

The increasing use of tools in CSR analysis

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Introduction

CSR is about to celebrate a decade of exposure to the global business community. In that decade the perceptions of what is CSR, how it relates to on-going business viability and what role will it play as we move further into the 21st century have changed considerably. This is not surprising as individuals who have expounded the virtues of CSR derive from a wide variety of backgrounds (sometimes with their own specific agendas) and be those individuals responsible for CSR in-house or as out-house consultants it has taken their activities some time to reach the radar of the Boardroom.

The issue that now exercises senior executives of many companies is their inability to appropriately align CSR, Corporate Governance, business risk management processes and purely corporate philanthropic activities. CSR as originally conceived was an attempt by western business school academics to articulate how companies would need to conduct themselves, their activities and corporate reporting in the 21st century. The basis was financial stability aligned to appropriate environmental footprint aligned with socially responsible behaviour towards your people, your neighbours and society in general.

However, as CSR expanded into a global subject so local and regional variations started to occur, and to take account of these variations there developed a CSR culture of attempting to divorce CSR activities from mainstream business processes. In some instances this led to some organisations and consultancies articulating a world where financial and non-financial reporting became separate activities, as if the two could exist alongside one another in some form of parallel universe.

Alongside the debate of the role of CSR within a company it soon became clear that CSR practitioners were making increasing use (almost becoming reliant upon) a burgeoning number of CSR best practice guidance manuals, self-appointed pseudo-codes of practice, indexation organisations, and self-assessment tools whose outputs could be manipulated virtually at will. In all cases these documents and tools came from a similar perspective, they were specifically derived to promote the organisation that compiled them. This is particularly true of the various indexation organisations such as FTSE4Good, Dow Jones Sustainability Index, Business in the Community and companies were deliberately choosing to join an Index, or use a particular tool, that made them look good rather than address their real CSR challenges.

The marketplace is changing and this paper examines the increasing role played by bespoke tools to enable their user's (in-house and out-house) to achieve a balanced understanding of an organisation's triple bottom line position. It will then go on to demonstrate (with case studies) that the most effective CSR tools are those which challenge, and thereby aid improvement of an organisation's current management systems rather than those that establish a completely new set of procedures across the organisation. Importantly because the rapidly

changing ways in which stakeholder value and on-going business viability is being expressed the use of bespoke CSR tools, (being predominately deterministic in nature), means that they can more rapidly highlight potential contradictions within an organisations supposed balanced triple bottom line position.

The process of integrating CSR into current management procedures

A number of Business Risk Management models are currently in common usage, and it is apparent from a number of discussions and seminars that the writer has facilitated that there is confusion as to the true relationship between CSR and Corporate Governance, and importantly at what juncture within the overall BRMP they come together. Traditionally the BRMP models have been driven by the ultimate need to produce defensible annual financial accounts and reports. There is therefore a need to update them to include the addition/integration of triple bottom line reporting, and more importantly their affect in the articulation of on-going business viability.

Once one starts to graphically define the revised model it becomes necessary to highlight the true relationship between strategic and operational activities as parallel activities rather than more traditional circular model of strategic leading onto operational activity. The reasoning being that by integrating new processes into a current management system the circular concept does not take account of the dynamic that already exists between strategic and operational. The writer believes that a failure to accept this is happening in reality has led too widespread misunderstanding of the role of CSR within the new business risk environment.

The model shown in diagram 1 has been developed by the writer (from an original concept model, *Environmental Action Planning* developed by Dr. Jonathan Arch during his time at Arthur Andersen) to demonstrate the link between Business Environment, CSR, Corporate Governance, Business Process Management, Reporting and Stakeholder Communication from within a functioning BRMP. It should be noted that the Action Planning is as a result of parallel analysis of current strategic and operational requirements not a hierarchical circular activity.

Diagram 1 clearly demonstrates the co-incident nature of strategic and operational activities when integrating appropriate triple bottom line requirements. It has been the writer's experience that within a number of organisations those responsible for CSR (at all levels within the management matrix) have attempted to link directly "Understand CSR Elements" to "Understand Operational Controls" rather than "Understand management controls", which quite correctly can then spin out into "Understand CSR elements of Governance". The writer will return to this dislocation of process at a later point for it is a crucial subject in the study of the various CSR tools which are currently in the marketplace.

What is of importance is the acceptance that it is only by presenting the process in this manner that one can readily appreciate why "Understand strategic CSR Elements" are often confused with "Understand and assess CSR Impacts" leading to Directors questioning what value they receive from their CSR activities. Further, once appropriate Action Plans are in place true relationships (as represented by vertically and horizontally tying critical items together within the Matrix of Diagram 1) can be analysed and the appropriate auditing and

communication of a company's current triple bottom line situation can be published.

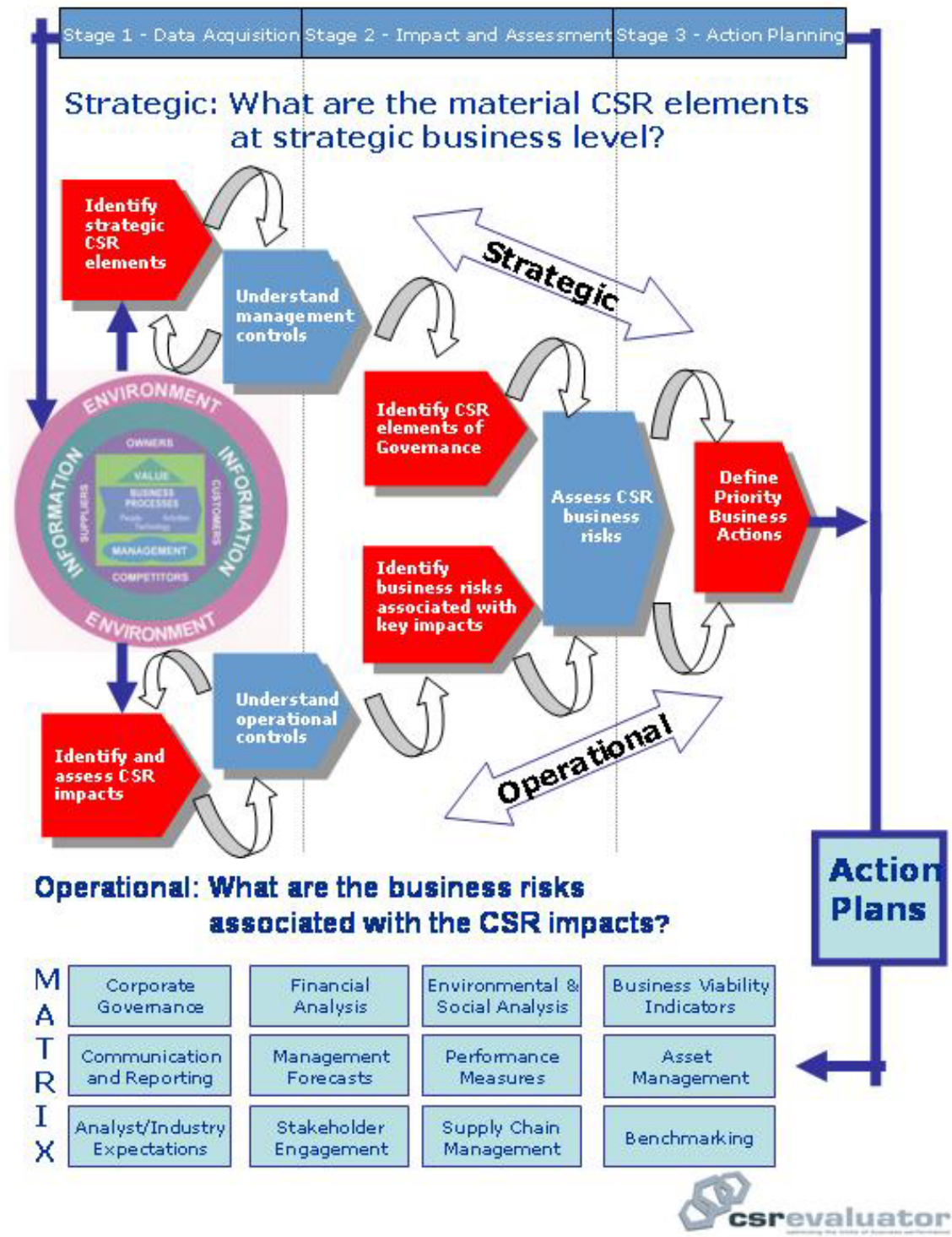


Diagram 1

The issues surrounding self-assessment

In July 2005 the Financial Times reported that Stephen Young, global executive director of the Caux Round Table, (a loose network of more than 1000 current and past business representatives mostly from the US, Europe and Japan) said that corporate social responsibility (CSR) is not about good works - its focus should be hard-headed risk management. Young went to say that "brute capitalism" cases such as Enron and James Hardie demonstrate the link between CSR and risk management. This acceptance by Young highlights the movement away from the more traditional belief that CSR is the outward manifestation of an organisations philanthropic approach to its people and society in general. The 21st century is the dawn of all aspects of human activity having a "currency" placed upon them. How that currency is described is likely to be amended throughout the century with the likely successor to national currencies being universally agreed "carbon credits"

However, perhaps more importantly Young's comments do touch on the growing debate of the relationship between CSR and Corporate Governance. In the wake of Enron and WorldCom enhanced codes of governance practice were required, and shareholders and stakeholders (particularly in Europe and the US) alike demanded more transparency of operation and enhanced reporting procedures. Increasingly these codes are being put in place, but in essence that just improves one aspect of the triple bottom line, enhancing financial stability.

ISO 14001 and EMAS are now universally accepted as the Codes of Practice for Environmental issues but it is clear that even amongst companies that are accredited and who are regularly internally and externally audited it is possible, and all too often found to be true, that company environmental rules are flouted. The possible reason is that environmental management has predominately become a market sector on its own and inappropriate implementation within the management process has unfortunately made it a tick-box activity at all levels, and not fully integrated into the ethos and fabric of the organisation. Given the increasing debate on climate change, enhanced waste management, and natural resources depletion environmental management should be the one business management activity that should have little difficulty in engaging all people. Involvement with environmental management is a cornerstone of an individual being able to show "respect" to ones colleagues and society in general. In many respects the management systems that are in place, and many of the current self-assessment tools that are in use, use allow those using them to at best stakeholder manage and at worst be economic with the truth.

Therefore if we are not careful the likely introduction of an ISO CSR Code of Practice could ultimately lead to the same situation and those companies that use CSR for public relations and stakeholder management purposes will not be brought to account. The writer would contend that the likes of GRI, FTSE4GOOD, DJSI, and BITC allow the situation to continue as it helps retain their income streams rather than drive enhanced true transparency. All of them recreate the same wheel time after time, the only difference being the size of the wheel as they attempt to gain universal appeal. The latest example being the publication by BITC of The Directors Guide to CR Reporting which despite leading the user through a whole process then stops, expecting the user to make their own judgements in relation to the most critical issue of all, the combination effects relating to on-going viability issues that are likely to affect the company. It seems like a double indemnity situation for in common with so many guidance documents they take the user so far with an internal assessment tool but then leave them prey to inappropriate external communication systems.

Shareholders, Stakeholder need to know that the company is strong and healthy from an on-going business viability perspective and current CSR self-assessment guidance tools do little to aid that process. If we are to live and die within a world of acceptable realism (although the debt relief discussion on Africa currently makes the writer sometimes wonder if this is possible) we have to accept that there is a "cost-contribution based value" that can be placed on each human being and the activities they undertake within their lives (at work, rest, and play). Whether we like this approach or not it is the only model that is sufficiently developed to meet the growing global issues we face. Once that cost-contribution maxim is accepted then we can construct models and tools that correctly tie together the triple bottom line and we can start to assemble and manage appropriate risk based CSR led systems.

Whilst undertaking research for an article in the magazine CSR Communication, Sally Durcan, (Director, 3rd-I Services and steering group member for The Evaluator tool) interviewed some leading UK CSR practioners and the writer supplies quotes made by three of them to Sally for they do demonstrate the new reality of *challenging* the processes being employed in many organisations:

Neela Bettridge, (Director of Article 13):

Corporate Governance is the way you run your business – the systems, processes and transparency issues, CSR is the corporate consciousness of the business.

Dr Mike Jackson, Chairman of Shaping Tomorrow:

CSR is the outward expression of a Board's corporate governance policies or otherwise. The link being that they are thoroughly intertwined; CSR is an attitude of mind; good corporate governance policies frame and set the drumbeat. Very simply CSR is the "what" and Corporate Governance is the "how".

Richard Ellis, Head of Corporate Responsibility for Boots plc:

Corporate Governance absolutely intersects with the Corporate Responsibility Agenda! At Boots plc Corporate Governance is part of the overall CSR programme. Each of our 21 elements that make up the Boots CSR programme has its own "process owner" – that is the person who is responsible for it, in the case of Corporate Governance it is the Company Secretary and his office.. All decisions related to Corporate Governance are made by the Board and the Company Secretary but the principles are entirely consistent with Boots approach to CSR. Our ownership process works well because everyone is clear where responsibility sits and who does what - the Board provides leadership, the Company Secretary ownership and Boots CSR values the context within which decisions are made. My job is to make sure all the strands of CSR are tied together.

Based on this current thinking in the communication age the introduction of increasing numbers of CSR tools is a natural consequence. However, these tools need to guide and challenge the user not permit them to place a specific spin on the outputs which presents their company (or even their own individual activities/contribution) in its best light.

CSR tools, their relationship to Sustainable Development tools

Given the comments above why then are managers struggling with the interaction between traditional process and reporting procedures and the tools that articulate the new *stakeholder led culture*? Why is the introduction of more explicit Governance and Responsibility procedures, which represent the generally accepted principle of enhanced transparency and auditability of public companies, causing so many of them to appear more transparent when in reality they are

becoming more opaque. The answer would unfortunately appear all too obvious. In reality the introduction of new technology has permitted increased and more rapid flow of information, and when combined with a global marketplace, individual managers feel that they are losing control of their own working destiny, and that their tenure of employment is increasingly becoming more tenuous. Managers are increasingly becoming defensive, providing information where possible on a need-to-know basis only to their colleagues. Increasingly managers view transparency as the greatest threat to their continued employment as the process information required by stakeholder groups (internally and externally) continues to climb vertically.

In the drive to make everyone accountable, senior management teams are increasingly creating a culture of fear (and sometime recrimination) and thus the very essence that is good Corporate Governance and Corporate Responsibility is being lost in the melee of information overload. Given this situation are there many obvious potential casualties within current management teams, especially as increasing use of tools highlights managerial process weaknesses. The writer would contend that currently the communications managers will be amongst the first of the senior management casualties. The vast majority of the corporate reporting is still of insufficient clarity for stakeholders to gain a true snapshot of the status of a company. Unless communications managers become deeply involved with the enhanced requirements of the new business environment of *stakeholder led culture*, and continuously reinforce the messages to all stakeholders they will be unable to appropriately project a company's current and on-going Corporate Responsibility agenda, which will be considered a major company process weakness.

The pressure on communications managers has been recognised not only by the consultancy marketplace but increasingly by the bespoke tool providers. The vast majority of FTSE organisations now provide substantial amounts of website information in an attempt to demonstrate their desire to be transparent. However, although the quantity of information has increased the quality has not, and increasingly various stakeholder-webs are demanding information in content and format that suits their particular requirements. There is an argument that says the supply of well articulated data, with little or no associated analysis, would be of better received by stakeholders rather than glossy reports which have been compiled to sell specific management messages to the readers.

The chart shown in Appendix 1 of this paper demonstrates the wide variety of tools and the different stakeholder webs to which they are addressing their outputs. The research and analysis on these various tools was undertaken by the team of CSR-Evaluator Limited during a 12 month period from May 2004.

A recent article by the Australian CSR practitioner Josh Dowse succinctly highlighted the issues which drive individual managers and companies to increasingly use tools in the management process, here are some key points from that article:-

- § Most companies will eventually report on sustainability metrics as and when required by law. But most will remain superficial partners in sustainability unless and until their line managers see the connection of their work with sustainability and until their performance is measured in those terms.
- § In selecting the measures for a sustainability strategy and the report that reveals it, a company must somehow align the public reporting expectations with the things that actually interest people throughout the organisation

- § Whilst all the standard GRI measures need to be considered and most will be included in a report, some will be omitted and only a proportion will be priority measures
- § Sustainability practitioners need to be able to engage managers on their own turf. That means using the financial and strategic processes of sustainability metrics and moves.
- § Long term valuations, value driver trees and risk based strategies are three tools that help connect the dots for the line managers.

Based on the research that formed the basis of this paper the writer would wholeheartedly support Dowse' viewpoint for there is a clear perception amongst a number of managers that any tool used will be an enhancement on the current management practices. In essence this may be true but CSR and SD tools are not an addition to existing tools being used by the company, they need to be either truly diagnostic in nature or capable of full integration into the current management processes. Current probabilistic risk management tools alone appear not to provide the total solution for CSR and SD and need to be supported by bespoke tools which lean heavily on deterministic analysis based on specific human expertise and experience.

Case Studies

The writer took the publicly available information from 9 FTSE 100 companies, and using The Evaluator tool answered its questionnaire averaging out the responses to each of its questions across 3 companies from 3 market sectors, namely, supermarket groups, IPPC controlled companies, and telecoms groups. To gain a better comparison companies of the approximately the same size in each market sector were chosen.

Of course, the true usefulness of the tool, that of seeking out specific company process and reporting weaknesses was not applicable but the writer wanted to ascertain if there were any discernable differences across market sectors from a CSR perspective given that all 9 were publicly quoted organisations. Had the writer had time he would have answered the tool for each individual company and then compared but he decided that the honesty monitor within the tool would give guidance as to the validity of the outputs.

From the outputs shown in Appendix 2 the following general comments can be derived:

- The current level of integration of triple bottom line processes into the supermarkets and telecoms companies is less than for those who are regulated by PPC regulations. This is not surprising as the PPC overall environmental management systems and processes are likely to be more mature and integrated into all aspects of current operational activity.
- The PPC controlled organisations present a picture of having more robust process and reporting procedures in place, and did in fact achieve a "low" risk score of deliberately misstating their current status. However, that was also associated with them being considered by the tool of expressing too strongly their current process position. This is supported by other reporting factors because all three published substantial amounts of data, trend analysis, and emission reductions information without any analysis of its affect on their medium/long term on-going viability.
- All three groups were considered by the tool to be only a "medium" risk of managing their data, and given that all three groups achieved a competency factor of 8/10 this does demonstrate that the effects of

enhanced Corporate Governance across all sectors is now starting to have a major affect.

- The Assurance Level Confirmation did surprise the writer;(for those who do not know the basis of the audit criteria within the tool a chart is provided in Appendix 2). Given the current state of their operational activities, management processes and public reporting the tool awarded them nothing higher than moderate assurance for the PPC organisation and no public opinion for either the supermarkets or the telecoms groups. This leads very much to view that true integration of CSR into these organisations is a long way from reality, and most certainly triple bottom line reporting processes are not as robust as the financial reporting. However, it could be argued that their financial auditing procedures take insufficient account of their current environmental and social status, liabilities and opportunities and so a clear process dislocation is present. Yet all 9 organisations make a strong play of their CSR credentials.

Conclusions

It does appear that still the greatest issue is the inability of many companies to appropriately align CSR, Corporate Governance, and purely corporate philanthropic activities. CSR as originally conceived was an attempt by business school academics to articulate how companies would need to conduct themselves, their activities and reporting in the 21st century. It is worth restating once again that the basis was financial stability aligned to appropriate environmental footprint aligned with socially responsible behaviour towards your people, your neighbours and society in general.

In the writer's first paper on CSR published 4 years ago entitled "No profit-no need for CSR" he deliberately set out a hard CSR agenda on the true value to a company's on-going viability. Today, greater numbers of shareholders and stakeholders are increasing questioning the perception that by helping deprived people in a developing region or country has any tangible or intangible affect on a company's on-going viability or its brand strength, unless that company's business activities caused that deprivation.

The writer would contend that these activities are philanthropy away from the company's daily activities, and if that company decides to exploit what it is doing via its communications team or can demonstrate via the scores it achieves on Indexes such as BITC, FTSE4GOOD DJSI etc. then that must be justified as a deliberate policy of "brand building". Conversely what is then needed are tools that challenge current processes and management reporting that seek out the potential "brand breaking" activities which are lurking in some dark corner of the company.

The writer has no doubt that there will be 21st century Enron type collapses; they will be different in nature, but they will be about the break down of an integrated triple bottom line approach, and they will happen sooner rather than later if the tools which are used do not sufficiently challenge the users. Further, people get a feeling of being "safe" when surrounded by tools, and if the tools are designed to make them feel comfortable can be dangerous and could ultimately cost viability and jobs.

Appendix 1

Name	Audience	Functionality	Industry Focus	Core Benefit:	Result	Website
Corporate Responsibility Exchange	Listed Companies/Investors	To research a companies policies and practices for disclosing information to Analysts, Fund Managers and Research Agencies	All Companies	Enhances your dialogue with institutional investors, with two way interaction	Gives investors a single site where they can locate and analyse company data	www.londonstockexchange.com
CRedit	CR Managers	To collect information for CR reporting	Any. But particularly good for companies with multiple locations. Retailers, Manufacturers and Utilities	Better handle on data with improved data gathering processes	Keep track of all CR information - in one location	www.credit360.com
Stakeware	CR Managers	Stakeholder Management	Companies with multiple stakeholders.	Engage stakeholders in a participatory and systemic manner	Global Engagement with Systematic reporting of activities and results	www.stakeware.com

Name	Audience	Functionality	Industry Focus	Core Benefit:	Result	Website
One-Report	Listed Companies/ Investors	To distribute data to firms that research corporate performance for investors.	All Companies	Reduce overall cost of reporting whilst streamlining your process	Delivering timely and accurate information that research and rating organisations deem important	www.one-report.com
Risgen	Senior Management / Risk Managers	Enterprise Wide Risk Management	All Companies	Utilises the internationally recognised 6-phase approach for risk management	Meets all current risk and compliance management requirements	www.ris3.com
MicroEdge	Corporate Philanthropists / CR Managers	Grant Management	All Companies	Manage the entire lifecycle of the grant	A more efficient grant management process	www.microedge.com
Future500	CR Managers	A Solution to CSR Reporting Complexity and "Questionnaire Fatigue"	All companies	Ranks corporate performance according to the criteria of 17 leading standards	Embed your CSR efforts throughout the company	Future500.org

Name	Audience	Functionality	Industry Focus	Core Benefit:	Result	Website
The Evaluator	Senior Management/CR Executives of organisations with more than 100 employees	To conduct an enterprise wide diagnostic impact assessment on a companies environmental, social and economic parameters.	All Companies, Investors and Governmental Organisations	It ties together CSR-CG-TBL from an on-going business viability perspective	Concise, high impact report with prioritisation and solutions	www.csrevaluator.com
The Trucost System	Environmental Managers / Investors / CR Managers	To measure the impact companies have on the environment and express those in financial terms.	Companies, Investors and Governments	Assess companies against 700 different uses of environmental resources and services	Improve the dialogue on environmental matters both internally and externally	www.trucost.com
The SD Tool	Environmental Managers / CR Managers	To conduct an assessment on a company's environmental parameters.	All Companies	Better handle on KPI's with improved data gathering processes	Embed your Env. efforts throughout the company	www.sdtools.com
The SERM Rating	Environmental Managers/ Risk managers/Investors	Impact assessment on a company's environmental external perspective	Companies and Investors	Assess companies from an ext. view using numerous different environmental info sources	Improve the dialogue on environmental matters externally	www.serm.co.uk

Appendix 2

3 Supermarket Groups

Basic Statistical Overview	
Title	Result
Urgent Overview :	
Medium Term Overview :	
On-going Continuous Improvement :	
CSR Maturity Index :	48
	The CSR maturity Index is a measure of how far along their particular road a company has travelled on their journey to achieving a fully integrated financial, environmental and social management and reporting procedure. Based on the CSR Maturity Index achieved during this study the tool is of the opinion that the current journey is now positioned where a clear strategy and journey direction as been established although the measurement of performance to ensure efficient resource use remains somewhat uncoordinated.
Competency Factor :	8/10
	Based on the information supplied the tool is of the opinion that the company/organisation is likely to be able to address all of its business environment issues at the same time as it integrates future CSR business viability issues into its current management processes
Assurance Level Confirmation :	Agreed-upon Procedures. No Public opinion
Reporting Risk :	Medium Risk of reporting misstatement being undetected
Data Systems Stability :	Medium Level of Data Management
Honesty Monitor :	From the answers supplied to complete the Questionnaire CSR Business Evaluator has formed the view that the organisation appears to have established a balanced approach to CSR management and reporting and that the answers supplied indicate that they provide a true reflection of the organisations current CSR status.

3 companies subject to IPPC regulations

Basic Statistical Overview	
Title	Result
Urgent Overview :	
Medium Term Overview :	
On-going Continuous Improvement :	
CSR Maturity Index :	61
	The CSR maturity Index is a measure of how far along their particular road a company has travelled on their journey to achieving a fully integrated financial, environmental and social management and reporting procedure. Based on the CSR Maturity Index achieved during this study the tool is of the opinion that the current journey is now positioned where a clear strategy, journey direction, performance measurement process and resource use are all well established, but the full effects/ understanding of individual responsibilities and liabilities within the overall process are still maturing.
Competency Factor :	8/10
	Based on the information supplied the tool is of the opinion that the company/organisation is likely to be able to address all of its business environment issues at the same time as it integrates future CSR business viability issues into its current management processes
Assurance Level Confirmation :	Moderate Assurance on the conformity with the protocol
Reporting Risk :	Low Risk of reporting misstatement being undetected
Data Systems Stability :	Medium Level of Data Management
Honesty Monitor :	From the answers supplied to complete the Questionnaire CSR Business Evaluator has formed the view that the organisation appears to have fully integrated CSR into all of its management and reporting. Although this may be correct CSR Business Evaluator would advise that the Questionnaire is re-visited to ensure that the scores provided to the answers are not too generous.

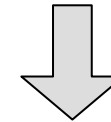
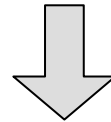
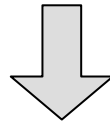
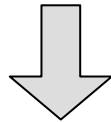
3 Mobile Telephone Companies

Basic Statistical Overview	
Title	Result
Urgent Overview :	
Medium Term Overview :	
On-going Continuous Improvement :	
CSR Maturity Index :	46
	The CSR maturity Index is a measure of how far along their particular road a company has travelled on their journey to achieving a fully integrated financial, environmental and social management and reporting procedure. Based on the CSR Maturity Index achieved during this study the tool is of the opinion that the current journey is now positioned where a clear strategy and journey direction has been established although the measurement of performance to ensure efficient resource use remains somewhat uncoordinated.
Competency Factor :	8/10
	Based on the information supplied the tool is of the opinion that the company/organisation is likely to be able to address all of its business environment issues at the same time as it integrates future CSR business viability issues into its current management processes
Assurance Level Confirmation :	Agreed-upon Procedures. No Public opinion
Reporting Risk :	Medium Risk of reporting misstatement being undetected
Data Systems Stability :	Medium Level of Data Management
Honesty Monitor :	From the answers supplied to complete the Questionnaire CSR Business Evaluator has formed the view that the organisation appears to be developing a balanced approach to CSR management and reporting and that the answers supplied indicate that they provide a true reflection of the organisations current CSR status.

Levels of Assurance (The “*Opinion*”)

Levels of protocol suitability

<i>Protocol exists</i>				
<i>Protocol is relevant</i>				
<i>Uncertainties disclosed</i>				



Levels of assurance

Agreed-upon Procedure. No Public opinion	Moderate assurance on the conformity with the protocol	Moderate assurance on the data reported	High level of assurance on the data reported
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