - Extractive Industries’ Transparency Initiative
    - Forest Stewardship Council
    - Equator Principles





## External

Legislation

NGO, societal, peer, investor pressure

## Internal

Strategic alignment – market/ product  
opportunity

Reputation enhancement

Moral conviction

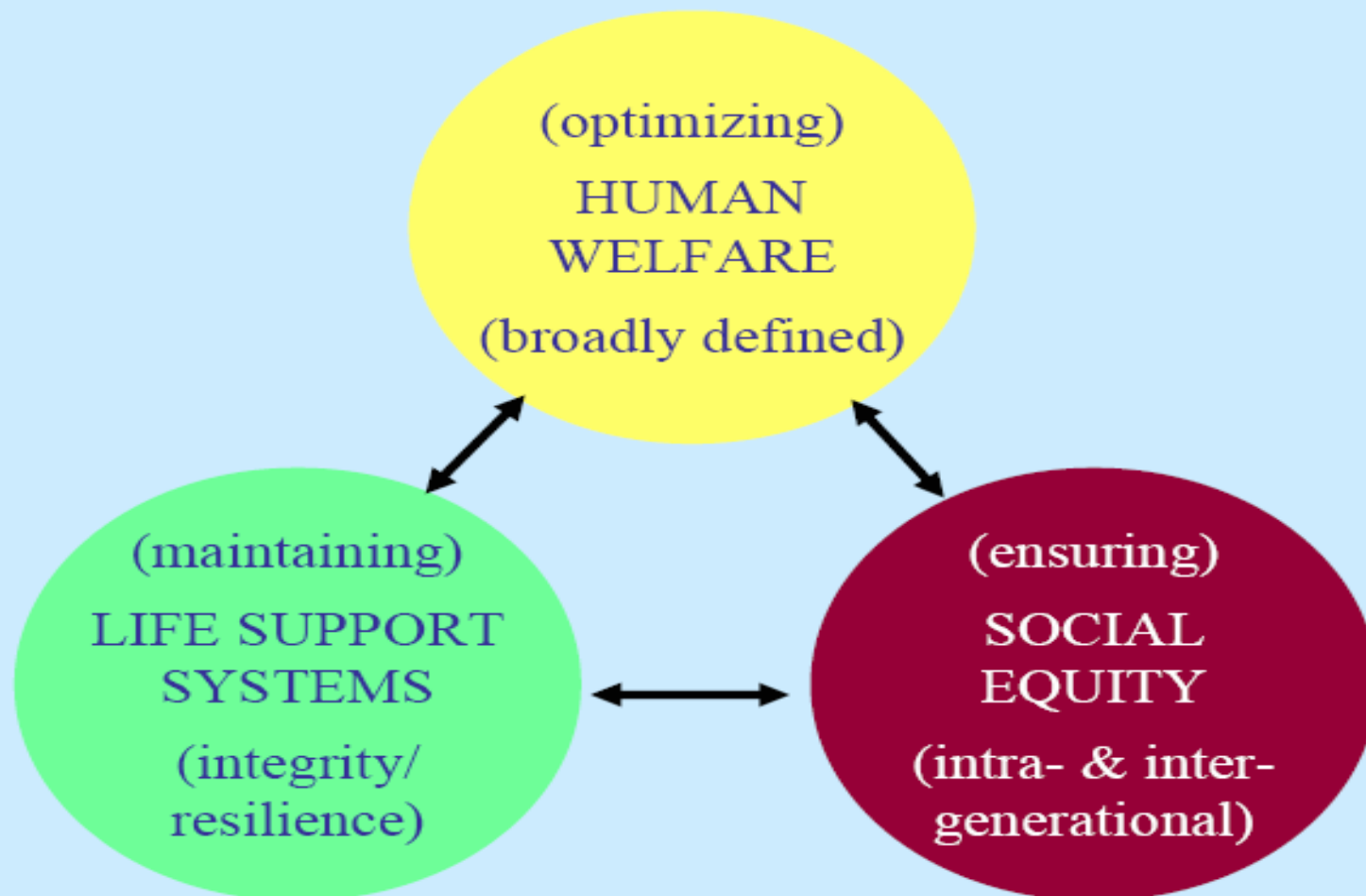
## 5 stages of maturity

1. **DEFENSIVE**  
*“It is not our responsibility”*
2. **COMPLIANCE**  
*“We’ll do what we have to do”*
3. **MANAGERIAL**  
*Processes*
4. **STRATEGIC**  
*Competitive advantage*
5. **CIVIL**  
*Multi-stakeholder partnerships for promoting SD*

## Confusion about concepts



# ULTIMATE OBJECTIVES OF SUSTAINABLE DEVELOPMENT



- Sustainable Development
- Corporate Responsibility
  - Financial responsibility
  - Environmental responsibility
  - Social responsibility
- The Triple bottom Line – People, Planet, Profit
- Corporate Social Responsibility ( EU Commission )
  - Social and environmental responsibility
- Corporate Citizenship
  - Incorporating the above

- CSR is about managing the overall impact of a company on society. This includes the direct impact of operations and the wider impact of the business up and down the value chain, from suppliers to customers and consumers. It also covers the voluntary contributions the Company makes to the community and wider society. (CSR Europe)

- Human rights
- Labour and security
- Enterprise and economic development
- Business standards and corporate governance
- Environmental protection
- Promotion of health and education
- Human disaster relief

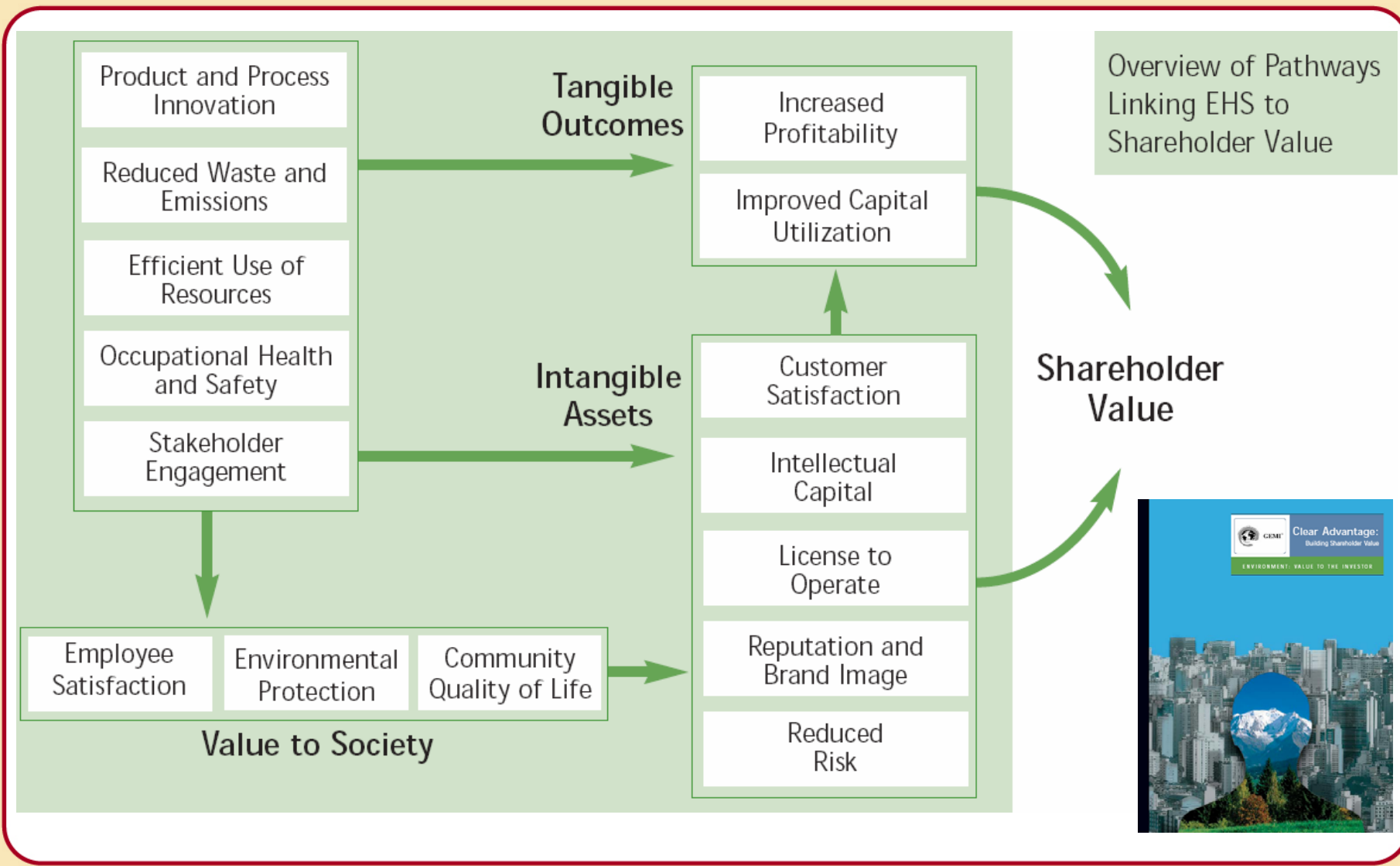


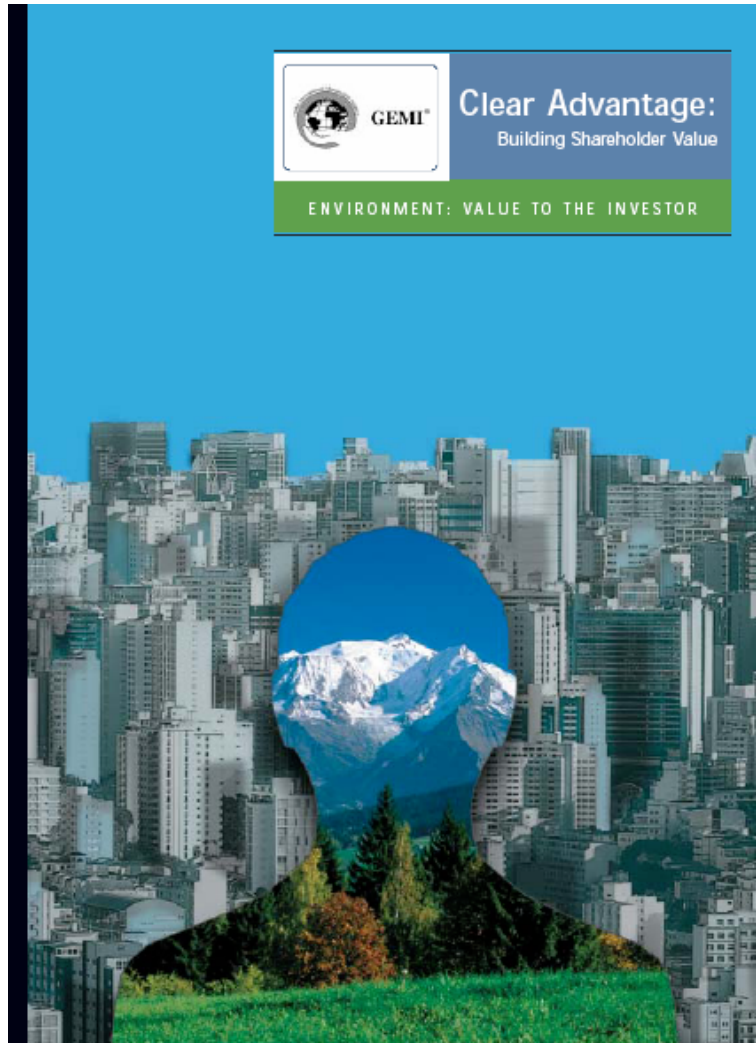
- The importance of corporate responsibility
- global survey
- executives
- investors

- If CR has grown in importance what are the main drivers of the change:
  - Corporate scandals
  - Greater focus by shareholders on issues of CR
  - Greater pressure from governments or regulators
  - Greater focus by media on issues of CR
  - Evidence that it offers a competitive advantage
  - Globalisation and offshoring
  - Increasing customer power / pressure
  - NGO action

- What are the most important aspects of CR to your company?
- Ethical behaviour on the part of all staff
- High standards of CR
- Transparency in corporate dealings
- Labour practices and employee rights
- Environmental practices
- Equitable pricing and remuneration policies
- Philanthropy and charitable giving
- Ethical investments

- In which ways can CR affect the bottom line?
- Higher employee morale and commitment
- Enhancement of the brand with customers
- Better relations with governments, local communities
- Competitive advantage over rivals
- Reduced likelihood of regulatory intervention
- Cheaper capital from investors



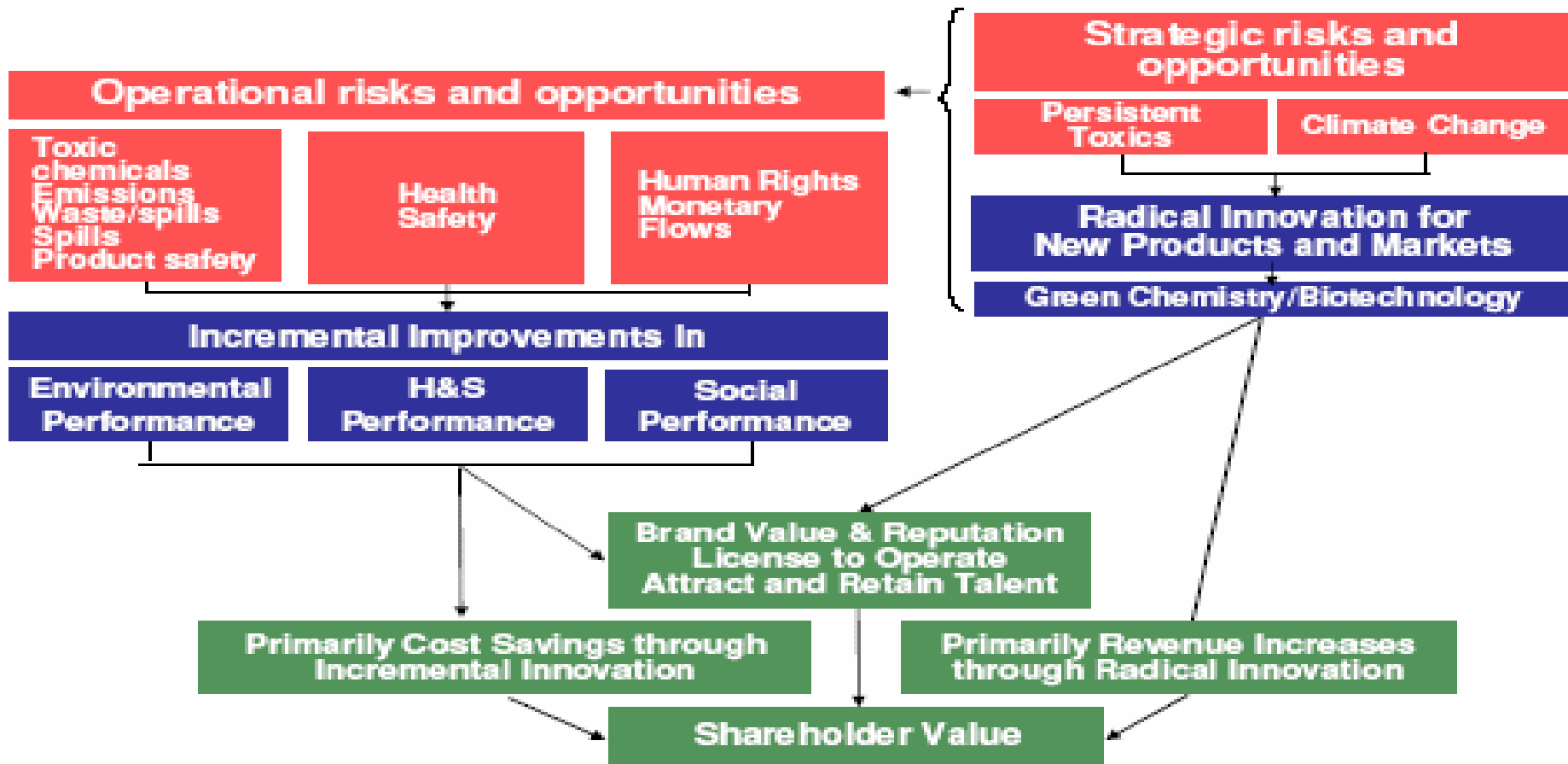


*"Intangibles such as R&D, proprietary know-how, intellectual property and workforce skills, world-class supply networks and brands are now the key drivers of wealth production while physical and financial assets are increasingly regarded as commodities."<sup>1</sup>*

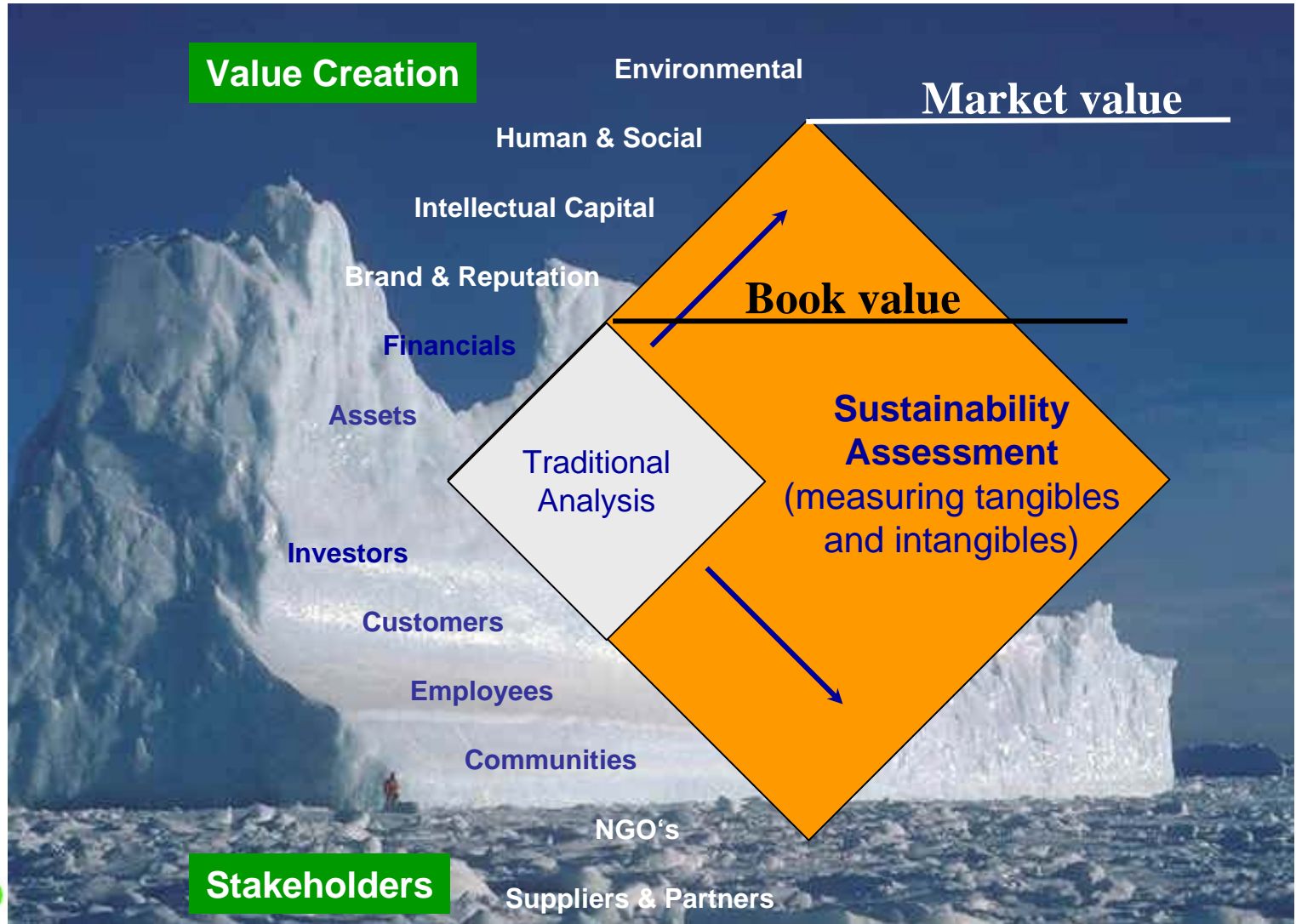
Further research in the U.S. and Europe demonstrates that between 50% and 90% of a company's market value can be explained by intangibles.<sup>6</sup> Yet, a majority of executives in every industry studied believed that there were disconnects between the value drivers they felt were critical to the company's success and what was actually being measured and reported.

# *Attention must be directed on finding both strategic and operational solutions*

Sustainable Value

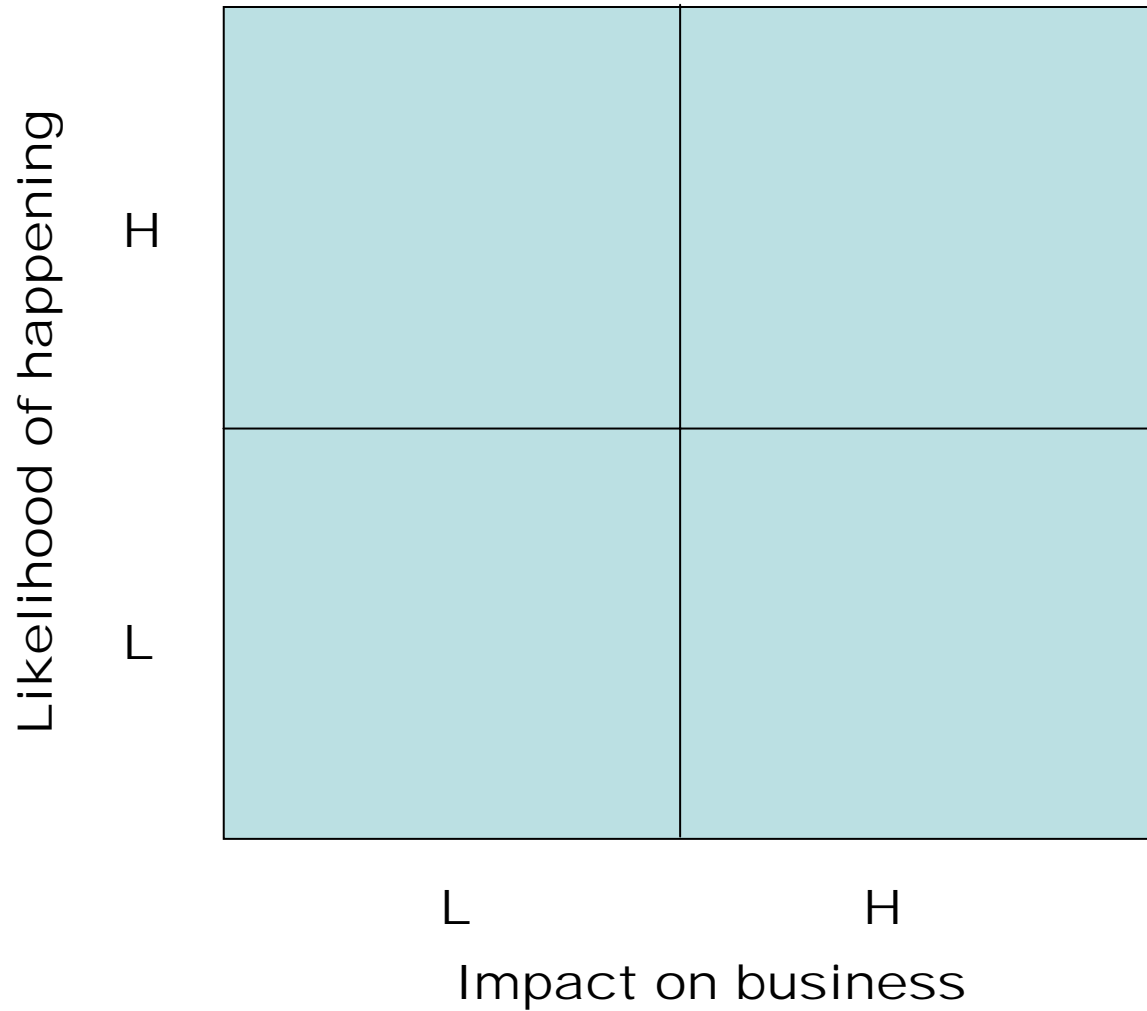


Source: Adapted from IMD, 2003



- Internal commitment
- Integration into business processes
- Value chain responsibility
- Driving innovation
- Customers' commitment
- Conflicting demands
- Transparency vs litigation vs confidentiality
- Multi-sectorial partnerships

- Use the lifecycle approach to identify key environmental and social issues
- Quantify the value – don't forget the opportunities
- Needs constant input from external stakeholders
- Has to be part of the whole business strategy and integrated into business processes
- Needs to be transparent and auditable
- Often needs multi-sectorial partnerships to make a real difference



# Listening to Stakeholders



# From Foundations to Measurement



# Match Models To Organizations

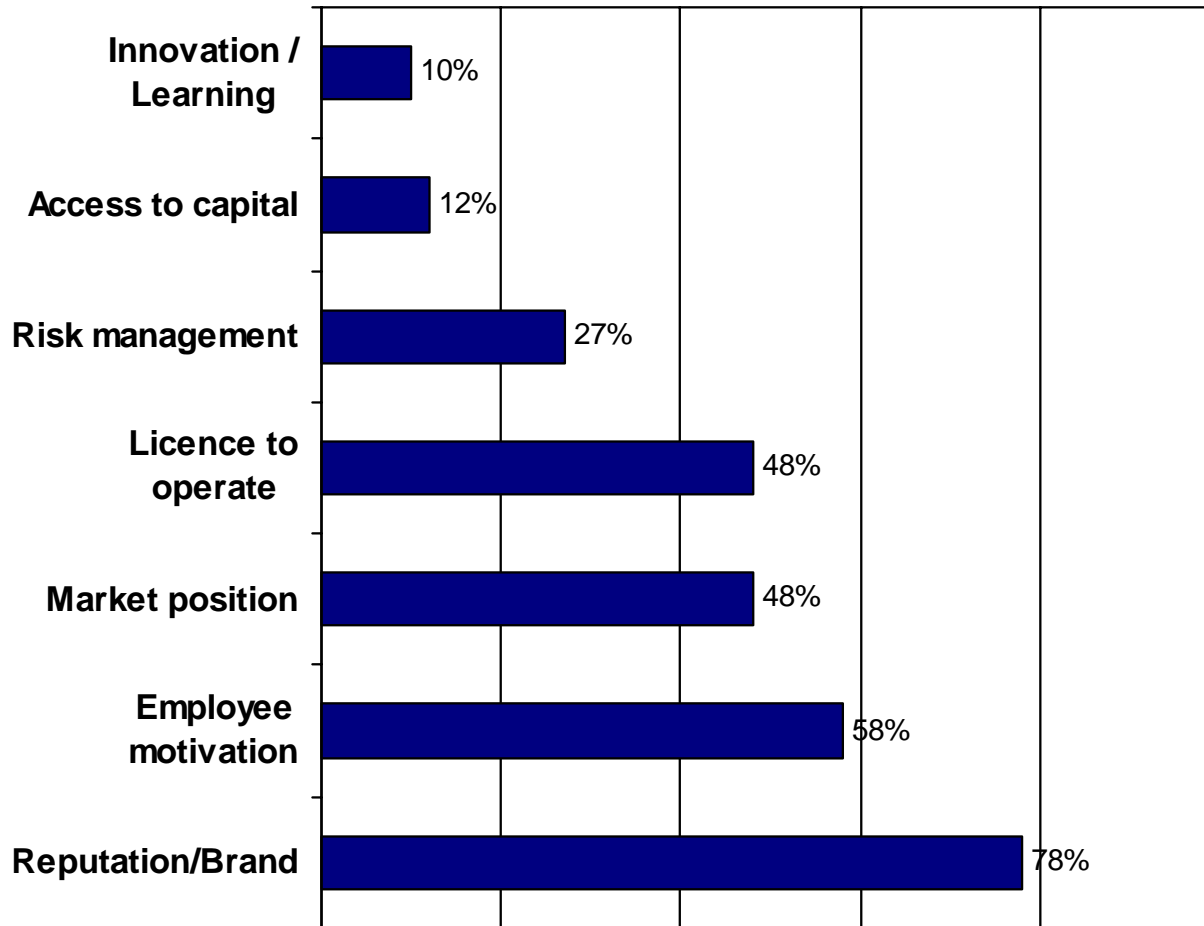
- Which implementing framework is the best match for the basic organizing principle at work in your organization?
- Which model (or implementation approach) builds on your strengths and minimizes gaps.
- Which approach can best utilize the existing cultural style and communication (including jargon) of your organization.

# Organize Efforts Around Strengths

Begin with the cultural or operational strength of the organization –

- Safety
- Entrepreneurship
- Quality
- Project Management
- Strategy Development
- Research
- Communication

## Why CSR matters for Shareholders: A Survey of Leading CEOs *CEO's opinion: what drives sustainability?*



*Values and Value – Communicating the Strategic Importance of Corporate Citizenship to Investors, WEF, January 2004*

<b>ECO-EFFICIENCY</b>	<ol style="list-style-type: none"><li>1. Reduced Costs</li><li>2. Costs avoided (Design for Environment, Eco-innovation)</li><li>3. Optimal investment strategies</li></ol>
<b>QUALITY MANAGEMENT</b>	<ol style="list-style-type: none"><li>4. Better risk management</li><li>5. Greater responsiveness in volatile markets</li><li>6. Staff motivations/commitment</li><li>7. Enhanced intellectual capital</li></ol>
<b>LICENCE TO OPERATE</b>	<ol style="list-style-type: none"><li>8. Reduced costs of compliance/planning permits/licenses</li><li>9. Enhanced reputation with all key stakeholders</li><li>10. Influence with regulator/government etc</li></ol>
<b>MARKET ADVANTAGE</b>	<ol style="list-style-type: none"><li>11. Stronger brands</li><li>12. Customer preference/loyalty</li><li>13. Lower costs of capital</li><li>14. New products/processes/services</li><li>15. Attracting the right talent</li></ol>
<b>SUSTAINABLE PROFITS</b>	<ol style="list-style-type: none"><li>16. Option creation</li><li>17. New business/increased market share</li><li>18. Enhanced shareholder value</li></ol>

## The Dow Chemical company

- Local protection of human health and the environment
- Sustainable chemistry
- Contributing to community success
- Energy efficiency and conservation
- Addressing climate change
- Products designed to solve world challenges
- Product safety leadership

# Translating into practice

**Policies  
Standards  
Governance**

**Strategy &  
portfolio**

**Targets systems  
tools**

**People & skills**

**Reporting &  
Assurance**

- HSE Policy**
- Minimum Env Standards**
- Biodiversity Standard**
- Health Standard**
- Security Standard**
- Diversity Standard**
- Supervisory board committee
- Internal assurance

- Scenarios
- Shift to gas
- New products
- New services

- New projects**
- ESHIA
- SD in VAR Process
- Carbon cost guidelines
- SD in Bus Proposals
- HSEMS
- Existing operations**
- KPIs & targets
- SP major site reviews
- SD at retail sites
- Scorecards

- Leadership
- Communication
- Training



**KPMG**  
**PRICEWATERHOUSECOOPERS**

**Stakeholder panels**



# Evolution of CR at Nike ... *"the next generation" moving from corporate responsibility to corporate opportunity....*

<b>FROM</b>	<b>Towards</b>
Crisis management	<b>Strategic leadership</b>
Defending	<b>Defining</b>
Ad hoc	<b>Planned</b>
Compartmentalization	<b>Coordination</b>
Emotional appeal	<b>Fact-based investment criteria</b>
Virtual management	<b>Structured governance</b>
CR owned	<b>Business owned</b>
Multiple, diverse initiatives	<b>Focused priorities</b>
Anecdotal business impact	<b>Balanced performance measures and metrics</b>
Reactive communications	<b>Integrated Brand communications</b>

# What is a *systemic* approach?

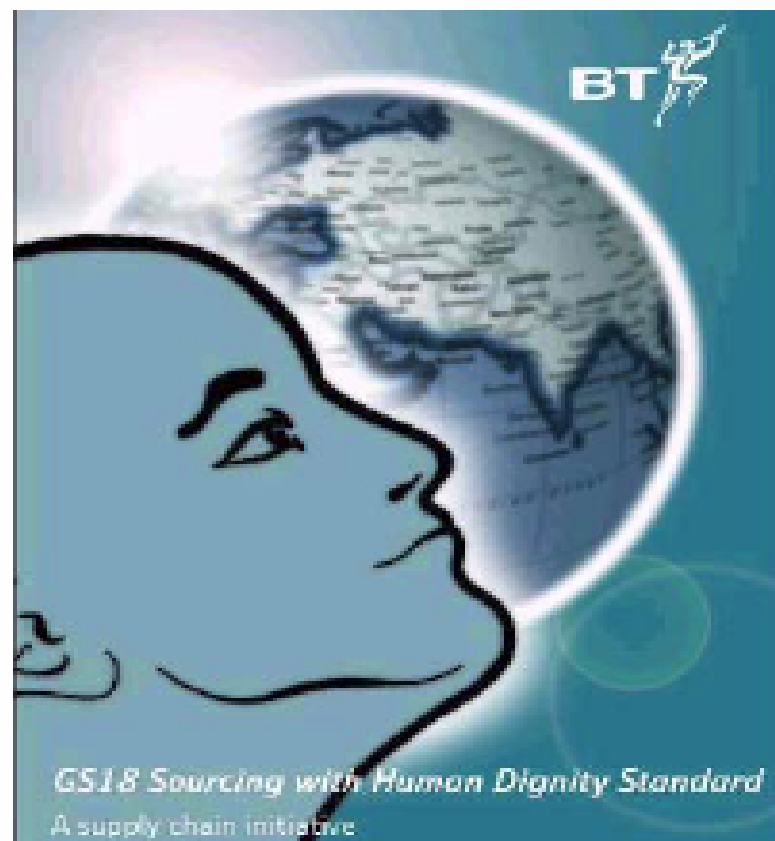


# A Systemic Approach: lessons learned...

1. **Business Alignment**
  - Find points of entry that align with key business objectives of the company
  - Fact based decision making – measure for performance
  - Expanded finance and markets
2. **Sustainability Knowledge**
  - Inspiration and pragmatism goes a long way...
3. **Personal and Organizational Leadership**
  - Must be visible, communicated, and “felt”
  - Moving from employee “volunteerism” to employee engagement
4. **Systems Thinking**
  - See the whole – find the biggest leverage points
5. **Enabling Technology/Processes**
  - Create systems to monitor and explore technical advances
  - Access to easy to use tools
  - Partnerships, partnerships, partnerships...

# Suppliers

- Approximately £10 billion pa
- Environment since 1992
- Ethical Procurement since 2001
- Supplier Diversity Programme



# The business case for CSR

## 1st Generation Protectors

Health and Safety  
Corruption  
Privacy  
Ethical procurement  
Customer exclusion  
Pollution  
Discrimination

## 2nd Generation Builders

Charity support  
Flexible working  
Diversity  
Community  
investment  
Resource efficiency

## 3rd Generation Innovators

Sustainability Solutions  
Marketplace Diversity  
Bid Support  
Strategic Relationships

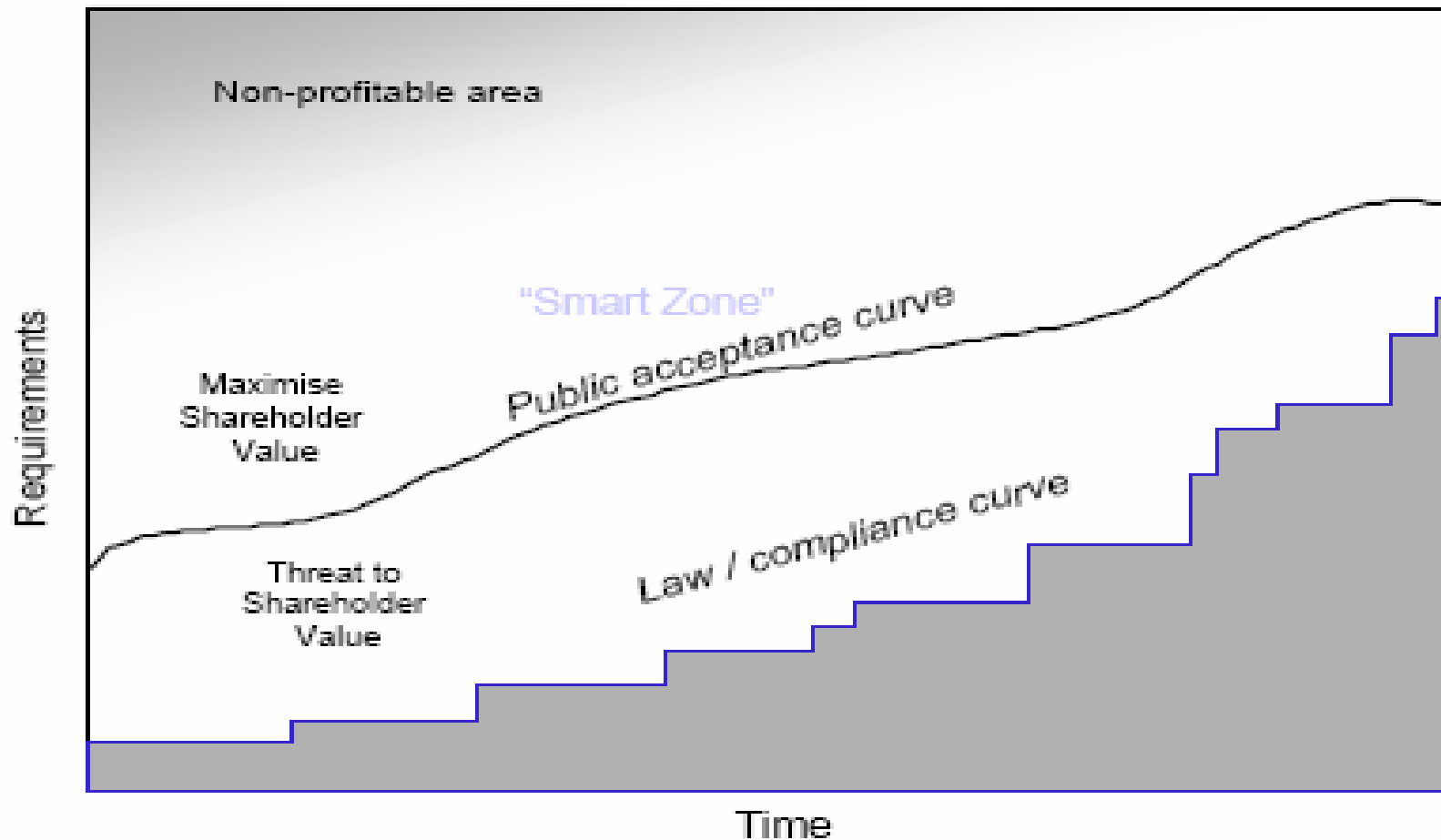
# The business case

Customer Satisfaction	1% improvement in public's perception of BT's CSR activities effects > 0.1% increase in our residential customer satisfaction figures
Licence to Operate	CSR credentials actively supports increasing number of large bids & tenders ~ £500M pa
Operational Efficiencies	£600m over ten years from environment programme
Winning Business	Dept of Transport Environment Contract & growing
Investor Confidence	#1 in telecommunications sector in Dow Jones sustainability index.
Employee Motivation	Anecdotal evidence from focus groups and in graduate recruitment.



- Environmental, social and economic development incorporated into business strategy
- Quantify and internalize, if possible, social and environmental costs of company activities
- Innovation –based on life-cycle thinking, zero waste and Factor Ten
- Sound and ethical corporate governance
- Commitment to transparency and accountability
- Positive influence for change

## Conclusion : Businesses and NGOs Aiming for “The Smart Zone”



- Employees: builds awareness, knowledge, motivation and pride
- Customers: Information about current and future initiatives
- Investors: security about the tangible and intangible value creation capability and risk management system
- Legislators and the public : governance and ethics

## Key Methods

- Adapt method to audience
- Use full range of communication tools
- Constantly seek external input
  - Stakeholder dialogue
  - Consultants
- Be proud of your achievements but careful with your promises

Be totally honest and as transparent as possible