Executive Summary

CORPORATE SOCIAL OPPORTUNITY!

7 steps

to make
CORPORATE SOCIAL RESPONSIBILITY
work for your business

Why aren't companies enjoying the
benefits of CSR?

How can corporate social opportunities
be generated?

What are the dimensions and examples
of corporate social opportunity and the
characteristics of a corporate social
opportunity corporation?

What steps are required to move from
Corporate Social Responsibility to Corporate
Social Responsibility?

Why aren't companies enjoying the benefits of CSR?

Corporate social responsibility (CSR) is now firmly on the business agenda for a significant number of firms. Some 2,000 international companies regularly report on their environmental and social impacts and in some countries reporting is mandatory. It is increasingly common for Fortune 500 companies to have a designated manager or department that has oversight of CSR. Many of these same companies retain management and public relations consultants selected from a growing pool of professional services firms offering CSR advice.

These observations reflect how, over the last decade, CSR has shifted from the margins to the mainstream of business practice. However, behind this apparently positive picture lie two problems that create an impediment to companies in realising the potential benefits of CSR. The first problem arises from the fact that one of the greatest drivers causing business leaders to adopt CSR is 'fear', with the emphasis on avoiding trouble rather than looking for opportunities. The second problem is that CSR is too often a 'bolt-on' to business operations rather than 'built-in' to business strategy, resulting in CSR becoming a distraction and hindrance to business purpose and objectives, rather than a help.

The fear factor

As we all know, the fear of getting hurt is an important influence on how we behave. In a business context one of the biggest drivers behind the increasing attention given by management to CSR has been the 'fear' factor. Business leaders fear that their company could be a target of the next high-profile campaign by a non-governmental organisation, with allegations that the company is party to poor labour practices at its overseas suppliers; they may fear the consequences of a class action lawsuit filed against them, with litigants claiming discrimination in the workplace; or they may fear that a government, under pressure to demonstrate its 'green credentials', will pass legislation requiring adherence to even higher environmental standards, necessitating further non-revenue-earning investment. Given that fear is a key driver, it is perhaps not surprising that CSR is increasingly associated with the business discipline of risk management, in which the objective is the avoidance of potential hazards and reduction of potential threats.

Why aren't companies enjoying the benefits of CSR?

As advocates for CSR we, like many others, have framed our arguments for why businesses should adopt good CSR practices in the vocabulary of risk management, high-lighting the potential dangers to corporate and brand reputation, or the negative impact on efforts to recruit and retain the most talented employees, or the loss of the 'licence to operate' if the company gets the management of CSR wrong. The promotion of CSR on a risk management platform has led to some success in shifting it from the margins to the mainstream of corporate practice. However, we observe that an over-emphasis on linking CSR to risk mitigation is somewhat hazardous in its own right. The consequence is that business leaders are being conditioned to regard CSR as synonymous with cost, burden, obligation and duty rather than associate it with possibilities of market growth, product or service differentiation and new business opportunities. To many business leaders, the language and tone of CSR has become earnest and dull. Therein lies the challenge. If the prevailing interpretation of CSR as essentially negative and limiting is left to dominate corporate thinking, it will serve only to define minimum expectations of business behaviour and performance.

After all, not many successful companies we know have achieved their success in an extremely competitive marketplace simply because they were particularly attentive to risk management (apart, perhaps, from firms in the insurance sector). Sound risk management may have helped a company retain a market leadership position, but not earn it. The driver for successful business is entrepreneurialism, opportunity and the competitive instinct, not fear. It is a willingness to take risks in order to attain goals and achieve objectives. It is a willingness to look for creativity and innovation from non-traditional areas — including CSR. While sound and effective CSR policies and practices are very much needed, we are concerned that too many business leaders and managers regard them as the end game. Yet CSR can and should be much more than that. It has the potential to be an extremely positive force that can fuel the engine of business growth and development and contribute to social and environmental sustainable development.

Bolt-on or built-in?

A second concern we have is the way in which CSR is integrated into companies. In our first book Everybody's Business[1] we focused on the why of CSR. Feedback we received from managers around the world indicated that there is still a considerable gap between the corporate CSR rhetoric and actual practice on the ground because of difficulties in making it operational: 'Yes, we understand what it is. Our company has even made a public commitment to CSR. But how do we do it? How do we integrate CSR into our mainstream operations?' A typical response to this challenge, and one we ourselves have advocated, is to segment the relevant CSR issues as they impinge on particular business operations and suggest changes in policies and practices accordingly. This is fine, to a point, but it is this approach that is leading to increasing dissatisfaction among business leaders and managers alike, who complain of 'bolt-on' rather than 'built-in' CSR. Rather than helping to integrate CSR into core processes, this approach can lead to a proliferation of initiatives and projects that become a distraction to primary business purpose and a drag on performance. All too often, CSR has consequently been seen as adding further layers of bureaucracy. As a result, it has been hard to find traction with busy middle managers preoccupied with keeping head counts low, reaching sales targets and contributing to next-quarter earnings. The solution to this problem lies in integrating CSR not into operations but into business strategy. Because business operations serve strategy, not the other way round, this approach will help to determine which are the appropriate CSR policies and practices for the business, and which are potentially superfluous. CSR becomes 'built-in' not 'bolt-on'.

Putting it another way, all our life experiences suggest that, by and large, 'form' should follow 'purpose'. Business operations — purchasing and supply, manufacturing, marketing, etc. — are the means by which a company achieves its business purpose. That purpose is articulated in terms of business strategies and objectives. Hence it is perhaps not surprising that, if changes are made to business operations without reference to business strategies and objectives, divergence results.

Generating corporate social opportunities

In light of these concerns, how then can a business leader or manager build CSR into business strategy and, while not ignoring potential risks, exploit associated opportunities? And what are those opportunities?

We suggest it is possible to follow a seven-step analytical process, described on p10-11, which shows how the implications of CSR on business strategy can be considered and illustrates how it can be factored into decision-making at a point when new business strategies are being explored or existing strategies updated. In this way the repercussions of CSR for business operations can be considered and the pros and cons of alternative policies and practices weighed up. Final decisions are subsequently taken on the basis that form (business operations) serves purpose (business strategies and objectives). Given the right approach, CSR can be made to work for a business. If companies can advance from regarding CSR as primarily a risk minimisation process and learn how to integrate CSR into future business strategy, they will, we suggest, be able to capitalise on corporate social opportunity (CSO).

Three short descriptions of CSO in practice

Technicians in the research laboratories of IBM worked with colleagues from their community relations department in a collaborative project with SeniorNet, an American NGO promoting access to technology for senior citizens. As a result of the partnership, IBM created new technology to transform readability of web pages, and was able to utilise the technology in other web-based products and in support for Internet service providers. In addition, IBM was consequently well placed to respond to new US regulations on media accessibility.

The Bank of America has funded some $4 billion-worth of mortgages in recent years thanks to borrowing arranged by community activists in low-income areas in US inner cities. One community partnership — the Neighbourhood Assistance Corporation of America — has some $10 billion-worth of commitments from Bank of America and Citigroup combined. The banks reach new untapped markets that they otherwise would have difficulty reaching. Low income families are advised by those they already know and can trust.

In emerging markets and less-developed countries, international food company Nestlé has a policy of investing over the long term in capacity-building for local suppliers, as a way of ensuring the quantity and quality of the supplies it requires. In Brazil the company provides technical assistance and loans supporting over 300,000 farmers in the dairy industry, with no accompanying conditions obliging farmers to sell to Nestlé. Local communities have seen significant rises in standards of social and economic development in areas where Nestlé operates these policies.

We see individual corporate social opportunities (CSOs) as commercially viable activities which also advance environmental and social sustainability. These tend to be based on one or more of the following: innovations in developing new or improved products and services; serving under-served or creating new markets; or organising the business differently in a new business model: for example, in how it conceives and develops the new products and services, or how they are financed, marketed and distributed (see Figure 1). The goal is to be able to create an environment where numerous CSOs are possible.

One company is, in fact, using the terminology of CSO to describe its approach to CSR. Speaking at the launch of Procter & Gamble's 2002 Corporate Sustainability Report, Paul Polman, President of P&G Western Europe, said:

We can never lose sight of our responsibility to the outside world and our employees. But to be really sustainable in the long term, companies need to link business opportunity to sustainable development. By harnessing their creativity and innovation, companies can find new products, new services, new initiatives, develop new markets and business models that can deliver a better quality of life to all, for now and for the future. We need to move beyond Corporate Social Responsibility to embrace our Corporate Social Opportunity[2].

The three dimensions of Corporate Social Opportunity

Generating corporate social opportunities

Innovations in products and services

A company investing in innovation to lessen environmental impacts whilst also developing new products or processes, would, in our view, be illustrative of a company enjoying corporate social opportunity. One example would be car manufacturer Toyota's efforts to develop the hybrid vehicle Prius® that can run on gasoline or electricity. A growth of interest in energy conservation and environmental causes, combined with tough environmental regulations, have been the drivers which have created the opportunity which Toyota has taken to move ahead of its competitors.

However, product development is not driven solely by environmental factors. Social triggers such as healthcare are increasingly driving innovation, as illustrated by the example below from Unilever.

Unilever

International consumer marketing firm Unilever has developed a number of product lines that appeal to lower-spending market niches, adding value to the products by enriching them with vitamins and essential minerals. In Ghana, Annapurna salt is fortified with Idokine K-15, supporting preventive healthcare for pregnant women. It is packaged in small portions and is priced accordingly. This was developed as a result of a partnership between the company, UNICEF and the Ghanaian Ministry of Health.

Hindustan Lever

Competitor activity and the traditional behaviour of Indian consumers led Hindustan Lever Ltd, a division of Unilever, to develop the Wheel detergent formula using a reduced oil-to water ratio, reducing potentially harmful environmental impacts when consumers wash clothes in rivers and public water supplies. The product is manufactured at decentralized factories, distributed by small vendor units — the 'bicycle brigades' — to reach rural areas and sold at low prices, matching consumer spending ability and patterns. According to a report from the Financial Times, titled 'Final frontier for shampoo sellers' (20 May 2003), core rural markets generate some 50% of Hindustan Lever's turnover. Source: Unilever 2002 Social Report

The servicing of new or under-served markets

The benefits of new technology are often slow to penetrate into low-income and developing-world markets. The company Smart Communications has addressed this problem in the Philippines in an initiative to make mobile communications available in rural areas.

Smart Communications

In the Philippines, telecommunications operator Smart Communications has created a Buddy e-Load product offer by which small bits of unused airtime can be passed on to those in under-served (often rural) areas through a network of sales agents. According to the New York Times, in an article titled 'Cellular phone company gains by thinking small' (17 October 2003), this 'telecommunications in sachets' business model led to a growth of 700,000 users in just two months, so that telecommunications services now reach 11 million out of a population of 76 million.

However, it would be wrong to think of corporate social opportunities as being appropriate only for low-income and developing-world markets, as illustrated by the example- of O2.

O2 and e-San Ltd, Oxford University

British telecommunications company O2 is partnering with e-San Ltd of the Department of Engineering Science at Oxford University to look at the possibility of making innovative use of mobile technology to address a health issue very much associated with urban, developed economies and regions — asthma. For people with asthma, an attack can come at any time and there is no easy way to predict how bad it will be. Many sufferers keep a hand-written, twice-daily record of their breathing. Once every 12 weeks they take this record to their doctor and have their treatment adjusted based on the results. It is not the best way to treat a condition that now affects some 3.4 million people in the United Kingdom alone and is an increasingly serious problem across Europe and the USA. But what if sufferers could be in touch with their doctor every time a bad attack seemed imminent and get immediate advice on how to prevent it? Mobile technology is making this possible for the first time. O2 is working on a one-year trial with 100 asthma sufferers aged between 12 and 55 years in the Thames

Valley area of the United Kingdom, where the incidence of asthma is higher than in any other part of the country. Each patient is given an O2 xda combined phone and mobile computer. This is fitted with an electronic peak-flow meter, containing reporting and analysis software. When the person breathes into the meter, the xda automatically records the person's condition and the results are transmitted immediately to a computer that charts them against expected trends. Should any readings cause concern then the person's doctor can be notified and can instantly advise that person on how to adjust his or her treatment or if a visit to the surgery is required. This project should provide mmO2 with useful experience for developing other wireless applications to support health-related services[3].

Use of new business models

We can summarise corporate social opportunities in new business models in terms of: a) how a business is developed; b) how finance is raised; c) how products and services are delivered to market; d) how purchasing practices are organized, and; e) how a business is staffed.

Business development

One new business model is based on the idea of where a business looks for sources of innovation and for help in developing new products and services. This may involve working with an NGO either at the initiative of the NGO or of the business- as illustrated on page X with the example of IBM with the organization SeniorNet. Equally it may be with a social enterprise or a university department or an international agency. In the case of Procter & Gamble's PuR® product (below) it involved collaboration with several such partners.

The point here is an openness to approaches from, and a willingness to turn to, a more eclectic range of potential collaborators. Where this results in new intellectual property and corporate social opportunities, there will obviously be issues of how to share fairly any resulting profits. Having a robust process for agreeing up-front such allocation of rewards would be one of the critical success factors for a business moving to CSO. This was one of the issues faced by water business RWE Thames Water.

RWE Thames Water

A major problem facing the world is the supply of safe drinking water and the provision of sanitation: 1.2 billion people lack access to safe drinking water and 2.4 billion people have inadequate sanitation. The UN Millennium Development Goals include the target to halve by 2015 the proportion of people that lack access to safe drinking water and to halve the number of those without access to adequate sanitation. Currently, the public sector provides 90% of water services worldwide. However, the World Bank predicts that by 2010 1.75 billion people could be serviced by a private-sector water company.

Private-sector companies such as RWE Thames Water have the expertise to contribute to addressing development challenges. But business risks generally preclude them from operating in the areas of greatest need. Some help can be given on a philanthropic basis, but this will not make a significant impact on such a vast problem. What is needed is a new business model in which risks are reduced to the point at which a low rate of return can be accepted, for the affordable delivery of water and sanitation to those in greatest need. RWE Thames Water is currently investigating such a model, in partnership with two other major businesses and three international NGOs. The partnership aims to establish new ways of providing water and sanitation to the urban poor of the developing world, with each of the partners contributing their particular skills. This will be done using a combination of aid and local funding for infrastructure provision, and in close consultation with the communities who will receive the service.

Procter & Gamble

The UN Millennium Development Goals involve, among other things, the delivery of safe drinking water to 125,000 new people every day. Procter and Gamble's PuR® water purifier in a sachet is a commercial product enabling people in the developing world to decontaminate water in their own homes and to store that water safely (for more information, see the company press release of 19 June 2003, www.pghsi.com). When we challenged Peter White, Associate Director of Corporate Sustainable Development, as to why Procter & Gamble has not made PuR® a philanthropic effort, he replied that: "Philanthropy can be a real limiting factor to sustainability and scale. Sometimes philanthropy is necessary, so we are providing PuR at cost for disaster relief. But, to make this product available to all who need it, on a regular sustainable basis, we need an economic business model so that there is an incentive for everyone in the value chain — from P&G to the seller on the street corner — to distribute it widely. Relying on philanthropy would limit the scale of providing clean water this way: it would only go as far as the funding allows; a sustainable business model will allow the product to reach many more who need it" (interview, March 2004).

In a speech on 21 March 2003, his colleague George Carpenter, Director, Corporate Sustainable Development at Procter & Gamble, explained:
These products and business model innovations can significantly improve lives, and help build our business at the same time. This is not business as usual and it is not philanthropy; it is building social, environmental and economic sustainability into our business in a strategic way.

Business financing

New business models may involve new types of collaborators for innovation and development of new products and services. Equally, they may involve a broader and more eclectic range of sources of finance for the corporate social opportunity. These may be business angels, venture capitalists or institutional investors seeking environmentally and socially sustainable projects in which to invest. It may also involve an openness to putting together a multi-source financing package which includes public funds: for example, from local or regional development agencies and international development funds as has been the case with PuR.

Securing adequate finance is often a problem for new and innovative projects. Finance has been found to support efforts to market energy-efficient products by offering price discounts and by education regarding the benefits of these products; this is exemplified by the case of the promotion of fluorescent lighting in Poland through the Global Environmental Facility.

Polish lighting manufacturers

As part of the Global Environmental Facility (www.gefweb.org), which is supported financially by Western donor countries and is administered through the World Bank and UN agencies, four Polish lighting manufacturers have received funding from the International Finance Corporation (IFC) of the World Bank. The project is administered by a Dutch private utility company with support from a Polish energy-efficiency non-governmental organisation. Between them, the companies have received US$5 million to enable them to sell compact fluorescent lamps (CFLs) and related products at below cost price to Polish consumers and small businesses. The objective is to accelerate the development of the Polish market for energy-efficient lighting technologies to realise global and national environmental benefits. The project is also undertaking pilot demand-side management (DSM) activities at Polish electric utilities that are being privatised, as well as running education programmes to consumers and lighting professionals on efficiency and energy conservation.

Generating corporate social opportunities

Market delivery

Another aspect of a new business model may be about how a business markets and distributes its products and services to consumers — again, involving a willingness to explore new routes to market. It may involve collaboration with a community group such as Bank of America and Citigroup to sell mortgages to low-income neighbourhoods. The Unilever and Procter & Gamble examples above have involved using new, more grassroots-based distribution channels. It may also involve rethinking a conventional business model so that, for example, instead of selling a product, the business believes it is more commercially advantageous as well as environmentally or socially sustainable to lease it. This is the basis of the following example from Schindler and Interface..

Schindler

Schindler, a manufacturer of lifts (elevators), would rather not sell you any of its lifts; it would rather lease you a 'vertical transportation service', because it thinks its lifts require less electricity and maintenance than competing lifts do. Schindler aims to capture that benefit for itself by keeping the lift, operating it and by providing to customers only what those customers want, which is the service of moving up and down. So the resource efficiency of the elevator becomes for them not a reduced revenue but a reduced cost and enhanced revenue.

Interface

Interface Incorporated is the world's largest manufacturer of carpet tiles and upholstery fabrics for commercial interiors. It has redesigned its business approach so that as well as selling its products it now offers, as an alternative, a carpet-leasing service. This allows the company to retain ownership of its products and to maximise resource productivity. In a 2004 KPMG publication titled 'Beyond Numbers', Ray Anderson, CEO of Interface, writes:
We've found a new way to win in the marketplace . . . one that doesn't come at the expense of our grandchildren or the Earth, but at the expense of the inefficient competitor [4]

Purchasing

In the section above on market delivery we looked at the benefits to the company of selling a service rather than a product. Similarly, there are benefits to the business,

as a customer, in purchasing a service rather than a series of products, as illustrated by the chemical management solution chosen by General Motors. The General Motors example also illustrates another facet of the focus on service delivery rather than product delivery — service suppliers are encouraged to focus not on sales volume (which means the use of more raw materials to produce more goods) but on, among other things, the efficiency and recyclability of their products.

General Motors

To address the problems associated with having numerous chemical suppliers, General Motors has redesigned its chemicals management — forming a partnership with a single supplier that works in conjunction with the General Motors chemicals team to facilitate process innovation. The supplier is not paid for volume sales but, rather, is rewarded for plant performance. Plant performance includes product quality as well as a range of efficiency improvements with cost savings and environmental benefits. Under a more traditional approach to chemicals management a single facility would have had many different chemical suppliers, resulting in an inefficient use of time, effort, money and chemicals. Hence, there would be no incentive for the supplier to help the plant reduce its usage of chemicals. Under the new system, the facility no longer purchases chemicals. The facility now purchases chemical services. In addition to supplying chemicals, the supplier provides management, analysis and inventory control. The supplier is paid based on production and not on the amount of chemicals used and hence there is no longer an incentive for the supplier to sell volume chemicals.

Staffing

One further type of new business model involves businesses developing new approaches to how they recruit staff and how they finance and organise pre-recruitment and induction training. A difficulty that companies may face is a lack of relevant skills in the local workforce. This is something addressed by Tesco in a series of regeneration projects in low- and middle-income communities in the UK. A criticism of companies when they move into an area is that they do not provide jobs for local people, bringing their workers from outside areas.

Tesco

The leading supermarket chain in the UK, Tesco, has initiated 14 regeneration partnerships in low to moderate income communities across the UK. This involves developing new retail stores in under served areas. Tesco partners with community groups and public-sector and private-sector agencies to put together, finance and deliver appropriate and customised skill training to the local community while the store is being built rather than after it is completed when it requires staffing. Key to the success of the programme is a job guarantee to all those who successfully complete the training — which has necessitated changes to Tesco's internal personnel practices. The provision of jobs to local residents helps to build community support for the stores and community protection in what are often high-crime areas. (For more detail, see the report by AccountAbility and Brody, Weiser & Burns, 'Community-enabled Innovation: An Innovation through Partnership', published September 2003 and sponsored by The Ford Foundation.)

Characteristics of a corporate social opportunity corporation

How might we recognise a CSO corporation? How does a company get there from where it is today to become a CSO corporation? What are the critical success factors that will help ensure it builds on a 'have-to-do' CSR compliance-based approach to foster a 'want-to-do' CSO mentality?

In summary, the answer lies in achieving alignment of business values, purpose and strategy with the social and economic needs of customers and consumers, while embedding responsible and ethical business policies and practices throughout the company. The individual corporate social opportunity examples listed above all reflect this concept of alignment. But achievement of this in a consistent way across a large international organisation over a sustained period of time is quite a challenge. As with most things in life, it is the journey that is as important as arriving at the ultimate destination: the seven-step analytical process is designed to be a practical guide for the journey from CSR to CSO.

Our exploration of the nature and potential of the concept of CSO began with interviews during 2003 with a number of chairmen and CEOs. It struck us how quickly — and unprompted — many of them started talking about their own personal values and about the values of the company in order to explain the company's approach to social, ethical and environmental issues. Informed by these perspectives, the issue of corporate values tops our list of defining characteristics for a CSO company.

Key characteristics of a corporate social opportunity company

1 The organisation aligns and articulates explicitly its purpose, vision and values consistent with responsible business practice. It is believed that a sense of shared ownership and commitment will be easier when purpose, vision and values are co-created by people throughout the organisation rather than being imposed from the top leadership.

2 The leadership and senior management team fully believes in and lives those values and purpose—and demonstrably so.

3 Purpose, vision and values are intensely and continuously communicated throughout the organisation and beyond.

4 Purpose, vision and values are constantly reinforced through culture, processes and rewards. This includes their incorporation into: recruitment and induction; management and staff training; performance objectives; appraisal, reward and recognition structures; promotion considerations; procurement criteria and processes; due diligence procedures for assessing business partners.

5 In addition, there are effective mechanisms for whistle-blowing on any 'values gaps'—that is, gaps between values espoused and values lived.

6 There are effective tools and processes for scoping and then prioritising risks and opportunities associated with corporate social responsibility and a framework for deciding how to reach decisions and to check for consistency with corporate values.

7 There are decision-making processes at the top of the organisation (in the board, board sub-committee and so on) for oversight and effective decision making throughout the organisation and there is a means of capturing and codifying knowledge to ensure continuous improvement.

8 There are effective stakeholder engagement processes to seek proactively any corporate social opportunities and to build trust, openness and empathy, which encourage such opportunities to emerge.

9 There is an ethical code governing relations with stakeholder partners to determine the fair share of risks and rewards (e.g. in relation to intellectual property rights) in exploiting corporate social opportunities and opportunities for entrepreneurialism and creativity — a set of opportunities that is widened by the spirit of openness and by the culture of enlightened curiosity.

10 There is appropriate measurement and reporting of the company's performance as well as processes for rectifying gaps and learning from the emergence of gaps.

How to achieve corporate social opportunity?

It is important to note that in suggesting that companies aim for CSO we are not for a moment proposing that a sound understanding and compliance with CSR requirements are not still crucial. On the contrary, CSR is the foundation for learning and attaining the necessary competences through which CSO can be achieved. Most business leaders with whom we work accept and understand that minimum standards of environmental and social performance are necessary to reduce risks. Indeed, most believe these standards are also simply the 'right thing to do'.

We would strongly support a contention that a company should commit to CSR at the highest corporate level. But we understand that for most companies this commitment is the result of cumulative experiences over time of actions taken at the level of individual business units. We are confident that, when the consequences of CSR-informed and CSO-inspired business strategies are considered, the conclusion will be reached that they are unlikely to succeed without commitment within the organisation from the top. On the other hand, if the start-point is top-level commitment, then managers through the business are going to need to know how to translate it into decision-making at many levels of the firm.

We have developed a seven-step analytical process which is designed to help managers assess the implications of CSR on their overall business strategy, and demonstrate how to interpret the resulting analysis to spot business opportunities. It provides a methodology to show how to generate revised or potentially new business strategies to capitalise on these opportunities. And it shows how to consider associated (subsequent) governance and operational implications.

In Step 1: 'triggers,' we discuss the way in which significant changes in corporate strategy are triggered by 'global forces for change', such as the impact of a shift in demographic trends to an older population, or new technology creating ethical dilemmas in healthcare. These triggers lead to heightened stakeholder awareness of corporate responsibilities for social, ethical and environmental factors. Step 1 is primarily concerned with the identification of social responsibility triggers. Step 2 is concerned with assessing the potential impact that triggers may have on business strategies, and devising ways of revising those strategies to take issues of social responsibility into account. Following the 'scoping' of potential social, ethical and environmental risks facing the business, companies can move to Step 3, which involves building the business case for the revised business strategies. The business case rests on the need to demonstrate a link between CSR, shareholder value and financial performance. In Step 4 the company commits itself to action, reflecting on ways in which new CSR-based strategies will slot into the company's culture, organisational values and governance. External commitments such as joining a CSR organisation like Business in the Community or the International Business Leaders Forum can help to reinforce the company's commitment. It is rather like if one decides to give up smoking or get fit, by telling family and friends, you am co-opting them to help you keep the resolution.

Step 5 considers ways of integrating new CSR strategies into the core of the business. This includes using any existing company-wide programmes such as Total Quality Management or the Balanced Scorecard. It involves incorporting the commitment into every business function and strategic business unit – and into knowledge-management and company training programmes. Probably the most important step in gaining inclusivity is Step 6 which involves engaging stakeholders in the shaping and delivery of business strategies. The last Step, 7, again represents a significant means of communicating with and discharging accountability to, stakeholders, as it involves measuring and reporting social, ethical and environmental information. The disclosure of social responsibility information in the form of published reports, websites, press releases, is an essential stage in establishing CSR, and in demonstrating to stakeholders that corporate social opportunities are being identified and seized by business.

The purpose and outputs of each Step are illustrated in the figure overleaf.

To accompany the Seven Steps are a series of analytical process forms which can be used to capture data, views and insights gleaned when apply the model. Populating the forms with relevant information leads to the identification of ideas for new or revised business strategies which are then explored and tested further as the process continues.

In the book, 'Corporate Social Opportunity', on which this paper is based, we demonstrate the detailed use of the seven step process and accompany forms. The book tells the story of how the management team of Advent Foods, a hypothetical food company, was able to work through the process during management retreat, and how they were able to gain insights into new business strategies and necessary changes to business practices.

Sources

1 D. Grayson and A. Hodges, Everybody's Business (London: Dorling Kindersley, 2001).

1 Paul Polman, President of P&G Western Europe, speaking at the Euro-Environment Conference, Aalborg, 2–3 October 2002.

3 For more details, see the July 2003 CSR report from O2.)

4 quoted at the Conference Board, New York, February 2004).

Step 7: Measuring and reporting

Focus.
How to measure and report on issues identified in the following steps. How to track the progress of actions identified and agreed to be necessary during progression through the seven steps.

Outputs.
Identification of what data to measure and report
A summary of actions required
A framework for tracking progress on agreed actions

Step 6: Engaging Stakeholders

Focus.
How to engage stakeholders in the shaping and delivery of business strategies

Outputs.
An assessment of how proposed strategies impact stakeholders, and vice versa
Identification of the roles required of stakeholders to enable implementation of the strategies
Identification of the necessary actions needed to ensure the desired roles are undertaken

Step 5: Integrating and gathering resources

Focus.
How to integrate aspects of CSR and other operational requirements that emerge from reviewing business strategies. Consideration of resource implications.

Outputs.
An assessment of resources needed to implement proposed strategies and operational changes
Identification of resource gaps and potential sources

Step 4: Committing to action

Focus.
The implications of and for proposed strategies in light of organisational values, leadership style and governance arrangements.

STEP 7:
Measuring
and reporting

STEP 6: Engaging
Stakeholders

STEP 5: Integrating
and gathering
resources

STEP 4:
Committing to action

Corporate Social
Responsibility work for your business

Step 1: Identifying the Triggers

Focus.
How a combination of changes in the external environment and heightened expectations from stakeholders cause triggers that impact business. How these triggers can pave the way for a revision of business strategies and operational practices.

Outputs.
Identification of potential triggers caused by CSR factors in the external environment
Identification of potential triggers prompted by stakeholders
An assessment of the likely impact of these triggers on the business

Step 2: Scoping what matters

Focus.
How to assess the potential impact of key triggers on business strategies. How to generate revised strategies.

Outputs.
Identification of potential business strategies
A revision of the strategies in light of stakeholder impacts and inputs
Further refinement of the strategies taking into account current market and operational issues
A ranking of the strategies based on possible importance for the business

Step 3: Making the business case

Focus.
How to build the business case for the proposed business strategies, informed by the marketing mix, organisational considerations and by overall corporate goals and business drivers.

Outputs.
An analysis of the impact of the strategies on revenues and costs, informed by marketing mix and organisational considerations
An analysis of the alignment between proposed strategies, key business drivers and corporate goals
An assessment of how the proposed strategies fit with organisational culture
A ranking to identify the most attractive strategies
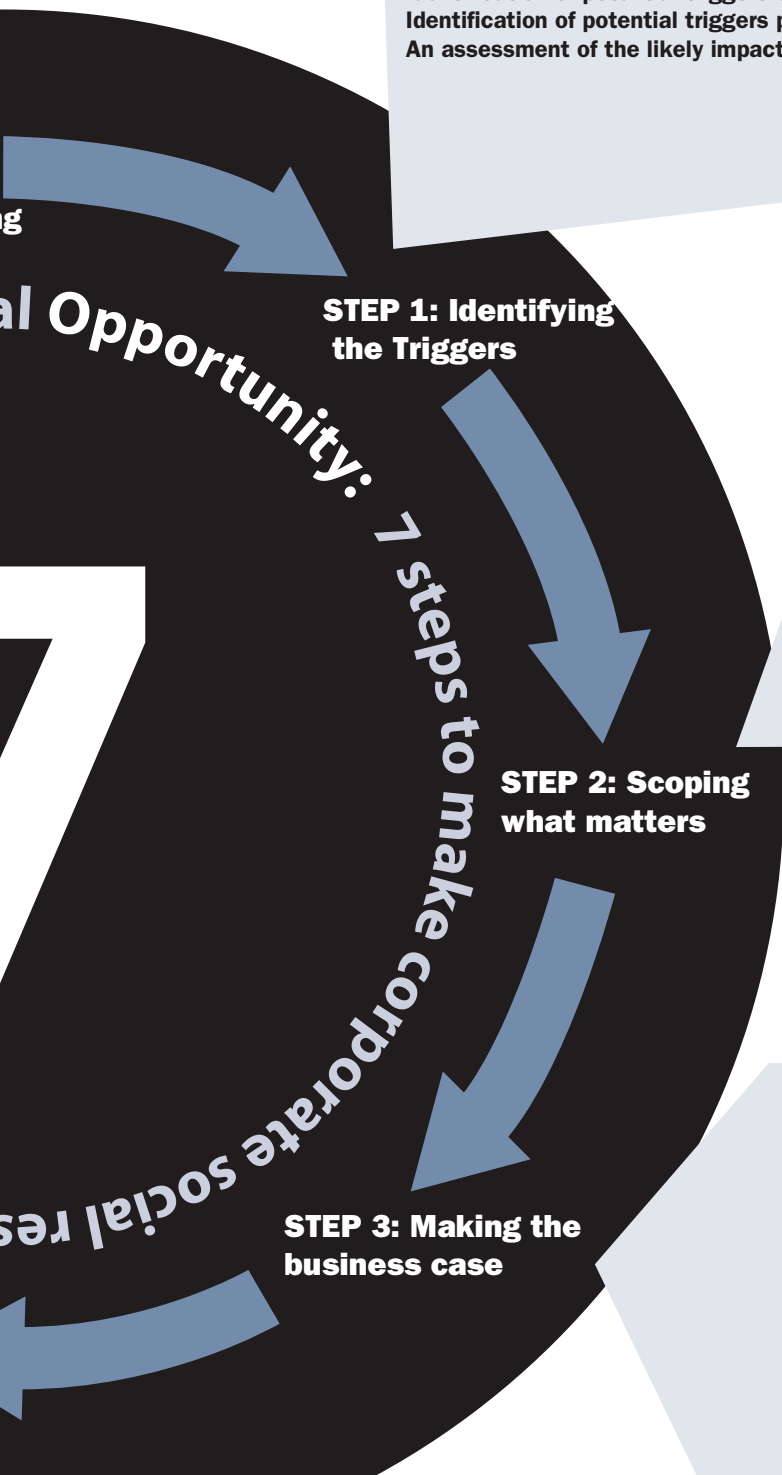
Outputs.
An assessment of the implications of proposed actions on corporate values and leadership – and vice versa
An assessment of the implications for governance and management arrangements
An identification of appropriate public commitments to be made and communications signals to be given

Opportunity: 7 steps to make corporate social res

STEP 1: Identifying the Triggers

STEP 2: Scoping what matters

STEP 3: Making the business case

Corporate Social
Opportunity
7 steps to make corporate social responsibility work for your business

By David Grayson and Adrian Hodges