Issue 29th, Edition **15th July 2017**

EXCLUSIVE ARTICLE ON

How to Negotiate with Powerful Suppliers

HAPPY 70th INDEPENDENCE DAY

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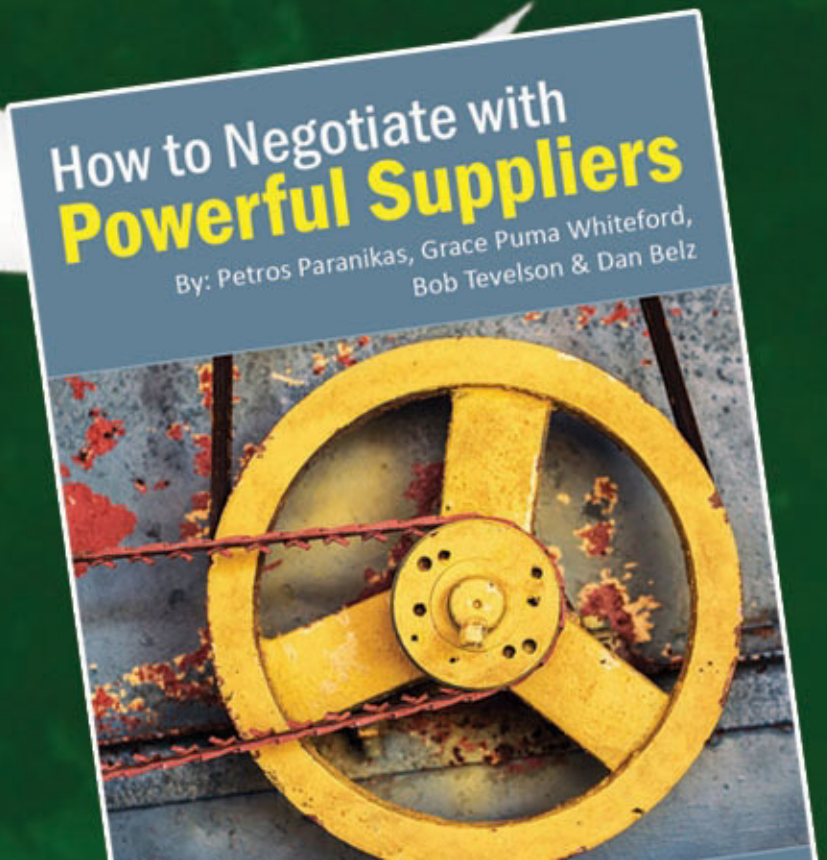

EBU
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The Magazine of
Corporate Responsibility

Team

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

> Now available only on the web, but soon will be published and will be available for monthly subscription.
>
> 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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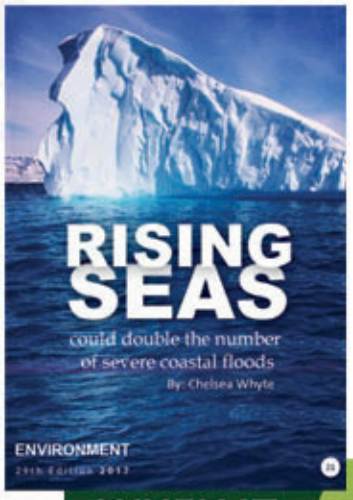

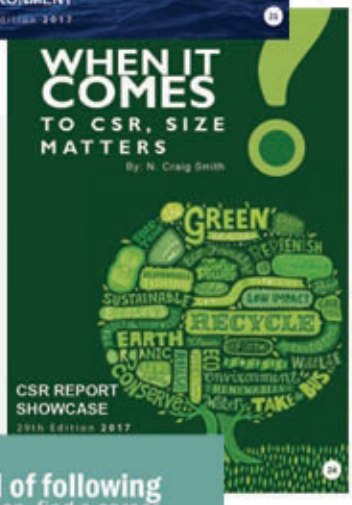

7th Annual Sustainable Shipping, Logistics & Supply Chain Summit & Exhibition - Aug, 10th 2017

Four Stake

Stakeholder Engagement Trends to Watch in 2017

By: Alison Taylor

STAKEHOLDER ENGAGEMENT

29th Edition **2017**

Four Stake Stakeholder

Engagement Trends to Watch in 2017

By: Alison Taylor

It is already axiomatic to say that 2017 has ushered in a new era of uncertainty, though core assumptions driving multinational business have been under threat for some time. The ascendancy of competitive nationalism and populist politics in the United States and Europe has simply made these trends impossible to ignore. Developed markets and large emerging markets can no longer be considered benign and predictable from a political risk perspective, and business can no longer assume that we are on a steady journey toward ever greater economic liberalization and regulatory convergence.

These shifts in the operating environment have been accompanied by a dramatic collapse in public trust in institutions, including business, according to the 2017 Edelman Trust Barometer. Though only 37 percent of respondents now find CEOs to be trustworthy, perceptions of the media, NGOs, and governments are even lower. But despite a far more difficult operating environment, business still has an opportunity to provide leadership, innovation, and inclusivity.

There are clear drivers for multinationals to rethink their approaches to risk, resilience, and corporate responsibility. A far wider range of plausible scenarios is in play, and traditional risk management and strategy tools are not well placed to address current challenges. And open, interactive communication with those that are affected by, or have power to influence, a company's strategy and agenda just shot to the top of the priority list.

Therefore, companies should pay attention to four stakeholder trends in 2017:

1: **The corollary of weaker regulation is greater stakeholder activism.** The new U.S. government has already signaled that it would like to weaken or dismantle regulation in key sectors, such as finance and energy. But this is unlikely to ease operating conditions for business, as any weakening of regulation at the country level will be accompanied by an increase in stakeholder activism, amplified by the contentious political climate. Companies must learn to proactively address collapsing public trust via consideration of ethics that go beyond mere legal compliance. Many companies are setting up ethics functions that interact with, but are separate from, compliance. Others are exploring synergies among the audit, compliance, and sustainability functions to best promote their values.

2: Local conflicts can now gain global platforms. Hyper-transparency means that community disputes can be amplified to win worldwide prominence. For example, indigenous rights groups in Latin America are partnering with global advocacy organizations to draw attention to their grievances. In agriculture, extractives, and infrastructure, companies that have long differentiated between project-level community engagement and corporate reputation management are finding this distinction increasingly difficult to maintain. Other companies that have traditionally thought of stakeholder engagement as an annual exercise conducted by headquarters are trying to define and understand their stakeholders more deeply, which is a complex exercise when it is not defined by the geographic focus of a project. Shifting migration patterns and cumulative impacts only complicate the exercise.

3: Political and social risk are converging. Demographic shifts and automation are transforming the labor market and putting social services under extreme pressure—just as demands for sustainable, broad-based economic growth gain momentum. In the Global South, the growth of the middle class has increased individual and collective empowerment, while transforming the dynamics of political and social risk. Public opposition to government and business is coalescing around a common language of environmental justice, anti-corruption, and human rights. When protestors voice disillusionment with self-interested and inefficient regimes, local elites move with varying degrees of success to shore up their power. Companies can no longer separate social and political risk considerations, which means understanding the interaction among stakeholders—not just how stakeholders engage with companies.

4: Understanding your impacts is no longer optional. The field of business and human rights has come of age, highlighting the need to extend risk analysis to understanding impacts. The launch of the Sustainable Development Goals in September 2015, too, is encouraging businesses to develop robust frameworks to measure the consequences of their activities. Human rights practitioners have rightly identified oversight of global supply chains as a key corporate vulnerability, with scrutiny of trafficking and slavery by regulators and the public giving rise to fresh norms and expectations. It has become clear to all that corruption everywhere is facilitated by global financial flows and can no longer be characterized as a developing-market problem. And while shareholder value remains any business's dominant consideration, activists are scrutinizing the effects of tax avoidance upon human rights and broadly questioning the effectiveness of current corporate governance standards.

Neither legal compliance nor standard risk management tools are sufficient for companies who wish to survive and thrive in the new era. Rather, resilient companies will focus on core values, leadership, and a more inclusive approach to business.

How to Negotiate with Powerful Suppliers

By: Petros Paranikas, Grace Puma Whiteford, Bob Tevelson & Dan Belz

SUPPLY CHAIN
29th Edition 2017
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How to Negotiate with Powerful Suppliers

By: Petros Paranikas, Grace Puma Whiteford, Bob Tevelson & Dan Belz

In many industries the balance of power has dramatically shifted from buyers to suppliers. A classic example comes from the railway industry. In 1900 North America had 35 suppliers of cast rail wheels; railway builders could pick and choose among them. A century later no one looking to build a railroad had this luxury, as only two suppliers remained. Today there is just one, which means that railroad builders have no choice but to accept the supplier's price.

The shift has come about for various reasons, any or all of which may be in play in a given industry. In some cases suppliers have eliminated their competitors by driving down costs or developing disruptive technologies. In others, fast-growing demand for inputs has outstripped supply to such a degree that suppliers have been able to charge what they want. In still others, buyers have consolidated demand and forced suppliers' prices down so far that many suppliers exited the market, giving the remaining few more clout.

Whatever the reason, companies that have gotten into a weak position with suppliers need to approach the situation strategically. They can no longer rely on hard negotiations through their procurement offices. To help with the strategic reappraisal, we've developed an analytic framework with four steps, in order of ascending risk. Companies should start by assessing whether they could help the supplier realize value in other contexts. If not, they should consider whether they could change how they buy. They should then look at either acquiring an existing supplier or creating a new one. If all else fails, they must consider playing hardball, which can have a lasting impact on the relationship and is a last resort.

Let's look at each step in detail.

Bring New Value to Your Supplier

This is the easiest way to redefine your relationship with a powerful supplier. It can rebalance the power equation and turn a purely commercial transaction into a strategic partnership. You can provide new value in several ways. For example:

Be a gateway to new markets.

The quickest and least expensive way to redress a power imbalance is to offer the supplier a market opportunity that is too good to pass up in exchange for price concessions. Finding the right carrot can take some digging. Here's a case in point: A beverage company was facing annual price hikes from a beverage-packaging supplier. It seemed to have no way out; the supplier had patented its manufacturing process, and its pricing was lower than that of other sources.

But as it happened, the buyer was about to enter two large developing markets in which the supplier had tried but failed to gain traction. The procurement manager realized that the company could give the supplier's products a foothold in those markets. She and her team put their heads together with the marketing team and presented the supplier with an offer that was hard to refuse: In exchange for a 10% price reduction globally, the company would use the supplier's cans in the new markets.

Reduce the supplier's risks.

If a company is well placed to help a supplier reduce its price risks, it can demand some concessions in return. For instance, a large chemical company was working with a single, recalcitrant supplier. To produce titanium dioxide it required feedstock manufactured to tight specifications, and only that supplier could meet its needs. When the chemical company tried to increase its order, the supplier claimed to have limited capacity and demanded a price premium.

Given the cyclical nature of the industry, the company surmised that the supplier would jump at the chance to lock in a long-term contract—a commitment other customers lacked the financial strength to make. Procurement worked closely with a team from finance, which created detailed models to determine a price range that would let the supplier generate returns of 15% on invested capital. The supplier agreed to a multiyear contract with prices that would not fluctuate more than 10% annually, and the chemical company got a 10% discount from the original quote.

Change How You Buy

If no opportunities exist to help the supplier create new value, your next best alternative is to change your pattern of demand. Because this strategy can have implications for other parts of your organization, it requires close collaboration with any functions that could be affected. A company can change its demand patterns in three ways, all of which may require intensive data collection and analysis.

Consolidate purchase orders.

This is the least-risky option and the easiest one to implement. It may involve little more than acting on an internal audit of procurement data.

At one aircraft manufacturer, various business units were independently purchasing components from a large supplier, which was doubling or tripling the prices it had originally quoted. The supplier was reaping gross margins of about 20%, whereas the aircraft manufacturer's were only 10%. And deliveries were unreliable, which drove up the manufacturer's overall costs. Individually the business units lacked the power to force a change in behavior. But the unit CEOs got together, consolidated their spending data, and went to the supplier's top executive with a threat to suspend all purchases unless changes were made. The supplier became far more responsive, cutting prices so that its margins were also about 10% and improving the timeliness of deliveries.

Small companies that don't order through multiple units can form purchase consortiums with other firms in their industry. In 2008 an oligopoly of four suppliers controlled the ATM market in one European country. To counterbalance the group's power, four banks created a purchasing consortium for ATM parts and maintenance, ultimately cutting their ATM costs by 25%. To succeed, consortiums must align their members' interests and have the right governance in place. To avoid raising antitrust issues, they should not be too powerful themselves, which means that this approach is best suited to relatively fragmented, competitive industries.

Rethink purchasing bundles.

If a company cannot create large purchasing bundles within product categories or geographies, it should consider purchasing across them. One telecom company dealing with a powerful supplier for a particular component gained price concessions by pointing out that it also bought other components from that supplier—ones it could easily obtain elsewhere. Similarly, a global chemical manufacturer accustomed to buying a key ingredient from two suppliers, one in the United States and one in Europe (and each with a monopoly in its region), announced that it was considering consolidating to a single supplier and began a qualification process to choose which one. By awarding a single global contract, it would have given the winner a toehold in the loser's monopoly territory. Faced with the threat of competition, each supplier agreed to a 10% discount.

At other times the right strategy is to pick apart your existing bundles; this may enable you to create competition among suppliers where none previously existed. When a consumer goods company decided to renegotiate its contract with a powerful information provider that offered an integrated global product and services package, the procurement team quickly realized that it needed to differentiate between data (for which the supplier held a monopoly in some geographies) and analytic services (for which the market was generally competitive). It also decided to negotiate at a country level—enabling suppliers that could cover some but not all geographies to participate. As a result it obtained savings of 10% on data and 20% on analytics.

Decrease purchase volume.

The third way to alter demand is to shift volume away from a powerful supplier, ideally by switching to a substitute or lower-cost product. The mere threat of this can increase the supplier's openness to negotiation—but the buyer's organization needs to stand behind its negotiation team and be willing to revisit what it purchases. Determined to reduce IT costs, one retailer we advised determined that most of its staff members did not need to create documents—they needed only to read them. It was able to eliminate 75% of its office software licenses, replacing them with a lower-cost, read-only alternative.

Create a New Supplier

If options for changing your company's demand profile aren't available, you should next explore creating a completely new supply source. Like the first two strategies, this ultimately shifts demand away from powerful suppliers, but it tackles the other side of the equation. It is most likely to be necessary in industries where price negotiations have gone so far as to drive most suppliers out of business, effectively giving the survivors a monopoly. Of course, such drastic action risks alienating your supplier completely and may change your company's business model. It will also alter the competitive dynamics and perhaps even the structure of your supplier's industry and your own. For these reasons it is a risky proposition, but if well executed, it can transform your prospects. There are essentially two options:

Bring in a supplier from an adjacent market.

The easiest way to create a new supplier is to bring in a competitor from an adjacent geography or industry, one that might not otherwise have entered the market. One major airline reduced its food costs and improved quality by enticing a European catering company to enter the U.S. airline-catering market, which had been controlled by two well-entrenched suppliers that were reluctant to lower prices. The new entrant had an innovative, off-premises production model that enabled it to offer higher-quality food at significantly lower prices in exchange for longer-term contracts.

Because the airline would need to give the new supplier a multiyear agreement, the procurement team shared its plans with the airline's chief operating officer, its head of airport operations, and its head of catering. After aligning these key functions on the strategy, the airline announced that it had awarded its contract at a major U.S. hub to the new entrant. After losing that share of business, one of the established suppliers replaced its management team and took a more collaborative approach with the airline.

Vertically integrate.

If no plausible new suppliers are to hand, consider making yourself the new supplier by investing in the requisite assets and capabilities, possibly in a strategic partnership or joint venture with a company that has some of those assets and capabilities. If you're lucky, a credible threat to take this action will be sufficient to shift the balance of power, as was the case with a paper company that relied on a regulated utility for electricity.

Unable to secure a better rate from the utility, the company began planning to build its own power plant—and it made sure the utility knew about its plans. It spent nine months finding a location, securing pipeline capacity, getting permits, and partnering with a dryer company that wanted to use the steam that the plant would generate. The strategy worked—the utility agreed to reduce its rates by 40% to prevent the company from building the plant. The danger with this approach, of course, is that your threat to vertically integrate may be called. So before embarking on this option, make sure that the new venture could deliver value that exceeds the investment costs and compensates for the added management attention and the hidden risks and challenges that might arise.

Play Hardball

If everything else fails, canceling all your orders, excluding the supplier from future business, or threatening litigation—or some combination of those actions—may be the only answer, short of going out of business. These are truly tactics of last resort.

A global financial services firm had its back against the wall because it had to reduce costs by $3 billion. To cut IT infrastructure costs, it asked its major hardware supplier for a 10% price decrease. When the supplier refused, the firm's chief information officer contacted the supplier's CEO to say that all the supplier's projects in the company were suspended, effective immediately. Within an hour the supplier was deactivated in the payment system, and the procurement, IT, and development teams were notified that they were no longer to work with it. Faced with the costly loss of existing and upcoming projects, the supplier quickly agreed to the price cut.

Then there's litigation. In the early 2000s a security company that provided cash transportation services to banks decided to increase its rates by 40%. Because it controlled 70% of the market, its customers had few alternatives. But one bank that faced significant margin pressures wasn't ready to accept the price hike. To better understand what was driving the increase, it asked to review the security company's financial statements, which revealed only a 10% cost increase—nothing that would justify the drastic hike.

If all else fails, canceling your orders, suspending future business, or threatening litigation may be the only answer.

The bank took a two-pronged approach. Its chief operating officer met with the COO of the security company to explain that the increase was unacceptable and would undermine their relationship. And the procurement team threatened to join forces with other financial institutions and bring the matter to the attention of the national authorities in charge of restricting monopolies. The security company backed down and instituted a price increase more in line with its cost increase.

As we've shown, companies negotiating with powerful suppliers have plenty of ways to redefine the relationship. Whichever option they choose, they need a clear understanding of the problem, an ability to work on it across functions, a willingness to think outside the box, and strong analytical capabilities that can reveal the enterprisewide picture and generate useful insights. It's also important that senior executives commit to strategic rather than tactical moves. With these elements in place, what had seemed an impossible negotiating task becomes one that is merely challenging.

STRATEGY

Secrets To Making
Corporate Strategy
Work

BUSINESS STRATEGY

29th Edition **2017**

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Secrets To Making
Corporate Strategy Work

By: Falguni Desai

Too often, business leaders proclaim a failure and irrelevance of strategy. Plans are drawn up, presented at board meetings and then left to collect dust on desks and shelves. The un-executed strategic plan has become a symbol of expensive, pedantic exercises which cost time and money, but fail to make impact. Companies then fall into a mode of whimsical initiatives and pet projects which don't make sense to investors or employees, pulling the company into multiple directions. But business leaders and strategists can work together to prevent this situation. Here are six simple ways to make sure your strategic plan remains relevant and gets executed.

Create Consistency

Strategic plans which list a set of unconnected ideas and priorities risk sounding like a dog's breakfast. Instead, make sure your company is pursuing a set of actions which move in a common direction. A strategic plan should articulate a vision and goal and include multiple actions and priorities which move towards achieving an outcome. Priorities and investments which move in the same direction create synergistic benefits and momentum.

Start With Culture

Company culture is the secret sauce that makes things work. A culture which values action, promotes transparency, empowers employees and encourages communication provides kinetic energy to the plan. Leaders must treat culture as the brand's promise to its employees. Culture enables the strategy to be executed, allows people to play their role in getting things done and also provides an outlet for voicing concerns and issues when the plan isn't working.

Use Data Wisely

With data analytics tools and larger data sets available for mining and analysis, strategists face a challenge and an opportunity. The challenge is to measure and analyze the most important and relevant data and ignore the noise. The opportunity is that when data is used to make decisions and measure results, everyone will be able to understand what is important and know what they need to do. It is the opportunity to make the plan relevant and measurable for everyone who is involved in its execution. Strategic plans should identify the key data points which act as indicators of success.

Embrace Agility

Companies that deliberate for too long in their planning and obsess about precision in their decision-making won't be able to keep pace. The competition wins by setting plans, trying, failing and course correcting quickly. Startups sprout up with fewer resources and nimbly capture market share. Larger companies must make decisions quickly, act faster and accept imperfect, but good enough, plans which can be refined over time. Agility also means re-evaluating plans more than once a year and course correcting when needed.

Focus on Customer Experience

Strategy should be guided by customer needs, not theory or political agendas. Companies which address pain points, solve customer problems and create a memorable and remarkable customer experience will win. Strategic plans that are customer and market driven will enhance the brand and ultimately drive revenue.

Communicate Again and Again

When plans are not communicated, they won't be executed. Strategic plans need to be presented, shared and explained at every level vertically and horizontally. Until every employee from the front line to the CEO can sensibly explain the plan and how their role is affected by the plan, strategy won't matter. When every employee understands the plan and knows how their actions align to it, the strategy becomes a force. Most companies underestimate the amount of communication needed to help their employees understand the strategy.

The Fourth Industrial Revolution disrupted democracy.

What comes next?

COMMUNICATION & REPORTING

29th Edition **2017**

The Fourth Industrial

Revolution disrupted democracy. What comes next?

By: William H.saito

The theme of last year's Davos, the Fourth Industrial Revolution, became the underlying force driving many of the unexpected developments we've seen in 2016.

With the rapid and exponential growth of connectivity and networking predicted by Moore's Law, the Fourth Industrial Revolution is disrupting many fields, but none more strikingly than democracy - and capitalism. Both institutions are based on the freedom to choose a leader, product or service based on the best available information. But only now are we realizing the significance of how this information is created, delivered, modified and consumed - how it has been skewed by the exponential growth in communications technology.

From the advent of language and the alphabet, through the evolution of printing, broadcast and the telephone, the control of communications was historically in the hands of a privileged few.

In fact, the original purpose of the Phoenician alphabet, from which most modern alphabets developed, was to restrict information to those who could read. However, with the advent of the internet and the hyper-connected, interdependent world that now exists, we have only recently begun to fully grasp the power of communications between any group of people, anywhere on the planet at any time – simultaneously.

Compounding that, traditional forms of individual and mass communications are waning. Witness shrinking print newspaper readership, broadcast television viewers and fixed line telephones.

Until a few years ago, the internet was still treated as a digital version of previous analog broadcast technologies like TV, newspaper or radio. However, with the advent of affordable mobile devices and social networks, we have finally seen a technology emerge that offers interaction, engagement and collaboration across the world in real time, among groups as small as two and as large as millions.

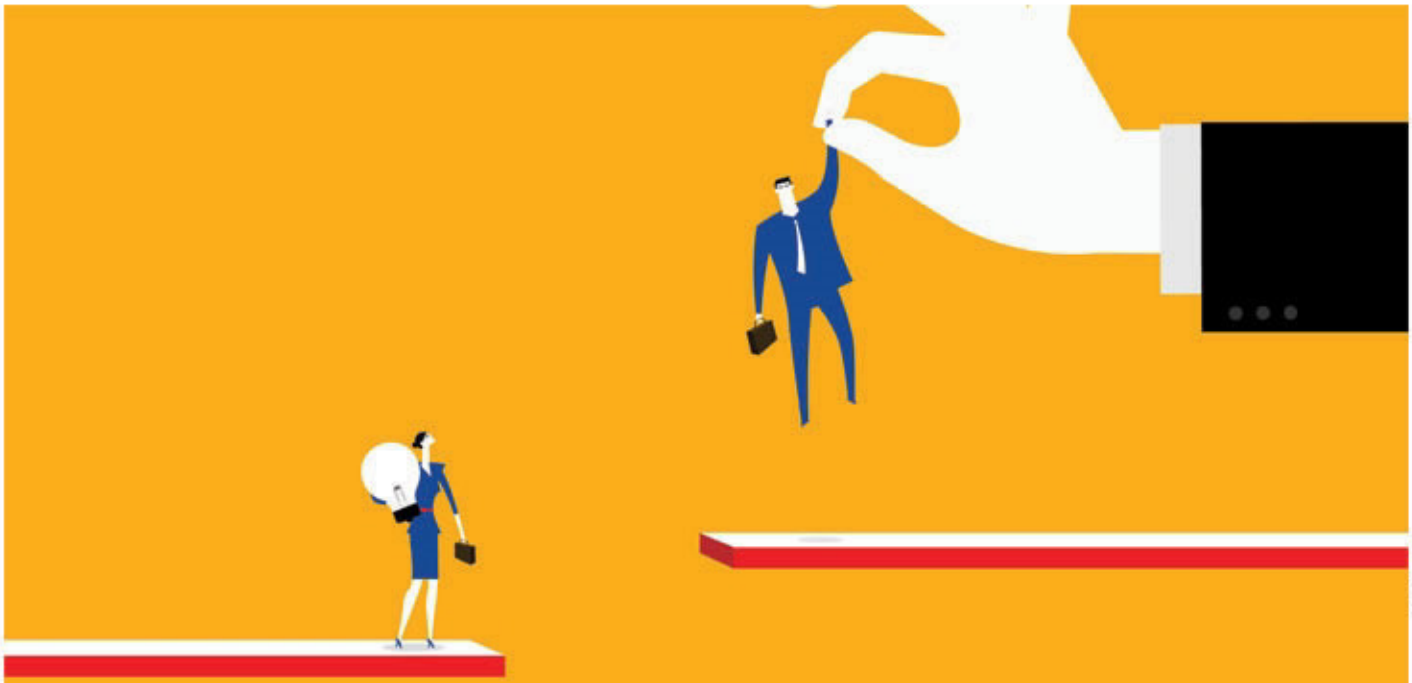
Private-sector social media platforms, such as Twitter and YouTube, allow anyone to transmit information to the masses without gatekeeper approval.This has redefined the broadcaster-audience equation. Previous power-brokers can no longer control the limitless information passing directly through cyberspace to personal smartphones. Entrenched rights are being dismantled, a new power is emerging in the world and ICT is leading this change.

There have been many benefits to society from this change. It's now much harder to conceal things like political corruption, product defects and inadequate service. When politicians miss parliamentary sessions or make different promises at two different campaign stops, the news is immediately disseminated. For businesses, a "hot mic" moment can go instantly viral or a seemingly minor problem with a product can evolve into a global recall – and corporate scandal -- in an instant.

In 2016, a perfect storm of technology advances combined with marginalized voices led to everything from Brexit to the recent U.S. presidential elections. Even with the huge growths in online retailers at the expense of their physical counterparts, we are all confronted with a new world order in which traditional assumptions of everything from news reporting and polling to advertising can be wrong. This is causing every government and business leader to question how to lead effectively and responsibly amid the confusion based on inaccurate information.

When confirmation bias runs the world

These surprises weren't supposed to happen in the era of big data and artificial intelligence. Both the quantity and quality of information were supposed to get better. But as we became comfortable and confident with technology, the fundamental way we communicate and exchange information also changed.



This era of anytime mobility helps like-minded individuals band together via social media. They share information which isn't necessarily incorrect, but is definitely myopic and biased, leading to what psychologists call "confirmation bias." In the last few years, supporters who shared tweets and articles and reaffirmed beliefs that furthered their cause unleashed a populist movement that changed everything from geopolitics to who gets to live in America's White House and South Korea's Blue House.

Pundits everywhere have been speculating about how the economy, international politics, immigration and even the environment will change with these surprises. But even before these events, the world was already changing. Just ten years ago, such electoral results would not have been possible. In fact, back then the five largest companies on the planet were oil or oil-related. Today, the five largest are all information-based – data has truly become the "new oil" and, as with oil, it's a resource that's full of opportunities and surprises.

Unlike traditional public utilities, communication infrastructure and media, as well as the infrastructure underlying the internet, is now mostly owned by private groups. This is another example of how the balance of power between public and private forces has changed and even transcended boundaries of sovereignty, further complicating governments' roles and making this a truly global issue.

Will all this change affect the ICT industry? The answer is no. ICT played a key role in 2016, and it is clear that the Fourth Industrial Revolution will continue to drive politics and industry. Leaders should interpret the events of last year as a sign that communications have been truly democratized. The technology that allowed electorates to organize and coordinate in unforeseen ways to determine the fate of an economic union, as well as the impeachment or selection of the next leader, is affecting other areas of society in as yet unforeseen and unexpected ways.

This is the new reality, but mainstream media, government and industry is just starting to grasp the ramifications of a mobile, hyper-connected, anytime/anywhere world. It's also important that leaders grasp this fundamental change in the way we communicate and make decisions. At this year's Davos, the theme of "Responsive and Responsible Leadership" is a good opportunity to talk about this new context. It's the start of a new era and the birth of new communication controlled by the many, not the few.

Leaders today must realize that the revolution in communications is not an extension of the old ways, but a whole new paradigm. Anyone can become a broadcaster, pollster or news-maker. The full meaning of this change, evident in the votes of 2016, is only starting to reveal itself.

RISING SEAS

could double the number of severe coastal floods

By: Chelsea Whyte

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Just 35 years from now, severe coastal flooding could hit twice as often as it does now – if the seas rise by between just 5 and 10 centimetres.

Such a hike would make 50-year weather events happen twice as often, according to work by Sean Vitousek, a coastal scientist at the University of Illinois at Chicago, and his colleagues. A 50-year event is an increase in sea level so large that it's only likely to happen twice a century.

Sea levels are actually projected to rise by more than this – estimates put it at between 10 and 20 centimetres over the next few decades.

"It doesn't take a ton of sea level rise to significantly change the frequency at which you have flooding," says Vitousek.

Extremely high water levels are sometimes caused by storm surges and low pressure atmospheric systems, when the easing of pressure on the sea allows water levels to rise. But normal tides and waves also play a part.

Cities under water

Taking those factors into account in his model, Vitousek found that, by 2050, wave-exposed Indian cities like Mumbai and Kochi, and Abidjan in Ivory Coast would see increased frequency of flooding with just a 5-centimetre rise in seas.

If the rise were 10 centimetres, increased flooding would also hit Shanghai, London and New York.

Sea level rise is a global phenomenon that affects regions differently. The ice sheets in Antarctica and Greenland are so massive that their gravity draws ocean water towards them. As they melt, that water will go elsewhere.

"If you lose Greenland, you'll have more water in the ocean, which will elevate sea level everywhere. But the effect will be stronger farther away from Greenland," says Anders Levermann of the Potsdam Institute for Climate Impact Research in Germany. "In Greenland or Antarctica, the water levels may even drop. The tropics always lose because they're in the middle."

Sea levels are currently going up by about 3 to 4 millimetres across the globe somewhat uniformly, Vitousek says, but some areas are more susceptible to sea level rise than others because that makes up a larger percentage of their overall water levels.

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In the higher latitudes where the difference between high and low sea level in a given year could be 3 metres, a few centimetres may not be noticeable. But in the tropics, that small increase could account for 10 to 20 per cent of the variation, Vitousek says. “It’s not a trivial percentage of the water level,” he says.

Accept the danger

Aimée Slangen, a climate change scientist at the Royal Netherlands Institute for Sea Research, says regional events like El Niño could keep down some of the sea level rise in the tropics, but not forever.

“I think it would only delay the inevitable: at some point, flooding frequencies are going to increase as long as sea level keeps on rising,” she says. Vitousek says possible responses are to retreat from coastlines or to invest in engineering solutions, like building up natural beaches or creating artificial ones or building sea walls that provide shoreline protection.

But over the next few decades, an increase of 10 to 20 centimetres is inevitable, says Levermann. Even with large reductions in emissions, the die has already been cast for the near future.

“No one has to be afraid of sea level rise, if you’re not stupid,” he says. “It’s low enough that we can respond. It’s nothing to be surprised about, unless you have an administration that says it’s not happening. Then you have to be afraid, because it’s a serious danger,” Levermann says.

WHEN IT COMES TO CSR, SIZE MATTERS

By: N. Craig Smith

CSR REPORT SHOWCASE

29th Edition **2017**

When It Comes to CSR,
Size Matters

By: N. Craig Smith

Does CSR only apply to sizable corporate?

Corporate social responsibility (CSR) is largely associated with big companies. They are more high profile and thus attract more media attention and they are particularly concerned to protect and enhance their reputations with the broader public as well as key stakeholders. They are also often better-resourced and more able to invest in CSR.

However, CSR is important for small and medium-sized enterprises as well (SMEs are organizations of up to 1,000 employees). Size matters, not so much in whether an SME should engage in CSR but in relation to why and how? To appreciate the relevance of CSR to SMEs, we need first to examine the meaning of CSR and why companies give attention to it; we can then turn to what CSR means to SMEs given their characteristics and how they differ from large corporate.

There are many definitions of CSR. Fundamentally, however, CSR refers to the obligations of the firm to society or, more specifically, the firm's stakeholders—those affected by corporate policies and practices. The EU's widely-disseminated definition stresses that CSR is voluntary, goes beyond what the law requires, and is an integral part of the business: it is "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis.

It is about enterprises deciding to go beyond the minimum legal requirements and obligations stemming from collective agreements in order to address societal needs." This is a recent definition, but it is not a new idea.

Not a New Idea

The idea that business has societal obligations was evident at least as early as the nineteenth century. Visionary business leaders in the aftermath of the Industrial Revolution built factory towns in the U.K. and in the United States, such as Port Sunlight near Liverpool (founded by William Lever in 1888 and named after the brand of soap made there) and Pullman on the outskirts of Chicago (founded by railroad car manufacturer George Pullman, also in the 1880s).

These towns provided workers and their families with housing and other amenities when many parts of the newly industrialized cities were slums. The motivations of these benevolent capitalists were mostly intrinsic, but enlightened self-interest was also often a factor. Industrial unrest was common in the big cities; the founders of factory towns hoped to reduce labor problems by looking after their workers.

Enlightened self-interest is also a factor when a company such as Swire Beverages Ltd., a Coca-Cola bottler in China, invests in water conservation measures in its bottling plants. Swire Beverages strives hard to reduce its water use ratio, the ratio of the volume of water consumed in the plant (including water used in cleaning) to the volume of beverage produced. Swire reports a ratio of 1.75:1, a reduction of 39 percent since 2004, in its 2010/11 sustainability report.

This represents billions of liters of water saved in a country where there is a growing water crisis. Consistent with the EU definition of CSR, Swire is acting voluntarily beyond what the law requires and on an issue that is at the core of its business.

While addressing its social and environmental obligations, Swire is also mitigating a business risk, both with regard to the availability of a key resource necessary for the production of its product and in terms of its reputation and license to operate. No doubt Swire's water conservation strategy is informed by the controversy faced by a Coca-Cola bottler in the Indian state of Kerala, which was closed down for allegedly abusing water resources and contributing to a water shortage.

These examples highlight why companies give attention to CSR. They [their managers] may well be intrinsically motivated—wishing to do the right thing—but the rise to prominence of CSR of late is driven primarily by a strengthening of the "business case".

The CSR business case comes in many different forms. In essence, however, it rests on the recognition that attention to corporate social and environmental responsibilities is generally in the long-term economic interests of the firm. Managers have a responsibility to consider those affected by company actions; equally, however, those stakeholders are often able to exert pressure on a company if it does not—even to the extent of shutting down the business, as Coca-Cola found in Kerala. This is particularly true for large companies subject to intense media scrutiny.

CSR is not Philanthropy

There are still today plenty of companies who have yet to move beyond the idea of CSR as philanthropy—in some cases, at their peril, as the Coca-Cola case illustrates. When companies implement "strategic CSR" they can find there are many benefits, including strengthened corporate and brand reputations and enhanced trust with key stakeholders (customers, employees, regulatory agencies, suppliers, and investors), improved risk management, increased revenues from innovation to identify new business opportunities, and reduced costs from efficiency improvements.

What does this mean for SMEs? Very simply, at its roots, the same motivations for attention to CSR apply. There can be intrinsic motivations and more instrumental, "business case", motivations. However, there are some important differences in motivations and in CSR practices, reflective of the characteristics of SMEs.

Firstly, SMEs are generally managed by their owners, who are also often their founders. This can lead to profound differences in commitment to corporate purpose. Few successful entrepreneurs start businesses solely with the intent of making money. This was true of William Lever when he founded the business that became Unilever—selling soap saved lives. Today's founders of start-ups also often have some societal need in mind.

This close involvement of owners and founders in SMEs means that commitment to purpose is much easier to engender than in a large, publicly-held corporation. Indeed, they may not call it CSR (and William Lever didn't when he built Port Sunlight), but SMEs for this reason can be more socially responsible than their much larger counterparts.

Secondly, with SMEs, it is more personal. Personal relationships are often key to their success. Internally, employees are likely to all know each other and be well-known to management. While it is not unknown for large companies to refer to employees as "family", this term is more evident and arguably more authentic when used in the SME context. This may well mean that their employees are treated better than those in larger companies.

Personal relationships also figure externally, with SMEs often deeply involved in their local communities. They may contribute substantially in terms of providing employment and they may also rely heavily on business relationships with customers and suppliers and others based in the local community.

Again, for this reason, SMEs can prove to be more socially responsible than big corporate. In one extreme and ultimately ill-fated example, Aaron Feuerstein, the CEO of Malden Mills in Massachusetts, continued paying the salaries of his workers while the factory was being rebuilt after a fire. While ill-fated because the company ended up in bankruptcy, the story reveals a depth of commitment not only to employees but also to the local community. More typically, given their embeddedness, SMEs can be expected to invest in the local community to a much greater extent proportionately than larger companies, with contributions ranging from protecting jobs, to skills development, to infrastructure improvement.

Thirdly, SMEs are likely to be less well-resourced than big companies. One beneficial consequence might be that while they give attention to the substance of CSR, they are less likely to focus on the trappings, such as CSR communications. More generally, however, it is likely to mean that fewer funds are available to invest in initiatives that might be socially or environmentally beneficial, especially if the economic pay-off is less obvious or longer term.

As important, there are fewer people to give time to CSR, especially where, in some cases, companies are operating hand-to-mouth. Yet finding the people and the time may be critical. For example, SMEs increasingly find that they are part of a value chain where a large company downstream (for example, a major brand or a retailer) is demanding attention by suppliers to sustainability metrics and performance.

The Case for CSR in SMEs

Some of the business case considerations for CSR may carry less weight with SMEs, at least in terms of their own operations. For example, while reputation is important for any business, there are typically greater reputational risks for large companies. Similarly, license to operate, in the broad sense of corporate legitimacy, is also more of a concern for a larger corporate than an SME.

Consider the recent Rana Plaza tragedy in Bangladesh, where over 1,100 workers died in the collapsed factory building. What keeps the CEO of a large branded apparel company awake is the possibility of the brand being exposed as having sourced from a factory with unsafe labor conditions—with its labels found amongst the ruins of the factory (as happened to many major brands in this instance). The reputational pressures are less for an SME. However, pressures on the larger corporate will inevitably translate into pressures on their suppliers, including SMEs.

SMEs might also be less able to bring to scale the efficiency gains that can come from attention to CSR or exploit the business opportunities that might come through innovation in the form of new, more sustainable products. However, these business case considerations for CSR remain present. Indeed, new start-ups are being established right now exploiting green-tech opportunities.

In sum, while size matters, not least in what gets done, SMEs have many of the same reasons for engaging in CSR that large companies have, both in avoiding downside risk and in exploiting upside opportunities. In many cases, they may also be more intrinsically, if not better motivated, to give CSR attention.

Instead of following your passion, find a career **that changes people's lives**

By: Jess Whittlestone

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How do you choose a career that's worthwhile and fulfilling?

For most of us, this is one of the most important questions we'll face over the course of our lives. The average person spends 80,000 hours of their life working—a satisfying life without a satisfying career is almost impossible.

Making sure that people are working jobs they're well-suited to and motivated by is also a vital part of a well-functioning economy. And yet the quality of advice out there for young graduates choosing their career path leaves much to be desired. When I graduated a few years ago, I had no idea what I wanted to do. I received two main types of advice: that I should apply for corporate jobs that would at least pay well, or that I should figure out what I was "passionate about" and go do that.

The first piece of advice wasn't going to do it for me: none of the corporate jobs I heard about excited me, and I wasn't prepared to sacrifice my happiness for a paycheck. But the second piece of advice, that I should "follow my passion," bothered me even more. Ben Todd, co-founder of the ethical careers advice service 80,000 Hours, sums up the problem with "follow your passion" better than I could in a recent TEDx talk:

Most people don't have clear passions; I just didn't know what I was passionate about. I knew what I wasn't passionate about—it wasn't business, or finance, or really any particular artistic or sporting pursuits.

Spending more time thinking about it, trying to figure out my passion, wasn't getting me anywhere.

Even if you do have a clear passion, following that passion may not guarantee you a job, let alone a job you can excel at and enjoy. There are more young graduates passionate about sport and art than the job market can possibly provide for. Above all else, interests change.Psychology research finds that we're generally not very good at predicting what will make us happy in the future (pdf), so choosing a career based on your current passions may be a recipe for future dissatisfaction.

The real problem with "do what you're passionate about" is that we talk about "passions" as if they were things existing deep within us just waiting to be found. But this just doesn't seem to be the case: when you look at people who are really, truly passionate about what they do, many of them say they didn't start out passionate about that thing. When he was in college, Steve Jobs was passionate about zen buddhism. Most 10-year-olds don't have passions nor do most 21-year-olds. Passion isn't something lying dormant deep inside you that enough introspection can figure out. Rather, passion develops as the result of contributing to something meaningful.

In a recent Huffington Post article, Wharton professor Adam Grant argues that there is one key thing all "meaningless" jobs have in common: they don't make an important difference to the lives of others. Even with all the other factors research suggests are important for satisfying work: autonomy, variety, challenge, feedback—without believing you're contributing something, most people struggle to find meaning in their work.

The importance of a sense of contribution is supported by thorough research on the predictors of job satisfaction (pdf), which finds that people who feel their work contributes to something larger than themselves are much more likely to find their jobs fulfilling. There's also a wide body of psychology research suggesting that helping others makes us happy: Martin Seligman, the founder of the field of positive psychology argues that the happiness we get from helping others lasts longer than the happiness we get from doing something for ourselves.

Doing something valuable doesn't necessarily mean working for a charity. It means identifying a pressing problem (whether that's poverty, human rights, climate change or something else entirely) and doing something to contribute to that problem (whether that's by doing research, raising money, spreading awareness, or something else entirely). And importantly, doing something valuable with your career doesn't always mean making a huge impact immediately. It might be much better to spend the first years of your career learning about what problems you can contribute to, and on developing useful, flexible skills to put you in the best position to contribute to those problems in a few years' time.

Not everyone can do what they're passionate about—we don't all have clear passions that translate easily into jobs. But almost everyone can do something valuable, something that helps others.

Instead of advising young graduates to "follow your passion" or "follow the money," I think we should be telling them to "follow what's valuable." I suspect we'd have a much happier, more motivated society—not to mention a better functioning economy—as a result.

7th Annual
Sustainable Shipping, Logistics & Supply Chain Summit & Exhibition 2017

Theme: CPEC the way to Success and Prosperity for Pakistan

10th August, 2017 | Marriott - Hotel, Karachi.

ORGANIZE BY:

THE PROFESSIONALS NETWORK

CO-HOST:

EBU ETHICAL BUSINESS UPDATE

Mir Hasil Khan Bazingo assured the Shipping & Logistics Industry for Government's full support.

The well attended 7th Sustainable Shipping, Logistics & Supply Chain Management Conference & Exhibition ended with speech by Chief Guest Mr. Mir Hasil Khan Bazinjo (Federal Minister for Ports & Shipping, Government of Pakistan).

In his speech the federal Minister for ports and shipping accepted the deliberations, concerns and recommendations of the conference being shipping and logistics support services in shambles in our country, infra structure in a dilapidated state and supply chain management depends on out sourcing. He not only assured his support but also promised to redress the grievances of the business community. He further assured the participants of the conference of his full assistance for the growth and development of warehousing and port in the country.

He also suggested to change the name of his ministry to Maritime Ministry. The Conference was also attended by Vice Admiral Syed Arifullah Hussaini, Deputy Chief of Naval Staff (Projects), Pakistan Navy, Naheed Memon, Chairperson, Sindh Board of Investment, Brgd Rashid Siddiqi, Executive Director, PNSC and many other professionals. They also addressed to the august gathering.

Earlier, in the morning, the conference was inaugurated by Vice Admiral Syed Arifullah Hussaini, Deputy Chief of Naval Staff (Projects), Pakistan Navy and attended by prominent Speakers Ms. Naheed Memon, Chairperson, SBOI, Tariq Rangoonwala, Chairman, ICC Pakistan, A Hashim, President & CEO, Homepack Freight, Ali Tariq, Managing Director, Taq Logistics, Fahim Sulaiman, Director Jang & Geo Tv, Mohammed Hanif Ajari, Director Supply Chain, Getzs Pharma, Ateeq Ur Rehman, CEO, Coastals Packers and others.

Deputy Chief of Naval Staff emphasized to bring the technologies in the trade and get the benefits of digitalization. Naheed Memon briefed the corporate audience about the developments in CPEC and the role of sindh government and SBOI.

Mr. Mehmood Tareen Founder & Ceo, The Professionals Network and the organizer of the conference emphasized on the importance of such Conferences, he thanked for coordination of sponsors, participants and facilitators for their valuable support for making this conference a grand success and result oriented. He promised to continue his efforts for the betterment of supply chain solutions.

Mr. Ateeq Ur Rehman spoke of misplaced priorities and gross negligence in the shipping, logistics and warehousing industry of Pakistan. He requested the government to release the burden of the supply chain management entrepreneurs from imposed indirect and withholding taxes. He suggested reducing the custom duty on the import of pre engineered building (Warehouse) and place it on zero rating, thus this will encourage the growth of warehousing in the country.

At the concluding of the event, nine companies were awarded with the Executive Green Supply Chain Award by the Federal Minster Ports & Shipping. Companies include were, PNSC, CEI Logistics, APL Logistics, Emirates Logistics, Uniship Pakistan, Searle Pakistan, Assurety Consulting, BOML CFS Warehousing and Raaziq International.