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Corporate Responsibility

Introduction to Supply Chain Management

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EBU
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is an online magazine with a strong heritage in the fields of ethics, governance, corporate responsibility and socially responsible investing.

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>
> The mission of Ethical Business Update? Now, as then - is "to promote ethical business practices, to serve that growing community of professionals and individuals striving to work and invest in responsible ways."

We believe this is not only how to guarantee a future f or all, but makes good business sense.

A lot has changed in the more than two decades, ethics and governance have emerged as front-page news and lead agenda items in corporate board rooms and the halls of Congress.

Good corporate citizenship is now studied, advocated and sometimes practiced. Sustainability has become a goal f or well-meaning small businesses as well as many of the Fortune 500.

Whether that represents real progress is open to debate. The continuing fallout from the recent economic and financial crises is a constant reminder that many systems are not working. There's plenty to discuss. Ethical Business Update aims to serve as a guide.

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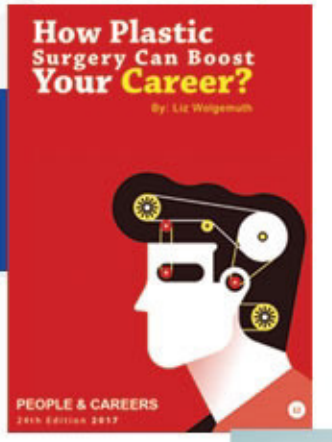
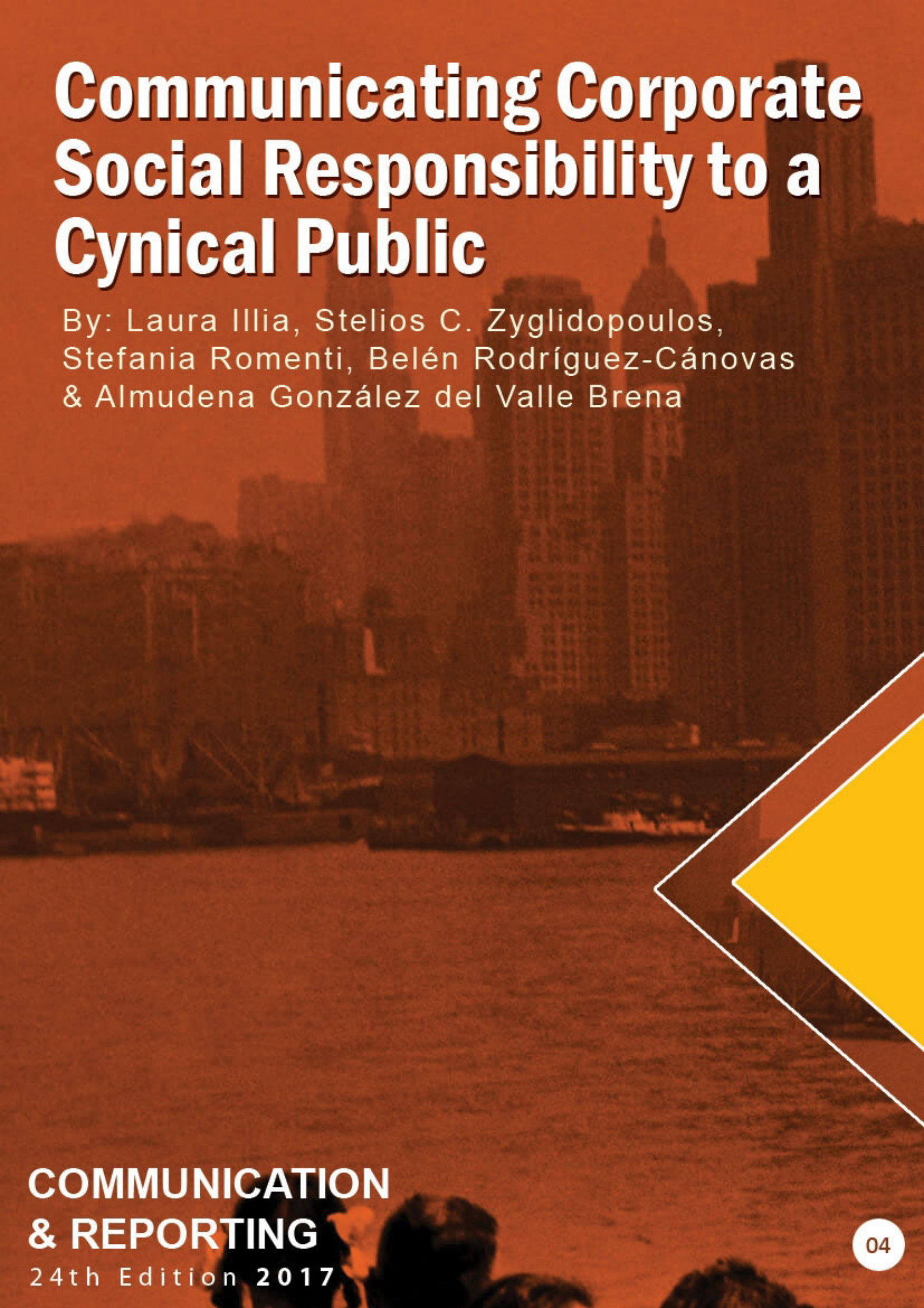


Communicating Corporate Social Responsibility to a Cynical Public

By: Laura Illia, Stelios C. Zyglidopoulos, Stefania Romenti, Belén Rodríguez-Cánovas & Almudena González del Valle Brena



COMMUNICATION & REPORTING
24th Edition 2017
04

Communicating CSR

to a Cynical Public

By: Laura Illia, Stelios C. Zyglidopoulos, Stefania Romenti, Belén Rodríguez-Cánovas & Almudena González del Valle Brena

Corporate social responsibility has gone mainstream. But unless corporations communicate their CSR achievements wisely, they risk being accused of greenwashing.

Corporate social responsibility, once seen as peripheral to companies' main businesses, has been becoming standard practice, with an increasing number of businesses engaging in CSR activities. For example, in a 2007 global survey of corporate managers, the Economist Intelligence Unit found that the majority of respondents (55.2%) considered CSR a high or very high priority for their company, a significant increase from three years previously (33.9%). An even greater majority (68.9%) expected the importance of CSR to increase in the future.

Given that corporations are increasingly engaging in CSR activities, it makes sense to communicate those achievements to stakeholders. However, in publicizing CSR achievements, especially if they do so aggressively, corporations risk achieving the opposite result from what they intended — a so-called "boomerang response" described by Robert K. Merton and Patricia L. Kendall in 1944. Given the general public's distrust of major corporations, it is not unreasonable for a corporation to fear that stakeholders will perceive attempts to communicate CSR achievements as "greenwashing."

Greenwashing, in its narrow sense, refers to the use of environmentalism or green credentials to suggest that a company's policies and products are environmentally friendly. More broadly, the term describes public relations aimed at giving the false impression that a corporation is genuinely engaged in CSR. It is reasonable to be concerned that even companies that seriously engage in CSR could be perceived cynically by stakeholders. After all, most stakeholders cannot directly witness a corporation's CSR policies or initiatives and to a great extent must rely on the corporation's own reporting.

A key challenge for managers, then, is to minimize stakeholder skepticism and communicate CSR achievements without being accused of greenwashing. To better address this challenge, this article draws on a collaborative research project by faculty from the IE School of Communication at IE University, the Judge Business School of the University of Cambridge and Fondazione Università IULM, in partnership with the Global Alliance for Public Relations and Communication Management. In this project, we investigated the CSR communication practices of the largest (in terms of revenue) 251 European corporations and conducted in-depth interviews with 69 managers handling CSR communications.

These corporations, located in Denmark, France, Italy, Spain, Switzerland and the United Kingdom, represented 11 industries: financial services and banks; insurance; textiles, retail and fashion; gas, water and electricity; oil and coke; food, beverages and tobacco; chemicals and pharmaceuticals; telecommunications; transport and automotive; retail and wholesale; and tourism and hospitality. Although our sample included only European corporations, which have been at the forefront of adopting CSR practices, we believe our findings have global relevance as dealing with CSR becomes increasingly important for corporations everywhere.

Myths, Risks and Lessons for Communicating CSR

The fact that negative news seems to spread faster than positive can make the risks of communicating CSR seem greater than they really are. Our findings indicate that many beliefs about the risks associated with CSR communication are exaggerated, and that companies that communicate honestly about their activities have little to fear. In the following paragraphs we discuss in more depth the myths and reality of CSR communications.

1. Don't be afraid of the media. Some managers we spoke with believed that media outlets are "out to get" companies and are more interested in bad news than good. However, most managers felt this fear of the media is exaggerated and believed that while some media outlets are more critical than others, overall the media are willing to report fairly on corporate CSR activities.

Managers, therefore, should not be afraid to engage with the media and explain their companies' positions and activities. If a company's managers shy away from engaging with the media, the organization's story will never come out, or someone else will tell it and possibly distort it.

2. Don't underestimate the public. Given the complexities that often surround CSR activities, some managers were skeptical about whether corporations can effectively communicate CSR policies and activities. While these assumptions may have been true in the past, many managers noted that there has been growing interest in CSR activities and performance in recent years, and they said they believed the public to be capable of understanding CSR-related actions and issues. As a manager from Italy said, "Nowadays, there is fairly widespread knowledge of these subjects within the media and among opinion leaders," and the public even "asks for more information about CSR actions."

3. Address big issues head-on. SWhen a company fails to address major problems head-on, as Exxon did in its delayed response to the Exxon Valdez oil spill in 1989, it can compound the damage to the company's reputation. Most managers we spoke with said that companies in industries such as tobacco or big oil should not try to gloss over the controversial issues and present themselves as CSR champions. "A good example of this is BP [PLC] with their 'Beyond Petroleum' campaign," a manager from the U.K. said. "It can come back to bite."

Instead, managers should address the big issues head-on. As another U.K. manager we interviewed said, "Don't shy away from your material issues because they are difficult. Be honest and balanced in your communications, not just the good news stories. Respond to what your stakeholders are asking for; if you communicate what people are interested in, it is more difficult to be accused of greenwashing and PR."

4. Don't present a picture-perfect company. It is only natural for managers to want to share the good things about their company with the world. But stakeholders can be skeptical if everything seems too good to be true and interpret that as a sign that the company is hiding something. CSR activities should not be portrayed as the organization's sole purpose. Corporate communications should present CSR activities as integrated into the company's business and demonstrate that profit is not pursued without consideration for society. As a manager from Denmark said, "CSR engagements should never be the main topic of your communication activities, but complementary content."

5. Control the conditions. Sometimes comments can be taken out of context because there is no opportunity to explain them, or because a company chose the wrong media outlet for a story. For example, a radio or TV show that does not allow time for participants to elaborate or put their actions in context might not be a good forum for communicating complex CSR issues. In addition, many managers we spoke with were skeptical about using social media, in particular blogs, to communicate CSR because of the risk of having to deal with critical responses.

Managers should try to create conditions that allow them to place their CSR actions in context and to communicate appropriately with different audiences depending on their level of familiarity with CSR. For communicating complex CSR matters, media that allow a company to expand on its actions through longer narratives, such as magazine inserts and well-designed websites, are preferable. As a Swiss manager we interviewed said, "If you have enough of their attention, you can explain convincingly."

6. Use the whole organization. The idea that communicating a CSR agenda is the responsibility of only the communication or CSR department is a mistake. Stakeholders do not interact only with those departments, but with many different individuals and parts of the organization. It only takes a few people giving the wrong impression to undo the work of communication or CSR managers.

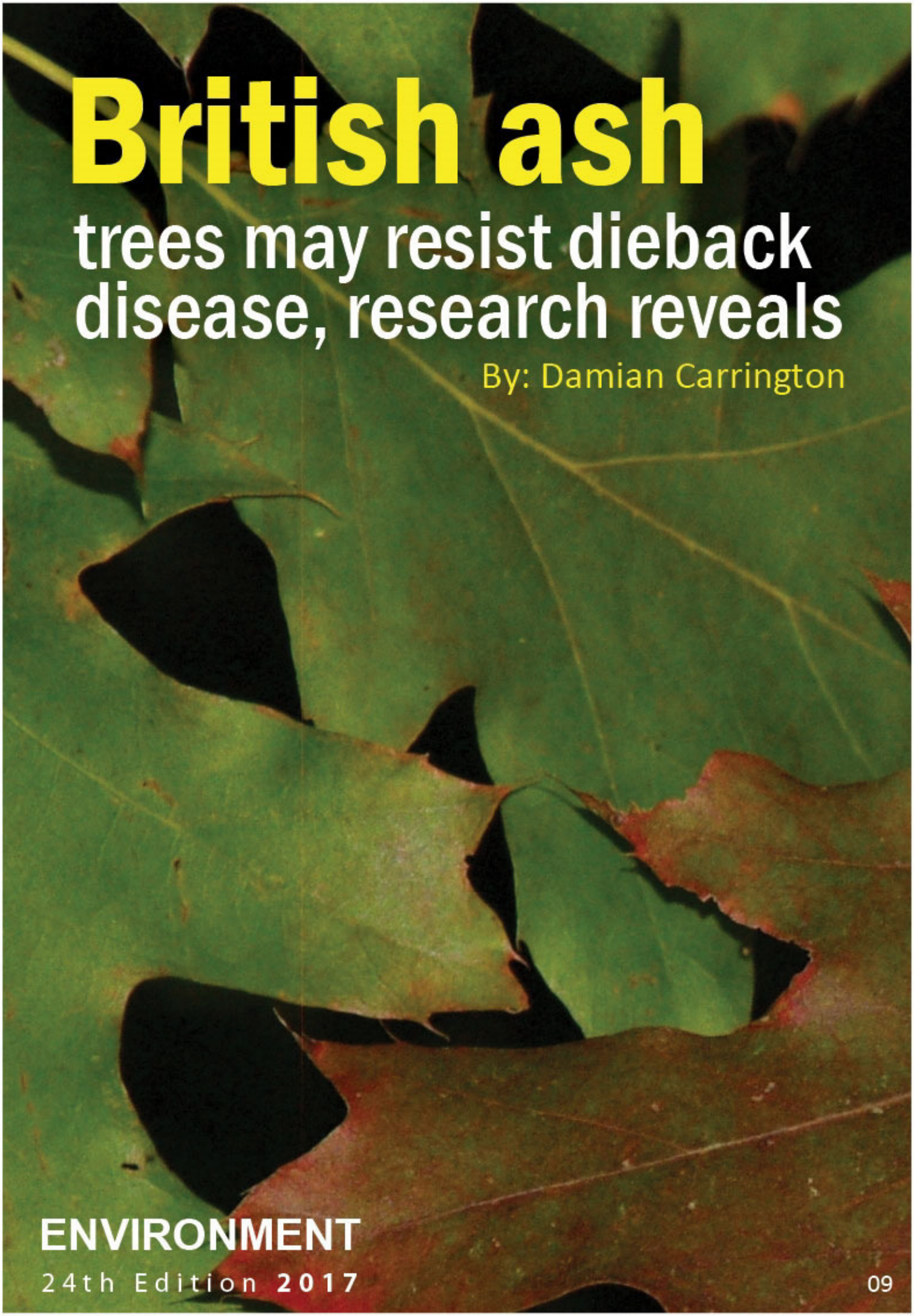
Communicating CSR should be the job of the whole organization — not in the sense that managers from other departments should communicate with the media, but in the sense that the rest of the organization should set a visible example of what is being communicated. While the communication department tells the world about a corporation's CSR activities, the rest of the organization must show the world it believes this same message.

7. Do what you say. The managers we spoke with said they often see companies trying to cover up (greenwash) CSR deficiencies through CSR communication, and most agreed that this is not possible. No matter how effective or well-articulated a company's communication strategy is, it cannot make up for a lack of CSR. Saying that your company engages in more CSR than it really does can backfire and delegitimize existing CSR initiatives.

The managers we interviewed agreed that companies should do what they say. Before trying to communicate a business's CSR activities, it is crucial to ensure that its actions agree with the message. If the company has good CSR practices, they can be easily communicated. If not, the communications department cannot communicate what is not there.

Different companies will vary in which of the above lessons apply most to them. Companies that say they do more CSR than they actually do should understand that the public sees through such attempts. Companies also must understand that the whole organization communicates. On the other hand, companies that engage in high levels of CSR activities but do not communicate their achievements effectively need to engage more with the media and not underestimate the public's ability to understand what they are doing. Finally, companies that engage in high levels of CSR activity and communication must be careful to avoid having that communication perceived cynically by stakeholders.

Managers responsible for communicating CSR to the public often face pressure from above as to what kind of communication strategies to pursue. Given that they cannot control all of a company's decisions, managers communicating CSR must be aware of the risks they are susceptible to and which lessons might apply to them and their organizations.



British ash

trees may resist dieback disease, research reveals

By: Damian Carrington

Growing mega-cities

will displace vast tracts of farmland by 2030, study says

By: Emma Bryce

Cropland losses will have consequences especially for Asia and Africa, which will experience growing food insecurity as cities expand.

Our future crops will face threats not only from climate change, but also from the massive expansion of cities, a new study warns. By 2030, it's estimated that urban areas will triple in size, expanding into cropland and undermining the productivity of agricultural systems that are already stressed by rising populations and climate change.

Roughly 60% of the world's cropland lies on the outskirts of cities—and that's particularly worrying, the report authors say, because this peripheral habitat is, on average, also twice as productive as land elsewhere on the globe.

"We would expect peri-urban land to be more fertile than average land, as mankind tends to settle where crops can be produced," says Felix Creutzig from the Mercator Research Institute on Global Commons and Climate Change in Berlin, and principal author on the paper. "However, we were ignorant about the magnitude of this effect." The agricultural losses they calculated in the study, published in Proceedings of the National Academy of Sciences, translates to a 3 to 4% dip in global agricultural production.

This may not appear to be a huge figure at first glance, but on the regional scale the picture changes. Across countries and different crops, the effects of this loss vary and become more intense. In Africa and Asia especially—which together bear 80% of the projected loss due to rising urbanisation in these regions—urban expansion will consign farmers to an even tougher agricultural reality.

To arrive at the estimates, the researchers combined datasets on cropland location, productivity, and projected urban expansion by 2030. By superimposing these layers of information on one other, they could highlight the locations where cropland and urban spread are expected to intersect in the future. These projections reveal hotspots of loss in countries like Egypt, Nigeria, the countries that flank Lake Victoria in East Africa, and in Eastern China. (China alone is expected to experience one-quarter of the global cropland loss.)

A major worry surrounding the disappearance of this productive land is the impact it will have on staple crops such as maize, rice, soya beans, and wheat, which are cornerstones of global food security. Many of these crops occur in areas that will be consumed by urban spread in years to come.

How ash dieback has spread

Confirmed infection sites since first detection in 2012

The Living Ash Project, funded by the government, is already examining ash trees to select resistant specimens. The new genetic revelations are a boost to the project and provide hope of avoiding recent predictions that a "double whammy" .

The discovery that trees with resistance to ash dieback may produce fewer chemicals that ward off insects such as the emerald ash borer emphasises that the project to breed tougher trees will have to proceed carefully, said Buggs, who also works at the Royal Botanical Gardens at Kew.

"It emphasises how difficult it might be in the end to breed a tree that is resistant to both," he said. "But on the positive side, there are trees in China which seem to be resistant to both, and both the problems ultimately came from East Asia." Another research project looking at those Chinese trees is underway.

"Ash dieback disease has spread across Europe in less than 10 years, so there is some urgency," said Prof Ian Bancroft, at the University of York and part of the research team. Another team member, Prof Allan Downie, at the John Innes Centre, said: "This work represents significant new progress in our understanding of ash dieback disease [and] has been breath-taking in its speed."

There is no cure for ash dieback, which spreads on the wind or by the importing of infected saplings, and is already killing many millions of trees across Europe. Symptoms include cankers on the bark and damaged leaves. There are about 90 million ash trees in the UK, with more than 1,000 species, from wildflowers to butterflies, reliant on the ecosystem it provides.

But Buggs said the new genetic discoveries gave grounds for cautious optimism: "I feel more hopeful now than I did in 2012."

Plants diseases and pests are spreading around the world due to global trade and climate change. In July, the government's official climate change advisers warned that the dangers posed by new diseases and pests invading the UK as temperatures rise require urgent research.

How Plastic Surgery Can Boost Your Career?

By: Liz Wolgemuth

PEOPLE & CAREERS

24th Edition 2017

How Plastic Surgery

Can Boost Your Career

By: Liz Wolgemuth

The media, and its consumers, generally keep conversation about plastic surgery and careers pegged on a couple of figures: the aging Hollywood idol and the would-be Hollywood idol. Cosmetic surgery is de rigueur in the movie and TV business—pretty understandable given how much looks matter on-screen and in career trajectories.

But there's increasing research that says looks matter in jobs beyond the silver screen—that beautiful people make more money and have more opportunities for advancement. So it's no real surprise that plastic surgery is being deployed as an instrument of career advancement by men and women in office suites far from the glare of the klieg lights.

"In the corporate world, there's a lot of emphasis on image, and image goes with self-confidence," says Antonio Armani, a Beverly Hills, Calif., cosmetic surgeon who specializes in hair transplants. "I think a lot of people do invest money in improving their looks because they feel this is one way they can go up the corporate ladder."

The American Academy of Facial Plastic and Reconstructive Surgery reports that, among last year's most prominent trends, about two thirds of its members reported seeing men and women who requested cosmetic surgery because they wanted to remain competitive in the workplace.

In his nine years of practice, Armani says there has been a growing desire among corporate men—often working in finance—to look younger. But as a career investment, a youthful hairline doesn't come cheap. Armani says a typical transplant procedure costs from $15,000 to $35,000. While his patients are often wealthy, many younger men are financing the cost. Recently, a marine coming off active duty took out a $25,000 loan for his surgery, Armani says, because he "wants to look good" as he heads into law school. "When we look at people, we are naturally attracted to people who are more attractive," Armani says. There's research to back up that claim. Gordon Patzer, author of Looks: Why They Matter More Than You Ever Imagined and a longtime researcher on the impact of physical attractiveness, can run through a laundry list of study results that point to the advantages of being good looking. Cuter newborns in a nursery are touched, held, and talked to more than less attractive babies. Elementary school teachers unknowingly tend to hold higher expectations for better-looking children. Parents may be less protective of less-attractive children.

Then, when people reach working age, good-looking college graduates are more likely to get hired. Employees themselves tend to be willing to do more for better-looking bosses. Attractive supervisors are perceived as more credible and more persuasive.

So what does this mean for those of us who want to get ahead but don't look like Brad or Angelina? Well, higher education can improve physical appearance in others' eyes. And Patzer recommends working out, eating well, practicing good hygiene, dressing nicely, and—although it may be cringe-inducing—correcting flaws with plastic surgery.

"It's a good investment for the workplace," he says, noting that investments that improve your physical appearance and make you appear younger can ultimately delay the decline of your workplace effectiveness as you age.

Certain cosmetic procedures can offer the most bang for your buck. Men have been turning to eyelid surgery, which was the fourth-most-common surgical cosmetic procedure last year, according to the American Society of Plastic Surgeons. Also, teeth whitening is a great investment, because teeth turn gray as we age, Patzer says.

Patzer does not particularly enjoy the results of his research and often says "beauty can be ugly" because society puts entirely too much emphasis on physical attractiveness and the widespread bias in favor of good looks is so discriminatory. But he does not believe there will be a change in our preference for physically attractive people an time soon. Attitudes, social norms, and technological advances are going to make cosmetic surgery increasingly common, Patzer says. He predicts it will become a tool in career advancement—just like clothes or education.

Penelope Trunk, a careers blogger and author of Brazen Careerist, predicted in a blog entry earlier this year that plastic surgery will become a tool "for the go-getters and career-minded" and will even be a routine procedure for college grads.

Executive coach Judy Jernudd helps her corporate clients improve their body language, appearance, and clothing, often using a video camera to show a slumped posture or unenthusiastic delivery. "Almost all of us, if we would admit it, and it may not be conscious, we do make pretty quick impressions of people," she says, noting that good-looking people tend to have a universal appeal that attracts everyone. Jernudd believes there's a lot that people can do to improve their looks.

"I'm not encouraging everyone to go out and get cosmetic surgery," Jernudd says. "I think there are people that can go overboard on cosmetic surgery. But I do think that you can see people—if it's done correctly—where they can look 10 years younger."

History is, of course, full of very successful individuals who weren't much to look at: Think Napoleon or Albert Einstein. But these are the exceptions, and they don't disprove the rule, Patzer says.

There is, of course, one other option. People could all rise up, armed with the awareness of their discriminatory tendencies, and make a conscious effort to start treating everyone equally. Even newborns.

Introduction to Supply Chain Management

By: Martin Murray

Introduction to
Supply Chain Management

All supply chains contain similar elements and are managed in a similar way

By: Martin Murray

If your company makes a product from parts purchased from suppliers, and those products are sold to customers, then you have a supply chain. Some supply chains are simple, while others are rather complicated. The complexity of the supply chain will vary with the size of the business and the intricacy and numbers of items that are manufactured.

Elements of the Supply Chain

A simple supply chain is made up of several elements that are linked by the movement of products along it.

The supply chain starts and ends with the customer.

- **Customer:** The customer starts the chain of events when they decide to purchase a product that has been offered for sale by a company. The customer contacts the sales department of the company, which enters the sales order for a specific quantity to be delivered on a specific date. If the product has to be manufactured, the sales order will include a requirement that needs to be fulfilled by the production facility.

- **Planning:** The requirement triggered by the customer's sales order will be combined with other orders. The planning department will create a production plan to produce the products to fulfill the customer's orders. To manufacture the products the company will then have to purchase the raw materials needed.

- **Purchasing:** The purchasing department receives a list of raw materials and services required by the production department to complete the customer's orders. The purchasing department sends purchase orders to selected suppliers to deliver the necessary raw materials to the manufacturing site on the required date.

- **Inventory:** The raw materials are received from the suppliers, checked for quality and accuracy and moved into the warehouse. The supplier will then send an invoice to the company for the items they delivered. The raw materials are stored until they are required by the production department.

- **Production:** Based on a production plan, the raw materials are moved inventory to the production area. The finished products ordered by the customer are manufactured using the raw materials purchased from suppliers. After the items have been completed and tested, they are stored back in the warehouse prior to delivery to the customer.

- **Transportation:** When the finished product arrives in the warehouse, the shipping department determines the most efficient method to ship the products so that they are delivered on or before the date specified by the customer. When the goods are received by the customer, the company will send an invoice for the delivered products.

Supply Chain Management

To ensure that the supply chain is operating as efficient as possible and generating the highest level of customer satisfaction at the lowest cost, companies have adopted Supply Chain Management processes and associated technology. Supply Chain Management has three levels of activities that different parts of the company will focus on: strategic; tactical; and operational.

- **Strategic:** At this level, company management will be looking to high level strategic decisions concerning the whole organization, such as the size and location of manufacturing sites, partnerships with suppliers, products to be manufactured and sales markets.

- **Tactical:** Tactical decisions focus on adopting measures that will produce cost benefits such as using industry best practices, developing a purchasing strategy with favored suppliers, working with logistics companies to develop cost effect transportation and developing warehouse strategies to reduce the cost of storing inventory.

- **Operational:** Decisions at this level are made each day in businesses that affect how the products move along the supply chain. Operational decisions involve making schedule changes to production, purchasing agreements with suppliers, taking orders from customers and moving products in the warehouse.

Supply Chain Management Technology

If a company expects to achieve benefits from their supply chain management process, they will require some level of investment in technology. The backbone for many large companies has been the vastly expensive Enterprise Resource Planning (ERP) suites, such as SAP and Oracle. These enterprise software implementations will encompass a company's entire supply chain, from purchasing of raw materials to warranty service of items sold.

The complexity of these applications does require a significant cost, not only a monetary cost, but the time and resources required to successfully implement an enterprise wide solution. Buy-in by senior management and adequate training of personnel is key to the success of the implementation. There are now many ERP solutions to choose from and it is important to select one which fits the overall needs of a company's supply chain.

Since the wide adoption of Internet technologies, all businesses can take advantage of Web-based software and Internet communications. Instant communication between vendors and customers allows for timely updates of information, which is key in management of the supply chain.

Business strategy

Staying on top

Playing to Win:

How Strategy Really Works.

By: A.G. Lafley
& Roger Martin. Harvard Business

BUSINESS STRATEGY

24th Edition **2017**

Business strategy

Staying on top Playing to Win: How Strategy Really Works.

By: A.G. Lafley and Roger Martin. Harvard Business

BOSSES fail for many different reasons. Some are just unlucky. Some are sunk by their lack of ambition. As Alan Lafley and Roger Martin see it, settling for muddling along rather than going all out for victory means that a company "will inevitably fail to make the tough choices and the significant investments that would make winning even a remote possibility."

In this section

Many are brought down by making a strategic error, of which there are six common varieties. There is the Do-It-All strategy, shorthand for failing to make real choices about priorities. The Don Quixote strategy unwisely attacks the company's strongest competitor first. The Waterloo strategy pursues war on too many fronts at once.

The Something-For-Everyone tries to capture every sort of customer at once, rather than prioritising. The Programme-Of-The-Month eschews distinctiveness for whatever strategy is currently fashionable in an industry. The Dreams-That-Never-Come-True strategy never translates ambitious mission statements into clear choices about which markets to compete in and how to win in them.

Mr Lafley, who usually goes by his first initials, A.G., did not fail. In his ten years at the helm of Procter & Gamble (P&G), he revived the global consumer-goods giant, roughly doubling its sales while increasing profit margins.

He credits much of this to embedding a rigorous approach to business strategy in every part of P&G's vast empire. In doing so, he drew on conversations with the leading academic thinkers on strategy, including the godfathers of the field, Peter Drucker and Michael Porter.

He also had a personal "brain trust" advising him as he designed and implemented his strategies. It included Clayton Christensen, an innovation expert at Harvard Business School, and a design guru, Tim Brown of IDEO, a consultancy. Above all, he relied on Roger Martin, initially a consultant at Monitor Group and latterly dean of the Rotman School of Management at the University of Toronto.

As Mr Lafley's "principal external strategy adviser", Mr Martin was the only person with whom the boss really shared his "out-of-the-box strategic musings", and "Playing to Win" is essentially their reflections on how to do business strategy effectively, as seen through the lens of their work at P&G.

This is a fascinating tale, featuring a cast of familiar brands, including Pampers, Tide and Olay, each of which went through a transformation under Mr Lafley's eye. He has written about this before, notably in "The Game-Changer", a 2008 bestseller written with Ram Charan, but the extra detail in illustrating lessons learnt makes this the better, meatier book.

A good strategy has five components, the authors argue, all designed to shorten the odds of success by helping managers make the right choices. The first two are closely intertwined: figuring out what winning looks like and which markets to play in when seeking that victory. For P&G, sometimes the goal became global domination, sometimes local; sometimes just one category of consumer for a brand, other times many.

The next component is figuring out how to win—the company's distinctive strategy in any market it is trying to dominate. This in turn will be heavily influenced by the fourth and fifth components: identifying, and playing to, the company's unique strengths relative to its competitors, and identifying those things that need to be managed for the strategy to succeed.

The mirror image of the fifth component is deciding what not to manage. One of Mr Lafley's most important innovations was a slimmed-down strategy-review process. This replaced needlessly sprawling bureaucratic meetings with agendas that focused on the most important questions. One strength of the book comes from the examples provided to illustrate each of the five prongs of strategy, none stronger than the book's opening tale of how Oil of Olay was transformed from a struggling skin- care brand with a declining market reflected in its nickname, "Oil of Old Lady", into the booming Olay range serving the fastest-growing part of the market with its products for fighting the "seven signs of ageing". A crucial part of this strategy was to convince consumers who had once shunned Olay to buy its new incarnations at prices that were significantly higher than those charged by other mass-market cosmetic brands.

The book could have benefited from more about Mr Lafley's handful of strategies that did not deliver, for brands such as Folgers coffee, Pringles snacks, and pharmaceuticals. Rather than explore and learn from them, Mr Lafley prefers to bury these failures in an appendix.

Since Mr Lafley left P&G in 2009, the company has stumbled badly, and its new boss, Bob McDonald, is fighting to keep his job. Meanwhile, Monitor, Mr Martin's own firm, got into financial difficulty and has been sold at a discount to Deloitte. What do these sorry tales say about strategy? Rather than explore whether their many strategic successes somehow also sewed the seeds of later problems, Messrs Lafley and Martin coyly note that "no strategy lasts forever".

4 Main Sections of a Corporate Social Responsibility Report

CSR REPORT SHOWCASE
24th Edition 2017

4 Main Sections
of a Corporate Social Responsibility

By: Christina Bockisch-Fernandez

Type the words "corporate social responsibility report" into Google, and you'll get pages upon pages of results that include these reports from large corporations such as General Mills, Coca-Cola, UPS, and more. Although corporate social responsibility (CSR) reports used to be optional, more and more businesses are recognizing the importance of producing the report on a yearly basis. Businesses that don't create CSR reports are missing out on an opportunity to communicate their impact in an open and honest way that stakeholders today are demanding.

There's no standard template for CSR reports, but after reading a few, you'll start to notice a few trends as to what businesses include. Below, we list out the four areas that are commonly covered in CSR reports as well as what you'll find in each section.

Environment/ Sustainability

Sustainability is a hot topic in the corporate world. It's no secret that the manufacturing process leads to environmental devastation, and because of this, companies realize the importance of being more sustainable and preserving the earth for future generations. In the environmental and sustainability section of a CSR report, corporations are able to showcase the ways in which they're working to be more sustainable. In this section, you'll find information about environmental plans, sustainable products, resource efficiency, energy use, water use, and more.

Workplace/ Employee Health and Safety

Employees are a company's biggest investment, which is why many companies choose to include a section dedicated to employees in their CSR report. The contents of this section vary from company to company, but CSR reports frequently cover areas such as company culture, how they create a dynamic workplace, diversity and inclusion, recruitment, employee well-being, and employee health and safety. Under health and safety, companies report their injury rates as well as what they're doing to reduce injuries and illness in the workplace.

Sourcing/ Supply Chains

In recent years, stakeholders have become more concerned with how companies manage their supply chains. Businesses have noticed this interest, and in turn, many have added a sourcing or supply chain section to their CSR report. In this section, businesses address how they're working with suppliers to address issues related to human rights, labor conditions, health and safety, environmental protection, supply chain management, and responsible sourcing.

Community

A CSR report wouldn't be complete without addressing a company's social impact on the community. This is the "warm and fuzzy" section of a CSR report because it talks about giving back to the community and building a better future. In the community section, companies often address their charitable giving, community partnerships, philanthropy work, and disaster recovery efforts. Additionally, you'll also learn about the work they're doing to build strong communities such as investing in education, donating to food banks, and volunteer work.

WHY WE NEED A SYSTEMS APPROACH TO STAKEHOLDER ENGAGEMENT?

By: Nicole Skibola

STAKEHOLDER ENGAGEMENT
24th Edition 2017

Why We Need a Systems Approach to Stakeholder Engagement

By: Nicole Skibola

Every sustainable development consultant has found themselves in a conversation with a client desperate to preemptively or defensively placate civil society groups. I've been in countless conversations with clients and colleagues who roll their eyes at the mere mention of an NGO group and strategize as if they were preparing to negotiate a hostage crisis.

As a practitioner who has worked extensively with businesses — but started off my career in human rights advocacy — I understand the tension between stakeholders and businesses. Stakeholders can slow project completion, advocate for regulatory hurdles or demolish a business reputation in a matter of hours. It's how they push change forward.

I like to think of stakeholders as an integral part of a system of checks and balances, there to ensure that economic growth occurs in a sustainable way that benefits the largest segment of the population as possible. Whether or not you agree with the activities of NGOs, there is one thing for certain: They are here to stay.

Stakeholder "engagement" traditionally follows the same core principles of organizational change management (OCM). OCM is a framework for managing the effect of new business processes, changes in organizational structure or cultural changes within an enterprise. In simple terms, OCM is the process of supporting employees to understand how changes in business processes will affect their roles, relationships, and organizational culture — and to adjust accordingly.

Here's why a change management approach doesn't always work with stakeholders: They are not as easily managed. Stakeholders are, by definition, working outside of the organizational confines. They aren't afraid to lose their jobs or make you look bad and will even expose your efforts to bribe them into compliance.

The real sticking point: Think of the opportunities for inclusive, sustainable growth that companies often miss out on because they talk at stakeholders rather than actively engage them around solutions. A real world example is useful. Our firm had a client engaged in sustainable power generation. The client came to us after they had engaged in superficial messaging to the surrounding community.

Initial ethnographic research would have revealed that virtually all conflict could have been eliminated if the client had eliminated water usage from a nearby lake (sacred to the local indigenous community) and had settled land disputes associated with the project. Angry stakeholders reached out to Amnesty International, and a small militia group formed, threatening the security of the company's operations. In the end, the development was postponed indefinitely, causing a loss in the billions.

In addition to the client's oversight of understanding fully the economic, cultural and social fabric of the community, the client feared that early transparency would have hampered their plans. Rather, they took a management approach, shooting out messages that sought to appease, rather than engage.

Here's another real world example: A client (public affairs executive at a multinational pharmaceutical company) had consistently engaged with civil society groups through shared advocacy efforts, continuously consulting powerful NGOs for all of his community relations affairs. The company had a product recall and could have suffered a catastrophic blow to the relationship. However, because the client had built so much relationship capital with the relevant NGOs, they actually offered to help him divert the crisis. Because guess what? NGOs want to help companies become better corporate citizens, and they often will cooperate with players who they deem authentic in their efforts. Despite the fact that many businesses consider this tale of urban legend quality, I've seen it happen on multiple occasions.

Recent practitioners like Stephanie Draper from Forum for the Future have highlighted the importance of stakeholder engagement, rather than management. These newer schools of thought focus on collaborative problem solving that examines corporate impacts from a systems perspective. Relevant questions include: Where are the power dynamics in the systems? How do diverse stakeholders interact from a social, economic and policy perspective?

Where are the leverage points for change within the business ecosystem?

As a recent article from the Guardian Sustainable Business Blog pointed out, stakeholder engagement requires a new set of skills that many corporate professionals are not exposed to — that is researching the links and impacts from the systems to community and project level, understanding the business case for stakeholder relationships, and even realizing the true drivers of most advocacy groups.

That being said, I thought it would be useful to for readers to begin understanding what I think makes a successful stakeholder engagement strategy.

Know and respect your stakeholders

Stakeholders are not just communities who are directly impacted by corporate activities. They include families, local governments, and local and international advocacy groups. Map all of a project's stakeholder's — big and small — and understand their motivations. Motivations are a an important piece of mapping leverage points in a system. Don't forget to respect stakeholders through respectful, meaningful communication. Yes, most of the time they will know when you are not being authentic.

Do your homework

Ethnographic research is time intensive and expensive. The basic premise of this research is that it is qualitative — meaning it extends beyond data to understand the lives, and cultural and social fabric of a community. Revisit the first example above. Closer research would have revealed the supreme importance of the lake in the community, as well as the fact that land rights were at issue. Understanding all of the potential problems up front paves the way for coming to constructive solutions down the line.

Establish legitimacy

This may be self serving, but I consider one of my my powerful strengths as a consultant to be that I have worked in civil society. I understand the behaviors that cause communication breakdowns and misunderstanding. I believe that corporate actors and NGOs are essential actors in our society, but that both just need a little help speaking the same language. I consult my human rights friends regularly to get a sense of what issues are surfacing on the horizon. In short, I am a bridge. Make sure that there is someone in your organization who has a similar skill set, even if that person is a consultant.

Keep an open mind

While I by no means am an expert in Lean Startup methodology, I can say that I deeply respect the premise: leave attachments and expectations behind until you validate your hypotheses. In CSR terms, this translates to approach your NGO and community partners with an open mind. You do not necessarily know better because you have worked in business. There is always the possibility for a solution that shifts the paradigm or addresses a conflict in a way that you would not have expected. Be prepared to iterate programs or strategies and bounce new hypotheses/ideas back and forth. Judge your final strategy/program/product by the data, not by moral or value-based beliefs in what the wrong or right answer is.

Stakeholder engagement isn't easy. It's an exercise in patience, compromise, and periodic failure. Most of all, it's about knowing the system in which we our our business operates, understanding the drivers of all stakeholders in that system, and making decisions (or compromises) based on those underlying drivers. Systems theorist Donella Meadows sums it up quite beautifully. "We can't impose our will on a system. We can listen to what the system tells us, and discover how its properties and our values can work together to bring forth something much better than could ever be produced by our will alone."