

Global Technologies Corporate Social Responsibility - The Role of Business Community

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Outline of Presentation

1. How should you define Socially Responsible Company?
2. Why Companies should be responsible ones?
3. History of Corporate Social Responsibility
4. Current State of Corporate Social Responsibility
5. Business Case of Corporate Social Responsibility
 - Innovation
 - Organizational Culture
6. Future Challenges of Corporate Social Responsibility



1.1 How should you define Socially Responsible Company?

- **“I’ve always believed that the greatest contribution a business can make to society was its own success, which is a fountainhead of jobs, taxes, and spending in the community. I still believe that – but I don’t think that is enough anymore. And I don’t believe that even generous financial philanthropy on top of that prosperity is enough. In these times, companies cannot remain aloof and prosperous while surrounding communities decline and decay...”**

Jack Welch, CEO, General Electric

‘How would you define Corporate Social Responsibility in your own words?’



1.2. One I use, and is widely used in Finland

- EK - The Confederation of Finnish Industry and Employers has defined that implementing sustainable development (Bruntland Report definitions in 1987; economic, ecologic and social pillar with integrating cultural aspect) in business operations is corporate social responsibility. Therefore it is based on voluntary active actions and can be seen as an element of competitiveness. Today discussion is about refrasing the term into *'vastuullinen yritystoiminta'* and *sustainable competitiveness*. *Where the obligations of the company are beyond the minimum legal requirements*



1.3. The Concept of Corporate Social Responsibility

- Triple Bottom Line (Elkington, J.), which is narrowed view of Sustainable Development
 - Economic performance: steady income for owners, reliable accountancy systems, increasing staff, donations for outside causes and paid taxes
 - Social accountability: working conditions, amount of in-house education, social quality control of purchases
 - Environmental management: electricity consumption, CO2 emissions, amount of material flows inside corporations



1.4. The Concept of Corporate Social Responsibility 2

- Corporate responsibility as an resource
 - Human Capital: Knowledge skills, experinces of personnel, learning systems of organisations
 - Social Capital: Stakeholder relationships, inner trust building processes of the corporation, corporate governance, business ethics and standards
 - Natural Capital: Refers to the way nature, be it a resource or a target for action, is an essential part of welth creation
- ■ All these resources should be used in a company in such a way that they accummulate while being used. Long-term sustainability should thus prevail over short-term interest



1.5. Why is this relevant?

- We are living in a very different world now compared to the international business environment just 20 years ago. What has changed fundamentally is the way in which economies, societies and individuals are tied to each other more closely than before (globalization, internet)

- **New rules for code of conduct**

(Ian Wilson, long-term advisor to Jack Welsh GE)

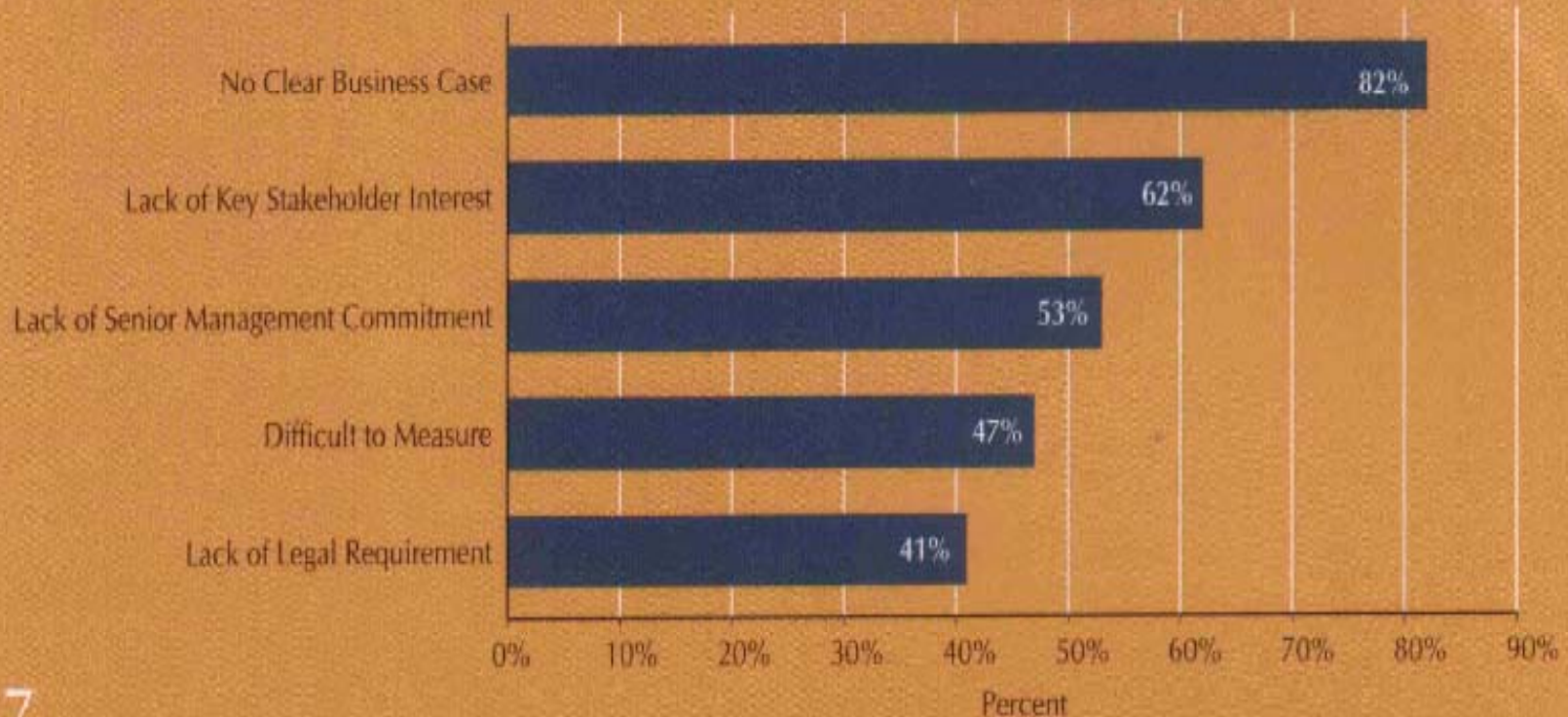
- 1: Legitimacy as purpose**
- 2: Governance as opening up**
- 3: Fairness as wealth**
- 4: Nature as partner**
- 5: Employment as contract**
- 6: Public role as strength**
- 7: Ethics as human power**



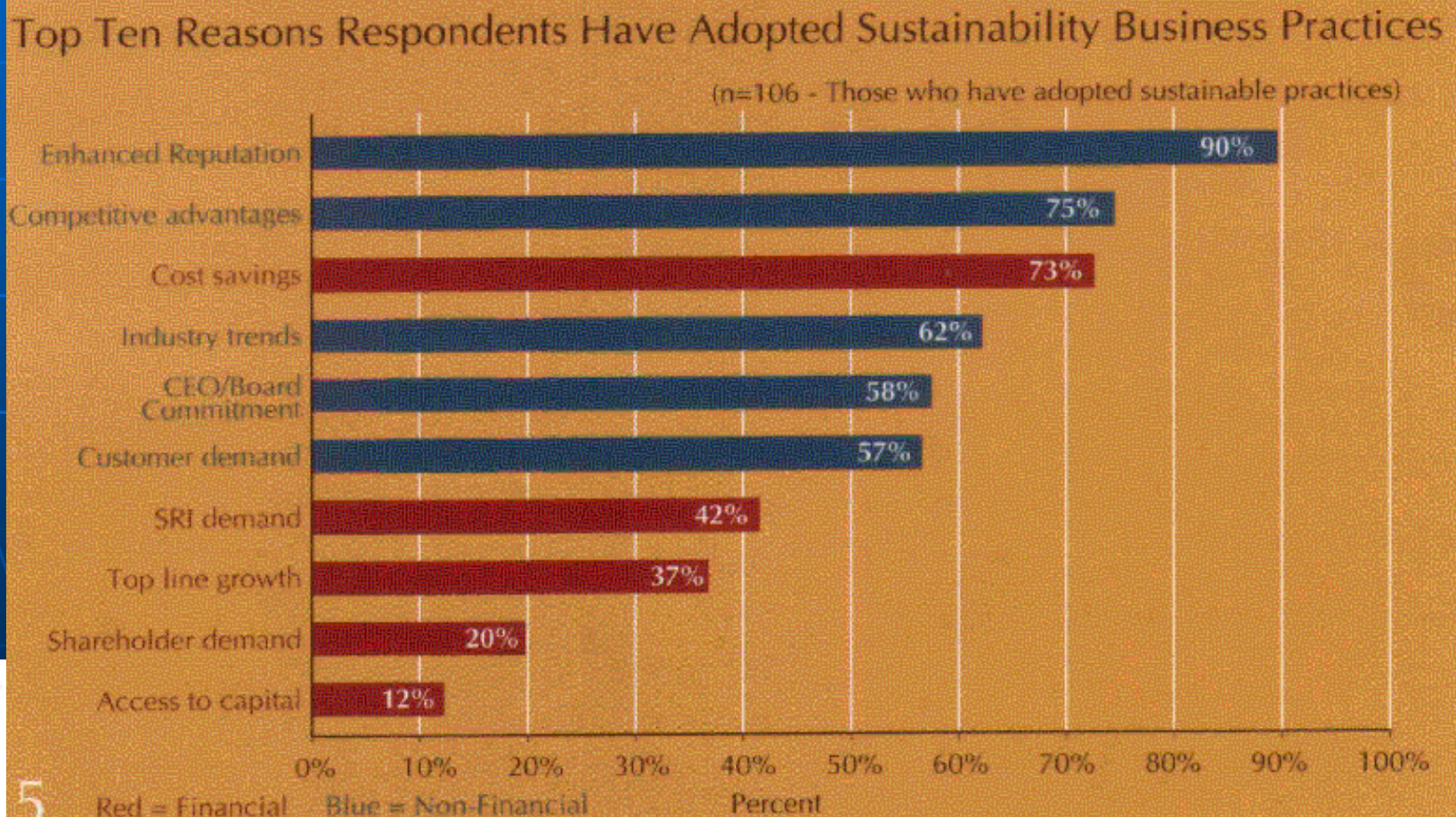
2. Why Companies should be responsible ones?

Top Five Reasons Respondents Have Not Adopted Sustainability Business Practices

(n=34 - Those who have not adopted sustainable practices)



2.1. There can be seen opportunities also



2.2. Benefits for Organization in summarized manner

- Long-term profitability and licence to operate
 - Managing globalization (publicity, value chains)
 - Risk Management (funding; SRI, ethical funds; differentiating strategy)
- Managing reputation risk
 - Operations that bear publicity and proactive publicity strategy (compliance to law)
- Image building of Company and Brand
 - R&D activity - innovativity
 - EHQS -management
- Not an cost - investment



3. History of Corporate Social Responsibility

■ UN

- Rio de Janeiro Earth Summit, 1992
 - Maurice Strong, Canadian Businessman invited gathering of 50 top executives to the Earth Summit and World Business Council for Sustainable Development was launched in 1991
- Global Compact
 - Global Reporting Initiative (GRI) 1997, and first official version of GRI guidelines were published in August 2002 <http://www.gri.org>
Today we use the GRI3 version, which highlights the role of stakeholders, e.g. The most essential area in the report are the issues raised by stakeholders

ISO 26000 Process



3. 1. History of Corporate Social Responsibility

- World Summit of Sustainable Development, Johannesburg, 2002, Plan of Implementation
 - Social dimension was put back side by side of ecological and economical dimension. Control of globalization and corporate responsibility and accountability with corporate governance reflects this.
 - 10-year programme of sustainable production and consumption patterns was established. European Union put initiative forward in the beginning. Decoupling and eco-efficiency are key concepts. Means of implementation included management systems and standards (ISO) and reporting system Global Reporting Initiative as well as life-cycle approach
 - Partnerships, type II initiatives, which empowers major groups implementing WSSD outcomes in their own area of operation.
 - Good governance – transparency and cooperation between authorities, citizens and business life
 - Capacity building in developing countries to find solutions for development and sustainable development issues. Partnerships support implementing capacity building efforts.



3. 2. History of Corporate Social Responsibility

- Other important documents and processes
 - ICC
 - Codes of Conduct
 - OECD
 - Guidelines for Multinationals 1972 originally, up-dated
 - EU
 - The European Summit in Lisbon, March 2000; Special appeal to companies' sense of responsibility, thus linking CSR closely to the Lisbon 2010 strategic goal for a knowledge-based and highly competitive, as well as socially inclusive Europe
 - European Commission Green Paper on Promoting European framework for CSR, MEP Howitt
 - multistakeholder forum (Employers organisations, Business networks&organisations, Trade unions, Civil Society organisations)
 - EC Communication (22nd, March, 2006), Implementing the partnership for growth and jobs: making Europe a pole of excellence on CSR
 - Awareness-raising and Best Practices
 - Research
 - Education
 - SME's
 - Multi-stakeholder approach
 - Mainstreaming of CSR into other policies
 - Global aspect



3. 3. History of Corporate Social Responsibility – Case Shell

- Lessons learned from 1990's reputation case (Brent Spar)
 - Study what was public image of Shell and other big transnational corporations. Conclusions were not encouraging (misinformation, greed, exploitation, environmental pollution). No reason to simply any more say to the public *trust us*
 - Some concrete proof from the side of the big corporations was needed, that they can be led and managed with high ethical standards. So *tell us* has gone furthermore to *show us*



3. 4. History of Corporate Social Responsibility – Case Shell (2)

- Only way to change public image was to formulate ambitious targets and objective information about company's operations:
 - Means to follow own development
 - Stakeholders and outsiders could do the same
 - Indicators were introduced
- ➔ Productivity improved steadily as all environmentally hazardous processes came under scrutiny (green house gases & energy efficiency). Moreover, the spirit among employees improved as the public image of the company improved. Which helped recruiting people with highest competence. First one to hold meetings with local stakeholders



4. Current State of Corporate Social Responsibility

- Mainly three types of companies – pace setters, observers and sleepers
- In his speech at the Johannesburg World Summit for Sustainable Development (WSSD) last year, the UN Secretary General Kofi Annan expressed the challenge of corporate responsibility in the following way: *“I hope corporations understand that the world is not asking them to do something different from their normal business; rather it is asking them to do their normal business differently.”* The statement was received surprisingly well by world business leaders when they met the next day in their own “Business Day” gathering.



4.1. Building up-process of Corporate Responsibility

1. Corporate value processes

Values, mission and vision



2. Corporate business strategy

Strategic objectives



3. Responsibility policy

Key perspectives and policies

Key indicators

Objectives

Organisation



4. Control, management and information systems for responsible operation

Environmental leadership systems

Social responsibility leadership systems

Systems for health and safety at work

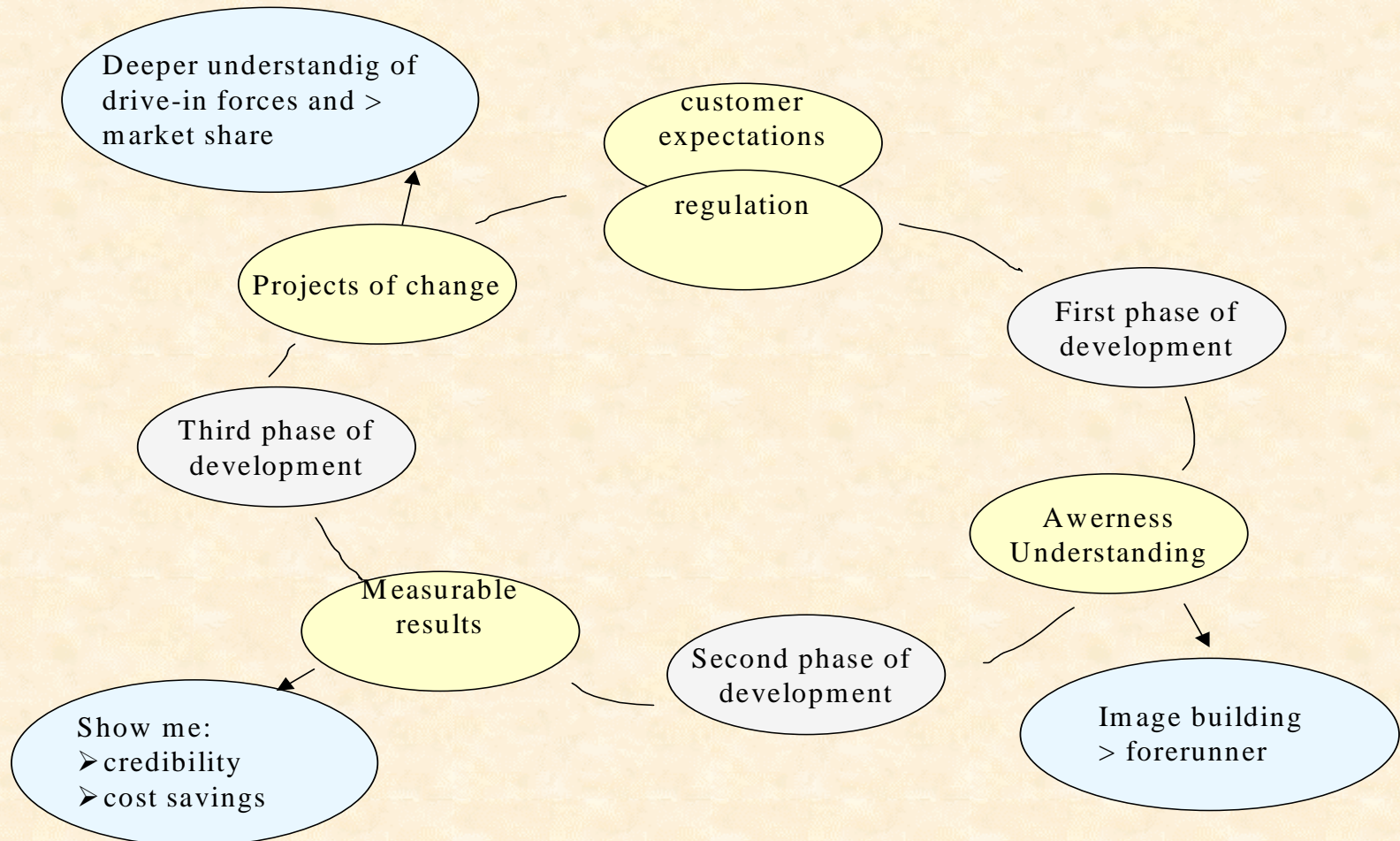


5. Reporting and communications for responsible operations

Global Reporting Initiative (GRI) and sustainability guidelines



4.2. Cycle of continuous improvement



5. Business Case of CSR

- The first generation centres around the short-term interests and motives of the individual company for doing good
- The second generation focuses on businesses' long-term strategy for success
- The third generation moves the challenge to the role that CSR can play in addressing poverty, exclusion and environmental degradation (Simon Zadek)

→ No shirt fits all, clearly answer to the CSR and competitiveness question is 'in some cases' and 'depending on'



5.1. Proactive vs reactive

- 'How an industry responds to environmental problems may, in fact, be a leading indicator of its overall competitiveness'
- 'A truly competitive industry is more likely to take up a new standard as a challenge and respond to it with innovation'

Porter, M. And van der Linde, C.

- **Innovation – what**
- **Organizational culture – how & who**



Based on this hypothesis VTT has carried out series of case-studies how R&D and SD demands can be integrated in business

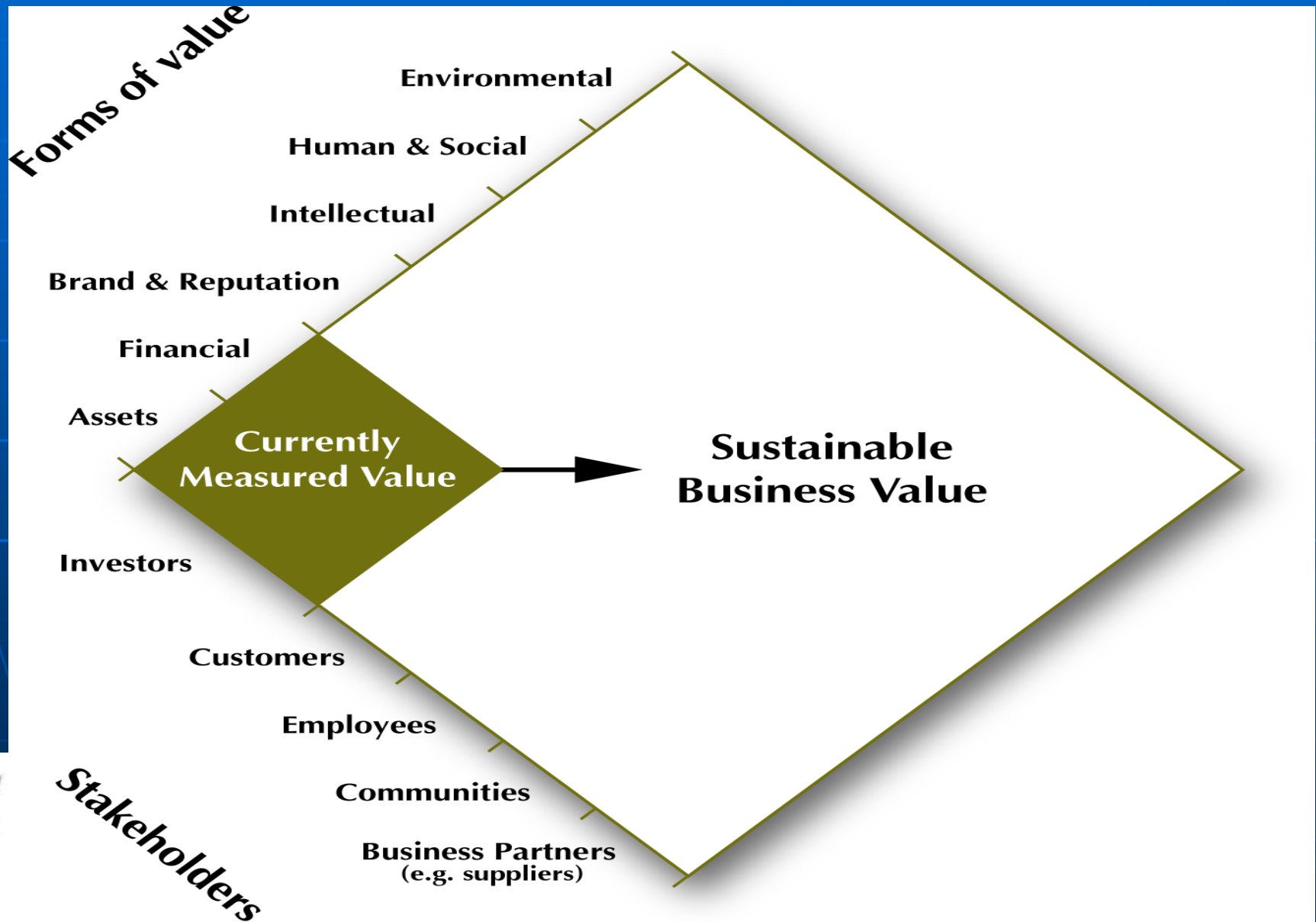


5.2. Results of case-studies

- City-Futura lead-free petrol (Fortum)
 - Policy instruments play important role
 - Critical factors of success were company's product strategy, timing of activities in relation to opening of the energy markets and tax relief
 - Research activities were mainly financed by the company itself, but external work was carried out primarily to credibility



5.3. Company Value in the Future

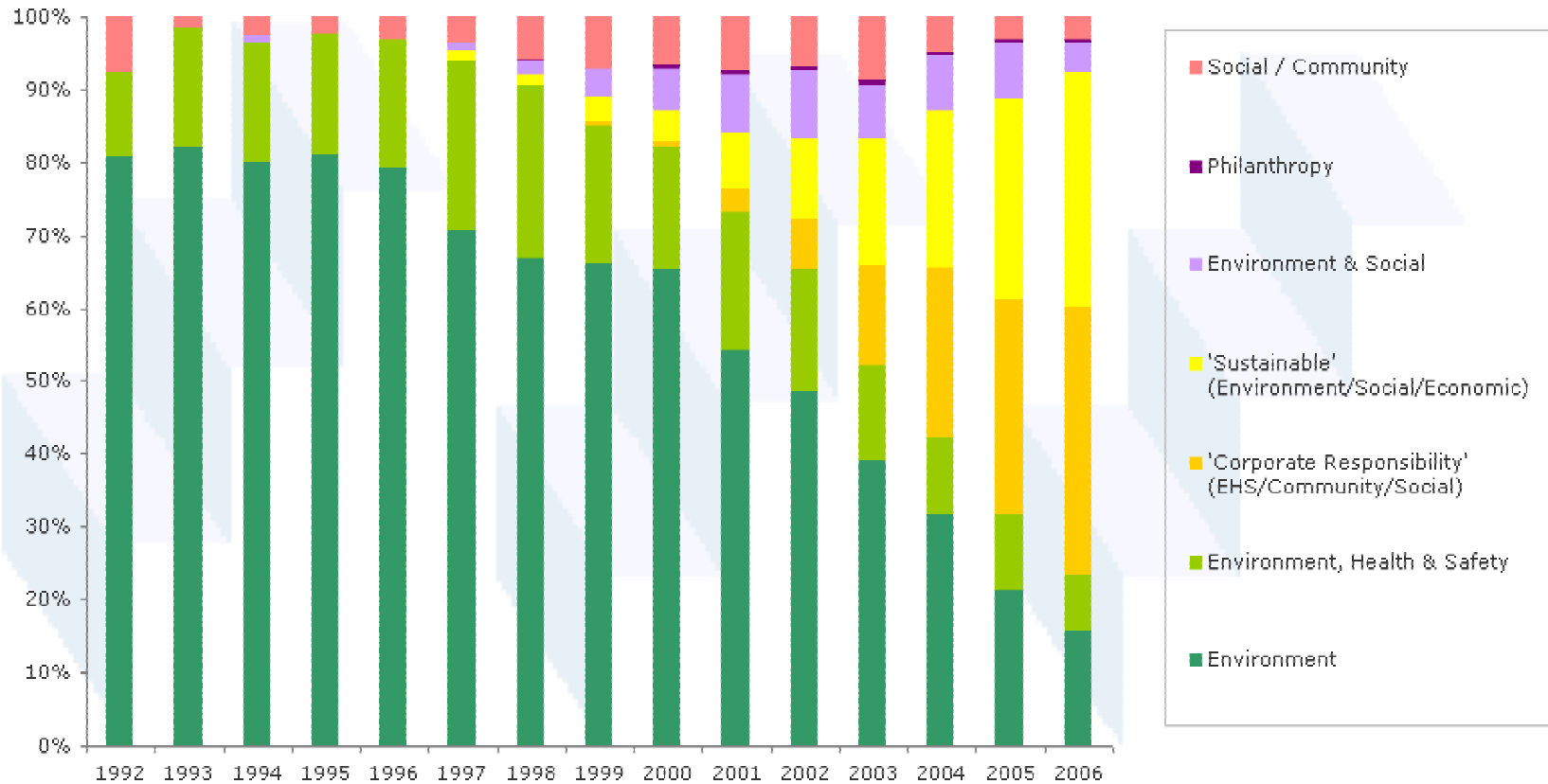


5.4. Current Practice of CSR



Global Report Output by Type 1992-2006

Global Report Output by Type



5.4.1 CSR and Markets – the Consumption Patterns

- Boycotts and addresses
- By the research done by Marketing Radar, 70% of the consumers considered it important, that a company is responsible



5.5. Supply Chains and total Life-Cycle of the Product and Service





The boundaries of responsibility (UNEP, GRI)

*The positions of entities may change according to issues.

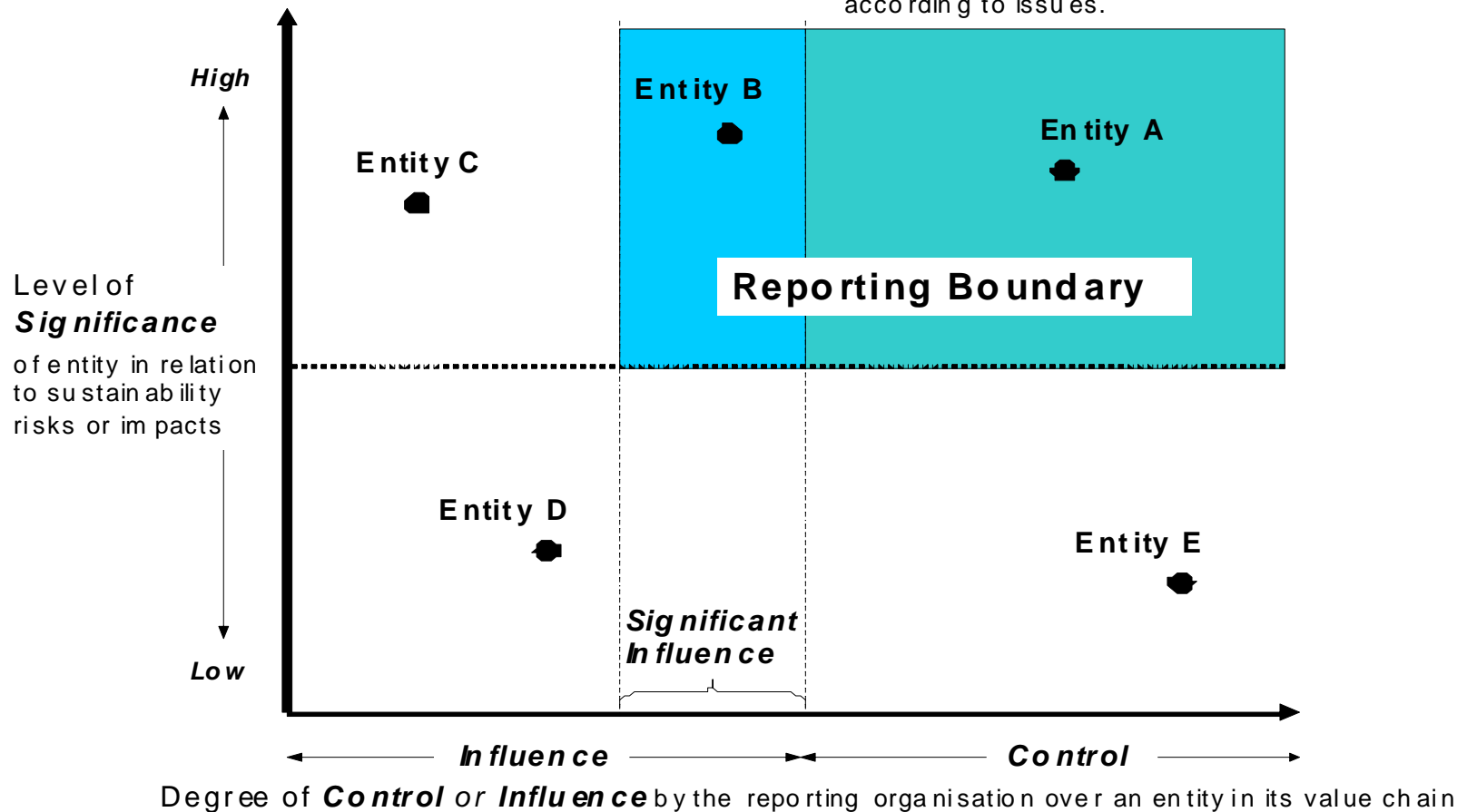
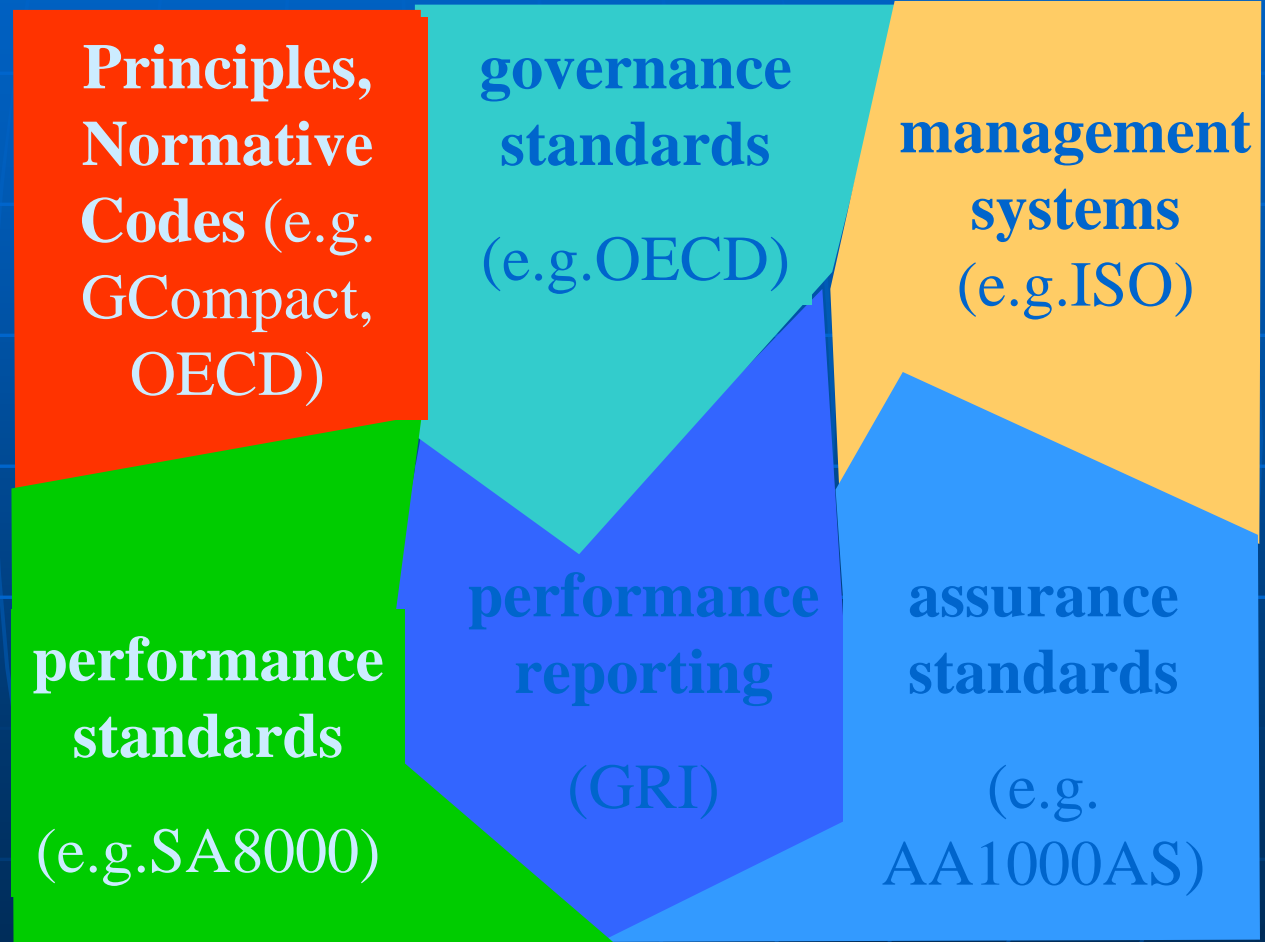


Figure 2: Visual Tool to Define a Reporting Boundary

... a generally-accepted global CESR framework?



5.6. Organizational point of view

- What is SD in organizational structures and how they are evolved in learning process?
 - Ashby's law: External variety requires internal variety.
- ➔ ■ The integration redundancies of functions is needed the more the degree of environmental turbulences increases



CSR is Organizational Change Management

- Four main elements are;
 - Communications
 - Education
 - Organizing
 - Management and Leadership



Organizational obstacles

- Performance beliefs (degree)
 - 'It's difficult when you and your unit and your company are gauged on a short-term basis. I can't make decisions that may work out in ten years time – I have to think about this year's bottomline'

Organizational barriers (diffusion)

- 'I think centralizing power is a big issue. If few at top make all the decisions the change will always be limited to their own agendas. If regions aren't given the flexibility to react to their markets, the company's destined for trouble'

Symbolic events (depth)

- 'Last year our company was picked by a handful of local residents complaining about emissions. It was in the news. The neighbors asked the wife, it made you feel like the local bad guy'



5.7. What determines excellence in CSR?

- *Integration*; core business structures and strategies, values, board level commitment, monitoring, identifying key issues&stakeholders
- *Innovation*; compliance and risk management, R&D policies, internal competitions, institutional innovation, creating new rules e.g. UN's Global Compact
- *Accountability*; measurable targets, public reporting, establishing key performance indicators (DuPont shareholder value added per pound of production), independent verification
- *Engagement*; systematic communication with key stakeholders, stakeholder forums, global framework agreements with international trade unions



6. Examples of CSR in Practice



M-Real (Finnish Paper&Pulp company)

	Economic responsibility	Social responsibility	Environmental responsibility
Forest	Fair trading practices	Legal source Sustainable rural livelihoods	Biodiversity, soil and water conservation
Industry/production	Proper reporting Taxes, wages, social charges	Right to unionise Working conditions Safety	Emissions, energy, waste minimization
Product/use	Product performance, service efficiency	Product safety Needs of the consumer	Product information Recyclability
After use	Producer's responsibility	Educating consumers	Recycling systems



Raha-automaattiyhdistys (Finland's Slot Machine Association)

- responsibility of the clients
 - Low profit target, no underaged players, limited advertisement
- Responsibility of the stakeholder relations Non-governmental organizations; equal partnership and grant policy
- Responsibility of products
- Responsibility of the supply chain; how to prevent underaged playing in thousands of locations in shops, stores, kiosks
- Responsible personnel politics



Thank you for your
attention!

