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Attaining sustainable growth through corporate social responsibility

Corporate Social Responsibility

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Attaining sustainable growth through corporate social responsibility

By George Pohle and Jeff Hittner

A growing body of evidence asserts that corporations can do well by doing good. Well-known companies have already proven that they can differentiate their brands and reputations as well as their products and services if they take responsibility for the well-being of the societies and environments in which they operate. These companies are practicing Corporate Social Responsibility (CSR) in a manner that generates significant returns to their businesses.

Corporate Social Responsibility is the way companies manage their businesses to produce an overall positive impact on society through economic, environmental and social actions.

Introduction

The Internet has already triggered lasting change in the structures of industries and the ways businesses create value. Today, ubiquitous connectivity is creating new relationships among businesses, customers, employees and partners. People now have access to massive amounts of information – and opinions – about products and company practices. This information is available in every part of the globe, every minute of every day.

But the Internet does more than spread information. It's also a place where people get together to discuss and organize activities to bring about social change. As a result, sustainability, both for societies and enterprises, will require mutual accountability – a more collaborative relationship that allows each party to reach a shared understanding and thrive.

This collaboration takes place during a time of increased visibility of corporate actions; a time when customers' *perceptions* of companies and their consequent purchasing *behaviors* are fundamentally changing. And because that means significant financial impact for businesses, CSR is no longer viewed as just a regulatory or discretionary cost, but an investment that brings financial returns.

Our survey of 250 business leaders worldwide found that businesses are wasting no time in interpreting these implications and acting on them: When companies talk about CSR, they tend to describe it in terms of philanthropy. Our survey, however, found that businesses have actually assimilated a much more strategic view; 68 percent are now utilizing CSR as an opportunity and a platform for growth.

Based on our conversations with business leaders and our own survey of their actions and expectations, it appears incontrovertibly true that business executives are starting to see CSR as a sustainable growth strategy.

It's equally true that the more advanced view of CSR demands significant long-term commitment, and definition (or re-definition) of corporate values. It can also require wholesale changes to the ways companies operate.

Finally, it will require a finely honed appreciation of customers' concerns. A potentially alarming finding from our survey is that 76 percent of the business leaders surveyed admitted they don't understand their customers' CSR expectations well.

The CSR survey

IBM's global survey was conducted to gauge just how deeply the CSR issue has penetrated the core of the corporation – its strategies and operations. We surveyed more than 250 business executives worldwide.

Our analysis led us to three dynamics that companies should understand and act upon in dealing with CSR. These dynamics are:

- Impact for business – From cost to growth
- Information – From visibility to transparency
- Relationships – From containment to engagement

This study will examine each of these dynamics individually and make recommendations that will help companies in their journey to achieve sustainable growth through CSR.

Connectivity in action

All over the world, new communication technology is altering the relationship between business and society in dramatic and surprising ways. Even in more closed societies, connectivity can derail business plans. In Xiamen, China, armed only with cell phones and text messages, citizen groups forced local government and business to suspend development of a petrochemical plant. The demonstration looked spontaneous, but behind the scenes, activists were using mobile phones to coordinate it.[1]

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Impact for business: From cost to growth

Governments have historically arbitrated much of the relationship between society and business, and in its most rudimentary form, CSR can be viewed as compliance with the laws and regulations set by the public sector. Although regulation can have significant social value, companies look at compliance as a cost of doing business – and as a source of potentially costly hits in terms of litigation and reputation.

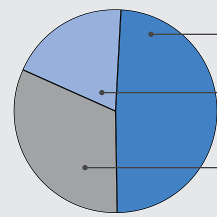
As companies have gone global – either by entering new markets to sell their products and services or by working with new overseas suppliers – the costs of compliance have risen rapidly. Failure to abide by local and global regulations can destroy business reputations and brands, but compliance alone won't build brands. Nor will compliance offer the growth opportunities that strong brands and reputations bring with them.

Many companies have clung to this narrow compliance-based view of CSR for decades. Quite recently, however, companies have started shifting their thinking about what it means to be socially and environmentally responsible.

Today, a surprising number of companies already regard corporate social responsibility as a platform for growth and differentiation.

- Over two-thirds (68 percent) of the business leaders surveyed by IBM are focusing on CSR activities to create new revenue streams (see Figure 1).
- Over half (54 percent) believe that their companies' CSR activities are already giving them an advantage over their top competitors.

FIGURE 1.
Focusing CSR to create new revenue streams.
(Percent responses)



Source: IBM Institute for Business Value.

When aligned with business objectives, companies are beginning to see that CSR can bring competitive differentiation, permission to enter new markets, and favorable positioning in the talent wars.

How do you develop a CSR strategy?

Our approach is to view a company's current activities and objectives against the CSR Value Curve (see Figure 2), which captures the shift in thinking from CSR as a cost or risk mitigation effort to CSR as a strategic goal that brings in new revenues.

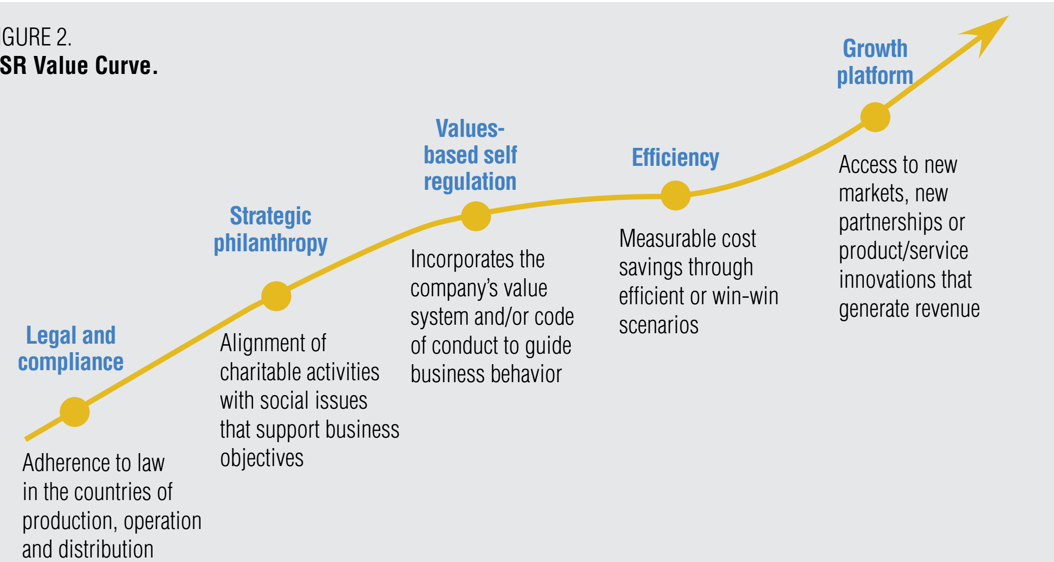
When businesses do start to move beyond compliance, they start their journey along a continuum described in this curve. Our survey results showed that surprisingly few companies are engaged in what appears to be a very fundamental area for reputation building. That area is strategic philanthropy, which is a way to align charitable giving with business strategy, company skills and market needs. These efforts reinforce a company's social commitment with ongoing returns, often in the form of goodwill and indirectly from a financial perspective.

For example, IBM works with public and not-for-profit organizations to make the World Community Grid available to a volunteer force of more than 210,000 people who donate the idle processing power of their computers to create a "virtual supercomputer" devoted solely to humanitarian research. The program is strategic to IBM because it demonstrates how leading-edge technologies the company is developing can meet major global challenges, and it gives the company feedback on the performance of those technologies in real-world applications.

Because the positive financial impact of traditional philanthropy is often indirect, efforts aren't always sustained. But in order to have a lasting impact on society and on the business, they must be maintained and leveraged. So the closer you align philanthropy to the core strategy of the business the easier it is to consistently support the efforts.

Demonstrating cost savings is another means to engender sustained support. Companies are finding that many CSR initiatives, including those that reduce energy consumption or benefit the environment, help reduce overall cost structures or increase productivity. For example, Catalyst Paper Corporation, a Canadian pulp and paper company, uses its own by-products (biomass) to power its operations. It also regains heat from effluence to warm process water and thereby further reduce its carbon emissions.

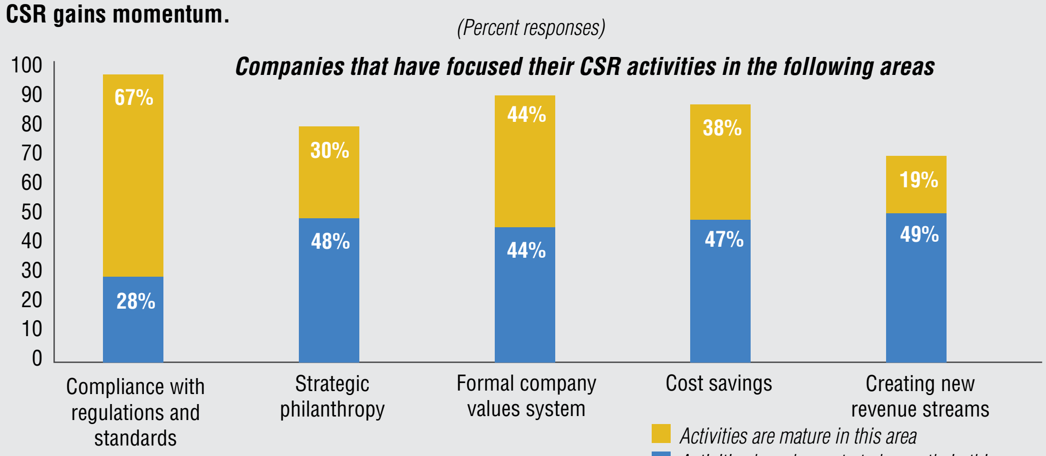
FIGURE 2.
CSR Value Curve.



Source: IBM Institute for Business Value.

As companies move from left to right on the value curve, greater returns are realized as CSR becomes more integrated into core business strategy.

FIGURE 3.
CSR gains momentum.



Source: IBM Institute for Business Value.

Together with efficiency gains and a switch to natural gas, the company has lowered its greenhouse gas emissions by 70 percent and its energy use by 21 percent since 1990. In 2005 and 2006 alone, the company saved US$4.4 million through a 2 percent reduction in fuel consumption.[2]

The maximum benefit from the CSR opportunity takes place when all activities on the CSR Value Curve become integrated into a single strategy, with leadership from the top managers and full engagement by employees, business partners and customers.

As Figure 3 shows, business leaders in our survey are already focusing their CSR activities to develop capabilities in many areas across the CSR Value Curve. Interestingly, more than half their activities have only broadened quite recently, an indication of gathering momentum and continued opportunity.

The CSR profile of outperforming companies

Companies that report they are substantially outperforming their peers already grasp the benefits that result from a CSR strategy integrated into the core of their business. Our survey found that these companies are more than twice as likely to:

Collaborate

- Understand their customers' CSR expectations well
- Have increased the amount of information they provide about the sourcing, composition and impact of their products, services and operations
- Collaborate with consumers and business partners on their CSR initiatives
- Engage their full base of employees in their CSR objectives (i.e. not top down)

Integrate

- Place critical importance on, and consider themselves very effective at, CSR supply chain processes
- Consider themselves very effective at developing products and services with a positive societal or environmental impact
- Place critical importance on, and consider themselves very effective at, aligning philanthropy with business priorities

Information: From visibility to transparency

Companies are more visible, more exposed, than ever before, especially as they expand their sphere of operations and their markets. Watchdog organizations are working hard to keep people aware of what businesses are doing.

Since 1990 the Web has spurred the growth of more than 100,000 new citizen groups devoted to social and political issues.[3] And the torrid pace of information traveling the Internet is transforming consumer expectations as customers gain continuous access to special-interest action plans and third-party scorecards that rate companies on environmental practices and ethical concerns. In fact, companies can easily lose control of their own brands and reputations.

Three-quarters of businesses admit they don't understand their customers CSR expectations well.

Customers are joining with activist NGOs and advocacy groups, who no longer depend on door-to-door canvassing and street demonstrations to bring environmental and fair trade issues to worldwide attention. They use blogs, podcasts, text messaging, MySpace and YouTube to proliferate their messages.

The traditional adage, "buyer beware," has now become "seller beware."

Customers want to know more

Compared to their predecessors a generation ago, consumers today are information omnivores. Some keep abreast of the nutrition and health issues of the products they consume by scouring Web sites as frequently as they read ingredient labels. Others research the environmental impact of the materials used to create the products they consider.

This quest for information is intensifying. In the UK 57 percent and in the US 59 percent of consumers say their knowledge about the contents of the food they buy has increased over the last two years.[4]

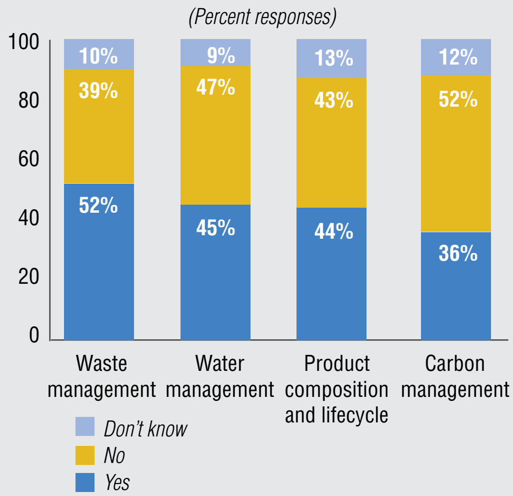
Heightened visibility into business is not restricted to the more mature economies. Citizens in China and India are making the transition from producers to consumers and profoundly believe in the social responsibilities of business. China's CSR expectations are rising rapidly to levels of western countries; India's are already there and Brazil's far exceed them.[5] Moreover, in many emerging economies, opinions about global companies are being formed for the first time, making today's reputation a key factor in future growth.

Visibility extends beyond products to business practices as well. Consumers are scrutinizing procurement and sourcing policies. They're checking on trading practices product composition and lifecycle management. They're looking at the global impact of their choices across the entire supply chain – labor conditions in contract factories, and the lending policies of the financial institutions they deal with.

Exposure is crossing into business relationships as well. Companies are digging deeper into their partners' operations, asking about carbon dioxide emissions and the impact of hazardous components in the supply chain (see Figure 4).

Given the extraordinary quest for information on the part of customers, it's all the more surprising that businesses seem to know so little: Three-quarters of businesses admit they don't understand their customers CSR expectations well.

FIGURE 4.
Required by business partners to adopt environmental standards.



Source: IBM Institute for Business Value.

Transparency meets visibility

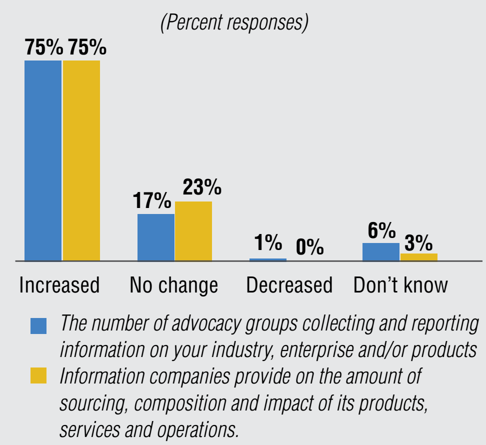
The best response to all this exposure? In today's open environment, companies are finding it necessary to take the wraps off information they once considered private or proprietary. With relentless pressure from watchdog groups, "need to know" restrictions tend to fall away. So, visibility is best met with a continuous exchange of information – or transparency.

Our survey results chart a marked increase in both information requested by advocacy groups and information provided by business, indicating that transparency is in fact tracking to visibility (see Figure 5).

- 75 percent said the number of advocacy groups collecting information on their business has increased in the past 3 years.
- 75 percent have also increased the amount of information they provide about the sourcing as well as social and environmental impact of their products and services and operations in the past 3 years.
- A full 63 percent believe they have sufficient information about the sources and composition of their products and services to satisfy customer concerns.
- Yet, two-thirds of those same leaders admit they don't understand their customers' CSR concerns well.

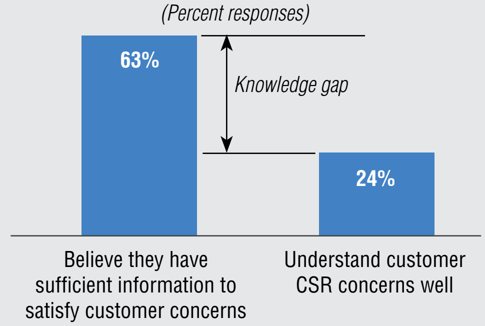
This disconnect suggests that most companies are either simply confident of their ability to meet regulatory requirements or, at best, guessing at what customers expect.

FIGURE 5.
Information explosion over the last 3 years.



Source: IBM Institute for Business Value.

FIGURE 6.
Could companies be caught in the gap?



Source: IBM Institute for Business Value.

Making information relevant

What seems like an insatiable thirst for information is in reality a drive for relevant information that can reduce complexity and increase comfort level with purchase decisions.

For example, expiration dates on food cartons were designed to provide easy-to-understand guidelines. But when you encounter one bad egg you wonder whether you need to discard the rest of the carton as well. EggFusion is a company that provides freshness and traceability coding to give you egg-specific answers – each egg receives a unique number before being put in a carton. The consumer enters that number on a Web site to find out when and where the egg was packed, as well as an expiration date for that particular egg.[6]

Imagine how this approach might be used in the future: What vitamins did the hen receive in its feed? Is it hormone free? At what temperature was it stored and for how long?

Companies that figure out how to make information *relevant* will win customers' trust – and build a powerful platform for growth.

Smart systems

"You can't make a product greener…without making it smarter" says Thomas Friedman describing variable pricing for traffic congestion networks.[7] Being open will require embedding information in innovative ways – smart utility meters, smart power lines, smart cars and smart strips for detecting food-borne bacteria. All will be based on realtime data.

Technology will enable companies to give stakeholders the kind of information they crave for quick decisions. A utility company, for example, that allows them to switch energy sources based on the realtime availability of the most environmentally friendly energy sources. Cell phones that scan product bar codes and immediately display the user's pre-defined product information.

Transparency and collaboration

Increasingly, the degree to which a company is willing and able to open itself to stakeholder scrutiny will be a make or break factor in achieving CSR objectives. In fact, the company that invites more eyes on its operations can preempt problems that would otherwise become very expensive to solve.

Some companies are responding in innovative ways, for example by publishing their contract manufacturer lists online for all to examine and scrutinize. Doing so in an open manner can enable a dialogue with NGOs seeking to end unfair labor and environmental practices. Instead of resisting those efforts, businesses are enlisting their help in monitoring the supply chain. As a result, they gain valuable and expert assistance instead of harsh publicity.

The restaurant industry, for example, continues to struggle with the idea of transparency, fighting government legislation attempts to more readily disclose nutrition information. In doing so, the industry invites a whirlwind of negative publicity against overwhelming consumer demands for transparency.

In fact, a 2005 survey by food services company Aramark found that 83 percent of customers wanted nutritional information in the restaurants they dined at.[8] Like most, the restaurant industry looks at the difficulty of meeting these expectations and argues that customers will not order the healthy choices the say they want. Instead of taking the lead and working with customers to reinforce their stated values, these businesses run the risk of continued hostile scrutiny and regulation.

On the other hand, if a company clearly pledges to enforce standards, openly sets goals to improve upon its current abilities, while inviting and involving customers and other stakeholders, then transparency actually improves relationships that were once adversarial.

The information dilemma

As businesses grow more global and complex, and more interlocked with the operations of the partners in their value chain, there's a very real concern that the growing demands for information transparency could outpace the ability to supply it. Even the most open and proactive firms face a dilemma: Too often they just don't know what they know. And when they do, they don't know what to share.

U.S. footwear company Timberland created an unusually open product label. Based on the graphic design of a nutritional label, the Timberland label indicates the name and location of the factory where the shoes were made, the amount of energy used in production, and percentage of renewable energy used. It even shows the percentage of factories assessed against code-of-conduct standards, and the number of hours employees have volunteered in the community.[9]

Too much information… or just right?

Information strategies need to be relevant to customers' concerns, expectations and preferences. Customers will define the amount and type of information they need, and the enterprise will find the best ways to deliver it. A key dependency for all companies will be a single view of the truth across their extended supply chains. And that will require innovative methods for maintaining compliance and cooperation on common objectives and standards. As the MediaCo case study describes on page 10, automated systems that draw upon advanced analytics can enable adherence to common standards, and even predict compliance.

A single view of the truth provides the foundation for delivering that information, but ongoing interactive relationships are necessary for companies to find out what's important and relevant at any given time to customers and other stakeholders.

A company's most valuable asset is its ability to convert brand power into customer buying decisions. Only the company that shares reliable information can be a trustworthy "partner in sustainability" for customers who are ready to buy.

While MediaCo has no plans to audit 40,000 factories itself, it is now in a position to apply advanced analytics for effective 100 percent coverage.

MediaCo protects its brand

For a company selling to families, the impact of a human rights campaign along the lines of “made for children by children,” could be devastating. Recognizing its responsibility to uphold international labor standards, a prominent family media and entertainment company, MediaCo, needed to overhaul a system for overseeing a worldwide network of licensees / vendors and thousands of factories. Designed to hold licensees and their vendors to responsible labor standards, the system wasn’t adequate to support growth plans, which would require double the number of plants in ten years – most of that taking place in countries with the highest risk of breaching standards.

MediaCo realized it needed a new way to manage the risks associated with distributed global sourcing. Not only did it need to be based on a consistent proactive application of its labor standards policy, information needed to be accessible and easy for licensees and vendors to use. In other words, the policy needed to be transparent inside and out.

Because three attempts to update the system had been unsuccessful, the company decided to lead with an executive steering committee consisting of senior-level management from business units. It combined a “top-down,” goal-based approach with a “bottom-up,” issues-based one incorporating workshops and other collaboration techniques for rapid identification of existing and required business processes and strategic improvements.

Based on more than 500 ad hoc policy statements, complexity and fragmentation made the current system difficult to administer and virtually impossible to grow. More than 50 documents were in use, with no central management, no business rules and no alerting system. Audit forms were complex, lacking quantifiable data and multilingual capability. MediaCo realized that the goal of a CSR program was not to police its partners and suppliers through rigorous audit protocols but to provide them self-support, as well as access to tools and resources to maintain ethical manufacturing standards.

Data sharing and data integrity were major issues. There was no capability for internal and external stakeholders to share information. Data entry was done manually by compliance specialists with no linkage to the enterprise system and there was no way it could be used to negotiate current deals or to prevent production from being initiated if policies weren’t met.

Collaborating internally across multiple functions and externally across its supply chain, MediaCo was able to collapse its 500 policies to 170 integrated rules. Eight key documents replaced 50.

By making the information system accessible and easy to use it became possible to spread the responsibility for data collection, shifting it to the licensees and vendors, away from the small MediaCo team. Growth can now proceed quickly and responsibly – because robust factory records are available to business units, licensees and vendors. In order to accommodate intellectual property issues, the database was designed with restricted views as needed to meet contractual requirements.

While MediaCo has no plans to audit 40,000 factories itself, it is now in a position to apply advanced analytics for effective 100 percent coverage. A risk engine can be set up to quantify, accept and normalize audits from multiple sources. Risk levels can then be ranked, scored and prioritized for mitigation – through interventions in the form of direct audits, visits or face-to-face educational engagement. Scorecards and key performance indicators can be continuously updated for internal and external reporting purposes.

Relationships: From containment to engagement

When CSR strategies are effective, transparency, as discussed in the previous section, goes hand-in-hand with stakeholder engagement – with two important caveats. First, you can't call it transparency if you simply spew information out into the marketplace, or unleash what is effectively a data dump on your customers. It could even backfire. True communication requires not just context, but interaction among the parties giving and receiving information. Second, trying to engage stakeholders without full transparency is disingenuous at best.

Yet, most companies have limited the ways in which they directly interact with customers and other constituents on CSR issues. Typically, engagement begins and ends with sales, marketing, customer care, or public relations functions.

Impact of customer intimacy

Companies that understand their customers' CSR concerns well:

- Report more success than their peers in increasing revenue and reducing costs as a result of their CSR strategy.
- Are more likely to focus on and believe they are effective at differentiating their products and services.
- Believe they are more effective at improving labor practices; adopting ethical and green procurement, manufacturing and logistics processes; aligning philanthropy with business priorities; and adopting a formal company value system than their peers.
- Are more likely to engage their employees in the company's CSR objectives.

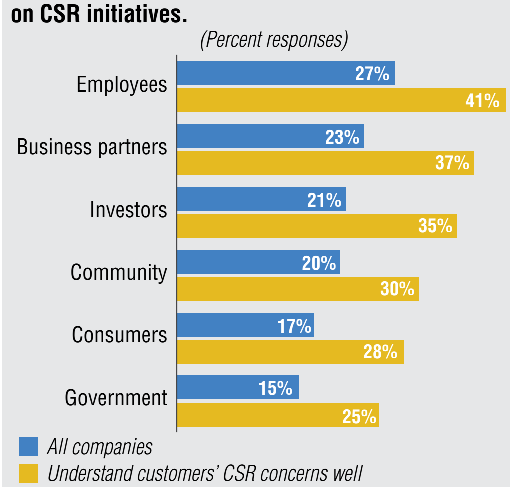
Driving transparency, however, requires significantly more interaction with customers – from senior managers to shop assistants. And at all these touch points, business will need to both practice openness and ensure that its full employee base is prepared to enter into a dialogue with customers.

Businesses have a long way to go. Only 17 percent of our survey respondents said they really engage and collaborate with customers regarding CSR activities. And the numbers aren't much better for business partners and communities – 23 percent and 20 percent respectively (see Figure 7).

The only way to get a better handle on stakeholder expectations – and forge mutual objectives – is to foster a relationship based on continuous engagement.

FIGURE 7.

Companies that mainly collaborate with stakeholders on CSR initiatives.



Source: IBM Institute for Business Value.

Imagine this scenario: A global business is struggling to monitor working conditions and environmental standards throughout its supply chain in Southeast Asia. At the same time, NGOs are focused on improving human rights and ensuring environmental resources for local communities. By collaborating, the NGOs and the enterprise can support common goals. The business can leverage the NGOs resources in order to monitor, educate and improve its supplier conditions – in this case going beyond transparency, and turning a combative relationship into a partnership that sees the NGOs achieving their stated societal objectives as well.

As the case study of British retailer Marks & Spencer below illustrates, there are numerous benefits in partnering with customers, suppliers and NGOs. In fact, collaboration with NGOs is one bright spot in our survey; 48 percent of businesses report they are already partnering with NGOs or local governments for business purposes.

Marks & Spencer: Differentiation based on trust

"Fifteen years ago British consumers were perhaps the most trusting in the world," said Mike Barry, who heads corporate social responsibility for British retailer Marks & Spencer.

However, a series of debilitating food scandals in the early 1990s left them so shaken that by 2000 consumer skepticism had expanded to other products too – from the wood used in furniture to the chemicals in clothing. "I think it's safe to say that from 2000 to 2002 retailers like Marks & Spencer were in crisis management mode," said Barry.

Against this backdrop, and in response to public concern over sustainability and traceability, M&S was anxious to get in front of the issue and better understand what was driving customer concerns and behaviors. Their analysis revealed four consumer groups:

- 25 percent weren't interested in green or social issues at all; most of these customers had low incomes and more pressing concerns;
- 38 percent were somewhat interested in green or social issues but didn't know if they could make a difference themselves. These customers wanted to be sure if, for example, their individual recycling would make a difference;
- 25 percent were fully engaged in the issues but did not want to compromise on price and quality;
- 12 percent were crusaders – very passionate and looking to Marks & Spencer to be an advocate as well.

Essentially, two-thirds of British consumers were asking for M&S to make things easy for them. "The only decision they really want to have to make is whether or not they should walk through the doors of our store," said Barry. "They don't have to think about it. It's easy."

Based on these insights, M&S launched the "Behind the Label" campaign, which educated its 16 million customers about all the things the company was doing around environmental and social issues. The program was deemed a success, but competitors were also doing some good things to gain consumer trust.

“It’s like the wild west out there in terms of ideas. You’ve got to put yourself on the map so organizations with different ideas know you and can approach you.”

To establish a clearer point of differentiation, last year M&S launched Plan A, a highly visible £200M “eco-plan,” impacting every part of the company’s operations. With 350 million items of clothing and 2.3 billion items of food produced under its label, M&S recognized it needed to work with stakeholders in new ways. That required an open and innovative approach to information exchange.

Collaborating with suppliers and customers

On the supplier side, the focus was collaboration as well as traceability. “If you don’t know who you are buying from, you can’t manage the issues,” said Barry. At M&S, meat used in sandwiches and recipes can be sourced back to the individual cow. Traceability for clothing reaches back deep into the value chain – as far as dye houses and spinning mills. While the complexity of the supply chain, especially textiles, still poses major challenges, it has also brought opportunities for innovation.

“It’s like the wild west out there in terms of ideas. You’ve got to put yourself on the map so organizations with different ideas know you and can approach you,” said Barry.

As part of Plan A, M&S created a supplier exchange in order to share best practices. Barry explained, “It’s about closing the loop – taking different parts from the business model – bits that used to be isolated from each other, and linking them up.” Farmers, for example, who learned how to use anaerobic digestion to create biogases from farm waste, are now selling green electricity to M&S, along with their beef. A manufacturer in Taiwan that can turn bottles into polyester is talking to a polyester plant buyer who in turn is talking to M&S buyers.

Another key objective for the company has been to engage customers. According to Barry, “You actually want consumers to buy into driving change rather than just being recipients of it.” To do that, the company looked for opportunities to collaborate with NGOs. Oxfam fit the bill. Together, the retailer and the NGO have created an alternative to dumping old clothing into landfill. Customers who take their used M&S clothing to an Oxfam charity shop get a discount when they purchase new clothing at M&S. Programs like this give shoppers an opportunity to learn about sustainable consumption by taking action that achieves a social benefit as well.

Barry was quick to caution that the collaborative approach – with customers, suppliers and NGOs – requires patience. “This battle will be won and lost in three, four, five years’ time, not in the next six months,” he said. “And anybody who thinks this is about short-term positioning is in for a rude awakening. This is about long-term positioning of your brand.”

Engagement starts from within

What happens when a customer walks into a store, a bank, a showroom, or even a factory floor and asks if the products they see are fair-trade or sourced sustainably? Do employees have the information at hand? Can they answer questions about the company's labor practices and energy consumption as well as product disposal? Not usually.

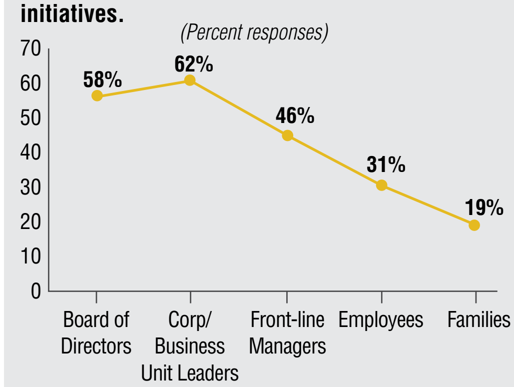
Are they prepared to have a real dialogue, one in which they learn about the customers' needs? Not frequently enough, according to the respondents of the survey.

All too often in corporate life, the CEO announces a vision and the average employee is mystified or indifferent. With CSR, it can be different. Research at Marks & Spencer, for example, shows that employees rate higher on every measure of CSR commitment than customers.

Developing and implementing a CSR strategy is a unique opportunity to rally the company. However, as our survey results show, only 31 percent of businesses engage their employees on the companies, CSR objectives and initiatives. This is a significant opportunity lost (see Figure 8).

Some companies engage employees by posing grand challenges, in which groups collaborate around a common goal to develop a product or service with societal or environmental benefits. Other companies provide incentives for individual actions that make a significant difference. 3M's Pollution Prevention Pays (3P) rewards employees who have breakthrough ideas for eliminating pollution at its source. Since its inception, nearly 6,000 3P projects have prevented the creation of

FIGURE 8.
Company engagement in CSR objectives and initiatives.



Source: IBM Institute for Business Value.

more than 2.2 billion pounds of pollutants and generated savings of nearly $1 billion, counting only first year savings from the projects.[10]

Every business will find its own way to engage employees, customers, partners and NGOs. The success of all these programs, however, will hinge on the depth and vitality of the interactions they support. Those that consistently combine clear transparency with deep interaction will best be able to advance sustainability in businesses and society.

Employee engagement on CSR initiatives can have another positive affect; it can be a powerful recruitment and retention tool in an environment where the war for talent is shaking up whole industries. A recent study found that 44 percent of young professionals say they would discount an employer with a bad reputation.[11]

Moreover, there are plenty of studies and surveys that suggest the more socially and environmentally aware generation now leaving school doesn't just want to join a company with a good CSR reputation; they want to be a part of a movement to create a better world – and to do that from inside business. That means getting involved in identifying CSR-based growth platforms, getting creative in applying innovative solutions, and getting closer to customers.

Conclusion

CEOs have long been accountable to a varied group of stakeholders – employees and communities, as well as investors. The nature of these relationships is now changing in ways that significantly affect corporate performance. In part due to the emergence of the Internet and continuing globalization, companies are becoming accountable for labor issues and working conditions in their partners' operations as well as their own. In order to attain sustainable growth through CSR, companies must:

1. Align and incorporate CSR with business strategy and integrate it across all operational functions, thus making it easy to invest (not spend) the funds necessary to achieve its objectives;
2. Implement an open information strategy for more transparent information sharing with multiple stakeholders;
3. Leverage transparency to increase the level of engagement of key constituents and customers.

When these activities are done in combination, CSR can become a dimension of a company's successful competitive strategy. Done right, it offers a company improved relationships with all of its key constituents, more loyal customers, lower costs, higher revenues and an overall improvement of the business' standing in society.

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Thanks are due to Guy Blissett, Stephen Rogers and Kevin Thompson.

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Produced in the United States of America
02-08

GBE03019-USEN-02