The Future of CRB: 
The Sustainable Development Imperative

Professor John Ratcliffe and Gillian O’Brien

The Futures Academy

Dublin Institute of Technology
Abstract:

In a complex, changing and uncertain global economy, corporations are becoming ever more visible. They are judged not only on their financial results but also on their behaviour towards society and the environment. This can be an opportunity, and the potential rewards for both the corporation and society at large are enormous.

The research, upon which this paper is based, aims to explore the current status, degree of awareness and likely future direction of corporate responsible behaviour (CRB) in the context of corporate real estate policy and practice. In doing so, it constructs a framework for evaluation that is conceptually broader and operationally more integrative than commonly contemplated in real estate.

It is suggested here that corporate foresight, often described as futures studies for business, can play an important role in creating a culture of responsibility within corporations.

The three key questions addressed are:

- How can corporate responsible behaviour influence the pan-European sustainable development agenda?
- Can a business case be established to ensure that CRB is recognised as a fundamental part of business strategy into the future?
- What steps will real estate executives have to take to demonstrate their commitment to the principles of CRB and sustainable development?

The research is being conducted by smart futures ltd., The Futures Academy at DIT, Cushman Wakefield and the Northern Ireland Science Park.

“From virtue comes all wealth”

[Socrates]
1. Power and Responsibility of the Global Corporation

1.0 The Rise and Rise of the Global Corporation

The future of our planet is in question. Rapid economic growth, unleashed by capitalism, has fundamentally changed the way we live. Over the past 200 years we have witnessed revolutionary transformations in technology, demography, human culture and the environment (Ratcliffe et al., 2005). The last three decades, in particular, have been characterised by accelerated change, brought about by the process of globalisation, and the emergence of innovative technologies. We are living in an era of high reward, but also of high risk. Our global society is a place where violence, poverty, inequality, prejudice, illiteracy and racial and religious hatred exist (Saunders, 1995). Where flash floods, forest fires and droughts abound as global temperatures rise. And where overpopulation and declining natural resources are all but threatening the delicate ecological balance of our planet.

Global corporations, seen by many as the villains of modern times, have come under intense scrutiny in recent years, following highly publicised corruption scandals such as Enron, Parmalat, WorldCom and many more. Today, corporations command greater resources and exercise greater power than any other type of organisation. Large corporations are the biggest contributors to political parties. They create and fund think-tanks and other research groups that shape the direction of public policy. Through ownership of mass media, corporations have a powerful impact on public opinion and popular consciousness. The future of our planet, it seems, is in the hands of the global corporation. The question is: will corporations recognise the strategic importance of sustainability in the world’s future and in their own future, or will they carry on business as usual, perpetuating poverty, environmental degradation and social decay? (Lazlo, 2003)

1.1 Sustainability and CRB

The concept of sustainability implies a long-term intergenerational focus. By looking ahead to conserve natural resources, mitigate global warming, or contribute to social development, it is arguably the best way to avoid surprises and crises, most of which are likely to have huge economic costs. Taking responsibility for the impacts of business on society and the physical environment would ultimately be self-serving as well as beneficial for humankind (Fuller, 2005). While advocates of corporate social responsibility might suggest that we are well on the way to achieving such a ‘win-win’ situation, in reality we are a long way from this point. For, responsibility is not just about the present, it is also about assuming responsibility now for future footprints. ‘We need to imagine ahead – and plan backwards’ (Ratcliffe, 2003). For this to happen, a new mindset is required by corporate organisations to anticipate and prepare for the future, a mindset that embraces individualism, collaboration and innovation, a mindset that addresses societal and environmental, as well as economic imperatives. Above all, however, a mindset that can tackle complexity, uncertainty and change (ibid). For
corporations to be truly responsible they must possess a ‘high moral quality’ that will facilitate practices that will create long-term value for stakeholders. (Warhurst, 2005)

1.2 Corporate Foresight

It is suggested here that corporate foresight, often described as futures studies for business, can play an important role in creating a culture of responsibility within corporations. But what can foresight add to the traditional processes of strategic management? Most strategic decision-makers continue to use tools designed for stable environments, on the assumption that with the right type of analysis, the future is predictable. However, in a world of rapid change and growing uncertainty it is becoming increasingly difficult to continue with such an approach. Instead, a more a structured and creative ‘futures’ approach should be adopted by those concerned about the prospects that lie ahead for their company. Arguably, therefore, foresight is an imperative for sustained success. Foresight has been described as a systematic, participatory, future intelligence-gathering and medium-to long-term vision building process aimed at present decisions and mobilising joint actions (FOREN, 2001). Applied futures research, or foresight, can widen companies’ planning horizons, more so than traditional methods of strategic planning. Foresight increases a company’s awareness of emerging opportunities, enriches the transformational dimensions of the vision, and enhances the flexibility of planning strategies. Futures tools can be integrated into the planning process where they are most useful. By linking potential external developments to internal decision-making, it enables key decision-makers to develop ‘strategic visions’ for the company (ibid). The potential for foresight to play an important role in embedding corporate responsible behaviour firmly into the DNA of the company is huge, in that foresight creates an atmosphere where questions such as the responsibilities of corporations, sustainability, the search for an improved quality of life, the further internationalisation of markets, the growth of ethical investment and changes in the nature of work and society can also be discussed in a broader context, than with traditional strategic planning. (Ratcliffe et al, 2005)

1.3 Finding the Link: CRB, Foresight and Real Estate Industry

Real estate is an industry particularly affected by the sustainability movement. Through investment, development or management, real estate companies have a major impact on society and on the environment (Keeping & Shiers 2003). Urban development, residential areas, offices, retail and leisure centres, transport links, car parks, use of open space and rural areas, all encroach on people's daily lives. Through the responsible management of social, environmental and human resources, the real estate sector can demonstrate to its peers how the values of CRB are best put into practice. Although mainstream property activities have traditionally been driven by financial obligations alone, innovative business leaders are beginning to recognise that the built environment is ripe for delivering sustainable development. As a result, some of the more progressive real estate firms have begun to take a closer look at the wider issues of sustainability, such as climate change, pollution and social exclusion and subsequently have begun to reap the many rewards. Nevertheless, such companies remain more the exception than the rule, and most real estate companies, while appearing to be applying the principles of CRB are
merely scratching the surface of what is coming to be known as a deeply complex concept that has the potential to radically change our economic social and political systems. This is partly because many corporations do not see real estate as central to core business activities. It is also because, in the past, the link between CRB and CRE was not clearly understood. Nevertheless, the link between CRE and sustainable development is more apparent, and is undoubtedly starting to act as a catalyst for CRB in the real estate industry. The accent, however, is more on ‘green buildings’ and ‘smart workplaces’, with less attention paid to the socio-cultural dimensions of property investment, development, and management within the communities where companies operate. “When you talk about sustainability, it’s not just limited to energy consumption. You are talking about a city’s culture, the history, and how to preserve them so the continuity of the culture, or the flavour of the history can be felt there” (Watanabe, 2006).

Taken together with new international accounting and reporting standards, the increasing application of ethical investment models and a heightened awareness of risk and human rights issues, CRB and sustainability are placed at the heart of future real estate practice (Ratcliffe, 2005). This is crucially important. Not just in terms of the prospects for effective real estate management, but in the leveraging of the status and relevance of corporate real estate to core business. It is time to take stock – reflect, review and revise around the role of the corporate real estate manager and the triple bottom line. The triple bottom line is all too often just that: three distinct sets of performance measures. The challenge now is to go beyond the triple bottom line to find a new, more integrated approach, to measuring and managing business performance and corporate success.

1.4 Futures Research at the Dublin Institute of Technology

At the Futures Academy in DIT, a combined methodology for exploring and shaping the future has been developed, The Prospective Process (see fig 1), enabling decision makers to envision a preferred future for their organisation and navigate uncertainty so as to make better decisions. By considering alternative scenarios that might play out along the way, and establishing a preferred future condition, business leaders can ensure their organisation can respond to the opportunities and risks that may arise. Scenarios are powerful tools for strategic policy analysis, especially where policy-makers have too much fragmented, unstructured and biased information. They provide a comprehensive, clear and accessible insight into how policies might be played out in various different futures. Scenarios are an invaluable way of evaluating the complex and uncertain future of the real estate industry.

1.5 Global and European Real Estate Scenarios

Early in 2001 King Sturge and the DIT developed a set of scenarios for the global real estate industry, one of which prophetically anticipated an event like 11th September 2001 and its aftermath. The Futures Academy at DIT collaborated with King Sturge once again in 2004, and conducted a European Real Estate Exercise. As part of this process a number of focus groups were convened to identify the drivers of change affecting Europe over the coming years, and to build a number of alternative scenarios for the future of the
European real estate industry. Participants were asked to partake in several individual but connected exercises, such as brainstorming for drivers of change, clustering issues and trends and alternative scenario creation. In addition, a number of ‘strategic conversations’ were conducted with leading figures in and around the real estate industry. A key strategic question was set as follows: “What are the major forces of change affecting the European Real Estate industry and how should the property community prepare itself now to face a future of uncertainty and complexity?”

As a result of the collaboration, four divergent future worlds were created. From this a set of four robust, plausible, differentiated, internally consistent, yet challenging scenarios of Europe in 2020 were created as follows: Empyrean, Principia Ethica, Titan’s of Avarice, and Belshazzar’s Feast. Interestingly, one scenario imagined a period of global metamorphosis; where EU integration has been a success in geographical, economic and political terms; where global ethics has become the next big issue after the environment; where sustainable economic development is built around growth in knowledge, human capabilities and social capital; and where a deepening and broadening of CRB integration has taken place. An ideal world? Perhaps, but not entirely impossible. Testing alternative ‘policy fields’ plays a fundamental role in ensuring that the most appropriate ‘agendas for action’ are considered on the basis of the scenarios. From an analysis of the issues and trends discussed during the focus groups, three principle ‘action agendas’ for each of the 12 thematic ‘policy fields’ were formulated. This essentially involved considering each policy measure within each scenario, examining how the decision might look in each, and determining what the implications might be and whether or not there were any deficiencies. Each action agenda under each policy field was tested for its significance – low, medium, or high, in each scenario, where significance indicates the need for any action to be taken, depending on the circumstances of the scenario. For a more in depth account of the Prospective process and the detailed scenarios visit www.futuresacademy.ie or www.kingsturge.com

One aspect, in particular, that emerged from this workshop was that the future is not a probable place that inevitably awaits, and towards which inexorably we are taken. While envisioning a preferred future for the property industry in Europe requires a much deeper consideration, this exercise concluded by posing 15 challenges facing the property professions over the next decade and beyond. For example, will the concept of sustainable urban development be enhanced and smart growth practices implemented? Will corporate responsibility be seized as an opportunity towards making a positive contribution towards creating community cohesion and city competitiveness? Does the growth in ethical investment suggest a shift in risk/return profiles for the industry?
Exhibit 1: “Prospective through Scenarios”
Source: Ratcliffe and Sirr (2003) The Futures Academy
2. Smart Futures Research Programme

2.0 Introduction

In attempting to address some of the questions above, the Futures Academy, under the direction of smart futures ltd, decided to collaborate on a pan-European research study into the integration of corporate responsible behaviour, sustainable development and corporate real estate [CRB/SD/CRE]. The initial phase of this pan-European research project aimed to develop the first comprehensive guide to corporate social responsibility (CRB) and its impact on how companies operate within the real estate industry. Over a six-month period research was undertaken by the Dublin Institute of Technology, Cushman & Wakefield/Healey & Baker, smart futures ltd, and the Northern Ireland Science Park.

2.1 Key Deliverables

The first phase of research considers the current status of CRB and how government bodies, corporates and institutions have embraced this issue. A number of interviews were carried out with leaders within various business sectors, including telecoms, media, energy and financial services. CRB was initially examined on multiple levels: global, European, institutional and corporate. A complete review of the available literature on the behaviour of corporates, in reference to CRB was undertaken to explore the present level of understanding and action taken at each of these levels. This enabled further understanding of influences, criticisms and coherence of response, and allowed access to opinions and representation from outside the corporate world. The status and place of CRB policy and legal/regulatory mechanisms were also examined as part of this exercise.

Following this, 150 corporates were canvassed for a brief set of basic questions relating to their current CRB practices and managerial representation. In addition, a smaller number of ‘strategic conversations’ (ref) were carried out with various business leaders from the telecoms, industrial and financial services sectors. The aim of this preliminary investigation was to establish a baseline of current corporate responsibility practices within the business world and to establish a link, if any, between each company’s corporate responsibility practices and their corporate real estate responsibilities.

At this stage, the research does not attempt to provide any conclusive findings, but rather is intended to examine companies CRB actions to date and identify the key drivers in implementing their CR programmes. Further outcomes and deliverables of the study will be determined throughout the research. Below are a number of preliminary trends identified in the course of our research, followed by one page analysis, drawing together the key points established during our study.

Deliverables for phase two will be determined from the results of phase one. Preliminary results will be available for review at the end of December 2006.
2.2 Phase One

The initial phase of this research examines the current status of corporate responsible behaviour (CRB) in terms of how government agencies, corporations and institutions are tackling this issue. There are three key research questions at this stage, set out as follows:

- How can corporate responsible behaviour influence the pan-European sustainable development agenda?
- Can a business case be established to ensure that corporate responsible behaviour is recognised as a fundamental part of core business strategy into the future?
- What steps will corporate real estate executives have to take to demonstrate their commitment to the principles of CRB and sustainability?

2.3 Key Findings

2.3.1 CRB Definitions and Common Actions

Corporate responsible behaviour - the term widely used among corporate leaders, politicians, non-governmental organisations (NGO’s), trade unions, the media, and civil society – involves a wide range of business activities that do not directly relate to the maximisation of profit. The World Business Council for Sustainable Development (WBCSD) defines CRB as: “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.” Similarly, the EU Commission Green Paper describes CRB as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” While there is no single definition of CRB, the general consensus among those interviewed and from available literature, was that it is a way of managing the strategic and operational activities of a company to produce an overall positive impact on society. According to one company, CRB involves overseeing the company’s relationship with all of its stakeholders, from employees, through to investors and surrounding communities “CRB is about working with colleagues, customers, communities and stakeholders into the future.”

Critics of CRB believe that corporations are merely using CRB as a public relations exercise to avoid regulation. Recent corporate scandals have merely served to increase such cynicism. Enron, before its collapse, had won recognition among the corporate sector for its CRB strategy. In this case, CRB activities were carried out merely to deflect attention from the more sinister aspects of the business. Nestlé, the world’s largest food and drink company, is recently reported to have applied for the Fair Trade mark for a new brand of coffee (Financial Times, 2004). The Fair trade mark guarantees a fair price for small-scale producers who meet labour and social standards. Yet, Nestlé is a boycotted brand in the UK and has been subject to long-running boycotts in at least 20 other countries. The company has also been criticised for its environmental and workers’ rights records. Despite this, Nestlé sees itself as a socially responsible company, which
indicates confusion over what are the accepted standards of socially responsible behaviour.

In all three sectors:

- there is a history of charitable donations in most of them forming a relatively substantial part of their ‘social’ CRB functions;
- responsibility for CRB tends to sit in the marketing, public affairs or communications departments.
- the contribution made through donating or evolving the use of existing product lines has a valid and important place within global CRB.
- all but two companies consider stakeholder opinions and needs within their decision-making processes.

The industrial sector stands out as a comparatively strong leader in CRB, particularly those companies involved in heavy industry and oil extraction. Most companies in this sector:

- do not yet have a have a definition of what CRB means to the company, and most show a lack of awareness or comprehension of CRB in the wider sense. CRB focus is heavily centred on their environmental footprint and on health and safety issues, as opposed to their impact on society.
- have a separate environmental group.
- felt they were leaders in health and safety, and most adhere to stricter policies than the legal minimum.
- Believe that CRB has increasingly come to mean devising new ways of using products, using less raw materials and using renewable energy.

The financial services were more likely to view corporate responsibility in terms of corporate conduct and socially responsible investment. According to one interviewee “CSR impacts on the social side rather than the environmental side...although indirectly 80% of our impact is through property”. Of all three groups, the technology sector admits to having less evolved policies and practices. And interestingly, most technology companies define themselves as having a low impact in terms of environmental footprint, considering themselves ‘part of the solution’ rather than part of the problem.

2.3.2 Impetus for Introduction of CRB Programmes

There has been an increase in the importance of intangible assets such as brand image and reputation in putting value on large corporations, particularly for those working in politically sensitive industries such as oil, tobacco or pharmaceuticals.
In all three sectors it was felt that:

- responding to the demands of advocacy groups and local communities has today become integral to the way many large businesses operate;
- survival is becoming more difficult for companies that attempt to shy away from corporate responsible behaviour;
- protecting corporate reputation has become a major incentive for multinationals to take CRB seriously;
- CRB policies can have a positive impact on profitability.
- Being responsive to community needs gives the company a licence to operate for as long as it acts in a sustainable manner;
- improved ratings with investors lead to a lower cost of capital and insurance cost savings;
- improved ratings in stakeholder surveys and CRB indices enhance the company’s status with peers through sustainability indices such as the FTSE4Good, Dow Jones Sustainability Index and the Corporate Responsibility Index.
- ‘well-behaving’ companies may also become more attractive to clients with CRB policies embedded in their own corporate culture.

2.3.1 Identifying the Business Case for CRB

Apart from the intangible factors for promoting CRB, the debate has largely focused on developing a business case. There is a growing perception that sustainable business success and shareholder value cannot be achieved solely through maximising short-term profits but instead through market-oriented yet responsible behaviour. Can CRB enable the company to both enjoy the business benefits and help protect the company’s bottom line?

The link between social performance and the bottom line has been measured by an external reputational index through analysing the content of annual reports or peer ratings. These qualitative results are then correlated with economic performance. There has, however, been difficulty in gathering data regarding the wide range of CRB activities for a sufficient number of firms to conduct statistical analysis. Such measurement problems make finding statistical associations between CRB and profits problematic. Forum for the Future, a UK based think-tank, having conducted research to find a correlation between CRB performance and the increased profits, believe that the link is vague. In contrast, according to the Institute of Business Ethics in the UK, companies that have publicly committed to CRB perform better on three out of four financial measures than those that have not. It was also reported that these companies had, on average, 18 per cent higher profits. Nonetheless, in this context the business case for firms to adopt CRB remains unproven.

While CRB may not seem integral to the immediate bottom-line impact as much the longer-term positive effects on reputation, studies have suggested that consumers do respond to CRB indices. In 2002, The Financial Times (2004) cited surveys showing that between 75 to 80 per cent of British consumers were inclined to reward companies for
being good corporate citizens, while 20 per cent were likely to punish those publicised for wrong-doing. It seems also that most decision makers believe that whilst initially having to bear costs, adopting a CRB approach can increase company profits in the long-term. In a survey conducted by Ernst & Young (2004), 94 per cent of company executives believe that social responsibility initiatives will increase sales.

Businesses are required to comply with the various laws applicable to them, but often must respond to societal expectations that are not written down as formal law. However, since many businesses now span a range of different legal, cultural and business environments, the challenge of legal and ethical compliance has become far more complex. Some of the benefits include; compliance and risk management, risk and transparency, market differentiation, competitiveness and operational efficiency.

Of those canvassed in the questionnaire, the most commonly stated push factors were to enhance the corporate reputation and stakeholder pressure. The least number of respondents were concerned with government led factors.

**What influenced your decision to implement a CRB policy?**

![Bar chart showing push factors for implementing CRB policy](Fig 1. (Rossall, 2006))

In most sectors:

- the impetus for CRB programmes was, by and large, driven from the top down, with pressure coming from the Board of Directors to implement a scheme.
- It is believed that CRB now has a significant impact on core business.
- health and safety is seen as a key driver and remuneration is linked to performance on these issues, and according to one interviewee “it enhances our reputation in the marketplace and provides implied warranty.”
- it was felt that CRB increases shareholder value and that there is greater interest from ethical investors as a result of embracing CRB.
Some of the companies questioned stated that their primary motivator was the fact that the competition were heavily involved in CRB issues, making it necessary to follow suit so as to be seen to be doing the right thing.

In the financial sector:

- most feel that consumer pressure acts as a key driver, with one company believing that “CRB impacts on the credibility of the how we do business”.
- lobby group pressure is not recognised as a motivating force, and one company stated “we are driven to be number one in a whole spectrum of areas of which CRB is only one”.
- there is increasing pressure to ensure that the whole supply chain is ethical, feeding into their user requirements. This is seen as a way of getting their message into the market and increasing their awareness of CRB.

In some cases, CRB has brought seemingly negative results. For example, over-regulation leading to time-consuming and frustrating internal processes, or the threat of litigation leaving little room for risk taking or innovation.

2.3.4 Reporting and external assessment

The extent to which the interviewed companies assess and report on their CRB activities varies slightly from sector to sector. Most companies interviewed are self-auditing. For those using external reporting procedures believe that FTSE4Good and the Dow Jones indices are the most popular.

A number of companies were signed up to the United Nations Global Compact (2000) www.unglobalcompact.com, the voluntary corporate citizenship initiative, launched in 1999. Although the compact is explicitly voluntary, it has succeeded in steering the debate away from the opposing regulatory alternatives and towards a kind of ‘third way’ that blends collaborative and regulatory mechanisms to involve all stakeholders.

Most companies, particularly those with manufacturing or industrial property, adhere to ISO 14001 www.iso.com, which is verified by independent auditors, although some achieve these standards without the full accreditation.

In terms of reporting, there is general consensus that:

- results should be reported upwards as a first principle, and that this is more important than making public any results or information;
- almost all of the companies interviewed report publicly on sustainability or CRB, either within a separate report or within their main annual report;
- reporting is based loosely around the triple bottom line structure;
- for those who felt they embraced CRB fully, the triple bottom line was seen as obsolete.
• a number of companies’ sustainability reports adhered to the Global Reporting Initiative (GRI) structure of reporting, which offers guidelines on how businesses should report details of their economic, environmental and social activities.

Apart from these initiatives, little or no third party advice was sought on any aspect of the framing of CRB policies, their implementation or their reporting. Most companies questioned made decisions on implementation and reporting either within their own CRB focus groups, who then advised the board, or the board of directors themselves considered these issues.

2.3.5 CRB and Real Estate

In just over half of all companies who responded to the questionnaire, the person responsible for the CRB programme was either not responsible for the real estate functions within the company, or, as in 16% of the cases, the respondent did not know whether these two functions were linked.

Who holds responsibility for CRB policy within your organisation?

![Pie chart showing responses](Fig 2. Sample Size: 150) (Rossall, 2006)
Does their remit extend to real estate?

![Pie chart](image)

Fig 3 Sample Size: 68

(Rossall, 2006)

In terms of the link between CRB and corporate real estate responsibilities, there is only limited evidence within the companies questioned of strategic consideration of the impacts, both social and environmental, of a property portfolio. This was particularly the case when the interviewee subject was the manager directly concerned with CRB functions. Often these persons did not consider relevant policies already undertaken by the company, such as energy efficiency for example, as linked to real estate. Inevitably, interviewees with direct responsibility for real estate functions did consider existing property functions from a more strategic angle. However, as decisions tend to be taken at board level, they are forced to wait for senior management to buy into new ideas. Nevertheless, it was generally recognised that new buildings will always comply with the local standards and reflect the image of the company.

In a few cases:

- a wider CRB attitude is taken to the acquisition of new buildings with transport issues being analysed before the final decision is made;
- It was felt that there is a need to show the communities in which they operate that they were making a commitment to their buildings and the locales in which they are situated;
- one of all the companies questioned has considered the need to develop an exit strategy to ensure that they left a positive legacy to the local community. But the company concerned does not yet have a policy in place;
- there is a culture of recycling and improvement of energy efficiency of buildings;
- some companies are looking to have zero emissions but this is financially driven rather than for any real ethical belief; and
- few companies actually have targets, or measure their success in terms of recycling or the actual energy efficiency of buildings.
Of all the three sector groups questioned, the industrial sector is, unsurprisingly, the most pro-active in terms of their environmental footprint, yet when it comes to evaluating social needs of employees or wider stakeholders, there was very little acknowledgement of the company’s impact.

In the financial services sector:

- all respondents identified the link between their CRB policy and their corporate real estate activities with regard to the acquisition, management and disposal of buildings.
- in most companies there are currently no formal minimum standards for building acquisition.
- in some cases, there are high operational-level guidelines on building design standards, followed by a lower tier of company wide standards for health, safety and fire.
- operational policies within the corporate real estate divisions are usually more detailed.
- there is a local understanding of these issues: environment, design, competition, and legal requirements.
- where there are no minimum standards the global standards apply. Most companies are not part of any voluntary agreements on environmental standards for buildings.
- most decisions are based on financial imperatives, with environmental and social issues being given a back seat if the budget does not cater for extra expenses.
- most companies feel that with the new EU legislation, this will be a very real issue in the future.

In the Technology sector:

- approaches have been taken towards dealing responsibly with property holdings, but in practice this varies widely within each company.
- most of the basic level real estate day-to-day facilities management concerns, such as recycling and waste, have at least been raised, such as recycling and waste.
- all of the companies have, or are in the process of rationalising their use of real estate, either because of downsizing, outsourcing or other efficiency initiatives which are financially/management driven.
- all companies are considering introducing, or already using, life-cycle assessment techniques within their strategies.
- the most significant outcome of this was an examination of their energy use. The telecoms and media companies are already testing programmes designed to track and eventually reduce the total energy consumption of their buildings.
- technology companies are far less advanced on this issue, with no programmes in place, and of those questioned only one of the companies has any plans to apply this to their entire portfolio in the short-term.
• within the very large companies, that this would be an impractical goal given the total size of property holdings and the differing types and standards of space required and available globally.

The questionnaire respondents as a group were strongly positive about leasing environmentally efficient space, with almost all rating this very or fairly important.

How important is it for you to lease space that is environmentally efficient?

![Bar chart showing responses](Fig 4 Sample Size: 150 (Rossall, 2006))

None of the companies interviewed were opposed to considering energy efficient or otherwise “green” buildings for their own use. However, financial and other concerns, such as design and location were currently much higher on their list of priorities, even for the most CRB ‘friendly’ in the group. Generally, there is an opinion that any buildings seeking to differentiate themselves based on green credentials would also have to be able to compete with more standard products on a financial platform, and that there needs to be a strong demonstration of the payback for green buildings. Nonetheless, all the companies were happy to offset any savings on running costs against a higher rent. In addition, the majority of questionnaire respondents were positive about the cost saving implications of more efficient buildings, and feel that this will become more important over the next five years.
Do you think that if occupiers knew that an environmentally efficient building could save costs in terms of energy and service charges, they would be more inclined to rent this space?

![Pie chart showing 88% Yes and 12% No](image)

Fig 5. Sample Size: 150 (Rossall, 2006)

Will leasing environmentally efficient space become more important over the next five years?

![Pie chart showing majority Yes](image)

Fig 6. Sample Size: 150 (Rossall, 2006)

Most interviewed believe that checking the environmental performance of buildings will become more mainstream over the next 10-15 years, but as of yet, a number of the them do not take into account the environmental footprint of a building in terms of transport, energy efficiency, water use, waste etc. Nevertheless, there is a general consensus that it is no longer prudent to acquire a building that is not environmentally friendly. Going forward it will make more business sense to choose the right building, not only looking at
the economic factors but social and environmental as well. However, this had not yet transgressed into building selection criteria to date in any of the companies.

Some interviewees have plans in place to introduce more rigorous selection criteria in the future, but this was generally limited to certain types of building as well as location. One company stated, “the bulk of a company’s portfolio is our branch networks and this is where the problem lies…retail space is never up to scratch environmentally, there is very little choice anyway as other factors are much more important such as competition and positioning on the high street…often we must just take what’s available”. Whilst there are examples of green buildings, generally, the corporates questioned felt that developers have not yet taken the CRB issue on board. Although, there is a general belief, that CRB will become an essential element of tenants’ requirements.

2.3.6 CRB Standards and Initiatives

It is generally believed among interviewees that:

- voluntary codes encourage excellence and while there is a need for minimum standards, no further legislation is required;
- the CRB process should be less prescriptive;
- large companies should set a good example to encourage smaller firms to follow suit.
- CRB is a global problem, which needs global solution, further alignment across the globe is needed and inevitably this will call for further regulation.

On the whole, among the corporate sector it is feared that unless CRB remains voluntary, governments will further restrict business activities across the globe, removing the opportunity to enhance communities where they operate. The question is not whether CRB should be voluntary or obligatory, but to examine how both approaches combined could enable the more widespread adoption of CRB. Voluntary approaches to CRB are worthwhile but not as a stand-alone business-led process. Ultimately governments may need to enforce CRB with legislation designed to penalise only those who do not behave in an ethical manner. In this regard, there is ongoing dialogue, at both national and international level, to find a common approach to promote CRB so as to minimise the negative and maximise the positive impacts of business in societies across the globe. In recent years, however, this has become an increasingly difficult task, due in part to the over proliferation of CRB initiatives at an international level and the lack of clarity about how each initiative relates to each other. Some companies who had initially signed up to global voluntary initiatives were forced to pull out due to the time consuming nature of adherence. Others felt that they wouldn’t be able to embrace fully the requirements of such initiatives.
2.4 Analysis

At this stage in the project, it is evident that given the current regulatory environment, the corporate sector can play a crucial role in bringing standards above the accepted levels, and, to this end, shape the CRB agenda to suit their own needs. In fact, a new debate is taking shape among corporates, which looks to identify and develop the business case for CRB. Whilst the importance of intangible assets such as reputation and risk management is generally accepted as a driver of CRB, there is limited evidence to suggest a quantifiable assessment of the business benefits of the CRB approach. Further proof of clear financial advantage is being sought of CRB within business. In some cases, such as in the financial sector, ethical investment is a huge driver of change within the industry and, whilst not providing hard number driven evidence, is the clearest indicator as yet of a financial benefit. Other sectors have different drivers and proofs of success, such as minimisation of legal risk amongst industrial companies, in an increasingly litigious society where the polluter pays. Nevertheless, none of this has added up to a truly coherent and comprehensive CRB policy such as the pressure groups and, indeed, some sections of society are demanding. The reality is a more fragmented approach concentrated on the key areas of concern for individual companies. This is echoed by the extremely wide range of voluntary schemes and initiatives, membership of which can be used as ‘proof’ of CRB, but in reality can be somewhat diverse in their goals and objectives.

The connection between corporates’ real estate and CRB strategies is, in many cases, relatively weak at present. Whilst all responses, both to the questionnaire and the interviews, were strongly positive towards the various aspects of sustainable buildings and management practices, this rarely led to a comprehensive buildings strategy encompassing all types of asset holdings. In the best cases, portions of the portfolio (Regional HQ buildings) were certified Carbon Neutral, or, in another company, a comprehensive building acquisition policy demanding certain minimum environmental standards was to be implemented from 2006. Much of the response from companies has, however, been a reaction to EU legal measures implemented as at January 2006 regarding minimum standards of energy efficiency. In the service sector, the most sophisticated responses were within the office section of a company’s property holdings. Notably, if any component of the business model was outsourced, the fact that the property holdings of the contractors were not that company’s responsibility was very important in determining attitude and overall self-image. Whilst supplier contracts and minimum standards of behaviour were commonplace, these were mainly geared towards workers rights and the eradication of child labour.

In contrast, the heavy industry companies had the most sophisticated response within their portfolio of plant and industrial buildings. This was due to both risk minimisation, social pressure and the sheer cost of cleaning up any pollution. Any other types of property holdings were considered less within this context because of the lack of associated risk. The final reason for non-implementation of CRB within the property industry was the lack of choice and the competing reasons for taking space, such as competition, brand image, design and space needs. Actions within the retail sector typify
this factor. Positioning within the high street is crucial, with limited choice in established retail locations. Additionally, stock is often older and less easily adaptable to sustainable management practices. Companies do feel that developers are beginning to take on board the need for more sustainable buildings, but this is not expected to be a key factor in decision making for between five and fifteen years.

Most companies questioned did not consider government led trends and legislation to be a key factor in their decision-making. Nonetheless, there are examples where a leadership role has been attributed to legislative changes or increased liability and risk, such as the new EU laws on energy efficiency, or the implementation within law across the developed world of the “polluter pays” principle. Almost all companies questioned did not wish for any increases in the legal burden placed on the business world and felt voluntary agreements to be more effective. Most felt that CRB legislation would stifle creativity and cause substantial operational difficulties for the majority. Minimum legal standards on specific issues were the most “popular” type of legal intervention, as they allowed companies to excel and did not proscribe certain types of behaviour across the board. What was most striking among interviews was the overall lack of futurity and ‘whole system thinking’ when making decisions, causing CRB policies to be fragmented and inefficient. To this end, more imaginative and creative thinking is needed.

3.0 The Next Step

The second phase of this research aims to use ‘futures studies’ as the critical research methodology. A number of workshops will be held to generate some imaginative thinking around the general theme of corporate social responsibility, sustainable development and corporate real estate. Its findings will specifically help form the framework for constructing a set of scenarios within which corporate property decisions might have to be made. Another futures approach entitled ‘Causal Layered Analysis’ (CLA) has been identified. This approach guides people in examining their views of the future of multiple levels, and not just in terms of the language and data that is typically used to define and discuss the trends and issues shaping the future (Inayatullah 2004). Its use, similar to the Prospective process, developed at The Futures Academy, DIT, does not aim to predict the future, rather to create transformative spaces for the creation of alternative futures. It consists of four levels: the litany, social causes, worldview and metaphor. The key challenge is to conduct research that moves up and down the layers of analysis, questioning at all times our understanding of the world.

Some of the benefits of CLA are that it have been described as (Inayatullah 2004):

- expands the range and richness of scenarios;
- leads to the inclusion of different ways of knowing among participants of workshops;
- appeals to and can be used by a wider range of individuals as it incorporates non-textual;
- layers participant's positions (conflicting and harmonious ones);
- moves the debate beyond the superficial and obvious to the deeper and marginal;
- allows for a range of transformative actions;
• leads to policy actions that can be informed by alternative layers of analysis; and
• reinstates the vertical in social analysis, ie from postmodern relativism to global ethics;

If we turn our attention to CRB, the road ahead is unclear. But what we do know from the research conducted is that CRB is at a turning point. Will external events and corporate choices relegate CRB to the bottom of public agendas? Or will CRB become embedded in corporate strategy and operations (White, 2005)? Or, is something more transformational lying in wait, as CRB becomes a force for creating the next industrial revolution? Such questions have profound implications for the future of real estate corporations, the future of business in general, and indeed, the future of our world. But in order to find answers, it is necessary to look beyond our traditional ways of thinking, break down our political, economic and social views and question everything. In this way, techniques such as causal layered analysis will enable us to understand and shape the imminent transformations, rather than merely witnessing them. For, we can shape the future if we can first imagine it.

4.0 Conclusion

Evidently, the unfavourable impact of the economy on the environment means that economic growth will increase the exploitation of our natural resources. At the beginning of the industrial revolution, there was an abundance of natural resources, where the only factor in low productivity was lack of labour. Since the end of World War II, however, world GNP has increased five-fold and world trade twelve-fold (Goldsmith: 1996). Our natural stock of resources is running thin. Our natural life support system is in decline and arguably we are becoming overpopulated. To attempt to solve societal and environmental woes, it is evident that we need to adopt a new approach to economics. David Korten (1994) spoke of maintaining the ‘social bonds of trust and obligation’ or the ‘social capital of the community’. Hawken (1999) attempts to highlight the significance of organising our economy not around neo classical economics but around the ‘biological realities of nature’, where natural and human capital are valued as finite.

Traditional economics is seen to have a number of failings, among them the chronic disregard for the services offered by ‘Natural Capital’ – the failure to account for external costs in valuing a country's environmental and social welfare. Natural Capitalism is based on a new set of principles, which are closely linked with those of sustainable development, namely: radical resource productivity; biomimicry; service and flow economy; and investment in natural capital. Environmental principles of sustainability aim to respect ecological integrity and the heritage of our man-made environment, and head ultimately toward a more circular system that values the by-products of our activities. For example, biomimicry, or reducing/eliminating waste can be achieved at the design stage of systems so that materials can be continually re-used. (Hawken et al: 1999)
While there is certainly a long way to go before becoming part of mainstream business, some innovative companies are beginning to recognise that it is possible to combine profit making with responsible behaviour. Few would disagree that the market for real estate is fragmenting along ethical lines distinguishing those companies who subscribe fully to the principles of CRB from those who remain oblivious. The latter side are faced with two choices: to either wait for a statutory framework to be developed, from which company policies can be formed, or become actively engaged in the CRB debate and help shape its agenda (Cox, Fell & Thurstain-Goodwin, 2002).

Although there is still great uncertainty in this field, it might be wiser to take precautionary measures than to do nothing and risk incurring greater costs in the long-term. Suffice it to say, a more proactive role may prove more cost-effective for those corporations with a longer-term perspective. Some good progress is being made in the real estate industry, particularly in terms of environmental management. Nevertheless, while environmental factors are crucial to the delivery of sustainability, property professionals need to move towards the wider issues of sustainability. For the majority of real estate companies continue to isolate interrelated issues of sustainability, indicating a lack of recognition of the complex interaction between the economy, environment and society.

In Einstein’s dictum “Problems cannot be solved with the mindset that created them”. A new mindset is required by corporate organisations to anticipate and prepare for the future. Futures thinking, through such methods as Prospective, foresight and CLA, can help change this mindset. By learning to develop and use methods and techniques drawn from the ‘futures field’ organisations can take actions to make a desirable future occur, quickly adapt to unfavourable environments, and efficiently implement strategies that will succeed in many different social and economic conditions.
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