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## CREATE SHARED VALUE@VET

KA2 - Cooperation for innovation and the exchange of good practices

Corporate Social Responsibility

An Implementation Guide for Business

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## An Implementation Guide for Business

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# **CREATING SHARED VALUE @VET**



## Corporate Social Responsibility: An Implementation Guide for Business

*“ Our biggest challenge this century is to take an idea that seems abstract  
—sustainable development  
—and turn it into a reality for all the world’s peoples. “*

Kofi Annan, former UN Secretary General

### Preface

One of humankind’s greatest challenges this century will be to ensure sustainable, just and balanced development. The needs of current and future generations cannot be met unless there is respect for natural systems and international standards protecting core social and environmental values. In this context, it is increasingly recognized that the role of the business sector is critical. As a part of society, it is in business’ interest to contribute to addressing common problems. Strategically speaking, business can only flourish when the communities and ecosystems in which they operate are healthy.

This broad strategic context helps explain the growing appetite among businesses worldwide for authoritative information, company examples and advice about corporate social responsibility (CSR).

This guide has been developed to help respond to that demand. Importantly, the guide should also be useful to the many firms that do not currently have formal CSR policies or programs in place. While not specifically developed for use by public agencies and civil society organizations, the principles of CSR may also be helpful to them in their own sustainability efforts.

The guide is primarily intended as an introduction to some of the existing CSR tools and approaches which are currently being used. In publishing this guide, we aim to provide a useful starting point for accessing the many CSR instruments currently available in the marketplace. Governments, multilateral organizations, non-governmental organizations and other groups have devoted considerable time and energy to the promotion of corporate social responsibility giving rise to a vast repository of CSR initiatives, instruments and resources.



## About this guide

This guide can be used as a primer on corporate social responsibility. As such, it contains information on how to assess the effects of business activities on others, develop and implement a corporate social responsibility strategy and commitments, and measure, evaluate and report on performance and engage with stakeholders.

Senior managers in firms of all sizes—from large corporations to small and medium-sized enterprises to micro-businesses—should find it valuable, as will management teams, board members and front-line employees, and industry association personnel who work with businesses. It is hoped that the guide will also prove useful to those already engaged in CSR activities. Finally, it is hoped that those outside the commercial world (e.g., government officials, representatives of non-governmental organizations and members of the public) will gain insights into the challenges firms face when addressing the effect of their activities on society.

The guide distils ideas and processes from a variety of sources, and is intended to be suggestive, not prescriptive. It has two parts:

### Part 1

is an overview of CSR—how it is defined, the business case for it and the relationship between CSR and the law;

### Part 2

sets out a six-stage “plan, do, check and improve” implementation framework for a CSR approach. This part also features information particular to small business, indicated by the magnifying glass icon



## Part 1

### An overview of corporate social responsibility

#### What is corporate social responsibility?

**“Social responsibility (is the) responsibility of an organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behavior that is consistent with sustainable development and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and is integrated throughout the organization.”**

Working definition, ISO 26000 Working Group on Social Responsibility, Sydney, February 2007

Corporate social responsibility (CSR) is also known by a number of other names. These include corporate responsibility, corporate accountability, corporate ethics, corporate citizenship or stewardship, responsible entrepreneurship, and “triple bottom line,” to name just a few. As CSR issues become increasingly integrated into modern business practices, there is a trend towards referring to it as “responsible competitiveness” or “corporate sustainability.”

A key point to note is that CSR is an evolving concept that currently does not have a universally accepted definition. Generally, CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision-making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society. As issues of sustainable development become more important, the question of how the business sector addresses them is also becoming an element of CSR.

The World Business Council for Sustainable Development has described CSR as the business contribution to sustainable economic development. Building on a base of compliance with legislation and regulations,

CSR typically includes “beyond law” commitments and activities pertaining to:

- corporate governance and ethics;
- health and safety;
- environmental stewardship;
- human rights (including core labor rights);
- sustainable development;
- conditions of work (including safety and health, hours of work, wages);
- industrial relations;
- community involvement, development and investment;
- involvement of and respect for diverse cultures and disadvantaged peoples;
- corporate philanthropy and employee volunteering;
- customer satisfaction and adherence to principles of fair competition;
- anti-bribery and anti-corruption measures;
- accountability, transparency and performance reporting; and
- supplier relations, for both domestic and international supply chains.



## Why has CSR become important?

Many factors and influences have led to increasing attention being devoted to the role of companies and CSR. These include:

- **Sustainable development:** United Nations' (UN) studies and many others have underlined the fact that humankind is using natural resources at a faster rate than they are being replaced. If this continues, future generations will not have the resources they need for their development. In this sense, much of current development is unsustainable—it can't be continued for both practical and moral reasons. Related issues include the need for greater attention to poverty alleviation and respect for human rights. CSR is an entry point for understanding sustainable development issues and responding to them in a firm's business strategy.
- **Globalization:** With its attendant focus on cross-border trade, multinational enterprises and global supply chains—economic globalization is increasingly raising CSR concerns related to human resource management practices, environmental protection, and health and safety, among other things.

CSR can play a vital role in detecting how business impacts labour conditions, local communities and economies, and what steps can be taken to ensure business helps to maintain and build the public good. This can be especially important for export-oriented firms in emerging economies.

- **Governance:** Governments and intergovernmental bodies, such as the UN, the Organisation for Economic Co-operation and Development (OECD) and the International Labour Organization (ILO) have developed various compacts, declarations, guidelines, principles and other instruments that outline norms for what they consider to be acceptable business conduct. CSR instruments often reflect internationally-agreed goals and laws regarding human rights, the environment and anti-corruption.
- **Corporate sector impact:** The sheer size and number of corporations, and their potential to impact political, social and environmental systems relative to governments and civil society, raise questions about influence and accountability. Even small and medium size enterprises (SMEs), which collectively represent the largest single employer, have a significant impact.

Companies are global ambassadors of change and values. How they behave is becoming a matter of increasing interest and importance.

- **Communications:** Advances in communications technology, such as the Internet and mobile phones, are making it easier to track and discuss corporate activities. Internally, this can facilitate management, reporting and change. Externally, NGOs, the media and others can quickly assess and profile business practices they view as either problematic or exemplary. In the CSR context, modern communications technology offers opportunities to improve dialogue and partnerships.
- **Finance:** Consumers and investors are showing increasing interest in supporting responsible business practices and are demanding more information on how companies are addressing risks and opportunities related to social and environmental issues. A sound CSR approach can help build share value, lower the cost of capital, and ensure better responsiveness to markets.



- **Ethics:** A number of serious and high-profile breaches of corporate ethics resulting in damage to employees, shareholders, communities or the environment. —as well as share price—have contributed to elevated public mistrust of corporations. A CSR approach can help improve corporate governance, transparency, accountability and ethical standards
- 
- **Consistency and Community:** Citizens in many countries are making it clear that corporations should meet the same high standards of social and environmental care, no matter where they operate. In the CSR context, firms can help build a sense of community and shared approach to common problems.
- 
- **Leadership:** At the same time, there is increasing awareness of the limits of government legislative and regulatory initiatives to effectively capture all the issues that CSR address. CSR can offer the flexibility and incentive for firms to act in advance of regulations, or in areas where regulations seem unlikely.

## What is the business case for CSR?

**The business case for CSR will differ from firm to firm, depending on a number of factors.**

These include the firm's size, products, activities, location, suppliers, leadership and reputation (i.e., of the sector in which the firm operates). Another factor is the approach a firm takes to CSR, which can vary from being strategic and incremental on certain issues to becoming a mission-oriented CSR leader.

The business case for CSR also revolves around the fact that firms that fail to engage parties affected by their activities can jeopardize their ability to create wealth for themselves and society, and increase the risk of legal or other responses. Taking into account the interests and contributions of that one affect is the basis for ethical behavior and sound governance. CSR is essentially a strategic approach for firms to take to anticipate and address issues associated with their interactions with others and, through those interactions, succeed in their business endeavors. There is growing consensus about the connection between CSR and business success.

The World Business Council for Sustainable Development (WBCSD) has noted that a coherent CSR strategy based on integrity, sound values and a long-term approach offers clear business benefits to companies and contributes to the well-being of society.



## Potential benefits of implementing a CSR approach

- **Better anticipation and management of an ever-expanding spectrum of risk.** Effectively managing governance, legal, social, environmental, economic and other risks in an increasingly complex market environment, with greater oversight and stakeholder scrutiny of corporate activities, can improve the security of supply and overall market stability. Considering the interests of parties concerned about a firm's impact is one way of better anticipating and managing risk.
- **Improved reputation management.** Organizations that perform well with regard to CSR can build their reputation, while those that perform poorly can damage brand and company value when exposed. Reputation, or brand equity, is founded on values such as trust, credibility, reliability, quality and consistency. Even for firms that do not have direct retail exposure through brands, their reputation for addressing CSR issues as a supply chain partner—both good and bad—can be crucial commercially.
- **Enhanced ability to recruit, develop and retain staff.** This can be the direct result of pride in the company's products and practices, or of introducing improved human resources practices, such as "family-friendly" policies. It can also be the indirect result of programs and activities that improve employee morale and loyalty. Employees are not only front-line sources of ideas for improved performance, but are champions of a company for which they are proud to work.
- **Improved innovation, competitiveness and market positioning.** CSR is as much about seizing opportunity as avoiding risk. Drawing feedback from diverse stakeholders can be a rich source of ideas for new products, processes and markets, resulting in competitive advantages. For example, a firm may become certified to environmental and social standards so it can become a supplier to particular retailers. The history of good business has always been one of being alert to trends, innovation, and responding to markets. Increasingly, mainstream advertising features the environmental or social benefits of products (e.g., hybrid cars, unleaded petrol,<sup>14</sup> ethically produced coffee, wind turbines, etc.).





- **Enhanced operational efficiencies and cost savings.** These flow in particular from improved efficiencies identified through a systematic approach to management that includes continuous improvement. For example, assessing the environmental and energy aspects of an operation can reveal opportunities for turning waste streams into revenue streams (wood chips into particle board, for example) and for system-wide reductions in energy use, and costs.
- **Improved ability to attract and build effective and efficient supply chain relationships.** A firm is vulnerable to the weakest link in its supply chain. Like-minded companies can form profitable long-term business relationships by improving standards, and thereby reducing risks. Larger firms can stimulate smaller firms with whom they do business to implement a CSR approach. For example, some large apparel retailers require their suppliers to comply with worker codes and standards.
- **Enhanced ability to address change.** A company with its “ear to the ground” through regular stakeholder dialogue is in a better position to anticipate and respond to regulatory, economic, social and environmental changes that may occur. Increasingly, firms use CSR as a “radar” to detect evolving trends in the market.
- **Access to capital.** Financial institutions are increasingly incorporating social and environmental criteria into their assessment of projects. When making decisions about where to place their money, investors are looking for indicators of effective CSR management. A business plan incorporating a good CSR approach is often seen as a proxy for good management.
- **Improved relations with regulators.** In a number of jurisdictions, governments have expedited approval processes for firms that have undertaken social and environmental activities beyond those required by regulation. In some countries, governments use (or are considering using) CSR indicators in deciding on procurement or export assistance contracts. This is being done because governments recognize that without an increase in business sector engagement, government sustainability goals cannot be reached.



## Part 2

### Implementing corporate social responsibility

There is no “one-size-fits-all” method for pursuing a corporate social responsibility (CSR) approach. Each firm has unique characteristics and circumstances that will affect how it views its operational context and its defining social responsibilities. Each will vary in its awareness of CSR issues and how much work it has already done towards implementing a CSR approach.

That said, there is considerable value in proceeding with CSR implementation in a systematic way—in harmony with the firm’s mission, and sensitive to its business culture, environment and risk profile, and operating conditions. Many firms are already engaged in customer, employee, community and environmental activities that can be excellent starting points for firm-wide CSR approaches. CSR can be phased in by focusing carefully on priorities in accordance with resource or time constraints. Alternatively, more comprehensive and systematic approaches can be pursued when resources and overall priorities permit or require. The bottom line is that CSR needs to be integrated into the firm’s core decision-making, strategy, management processes and activities, be it incrementally or comprehensively.

What follows below is a broad framework for implementing a CSR approach that build on existing experience as well as knowledge of other fields, such as quality and environmental management. The framework follows the familiar “plan, do, check and improve” model that underlies such well-known initiatives as those of the International Organization for Standardization (ISO) in the areas of quality and environmental management systems. The framework is also intended to be flexible, and firms are encouraged to adapt it as appropriate for their organization.

#### CSR implementation framework and corporate governance

A well-designed CSR implementation framework integrates economic, social and environmental decision-making throughout a firm—from the board of directors to front-line officials and supply-chain partners—and is therefore intimately connected with effective corporate governance. A properly governed firm can reap optimal benefits for itself and its shareholders, and in turn for those who are affected by the firm’s activities. At all levels of a firm, inadequate direction and control of its activities and assets can jeopardize its very ability to operate.

This guide proposes an implementation framework comprising six key tasks (see chart below). In recognition of the fact that firms are at different levels of sophistication and development with respect to CSR, it is understood that firms may choose to forego a particular aspect or task when it has already been undertaken.



**Implementation framework**

When? (Conceptual phase)	What? (Task delineation)	How? (Checkpoints on the journey)
Plan 	1. Conduct a CSR assessment	<ul style="list-style-type: none"> <li>Assemble a CSR leadership team;</li> <li>Develop a working definition of CSR;</li> <li>Identify legal requirements;</li> <li>Review corporate documents, processes and activities, and internal capacity; and</li> <li>Identify and engage key stakeholders.</li> </ul>
	2. Develop a CSR strategy	<ul style="list-style-type: none"> <li>Build support with CEO, senior management and employees;</li> <li>Research what others are doing, and assess the value of recognised CSR instruments;</li> <li>Prepare a matrix of proposed CSR actions;</li> <li>Develop ideas for proceeding and the business case for them; and</li> <li>Decide on direction, approach, boundaries and focus areas.</li> </ul>
Do 	3. Develop CSR commitments	<ul style="list-style-type: none"> <li>Do a scan of CSR commitments;</li> <li>Hold discussions with major stakeholders;</li> <li>Create a working group to develop the commitments;</li> <li>Prepare a preliminary draft; and</li> <li>Consult with affected stakeholders.</li> </ul>
	4. Implement CSR commitments	<ul style="list-style-type: none"> <li>Develop an integrated CSR decision-making structure;</li> <li>Prepare and implement a CSR business plan;</li> <li>Set measurable targets and identify performance measures;</li> <li>Engage employees and others to whom CSR commitments apply;</li> <li>Design and conduct CSR training;</li> <li>Establish mechanisms for addressing problematic behaviour;</li> <li>Create internal and external communications plans; and</li> <li>Make commitments public.</li> </ul>
Check 	5. Assure and report on progress	<ul style="list-style-type: none"> <li>Measure and assure performance;</li> <li>Engage stakeholders; and</li> <li>Report on performance, internally and externally.</li> </ul>
Improve 	6. Evaluate and improve	<ul style="list-style-type: none"> <li>Evaluate performance;</li> <li>Identify opportunities for improvement; and</li> <li>Engage stakeholders.</li> </ul>
Cross-check: One cycle completed 		Return to plan and start the next cycle.

The framework is intended to help boards of directors, CEOs, managers, employees and others assess a firm's effects on society and the challenges and opportunities associated with taking these impacts into account in decision-making and business activities. As understood here, a firm's CSR approach should be an integral part of its core business objectives and strategy. Just as importantly, it is also part of a wider trend towards exploring ways to ensure that the individual and collective activities of the business sector advance progress towards internationally-agreed challenges, and create an environment where business is itself sustainable.



## Task 1

### Conduct a CSR assessment

#### What is a CSR assessment?

No firm—big or small—is likely to do anything about CSR, unless the board of directors, CEO, senior management or owners recognize that some sort of CSR-related problem, opportunity or challenge exists. In turn, this recognition provides the fuel for proceeding with a CSR assessment, with the purpose of better understanding the nature of the problem, opportunity or challenge and its significance for the business.

A logical first step is to gather and examine relevant information about the firm's products, services, decision-making processes and activities to determine where the firm currently is with respect to CSR activity, and to locate its "pressure points" for CSR action. A proper CSR assessment should provide an understanding of the following:

the firm's values and ethics; the internal and external drivers motivating the firm to undertake a more systematic approach to CSR; the key CSR issues that are affecting or could affect the firm; the key stakeholders who need to be engaged, and their concerns; the current corporate decision-making structure and its strengths and inadequacies in terms of implementing a more integrated CSR approach; the human resource and budgetary implications of such an approach; and existing CSR-related initiatives.

The assessment should identify the main risks and opportunities, and culminate in a thorough gap analysis: where is the organization strong and where is it weak relative to internal goals, peers and best practices? How well is the firm's strategy responding to emerging issues and opportunities? This is essential information for identifying priorities and for selling the approach within and outside the firm.

#### Why do an assessment?

When the board of directors, CEO and top management or owners do not have an accurate snapshot of how far the firm is down the CSR road, it is unlikely they will be able to make informed decisions about moving ahead. Front-end intelligence gathering in the form of a CSR assessment can save a firm from launching an ineffective CSR approach or heading in a direction that is not sustainable in business terms. An assessment can also help identify CSR gaps and opportunities and thereby improve business decision-making. Importantly, too, it can act as a reminder of existing legal requirements.

Many firms are already engaging in CSR activities without necessarily identifying them as such! Frequently a firm can introduce a CSR approach to support or complement this work without much incremental investment. For example, a firm may have in place quality, environmental, occupational health and safety and other management systems, employee educational advancement programs or community outreach initiatives. These are likely to become important building blocks in a systematic CSR approach. Among other things, a CSR assessment should identify all of these existing implicit initiatives, so they can be properly considered as part of a larger CSR approach.



## How to do an assessment

A five stage CSR assessment process is set out below:

1. Assemble a CSR leadership team;
2. Develop a working definition of CSR;
3. Identify legal requirements;
4. Review corporate documents, processes, and activities; and
5. Identify and engage key stakeholders.

This is not the only way to do an assessment; rather it is one way a firm can review the full range of its operations through a CSR lens.

### 1. Assemble a CSR leadership team

Like any successful management strategy, a CSR process needs both high level management vision and support, and buy-in at all levels of the company. For this reason, a CSR leadership team would include representatives from the board of directors and top management or owners, as well as volunteers from various units within the firm that are affected by or involved in CSR issues. Other representatives could be senior personnel from human resources, environmental services, health and safety, community relations, legal affairs, finance, marketing and communications. Front-line staff in these areas and any other personnel who may become key players involved in implementing the CSR approach the firm eventually develops should also be on the team.

Employees at all levels should be encouraged to contribute their time, energy and ideas. As the work of the team progresses and a better understanding of the implications of CSR emerge for the firm, it is quite possible that the membership of the team will change.

### 2. Develop a working definition of CSR

The first task of the leadership team is to develop a working definition of CSR for the firm. This will become the basis for the rest of the assessment.

The definition for CSR should be something quite general. Here are some examples:

- CSR is the firm's practices and policies that contribute to the well-being of the environment, economy and society. They address the needs of customers, suppliers, shareholders and employees, as well as those of government, the general public and the communities where the firm operates, without compromising the ability of future generations to meet their own needs.
- CSR is the way the company integrates economic, environmental and social objectives while, at the same time, addressing stakeholder expectations and sustaining or enhancing shareholder value.
- CSR is the overall relationship between the corporation and its stakeholders,
- which include customers, employees, communities, owners/investors, government, suppliers and competitors. Elements of CSR include investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial performance.
- CSR is the responsibility the firm has to its stakeholders. It means that the firm's products and services create value for customers and contribute to the wellbeing of society. It means the firm operates using ethical business practices and expects the same from its suppliers and partners. It means minimizing the environmental impact of its facilities and products. It means providing jobs, paying taxes and making a profit, as well as supporting philanthropy and community involvement.

It means treating employees with respect and being a good neighbor to the people next door as well as those half a world away.



### 3. Identify legal requirements

As noted above, a CSR approach is not a compliance-based activity. It is all above voluntary choices a firm makes to improve its performance and the way it relates to society. In this context, an essential step is to ensure that the business already respects existing laws, whether in relation to such things as governance, taxation, bribery, labor, or environment. A good CSR strategy—and the firm’s reputation—can be quickly damaged if it is found to be in breach of basic laws.

### 4. Review corporate documents, processes and activities

With a working CSR definition and an initial understanding of the motivations behind the firm’s interest in CSR, the team should then review key corporate documents, processes and activities for actual and potential CSR implications.

**Documents:** Existing mission statements, policies, codes of conduct, principles and other operating documents are logical candidates for review.

- External documents associated with programs or initiatives which the firm subscribes to may also need revisiting. These would include sector-wide standards, principles or guidelines. It may be that the existing mission statement, policies or codes address worker relations, customer satisfaction or environmental protection in some regard. It is useful for the leadership team to explore why these items were developed and to learn from them (or at least acknowledge that they are CSR-related).

**Processes:** One of the advantages of a CSR approach can be to promote “joined-up” thinking and a more integrated strategic approach to material social and environmental issues.

For this reason, existing decision-making:

Processes warrant review. Typically, firms have specific decision-making processes and associated decision-making bodies in place to address particular aspects of operations, and these may affect the CSR approach. For example, a health and safety committee may take the lead in determining the resources, training and implementation of worker health and safety programs.

**Activities:** The firm’s activities that relate directly to providing its products or services to users can be closely connected to CSR. In addition to thoroughly examining internal operations for CSR-related challenges and opportunities,

### 5. Identify and engage key stakeholders

Although the work of the leadership team should reveal important social responsibility trends, problems and opportunities to act upon, the team may nevertheless miss important issues that are more evident to those outside the firm. As a result, the team may wish to hold discussions with key external stakeholders about CSR. Mapping the interests and concerns of stakeholders against those of the firm can reveal both opportunities and potential problem areas. Indeed, many leading firms now see stakeholder engagement as central to the task of identifying the issues that are most material to them. It is important to be clear about the purpose of these discussions, since stakeholders might view it as an opportunity to express their views more generally about the company’s behavior in relation to them. Key to engaging effectively with stakeholders is to map their definition of “success” in working with the company. Identifying the results from this task (e.g., a summary of the CSR assessment that is publicly available) would be helpful. Larger firms may choose to engage one of the many independent consultants specialized in stakeholder mapping to help them with this or other CSR processes. As noted



below, another consideration to bear in mind is the capacity of stakeholder groups to remain engaged in any ongoing consultation.

### CSR and small businesses

The small size of operations may make it easier to find information on actual and potential CSR activities and impacts. Also, many small businesses operate closely with local communities and understand the issues. Assign one person to create a checklist (see below), with input from other employees, of all the CSR activities and initiatives that the company might put in place, and check off what it is already doing, noting any gaps.

Consider using one of the many existing self-assessment tools and check-lists. Another good resource is industry associations, which quite frequently take leadership roles on issues such as CSR and may offer assistance with self-assessments. Consider working with a non-profit organization to conduct an eco-audit, or hiring a student or consultant.

The main objective is to review current business practices to identify activities that fall under the heading of CSR (e.g., recycling), as well as potential activities (e.g., purchasing products from developing countries where workers are paid living wages or that protect core labour rights).

A key resource to draw on in this regard is staff. As the front-line personnel carrying out the functions of the business,

employees are often very aware of a number of ways in which the firm's activities affect stakeholders, and frequently have suggestions for improvement.

#### Sample CSR small business checklist:

##### Can we:

- Provide a safer working environment and educational assistance to employees?
- Improve contractual relations with employees?
- Enhance gender equality in the workplace?
- Use more energy-efficient appliances (e.g., light bulbs) or vehicles?
- Source more from local suppliers?
- Improve customer service standards?
- Support more local community projects?
- Purchase fair trade products that support workers in developing countries?
- Recycle more waste?
- Ensure a better work/life balance for employees? and
- Be more accessible to customers of various abilities?



## Practical CSR initiatives for small business

Drawing on the activities of small businesses implementing CSR, here is a list of practical CSR activities a small business can do. These initiatives are likely to be of interest to personnel in larger firms as well.

Improving the environment:

- Reduce consumption of energy, water and other natural resources, and emissions of hazardous substances;
- Use or produce recycled and recyclable materials, increase the durability of products, and minimize packaging through effective design (“reduce, reuse and recycle”);
- Train and encourage staff to look for additional ways to reduce the firm’s environmental footprint;
- Use “green” (i.e., renewable energy) power electricity suppliers and energy-efficient lighting;
- Join or start a local “green business” club that can help local firms access conservation grants and expertise for reducing waste, water use and energy;
- Consider using video-conferencing to meet a potential supplier or customer rather than always physically travelling to meetings; and
- Establish an environmental management system with objectives and procedures for evaluating progress, minimizing negative impacts and transferring good practices. Improving human resource management practices:
- Establish policies to ensure the health and safety of all employees and make the policies known to employees;
- Involve employees in business decisions that affect them and improve the work environment;
- Consult employees on how to handle a downturn in business (e.g., offer the option of all staff taking pay cuts or reduced hours instead of layoffs);
- When layoffs or closures are unavoidable, offer outplacement services, retraining and severance benefits.
- Provide training opportunities and mentoring to maximize promotion from within the organization.
- Extend training to life management, retirement planning and care of dependents.
- Be open to job splitting, flex-time and other work-life balance policies;
- Share training and human resources programs with other local small businesses.
- Consider supporting daycare for children or elderly dependents.
- Encourage a healthy workplace (e.g. implement a smoking ban or drug and alcohol abuse support program); and
- Provide exercise facilities or offer subsidized membership at a local gym.



### Promoting diversity and human rights:

- Encourage a healthy workplace (e.g. implement a smoking ban or drug and alcohol abuse support program); and
- Make sure that all staff know that there are explicit policies against discrimination in hiring, salary, promotion, training or termination of any employee on the basis of gender, race, age, ethnicity, disability, sexual orientation or religion.
- Do not tolerate jokes or behavior in the workplace that insult employees on the basis of gender, race, age, ethnicity, disability, sexual orientation or religion.
- When hiring, think creatively about where to advertise the job and whether there are any local employability schemes<sup>0</sup> (e.g., run by a local council or employer) to help find work for people who are homeless or disabled.
- Pay comparable wages for comparable work.
- Support organizations that promote fair trade and human rights compliance.
- Check where products are manufactured and look into any associated human rights concerns.

### Helping the community:

- Encourage employee volunteering in the community and with financial contributions and help in kind.
- Make some of the business's product or services available free or at cost to charities and community groups.
- Look for opportunities to make surplus product and redundant equipment available to local schools, charities and community groups.
- Buy from local suppliers and strive to hire locally.
- Offer quality work experience for students (job shadowing).
- Collaborate with local teachers to make the business the subject of a school project.
- Use the business's experience to help a local school, charity or community group become more efficient and entrepreneurial.



## Task 2 Develop a CSR strategy

### What is a CSR strategy?

The CSR assessment generates a base of information the firm can use to develop a CSR

strategy. A CSR strategy is a road map for moving ahead on CSR issues. It sets the firm's direction and scope over the long term with regard to CSR, allowing the firm to be successful by using its resources within its unique environment to meet market needs and fulfill stakeholder expectations. A good CSR strategy identifies the following:

- overall direction for where the firm wants to take its CSR work;
- the stakeholders and their perspectives and interests;
- a basic approach for moving ahead;
- specific priority areas;
- a time line for action, responsible staff, and immediate next steps; and
- a process for reviewing and assuring outcomes.

Different firms may be at different stages of awareness of and work on CSR, which will dictate the contents of the strategy.

Some may decide to adopt a "minimum necessary," stance. Others may wish to make strategic forays into particular areas.

### Why have a CSR strategy?

There is an old saying that "if you don't know where you're going, there's little chance you're ever going to get there." This is as true for CSR as it is with any other business approach. Following a CSR strategy helps to ensure that a firm builds, maintains and continually strengthens its identity, its market, and its relationships. Importantly, it provides the framework for a coherent business strategy based on the issues that it and its stakeholders consider material.

### How to develop a CSR strategy

The following six steps comprise a suggested way to develop a CSR strategy:

1. Build support with the CEO, senior management and employees;
2. Research what others (including competitors) are doing and assess the value of recognized CSR instruments;
3. Prepare a matrix of proposed CSR actions;
4. Develop options for proceeding and the business case for them; and
5. Decide on direction, approach, boundaries and focus areas.





There is no magic to this. The steps could be done in a different order or be called by different names but taking them all will increase the likelihood of the firm having a systematic and realizable CSR strategy.

It is clear that a CSR strategy is unlikely to succeed when it is not based on a clear understanding of the firm's values, when it fails to take advantage of the ideas of those who might provide assistance, and when it does not approach issues systematically, building on strengths and addressing weaknesses.

### **1. Build support with senior management and employees:**

Without the backing of a firm's leadership, CSR strategies have little chance of success. The personal engagement of the CEO is usually vital. The first step in developing a CSR strategy is for the leadership team to report back to senior management (and, where relevant, the board of directors) about the key findings of the assessment and to gauge interest in moving ahead. Quite likely, the assessment will have indicated that several aspects of current operations are vulnerable to external criticism, or that there appear to be real opportunities for synergies or new products in certain areas. The assessment could also have found that current decision-making on CSR issues is not well coordinated or that there is considerable interest in specific CSR issues or pressure from certain key stakeholders in these areas.

### **2. Research what others are doing, and existing CSR instruments:**

Although it is possible for the CSR leadership team, working with other members of the firm, to develop a CSR approach entirely on its own, there is considerable value in drawing on the experience and expertise of others. Three useful sources of information are other firms, industry associations and CSR-specialist organizations.

If the leadership team finds that companies (in their own country, or elsewhere in the same or related sector) are emphasizing different CSR activities, it could examine the similarities and differences between the company and these firms. Examining the vision, values and policy statements of leading competitors, along with their codes, new CSR related product lines or approaches, and any initiatives or programs in which they participate, can be very useful. Assessing the benefits, costs, immediate outcomes, resource implications and changes to current practices necessary for the firm to adopt similar approaches may also provide helpful information.



### 3. Prepare a matrix of proposed CSR actions:

With this background it should be possible to create a matrix of proposed CSR actions, possibly set out by environmental, social and economic aspects, although there may be some overlap. The leadership team can plot current and possible CSR activities, processes, products and impacts on the matrix, cross-referencing them against the firm's current activities and structure to see how well they fit.

#### *Example of matrix of proposed CSR actions*

	Environmental activity		Social activity (e.g., workers, communities)		Economic activity (e.g., quality assurance, customer satisfaction)	
	Current	Proposed	Current	Proposed	Current	Proposed
	Processes	Registered to ISO 14001*	Kyoto emission reductions?	Certified to OHSAS*	SA8000* or Fair Labor Association (FLA)	Registered to ISO 9001*
Products/services	Some products use known logo (e.g., Rainforest Alliance, Organic)	Could products be certified to local energy standard?	None at present	Possible SA 8000 or FLA product certification	Use of ISO 9001 logo on company letterhead	Keep abreast of ISO work on IMS?
Impacts	Internal impact assessment undertaken	Supply chain/ community impacts?	Internal impact assessment undertaken	Supply chain/ community impacts?	Internal impact assessment undertaken	Supply chain/ community impacts?
Responsibility centre	Environmental affairs department		Human resources department		Manager, quality/ customer satisfaction	

### 4. Develop options for proceeding and the business case for them:

Two broad options for proceeding at this point are to take an incremental approach to CSR or to decide on a more comprehensive change in direction. The evolution of the Responsible Care program of the Canadian Chemical Producers' Association is a good example of the former. This program started with a broad set of principles but now includes detailed codes, conformity assessment, public reporting and the involvement of community and non-governmental organization representatives.



### Step by step approach

The Natural Step is a non-profit organization with offices in 11 countries that uses a science-based systems framework to help organizations, individuals and communities take steps towards sustainability. The

Natural Step's mission is to catalyze systemic change and make fundamental principles of sustainability easier to understand, and meaningful sustainability initiatives easier to implement.

The Natural Step framework provides a shared conceptual model, understanding and common language that facilitate cooperation across organizations, disciplines and cultures. The framework encourages dialogue, consensus-building and incremental change—key processes of organizational learning—and creates the conditions for significant change to occur. For more information, go to <http://www.naturalstep.org>.

### Generating ideas

Whatever approach is adopted, a useful first step is to come up with ways for the firm to integrate CSR into operations. Brainstorming sessions could be held with senior managers, employees, key business partners and others. Participants must be clear on the need to align any CSR approach with the firm's core business objectives, methods and core competencies. With this understanding made explicit, participants can answer questions such as the following, drawing on some of the preparatory CSR work described earlier:

- What social and environmental activities and initiatives has the firm undertaken already?
- What strengths, weaknesses, opportunities and threats do these present?
- What has the firm learned from others that could be helpful?
- What are the firm's CSR goals?
- Where could the firm be in 10 years in terms of CSR activities and outcomes?
- What are the big social issues and how might the firm help?
- If the firm is to be a CSR leader, what changes to current practices and products would need to take place?
- Are there some CSR activities or initiatives the firm could easily undertake now at no or low cost (sometimes referred to as "low hanging fruit")?
- Are there areas in which CSR changes would have a particularly big impact on the firm and others? What are they and what are the likely impacts?
- Can the proposed CSR changes be organized into short-, medium- and long-term deliverables?
- What are the resource implications of these deliverables?
- Are there any changes to the firm's structure that would need to occur to implement any of the deliverables?
- Are there any other obstacles or impediments (e.g., inadequate training or equipment or inappropriate incentive structures) that might stand in the way of taking a more systematic approach to implementing CSR? If so, what are they?
- Are there opportunities for cost reductions?
- What are the potential risks of failing to take into account the broader environmental, social and economic aspects of a business's activities? and
- What should be the priorities for action if the firm decides to do more?



### Building the business case.

The CSR leadership team can draw on the material generated by the assessment, its research into what others is doing and brainstorming sessions to devise a business case for potential initiatives that show the most promise. The business case should focus on a number of elements, in light of the firm's business objectives, methods and core competencies:

- possible leverage points (on which particularly large CSR gains can be made);
- areas in which a firm could potentially gain a competitive advantage;
- areas in which stakeholders might have particular influence;
- short- and long-term goals;
- estimated costs of implementing each option (including that of not doing more on CSR);
- anticipated benefits;
- opportunities for cost reductions;
- broader changes the firm would need to make;
- any risks or threats each option poses; and
- implications of each option for new developments.

### 5. Decide on direction, approach and focus areas

The CSR leadership team should now have the information it needs to ask senior management for an informed decision on how the firm should proceed. Of immediate importance is determining the firm's general direction, approach and focus areas with regard to CSR, as described below.

- **Direction.** This is the overall course the firm could pursue or the main area it is aiming to address. For example, an apparel company could decide to emphasize worker health and safety. A pharmaceutical company could decide to look at developing country health issues. A forestry company could decide that environmental issues associated with logging are the focus of its activities. A mining company could choose improving relations with surrounding communities as its chief concern. A company moving into new markets might decide that anti-bribery measures are a target area, and so forth.
- **Approach.** This refers to how a firm plan to move in the direction identified. For example, a firm might decide to first revise its mission, vision, and values and ethics statements, next put a new code of conduct in place, then communicate with and train employees and, finally, address issues with contractors in the supply chain.
- **Focus areas.** These should align most clearly with the business objectives of the firm and, hence, are immediate priorities. The focus areas may identify gaps in the firm's processes, attempt to capitalize on a new opportunity, or address needs of certain key stakeholders. For example, a financial institution could identify new protections for clients' personal information or the opportunities for micro-credit, while a food retailer might decide to focus on combating obesity as an immediate objective.

These decisions will usually involve setting priorities. The size of the problem and its seriousness, the estimated effectiveness of possible solutions and the ease of implementation are key factors to take into account when prioritizing. Also important are the financial and human resources needed to implement the changes, legal and customer requirements, and the speed with which decisions can be implemented.

Because many CSR initiatives have resource implications, they should be assessed with rigour and substance, similar to how normal financial and investment decisions are reviewed. A casual or half-hearted approach could jeopardize the credibility of the CSR initiatives as well as related corporate business prospects.



## Task 3

### Develop CSR commitments

#### What are CSR commitments?

CSR commitments are policies or instruments a firm develops or signs on to that indicate what the firm intends to do to address its social and environmental impacts. CSR commitments flow from the CSR assessment and strategy and are developed at the point when a firm moves from planning to doing:

- They ensure that the firm's corporate culture is consistent with CSR values;
- They help align and integrate the firm's business strategy, objectives and goals;
- They provide guidance to employees about how they should conduct themselves; and
- They communicate the firm's CSR approach to business partners, suppliers, communities, governments, the general public and others.

Before developing CSR commitments, firms must understand the range of available commitments and the distinctions between them. A key distinction is between aspirational and prescriptive commitments. Aspirational commitments tend to articulate the long-term goals of a firm and are usually written in general language, while prescriptive commitments, such as codes of conduct, stipulate more specific behaviors to which the firm explicitly agrees to comply.

Aspirational commitments often take the form of vision, mission, values and ethics statements, or charters. In many circumstances, firms may already have aspirational and prescriptive commitments in place that can be adjusted to fully integrate CSR. Aspirational commitments form the backdrop for specific and prescriptive codes of conduct and standards, which are usually designed to benchmark or directly control behavior.

#### Aspirational commitments:

The main objective of aspirational commitments is to articulate a high level and common understanding of what a firm stands for and how it would like to be regarded. For CSR to be truly integrated into values, decision-making and activities, a firm's aspirational commitments must fully reflect its social and environmental positions.

In the absence of CSR aspirational commitments, there is a risk that various parts of the organization will embark on CSR implementation activities at cross-purposes. The likelihood is reduced when work begins with a shared view of what the firm stands for and where it is heading.

A variety of firms around the world have developed aspirational commitments, which form part of their business and communications strategy.

Recognizing that cars are major producers of greenhouse gases, the Toyota company has committed itself to move to a "zero emissions" world. Sharp reductions in waste to landfill and products such as the successful Prius hybrid petrol/electric model form part of this strategy. High profile "zero emission" advertisements underline the integrated nature of the commitment.



## Prescriptive commitments

Prescriptive commitments—typically taking the form of codes of conduct and standards—set out specific behavior changes for which a firm agrees to strive. A firm may choose to: develop its own code of conduct (see, for example, Alcan’s code of conduct),<sup>45</sup> or to sign on to an existing sectoral code or standard (e.g., the Responsible Care initiative),<sup>46</sup> or some other existing instrument.

A main advantage for a firm developing its own code of conduct is that the code can be tailored to reflect the firm’s circumstances. On the other hand, developing a code of conduct can be a lengthy and expensive process, and the end product may not have the credibility of a third-party code, especially those that are derived from existing international norms. In one sense, firms that agree to comply with third-party codes and standards can “piggy back” on the extensive consultation and development process such initiatives require, and their higher profile.

## Why have CSR commitments?

Because CSR involves voluntary engagements, it might be seen—internally as well as externally—as “more PR than promise.” Like any good policy, clear commitments are a vital component of any firm’s efforts to be transparent, accountable and credible. CSR commitments create the baselines against which behavior may be subsequently measured. When properly implemented, CSR commitments can increase the likelihood that a firm will appropriately respond to an opportunity and decrease the probability it will engage in problematic conduct. CSR commitments make it clear to all interested parties what they can expect from a firm.

By articulating these expectations up front, the firm decreases the potential for misunderstandings at a later date. In this sense, CSR commitments can improve the quality of the involvement the firm has with its stakeholders. In some cases, in fact, stakeholders will only agree to engage with firms that have clearly stated their CSR commitments.

Properly implemented CSR commitments can increase the likelihood of a firm being considered duly diligent and decrease the chances of it being seen as a sub-standard CSR performer. They are also a vehicle to benchmark progress towards improved social and environmental responsibility.

## How to develop CSR commitments

Here is one way of developing CSR commitments, but there are many others, since commitments deal with so many subjects and take so many forms:

1. Do a scan of CSR commitments.
2. Hold discussions with major stakeholders.
3. Create a working group to develop the commitments.
4. Prepare a preliminary draft.
5. Consult with affected stakeholders.
6. Revise and publish the commitments.

The process of developing the CSR commitments should recognize that considerable potential exists for misunderstandings and miscommunication about expectations. These can challenge a successful outcome. Accordingly, the process will need to be pragmatic and focused.



## 1. Do a scan of CSR commitments

Before developing CSR commitments or agreeing to adhere to third-party CSR codes or standards, it is useful to examine the CSR commitment instruments others are using, particularly leading firms. Importantly, firms should also research CSR instruments developed by governments, and intergovernmental bodies such as the UN, the ILO and the OECD. Because governments have developed these instruments in conjunction with other parties, they have a high level of credibility and are good guides to what governments consider to be acceptable and unacceptable behaviors “Key international CSR instruments” for more information). Finally, a review of available third-party codes and standards should be undertaken. Here it can be useful to distinguish between those developed by multi-stakeholder processes, and those that have been developed in other ways.

When considering the CSR commitment instruments of others, it is useful to ask questions, such as the following:

- What people and organizations were involved in developing these commitments? Would these be the same stakeholders who would need to be involved in the firm’s own CSR commitments?
- What are the objectives underlying development of these CSR commitments? Are those objectives the same as or different from those underlying the firm’s CSR objectives?
- Can a particular CSR issue identified by the firm be resolved or addressed through use of these or similar CSR commitments? What are the potential costs, drawbacks and benefits of the various types of commitments? and
- What is the applicability or suitability of these commitments to the organization in light of its scope of activities and geographic range of operations? Will the company benefit from the commitments and how?

## 2. Hold discussions with major stakeholders

Developing CSR commitments or agreeing to comply with existing codes and standards presents the firm with an opportunity to generate organizational interest in CSR and build agreement about how codes and standards apply to the firm. From that agreement, the firm can develop more practical steps towards implementation. Throughout this guide, the importance of listening to all stakeholder groups is stressed.

Within the company, it is critical that the board, CEO and top management be firmly behind a company’s CSR commitments. Without such support, there is very little likelihood that subsequent CSR activities will effectively take place. Spending time at the outset, “getting the CSR commitments right” in the eyes of board members and top management is time well spent.

There may also be value in having informal initial discussions with business partners, supply chain members and other contractors. The objective of these discussions would be to sound these parties out about which commitments to choose and to identify partners willing to help develop them. When the commitments apply to these parties, their involvement and agreement to comply with the terms of the commitments are crucial.



### 3. Create a working group to develop the commitments

The working group should be a cross-section of the organization, from board members to senior management and front-line employees, and could include people who are very enthusiastic about CSR as well as those who are skeptical to give voice to differing opinions on the issues at hand. Contractors and others to whom the commitments apply should also be involved.

Having the right people in the group is essential. They must be dependable, credible and knowledgeable, and have the necessary time and resources to commit to the work involved. Frank discussion should take place at the outset about: the group's objectives; members' responsibilities; anticipated workload and outcomes; and the ground rules on how the group will operate. Regular two-way communication between the working group and the firm as a whole may also be useful.

### 4. Prepare a preliminary draft

CSR commitments should be plain-language statements and should contain clear and concise obligations. It is recommended that working group members identify who within the organization will be responsible for implementing the commitments and involve them in preparing the draft. Firms would also be well advised to use existing commitment documents (such as those described in Step 1) as base documents when preparing their own.

### 5. Consult with affected stakeholders

It has been stressed above that thorough consultations with those affected by a firm's actions at the outset can prevent problems later. One good approach is to start with the people most likely to be directly affected by the CSR commitments and who are already aware of the associated issues. Next, the working group could have more formal discussions with groups and people who may not be aware of the CSR initiative. A consultation plan can be useful. It should include roles for high-profile officials within the firm who have good communication skills and can clearly explain the CSR commitments and receive feedback. This feedback should go to the working group, who will discuss how and to what extent the final draft will reflect the comments.

### 6. Revise and publish the commitments

Drawing on the input from the consultations, the working group can finalize commitments to be published and shared with all employees as part of the implementation. Often this is done on the firm's Web site, or in a CSR or sustainability report, but there are many options.



## Task 4

### Implement CSR commitments!

#### What is CSR commitment implementation?

Implementation refers to the day-to-day decisions, processes, practices and activities that ensure the firm meets the spirit and letter of its CSR commitments and thereby carries out its CSR strategy. If CSR commitments can be called “talking the talk,” then implementation is “walking the walk.”

#### Why does CSR commitment implementation matter?

As all businesses know, living up to promises—whether business or performance targets—is essential to success. Failing to meet CSR commitments, in the absence of satisfactory explanations, can also lead to problems, including disgruntled employees, shareholders, business partners, customers, communities and others. A firm that effectively implements its commitments is not only less likely to run into problems, but may be more favorably looked upon when problems do arise, as opposed to a firm that continually fails to meet what stakeholders see as its obligations.

#### How to implement CSR commitments

Every firm is different and will approach CSR implementation in different ways. The steps suggested below show one way to implement CSR commitments:

1. Develop an integrated CSR decision-making structure;
2. Prepare and implement a CSR business plan;
3. Set measurable targets and identify performance measures;
4. Engage employees and others to whom CSR commitments apply;
5. Design and conduct CSR training;
6. Establish mechanisms for addressing problematic behavior;
7. Create internal and external communications plans; and
8. Make commitments public.

#### 1. Develop an integrated CSR decision-making structure:

Although every firm is different, each has a decision-making structure in place to ensure that it can meet its commitments and customer needs. The key question to ask here is, “given the firm’s existing mission, size, sector, culture, way of organizing its affairs, operations and risk areas—and given its CSR strategy and commitments—what is the most effective and efficient CSR decision-making structure to put in place?”

It is essential that the firm align and integrate its CSR goals and decision-making with its overall goals and strategies, so that taking CSR considerations into account in corporate decision-making becomes as natural as taking customer perspectives into account.



Some firms will prefer a centralized CSR decision-making structure, others a de-centralized one, while still others will want a hybrid, depending on their operating features and management style. There is no single way of organizing a firm's CSR decision-making.

Given that CSR is fundamentally concerned with transparency, accountability and performance, it is important for the CSR decision-making structure to be an integral component of the firm's governance activities and to be visible. It should also be accountable throughout the organization, from the board, CEO and senior levels, supported by coordinated cross-functional decision-making and specialized staff expertise. It is important to develop the CSR decision-making structure with a view to the appropriate level of internal and external verification that will be needed. Assigning CSR responsibilities to board members ensures that CSR issues will receive the attention they deserve, and as a result, form a strong basis for an effective chain of CSR accountability within the organization—all of which supports the board's corporate governance function. There are several options for board participation: a sitting board member could be tasked with the broad responsibility for overseeing CSR activities; a new member who has specific CSR expertise could be appointed; CSR responsibilities could be added to the work of existing board committees; a new CSR board committee could be formed; or the entire board could be involved in CSR decisions.

## 2. Prepare and implement a CSR business plan:

The decision-making structure identifies who is responsible for CSR decision-making and action within the firm. These people play key roles in developing and implementing the CSR business plan, which should flow from the CSR strategy and commitments. The CSR business plan may be separately described or included as part of the firm's existing overall business plan. With the strategy, commitments and decision-making structures in place, the CSR business plan helps ensure that the words are transformed into effective action. An excellent way of doing this is to determine what human, financial and other resources and activities will be required to carry out the CSR strategy and commitments. For example, a CSR commitment may be that the firm will not offer bribe payments to officials. The first step to implement that commitment might be to create a training course on the distinction between proper and improper payments, with an online version that includes "frequently asked questions." A second step might be to review the organization's incentive and disincentive structure (e.g., commissions) to ensure it does not indirectly encourage improper behavior. A third step might involve setting up a hotline, while a fourth could be creating "whistle-blower" protection measures. In the CSR business plan, each of these tasks could be further broken down into smaller components, with timelines and resource requirements for each. These obligations should be built into the job description and performance objectives of each lead person.

## 3. Set measurable targets and identify performance measures:

As with any other aspect of business performance, effective CSR implementation requires the setting of measurable targets for the commitments. In this regard, firms behave no differently from individuals. Athletes may set personal goals, such as "win an Olympic medal," but they frequently set more achievable, intermediate targets such as "run the 100 m sprint in less than x seconds," "reduce my weight to y kilograms" and "be in the top five at the trials next November." In essence, these intermediate targets are guideposts along the way to the ultimate goal, providing a gauge of progress and an opportunity for re-evaluation should adjustment in approach, training or resources be necessary. When achieved, targets may also be a source of celebration in their own right.

In this sense, they can help build incentive and momentum.



A firm's approach to setting measurable environmental, economic and social targets and tracking success in meeting them is fundamentally no different from the athlete's approach to winning an Olympic medal. A widely used approach to measuring success is to identify the objectives underlying a CSR commitment, develop key performance indicators, work out the measurement method and then measure the results. Regardless of the exact approach taken, it should follow the "SMART" guidelines:

- Simple
- Measurable
- Achievable
- Reliable
- Time-bound

Here is an example. Underlying a commitment to decrease the amount of waste a facility generates, there might be an objective to reduce solid waste by 25 per cent by the end of the calendar year. The key performance indicator would be the amount of waste sent to the landfill. The measurement method might be the kilograms of garbage produced

each month, which would be recorded. Since waste often involves costs (e.g., removal), this might also be linked to financial savings made through waste reduction.

#### **4. Engage employees and others to whom CSR commitments apply**

Following the approach set out in this guide, the input of employees and other key stakeholders has been solicited at every stage, from preliminary assessment, through to strategy development and the articulation of commitments. Employees play a central role in CSR implementation. While overall CSR success depends first on senior leadership, ultimately, CSR implementation largely rests in the hands of employees and, in some cases, suppliers. In a sense, these parties are often a firm's human face (not to mention arms and legs!), capable of acting as ambassadors, advocates and sources of new ideas and information on CSR.

Involving employees, employee representatives and suppliers in discussions of how CSR commitments are implemented is a way for these stakeholders to develop a sense of ownership of and pride in the firm's CSR activities. To the extent possible, bringing in a CSR champion to help convey the message is important, since s/he is in the best position to understand the big picture and answer questions. As well, the champion is likely to convey enthusiasm and credibility; the involvement of a senior official signifies how important to the firm the issue is. Employee support for CSR implementation can be maintained in a number of ways:

- incorporating CSR performance elements into job descriptions and performance evaluations;
- providing regular updates on progress (in meetings or the company newsletter);
- developing incentives (such as monetary and other rewards for best suggestions);
- removing or reducing disincentives (e.g., competing interests such as premature deadlines that encourage employees to choose non-CSR options); and
- •
- offering incentives and recognition for good ideas.



## 5. Design and conduct CSR training

Firms need to train employees directly involved in CSR activities. This is an ongoing commitment, since training needs will change as the CSR issues evolve. A comprehensive approach to training, such as the one taken by IKEA, will ensure employees have information on the firm's CSR commitments, programs and implementation. When the firm's employees speak various languages, training modules must be offered in those languages and must consider employees' cultural orientation. This is particularly true when training employees in various parts of the world. Literacy levels may also need to be assessed.

Studies suggest that the most successful training addresses knowledge, skills and attitudes, and is based on "adult learning" approaches, whereby the learner has input into the development of the learning process. There are five steps to establishing a successful training program:

- conducting a needs analysis;
- setting learning objectives;
- designing the program (i.e., content, format, logistics, timing, duration);
- implementing the program; and
- evaluating the program against the learning objectives.

## 6. Establish mechanisms for addressing problematic behavior

The very future of employees, communities, the environment and firms can depend upon early detection of activity that is contrary to CSR principles and commitments. Auditing and monitoring, while revealing, can only go so far in this regard. For this reason, it is important for firms to put in place mechanisms and processes that will allow for early detection, reporting and resolution of problematic activity.

This is probably one of the most sensitive of CSR activities. In a perfect world, there would be no need to develop mechanisms for reporting problematic behavior. However, people and organizations are fallible. In the best-managed organizations, there should be no fear of reprisals when approaching a superior to discuss a problem. However, until such a time when this is a reality in all workplaces, mechanisms for reporting and resolving problems are helpful. Firms should devise approaches that are sensitive to the vulnerable position of employees who see wrongdoing or the potential for non-compliance. In addition to clear communications on the consequences of reporting breaches of CSR commitments, firms could consider anonymous hotlines, email boxes and ombudspersons. Care must be taken to ensure that not only are the mechanisms for dealing with the problems designed well, but also that they are the option of last resort. Anonymous disclosure is open to abuse because it can encourage false or malicious disclosures, since the person making them can escape accountability for their actions. A senior manager should be assigned responsibility for investigating and reporting compliance on these issues.

## 7. Create internal and external communications plans

Information about CSR commitments, activities and performance reporting should be communicated visibly and frequently to all employees. Whether through newsletters, annual reports, Intranet communication, meetings, training or informal mechanisms, employees must know that CSR is a company priority. Updates on CSR should also be put on the agenda of meetings at all levels of the company. External communications plans should ensure that all relevant stakeholder groups are addressed.





## 8. Make commitments public

For CSR commitments to be most credible, they should be made public. Firms may only wish to make public those commitments they are confident of achieving, but nonetheless work on others quietly with no publicity. A good external communications plan should identify the individuals and groups that need to be aware of a particular CSR initiative and those who should receive hard copies of CSR documents, as well as how those individuals and groups are to be reached. The communications activities might include an awareness campaign, featuring advertising and speeches. Firms may wish to avoid creating CSR reports (see next section) that, through their sheer size, can intimidate potential readers. Web site design can help to ensure that parties can easily access CSR information of interest to them. It is quite possible that communications will have to be tailored to various audiences (e.g., communications to investors are likely to be quite different from those addressed to communities).

- Identify the CSR chain of accountability through the firm;
- Allocate sufficient resources to ensure that CSR responsibilities can be effectively carried out;
- Incorporate key CSR performance indicators into the business plan;
- Inspire and educate. By reaching people on a personal level, they are more likely to take on the challenge of CSR;
- Display CSR commitments on the firm's Web site. This is one of the quickest and easiest sources of company information.
- Celebrate CSR achievements, motivating the team and building enthusiasm and pride.



## Task 5

### Evaluate and improve

#### What is an evaluation?

An evaluation tracks the overall progress of a firm's CSR approach and forms the basis for improvement and modification. With the information derived from verification and reporting, a firm is in a good position to rethink its current approaches and make adjustments.

Evaluation is all about learning. Learning organizations are those whose existence is based on continuous receipt and review of new information and adaptation for sustainable advantage. They do not simply attempt to achieve objectives; they are constantly on the alert to adapt to changing circumstances or to find ways for improving their approaches. An evaluation should involve stakeholder engagement, including comments and suggestions from management, CSR coordinators, managers and committees, employees and outside stakeholders.

#### Why evaluate?

The art of business has analogies to sailing. It is about setting a course, steering to make best use of the prevailing winds, and constantly checking to see if the sails need to be adjusted. In similar fashion, an evaluation allows a firm to see whether it is on course, and what it needs to do to be more effective. It enables the firm to:

- determine what is working well, why and how to ensure that it continues to do so;
- investigate what is not working well and why not, to explore the barriers to success and what can be changed to overcome the barriers;
- assess what competitors and others in the sector are doing and have achieved; and
- revisit original goals and make new ones as necessary.

This base of information should allow the firm to determine whether the current CSR approach is achieving its objectives and whether the implementation approach and overall strategy are correct. An evaluation not only helps identify valuable information about process and performance, it also helps identify internal partners, and can help develop more "joined-up" management.

#### How to do an evaluation

Drawing on the CSR objectives and indicators, and the information obtained through the verification and reporting process, firms should consider and respond to the following questions:

- What worked well? In what areas did the firm meet or exceed targets?
- Why did it work well? Were there factors within or outside the firm that helped it meet its targets?
- What did not work well? In what areas did the firm not meet its targets?
- Why were these areas problematic? Were there factors within or outside the firm that made the process more difficult or created obstacles?
- What did the firm learn from this experience? What should continue and what should be done differently?
- Drawing on this knowledge, and information concerning new trends, what are the CSR priorities for the firm in the coming year? and
- Are there new CSR objectives?

Finally, it is important that firms celebrate their successes. When goals are met and progress is achieved all parties concerned need to give each other a pat on the back for a job well done!

It is advisable to create a spreadsheet to track the evaluations from year to year. The spreadsheet can assist in identifying patterns or trends, Plus, to ask employees what they think worked well and what didn't. They may have a different perspective on how things could be improved; and during the evaluation is a good time to celebrate success and reward the team.



## Appendix

### National CSR guidance

A number of countries have developed CSR policies or guidance documents that outline their approach to CSR. This list offers a sample of examples.

- Belgium Reference Framework: Corporate social responsibility in Belgium (2006). Britain;
- Corporate Social Responsibility: A government update (2004);
- Corporate Social Responsibility: International strategic framework (2005); and
- U.K. National Contact Point Information Booklet.
- Corporate Social Responsibility: An implementation guide for Canadian business (2005). Finland
- Ministry of Trade and Industry's Guidelines on Promotion of Corporate Responsibility (2004). Germany
- Corporate Social Responsibility: An Introduction from the Environmental Perspective (2006). Netherlands
- CSR Toolkits for developing countries (2006)
- CSR Implementation Guide: Non-legislative options for the Polish government (IFC,2006). Sweden
- Guidelines for Sida's Support to Corporate Social Responsibility: Position paper (2005). 102

### Further reading

#### Publications

All You Need to Know About Ethics and Finance: Finding a moral compass in business today, Avinash Persaud and John Plender, 2007.

Business and Society: Making a positive and responsible contribution, International Chamber of Commerce.

Corporate Social Responsibility: Implications for Small and Medium Enterprises in Developing Countries, United

Nations Industrial Development Organization, 2002,

<http://www.unido.org/userfiles/BethkeK/csr.pdf> (pdf file size 1.13mb).

Corporate Social Responsibility Practice: Strengthening implementation of corporate social responsibility in global supply chains, World Bank Group, October 2003.

Disclosure of the Impact of Corporations on Society: Current Trends and Issues, United Nations Conference on Trade and Development, 2004 (also available in Arabic, Chinese, French, Spanish and Russian), <http://www.unctad.org/Templates/webflyer.asp?docid=5909&intItemID=3914&lang=1&mode=downloads>. Fighting Corruption: A corporate practices manual, International Chamber of Commerce, 2003.



Green to Gold: How smart companies use environmental strategy to innovate, create value, and build competitive advantage, Daniel Esty and Andrew Winston, 2006.

Making the Connection: Using the GRI's G3 Reporting Guidelines for the UN Global Compact's communication on progress, <http://www.globalreporting.org/Reporting Framework/CRAliance/GRI/Global Compact>.

OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones, 2006, [http://www.oecd.org/document/26/0,2340,en\\_2649\\_34863\\_36899994\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/26/0,2340,en_2649_34863_36899994_1_1_1_1,00.html).

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Sustainability Reporting Guidelines,

<http://www.oecd.org/dataoecd/25/26/35150230.pdf>.

Stakeholder Dialogues: The WBCSD's approach to engagement, World Business Council on Social Development (WBCSD), 2001, <http://www.wbcsd.org/includes/getTarget.asp?type=d&id=OTgyNw>, (pdf file size 223kb). The UN Global Compact and the OECD Guidelines for Multinational Enterprises:

Complementarities and distinctive contributions, 26 April 2005, <http://www.oecd.org/dataoecd/23/2/34873731.pdf>.

Who Cares Wins: Connecting financial markets to a changing world, Global Compact, 2004, [http://www.unglobalcompact.org/docs/news\\_events/8.1/WhoCaresWins.pdf](http://www.unglobalcompact.org/docs/news_events/8.1/WhoCaresWins.pdf).

<http://walmartstores.com/GlobalWMStoresWeb/navigate.do?catg=685>.

<http://www.tescocorporate.com/cr.htm>.

[http://www.interfaceinc.com/goals/sustainability\\_overview.html](http://www.interfaceinc.com/goals/sustainability_overview.html).



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**CREATING**  
SHARED VALUE @VET

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