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# The Role of Business in Society

## **AN AGENDA FOR ACTION**

BY NIALL FITZGERALD KBE and MANDY CORMACK

**A SERIES OF THOUGHT PIECES BY BUSINESS LEADERS  
IN SUPPORT OF THE CLINTON GLOBAL INITIATIVE**

## **About this report**

The Conference Board, Harvard University CSR Initiative and the International Business Leaders Forum have made a joint commitment to the Clinton Global Initiative to organise a series of Leadership Dialogues to gather good practice, increase understanding and promote further action on the business contribution to international development. At the heart of this agenda is the understanding of the role of business in society. This paper brings together an international business leader, Niall FitzGerald, former Chairman and CEO of Unilever and Chairman of Reuters, and corporate responsibility executive, Mandy Cormack, who headed up Corporate Responsibility at Unilever. For five years they worked closely on this agenda building internal understanding, defining the priorities for action and engaging in the worldwide external debate. Drawing on this experience, they have come together here to explore why the role of business in society is on the agenda of the Chief Executive and Board of leading international companies and what they can do about it. The views expressed in this paper are those of its authors and do not necessarily represent the views of the partner organisations.

## **About the Authors**

### **Niall FitzGerald KBE**

For more than 30 years, Niall FitzGerald's career in Unilever spanned the international business world. He has had senior financial and operational roles in the United States and Europe and chaired one of the leading international companies in South Africa during the last days of apartheid. In 1996 he became Chairman and CEO of Unilever and for eight years had an unrivalled view of the globalising economy at the head of one of the most international companies in the world. With a worldwide workforce of more than 250,000 and sales in more than 150 countries, he also experienced in "real-time" the challenge of leading a business in society.

### **Mandy Cormack**

As Vice-President Corporate Responsibility at Unilever, Mandy Cormack worked with Niall FitzGerald on creating and implementing the company's CSR strategy. The programmes she led on CSR self-assessment, standards development and the social impacts of the company's products and brands were recognised in the company's 2005 corporate strategy. She was responsible for publishing Unilever's first Social Review and for a wide range of initiatives to increase understanding between the company and its external audiences.

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## Summary

The role of business in society is on the Boardroom agenda. Either the CEO and the Board manage the role their business plays, or others will manage it for them. At stake is corporate reputation, innovation, competitiveness and growth.

This paper takes a pragmatic look at how globalisation is intensifying the pressures behind social and environmental concerns, and what the Board can do. It outlines the essential steps the Board can take to underpin ethical behaviour in the business. It looks at the support management can provide to the Board in understanding and interpreting the external environment and implementing company-wide strategy. For it is in the performance of the company in its core practice that it has its greatest impact on society and greatest potential to contribute to international development.

There is no silver bullet. The case outlined here is that business needs to continuously invest in its relationship with society and to account for its use of natural resources. CEOs and Boards need to explicitly manage corporate behaviour and their company's social and environmental footprint in order to build public confidence and trust.

### **Authors' Acknowledgements**

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Special thanks are also due to Jane Nelson, Director of the CSR Initiative at the Kennedy School of Government, for her wise counsel and guidance.

This paper draws heavily on our experience in Unilever and we thank the many Unilever colleagues and former colleagues whose activities have been the source of our inspiration.

# Why the Role of Business in Society is on the Agenda of Every Chief Executive and Company Board

**Niall FitzGerald**

If all commercial decisions had an obvious and indisputable social benefit and a benign environmental impact, business leadership would be a great deal easier – and a lot less interesting.

Leading an international business in the twenty-first century requires the delivery of goods and services and, through the profitable management of activities, the creation of wealth. But leadership also requires responsibility towards people and the societies in which the company operates and stewardship of the natural resources on which it relies. The role of business in society is a legitimate aspect of business leadership. It is not in conflict with growth or profitability, but an integral part of successful management practice and sustainable business building. Let me illustrate what I mean.

Unilever is one of the world's largest buyers of white fish with a direct business interest in the sustainability of fish stocks. When, in 1996, Unilever entered into partnership with the World Wide Fund for Nature (WWF), the global conservation organisation, to set up the Marine Stewardship Council [see box], we knew the commitment to source fish from sustainable sources would involve protracted investment, dialogue and support for our suppliers as they changed fishing practices and voluntarily restrained fishing catches. We also knew we had no guarantee that our consumers would follow our lead.

The dilemmas increased over time as consumers proved resistant to changes in taste and texture of alternative species of fish. We realised that although we could switch sourcing to achieve our ambitious sustainable sourcing targets, more benefit could be obtained by continuing to work with national fleets that were slow in adapting, but because of their size, represented an important impact on overall sustainability. Environmental, social and commercial factors compounded to make these finely balanced decisions. It called for heroic efforts by MSC, Unilever and WWF teams, to charter these unmapped waters.

These can be challenging and difficult areas for CEO and Board leadership. Not necessarily because of any conflicts of conscience (although these obviously do arise), but because they involve issues that are rarely clear cut or straightforward. They are areas where usually there are no completely right or wrong answers, no previous form or precedent to fall back on and which may involve working with unconventional, and sometimes uncomfortable, partners. They are areas where the Board may feel an absence of expertise or experience, or limited control over the outcome. Where incomplete information, competing claims and priorities, and long repercussion cycles mean that decisions have to be based on judgement rather than tried and tested formulae. These decisions take courage, leadership and sometimes a leap of faith.

This is the challenge of what is often called ‘corporate social responsibility’ (CSR), an inadequate description of the social and environmental responsibilities that go to the heart of the debate on the role of business in society. Much has been written about what has become a rather sterile discussion whether the ‘business of business is business’, or whether companies have a ‘responsibility to mitigate their social and environmental impacts’. Both these positions end up caricaturing the role of business in society. A fresh perspective is needed. I want to focus on the key elements of the subject, from the CEO and Board’s perspective, because of their direct impact on corporate strategy, management and reputation. My former colleague, Mandy Cormack, will then describe some of the practical support the Board needs to manage this agenda as professionally as any other area of the business.

### **The Marine Stewardship Council<sup>1</sup>**

In 1996, Unilever started to work with World Wide Fund for Nature (WWF) to establish the now independent certification organisation the Marine Stewardship Council (MSC). Unilever and WWF had different motives but a common purpose: the need to assure the long-term sustainability of global fish stocks and the integrity of the marine ecosystem. The MSC operates according to three principles for sustainable fishing: **principle 1** a fishery must be conducted in a manner that does not lead to over-fishing or depletion of the exploited populations and, for those populations that are depleted, the fishery must be conducted in a manner that demonstrably leads to their recovery; **principle 2** fishing operations should allow for the maintenance of the structure, productivity, function and diversity of the ecosystem (including habitat and associated dependent and ecologically related species) on which the fishery depends; and **principle 3** the fishery is subject to an effective management system that respects local, national and international law and standards and incorporates institutional and operational frameworks that require use of the resource to be responsible and sustainable. The Unilever/WWF partnership achieved a key milestone in July 1999 when the MSC became a fully independent, non-profit organisation.

Today, there are three questions for the CEO and Board:

1. What is the role of business in society in the twenty-first century?
2. What difference does globalisation make?
3. How can the Board get on the front foot?

## **What is the Role of Business in Society in the Twenty-First Century?**

Discussion of the role of business in society often focuses only on the activities of companies, without considering the context within which they are operating—what is going on in society around them. Changes brought about by major trends in science and technology, education, lifestyle and life expectancy, have disrupted many sources of social traditions and norms. There is diminishing trust in institutions to do the right thing leading to intense regulatory, political and public scrutiny of a broad range of activities. This has sometimes resulted in legislation and regulation with painful unintended consequences.

The media environment in which business operates has also changed. It is readier to challenge and to pass judgement. There is increasingly the informal running commentary of bloggers. For publicly quoted companies the implications of these trends have been amplified by two separate trends among investors: pressure for short-term returns, and pressure from the socially responsible investment community to report on corporate ethical performance.

The social context in which business operates at the opening of the twenty-first century is uncertain, complex and demanding. And if that is not enough, the competitive global context in which we have to assess our values, intensifies daily.

In this situation it is useful to set out the relationship between business and society and the purpose for which a company, by which I am referring to a limited liability company, was created. While the creation of profit is an important result of a company's existence, it was not solely for the creation of profits that companies were designed. Incorporation with limited liability was a device created by society as a means of enabling people to pool capital, exploit opportunities, to manage risks and accomplish something together, profitably, that they could not achieve separately.

As companies have evolved, like all institutions, they have been subject to both good and bad leadership and management. The industrial philanthropists of the late nineteenth and early twentieth centuries ran businesses that were the seedbed of many, now accepted, standards of employment and community good practice.\* Other companies were subject to self-serving, at times illicit and exploitative practices, which brought major regulatory initiatives and constraints on corporate activity. And the same spectrum of performance is seen today with some outstanding standards and innovations in practice and other appalling betrayals of trust. It seems to me that if society is to continue to accept the granting of substantial rewards for successful business leadership, it is entitled to expect complete leadership—an approach that combines optimum returns for shareholders with responsibility for social and environmental performance. Company leaders are not only leaders of business but leaders within society. We are a part of society not apart from it.

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If companies did not exist and you wanted a means for delivering innovation, you would have to create them. In competitive markets, the ability to innovate—whether in technology, management, products or services—is central to the survival of the company. Innovation involves new sciences and technologies, access to raw materials and, in some cases, finite resources. It may involve new ways of working and patterns of organisation. These are often contentious areas that are within the law but breaking new ground. For the company to succeed in delivering innovation, the confidence and trust of society, in the principles and values guiding corporate leadership, is essential.

This then is the role of business in society: to innovate and deliver products and services, to use resources efficiently so that value is created and to conduct operations so that they are performed profitably and accepted by society. What is different today is that the impact of companies has grown out of all proportion to what could have

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\*William Hesketh Lever, the founder of Lever Brothers which merged with Margarine Unie in 1930 to create Unilever, was one of the most notable philanthropic industrialists of his day. He was outspoken in his views: "the truest and highest form of enlightened self-interest requires that we pay the fullest regard to the interest and welfare of those around us, whose well-being we must bind up with our own and with whom we must share our prosperity". Lever Brothers was one of the first companies in Britain to employ a full-time safety inspector, as well as a company doctor, to have an eight-hour working day, generous pay policy and, from 1905, pensions for both male and female employees. In the 1890s, he built the village of Port Sunlight, complete with houses for his factory workers, a primary school, a cottage hospital and art gallery.<sup>2</sup>



been envisaged in the eighteenth century. What has also changed is the social context in which companies are operating, where populations are increasingly educated and accustomed to participation and less willing and amenable to take things on trust. Healthy scepticism can easily, through the ill-considered action of business leaders, evolve to a deeper cynicism which in time will corrode confidence in the market economy itself.

CSR, including consideration of environmental sustainability, has evolved in recent years as a coherent way of thinking about a company's impact and interaction with society. It covers subjects that affect all companies, such as employment standards, equal opportunities, diversity and carbon emissions; as well as those that are specific to a particular industry, such as advertising to children, drug pricing, nanotechnology or sustainable use of water. It includes those that may affect only a single business, for example, a specific local environmental or community impact, or the consequences of a particular sourcing or employment policy.

For the CEO and Board the challenge is to have a clear map of their business's impact on and interactions with society, a way of exploring and agreeing the company's approach to the challenges these raise, and then a way of ensuring that business operations and performance carry through the direction provided by their leadership. It's a question of joining up corporate purpose, principles, strategy and governance with daily management practice throughout the organisation, including relations and communications with all the company's stakeholders. It's about proactively managing the company's role in society, rather than having others do it for you.

## **What Difference Does Globalisation Make?**

So what are the key considerations for the CEO and Board in a globalising economy? Put simply, why does globalisation make a difference to how business plays its role in society and what societies' expectations are of us?

### **The Impact of Global Economic Growth on Societies Around the World**

One of the key drivers of globalisation is international economic development. It is a highly dynamic process. Through millions of daily decisions that we, as business leaders, are making, business, trade and commerce are driving global economic integration. Countries and their populations—as consumers, employees, investors and citizens—are being brought into rapid, if uneven, participation in global economic activity and growth. The scale of these trends is massive. To take one example, at a global, macro-economic level, it is estimated that more than one billion people have been able to afford to buy a manufactured product for the first time over the past ten years.

In the coming decade, it is predicted that as economic growth in emerging markets pushes beyond the threshold level of \$5,000 annual household income, there will be a billion new consumers. Consumer spending power in emerging economies will increase from \$4 trillion to more than \$9 trillion—nearly the current spending power of Western Europe<sup>3</sup>. This level of economic growth will create social change, with repercussions that are both positive (in terms of higher living standards) and negative (such as loss of employment in traditional industries and locations or environmental pressures/degradation).

To date, globalisation has been achieved at the cost of a big increase in inequality and with insufficient regard to its negative environmental impacts. As populations strive for higher living standards and governments seek economic growth to meet these demands, there has been a growing sense in some parts of society, rightly or wrongly, that business calls too many of the shots, that the trade-offs are too often at the expense of society or the environment. Everywhere the advantages and disadvantages are perceived differently. For companies operating internationally, the reaction of different societies will be a key determinant in shaping the markets of the future. Globalisation has magnified the social impacts of business. It has put economic actors centre stage. The Board agenda needs first to ensure that their business's social and economic impacts are explicitly considered and understood; and second that the way the Board manages this agenda is transparent, and it is willing to be held to account for its actions.

### The Impact of Global Growth on Environments Around the World

The environmental/ecological agenda requires a similar depth and consistency of Board attention since it will be impacted by corporate growth strategies. Economic growth of the magnitude envisaged above will undoubtedly place further stress on the environment and on access to natural resources.

Business will need to be able to source its raw materials and manage its manufacturing sustainably, at a time when natural resources are already under pressure. For example, it is estimated that the current use of intensive agriculture will leave 5% of the world's land barren by 2025. Water shortages, which currently affect 20% of the world's population in 30 countries, are expected to rise to 30% of the world's population in 50 countries by 2025<sup>4</sup>.

The Millennium Ecosystem Assessment (MA), conducted for a cross-sector group of business, government and international institutions under the aegis of the UN, by scientists and technical experts from around the world, represents the culmination of the largest integrated environmental assessment ever undertaken. It examined the linkages between human well-being and ecosystems through the lens of 'ecosystems services'. These are the benefits we get from the environment: food, water, timber, genetic

resources, erosion regulation, climate control, water purification, etc. The focus on nature’s services is a useful concept for reconciling ‘conservation’ and ‘development’ goals since both depend on the capacity of ecosystems to provide a range of services. Of the 24 ecosystem services assessed, only four were increasing, while 15 were in decline and five were stable globally, although in trouble in some regions (see Figure 1). The MA results are tantamount to red lights flashing on nature’s control console. Company Boards can either bury their heads in the sand and proceed with business as usual, or they can find ways to translate these huge risks into opportunities and competitive advantage.

In such a context of contentious worldwide change driven by economic development and growth, where corporate actions can be seen as part of the threat to the environment, each individual Board needs to demonstrate that its business is not part of the problem, but part of the solution.

### What Are Societies’ Expectations?

Perceptions of what companies are contributing to societies vary around the world.

A survey reported in the *Financial Times* in June 2005<sup>6</sup>, found that “to Chinese consumers, the hallmark of a socially responsible company is safe, high-quality products. For Germans, it is secure employment. In South Africa what mattered most is a company’s contribution to social needs such as healthcare and education.”

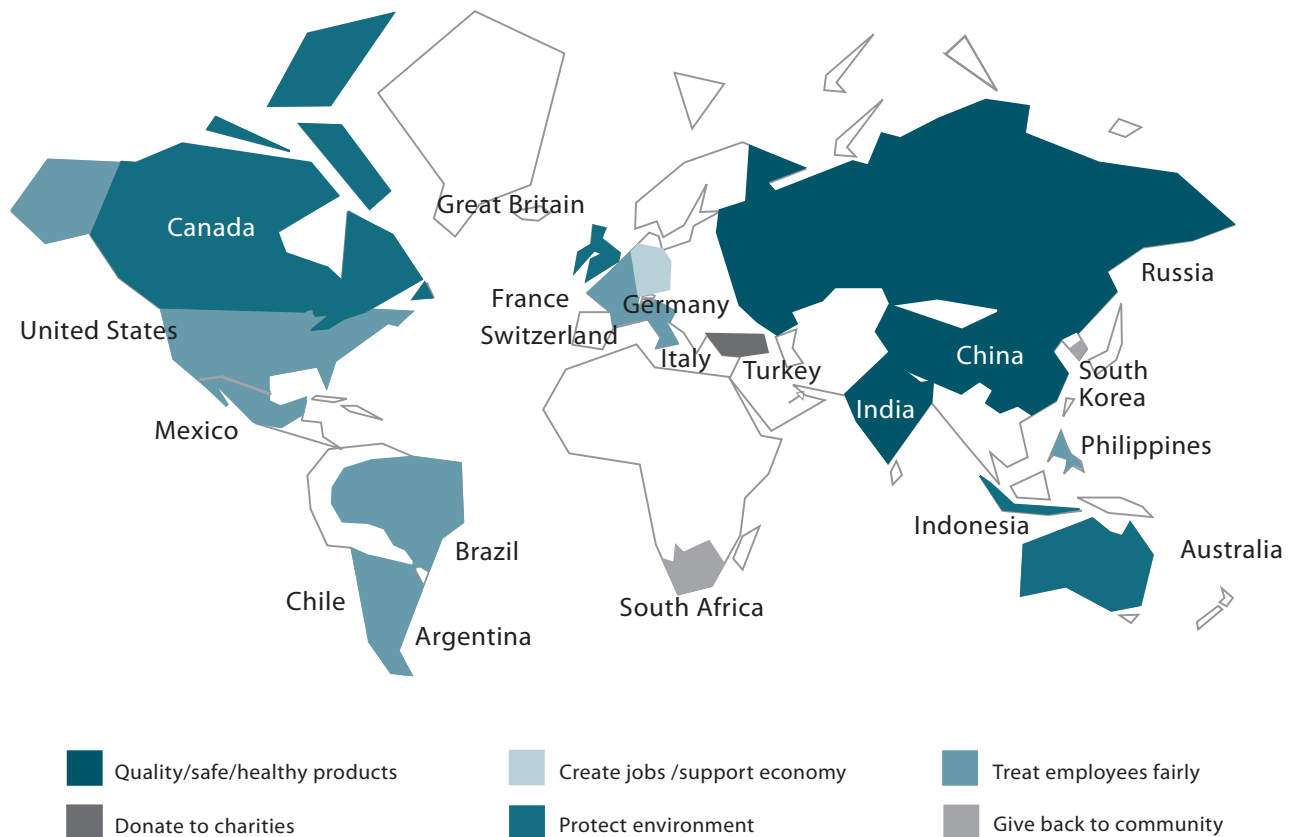
Figure 1  
Millennium Ecosystem Assessment 2005<sup>5</sup>

ECOSYSTEM SERVICES: THE BALANCE SHEET		
<b>ENHANCED</b> Crops Livestock Aquaculture Carbon sequestration	<b>DEGRADED</b> Capture fisheries Wild foods Wood fuel Genetic resources Biochemicals Fresh water Air quality regulation Regional & local climate regulation Erosion regulation Water purification Pest regulation Pollination Natural Hazard regulation Spiritual & religious Aesthetic values	<b>MIXED</b> Timber Fiber Water regulation Disease regulation Recreation & ecotourism
<b>BOTTOM LINE: 60% OF ECOSYSTEM SERVICES ARE DEGRADED</b>		

Three things are clear: first, that there is a diversity of expectations of companies in different countries. Second, the ‘bar of good corporate practice’ is not just related to expectations around ‘quality’, but includes social and environmental impacts as well. Third, if company reputations are going to be formed in this way, we had better be able to measure and account for our performance. Put the other way around, if a company’s social and environmental principles are clear, and it is operating to them, it can enhance its reputation and build trust in its business, by telling its story. And the need to do so is pressing.

**Figure 2**  
**Most important thing a company can do to be seen as socially responsible<sup>7</sup>**

Attribute receiving most mentions, open-ended  
 By country, 2005



Subsample: Asked to 100 respondents in each country

Source: Defining CSR: Globescan Corporate Social Responsibility Monitor 2005

As the visible instigators of economic growth big business is coming under “increasingly sharp scrutiny”, not only for what it does, but for how it does it. Is the leadership of big business in good shape to respond? At first sight the prospects don’t look good. A survey of global opinion leaders published in January 2006 found the lack of trust in established institutions and figures of authority has motivated people to trust their peers as the best source of information about a company, with opinion leaders in the United States considering “rank-and-file employees more credible spokespersons than corporate CEOs.”<sup>8</sup>

Clearly trust, which forms the basis of corporate reputation and a company’s relationship with society, is in need of considered CEO and Board attention.

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### **How Can The Board Get on the Front Foot?**

One of the ways international company boards have responded to the social concerns around globalisation, is through their philanthropic activities. There are a myriad excellent ways in which they make a voluntary contribution to society, in fields as diverse as education, support for HIV/AIDS sufferers, emergency and disaster relief. But what I want to concentrate on here are the core activities of the company. However generous and creative the philanthropic activity of the company is, it cannot substitute for the impact of the actual business of doing business in a responsible and environmentally sustainable way. Nor can it substitute for how business leaders respond to the challenge for openness in how they lead their companies or their willingness to play their part in addressing society’s agenda.

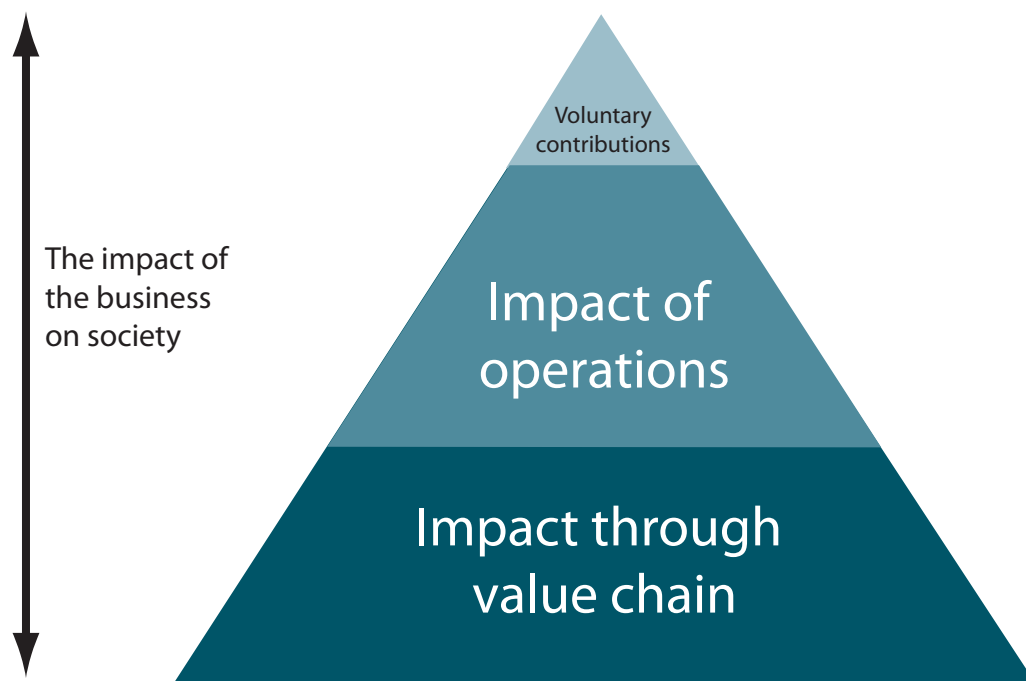
### **Responsible, Sustainable Business — What Does It Look Like?**

Business impact on, or interaction with, society can be seen in three distinct areas: the company’s own operations, the company’s relations with its business partners through the value chain, and the philanthropic contributions it makes—the visible ‘tip of the iceberg’ of the much larger impact of business operations (see Figure 3). Voluntary contributions pale into insignificance in comparison with the impact of core business activities.

For example, for a consumer goods company, three quarters of sales revenue may go straight out of the company again to pay for goods and services from suppliers. And of the wealth created each year by adding value to goods and services, more than two thirds can be channelled back into society through employee wages, shareholder dividends, government taxes and so on. Employment generated will include direct employees, for each one of whom there are likely to be several more jobs created in the value chain. Combined with products which make a positive contribution to people's wellbeing and quality of life—for example, nutritious foods, cleaning products, telephones, medicines, domestic appliances, the list is endless—the impact of business operations will always be well in excess of philanthropic activities. And in the context of the international development agenda, it is the outcomes of corporate operations—wealth creation, employment generation, delivery of products and services—which are most highly sought after and prized.

International companies can help spread the benefits of globalisation, such as raising the quality of life and standards of living in some of the poorest countries in the world, by doing business in these countries in a responsible, sustainable way. When companies invest for the long term in the productive capacity of an economy, they can fuel a virtuous, stabilising circle of economic activity.

Figure 3:  
The role of business in society: social impacts



Source: D Logan The Corporate Citizenship Company

Foreign direct investment can stimulate economic activity: for workers it can create jobs, skills and knowledge transfer, education and training. For local small and medium-sized enterprise (SME) suppliers, it can open up commercial loan and banking facilities, contract-based investment possibilities, and access to leading international practice. For consumers, it can open up markets, creating choice and offering quality products at affordable prices.

But global economic decisions and the actions of companies can have negative effects as well. The abrupt change in the rules governing trade in textiles hit unprepared producers and unsupported SMEs hard. Changes in sourcing and rapid reconfiguring of supply chains can leave small component manufacturers with no market for their products and a knock-on effect on employment. The introduction of new products and services, or the promotion of new sources of supply, can destroy traditional markets, removing livelihoods overnight. The capacity of each international company to contribute to development will vary, and be different in the local circumstances in each country. The opportunity open to each company Board in making its strategic business decisions is first to understand the impacts of their actions, then to minimise the negative effects and make the contribution of their operations as positive as possible.

However generous and creative the philanthropic activity of the company is, it cannot substitute for the impact of the actual business of doing business in a responsible and environmentally sustainable way.

International companies are rarely viewed in a constructive light by the wider international development community, for which we, as business leaders, must take our share of responsibility. But while all players will not always see eye to eye, to ignore the potential of the activities of multinational companies to contribute to poverty reduction strategies, is a terrible waste of resources—and a missed opportunity for further development gains.

### The Challenge of Openness — What Does It Take?

The foundations of trust start with making sure that you can account for your own actions—by being consistent in how you apply your values. Lack of trust comes from when you say one thing but do another.

Stating what your values are, for example in a Code of Conduct or Business Principles, and asking employees and suppliers to adhere to them is a first step. For international companies, the importance of ensuring that principles are explicit is a prerequisite to working in a multi-cultural environment. In daily life it will be up to the insight and judgement of local managers to implement the principles in their countries in ways that meet the company's values and accord with local custom and practice. Today, it is also important that they feel comfortable accounting publicly for the behaviour and actions of the company (see box).

### **Values In Action: Putting International Values Into Practice — Locally**

Unilever's Code of Business Principles commits the company to 'recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed'. In Saudi Arabia, society discourages women from working outside the home on cultural grounds. However, in order to uphold company values and to respect local customs, the company's local managers secured permission from the authorities to employ women in the business, by arranging for them to work in a separate office. It was Unilever's Saudi managers who drove this initiative and who then went on to introduce an award scheme for high-performing female high school graduates, all achieved with due respect for local culture.

How can the CEO and Board be sure that managers interpret company principles correctly? Even with well-established training and internal controls, you can never be 100% sure. The aim is to build within the company a community of employees who know they are trusted to do the right thing and to take responsibility for their own actions. And if managers or employees don't act in the right way, or things go wrong, it is essential to act decisively and consistently. It is an important area of Board responsibility for, while oversight of financial accountability is primarily the work of the Audit Committee, the Board is increasingly required to be able to account for a whole range of broader aspects of performance. This task falls heavily on Non-Executive Directors and is particularly onerous if management processes and systems are not in place.

But it is also a question of Board leadership. Processes of monitoring and compliance can only take assurance so far. The most successful approach to achieving responsible corporate behaviour is when commitment is achieved through widespread understanding that the Code is a living and liberating management tool. Capacity-building that empowers all employees to play their part, born out by the leadership, behaviour and actions of the CEO and Board, is recognised as the route to success.



If managers are at ease with the values by which they are running the company, it is then possible to take the next step to listen to the questions and concerns of the external world and to account for the company's actions.

As many as 70% of managers believe there is room for improvement in the way large companies anticipate social pressure and criticism, while 16% of executives overall say large companies make a negative contribution to the public good.<sup>9</sup> Based on these findings, company Boards have a long way to go to re-establish trust in the contribution of their companies to society—and the work needs to start inside.

Good corporate governance—that is, a clear framework and clear responsibilities for directors and shareholders, linked to a code of conduct for all employees throughout the business—provides a solid basis on which to demonstrate the transparency and accountability that is needed to build trust in business. Confidence in good governance can be further strengthened if the company and its stakeholders can relate to each other through the company reflecting the diversity of society in the leadership and management of the business.

For me, diversity is not just about being able to more closely identify with the needs and aspirations of an international company's wide range of consumers, customers and business partners, and for them to identify with the company, important though this is. It is also about bringing into the leadership of companies diversity of leadership styles. There are many different ways of achieving results and an approach to leadership that is inclusive has a crucial role to play in operating in today's multinational, multicultural world. Approaches that are intuitive, comfortable with ambiguity, adaptable and responsive to change, typify the very qualities needed to run more flexible, matrix-managed organisations.

Clarity of values in management decision-making, a well-founded understanding of environmental and social impact and issues and a positive, pro-active approach to diversity will enable a more open management style. They will also enable stakeholders to reach a more informed opinion of company actions.

### The Contribution of Business Leaders — What Can You Do?

Which brings me to the willingness of CEOs to fulfil the broader expectation of society to make a leadership contribution, based on the authority and responsibility of their position. This requires a good understanding of the parameters of the role of business in society, and of the CEO in particular. Broadly, the parameters can be defined as contributions where the authority of the position from which you speak and act is relevant, is limited to those subjects in which your company has expertise/ experience, and in which your contribution is respectful of the role of others.

At times of crisis—the Asian tsunami, hurricane Katrina, the Pakistan earthquake—the impetus to come to the aid of fellow human beings has seen some remarkable feats of corporate leadership and action. CEOs have made available company know-how, systems, and resources (machinery and disciplined manpower)—as well as products and services. Both The Conference Board and the International Business Leaders Forum have provided practical support and guidance to companies wanting to help, who were searching for the best means to put their resources at the disposal of rescue efforts. They rapidly collected and disseminated information on good practice which in turn informed decision-making in other companies increasing the impact of these contributions. Corporate resources are capable of tackling situations beyond the reach of volunteer efforts—and with unmatched speed and focus.

“If we can do it in tsunami-ravaged communities,  
(why can’t we) do it when the wave that is swallowing people  
up is hunger and poverty ?”

In the immediate aftermath of the Indian Ocean tsunamis, corporate partners provided the World Food Programme (WFP) with a wide range of ‘in-kind’ help that gave it “the edge in moving aid fast.” The question the Executive Director of the WFP posed in the *Financial Times* was, “If we can do it in tsunami-ravaged communities, (why can’t we) do it when the wave that is swallowing people up is hunger and poverty ?”<sup>10</sup> This challenge to business leaders—to identify with society in tackling the social and environmental problems of globalisation, not just through philanthropy, but by using their innovative and creative capabilities to find business solutions that contribute to solving these problems—is the challenge of the twenty-first century. And it is a challenge to all of us engaged in the market economy.

In my years as Chairman, I have seen at first hand the value of contributions from the perspective of practitioners in areas as diverse as international trade, the international investment climate facility for Africa and avian flu. We have a lot to offer, in terms of first-hand experience and in-house expertise that can contribute to making these successful, results-oriented initiatives, in which the business interest is much wider than narrow sectoral advantage. There is also a lot that our companies can learn from participation as, for example, in the case of avian flu, where the global threat also represents an international business problem “that needs a high degree of co-ordination, shared intelligence and a common approach.”<sup>11</sup> Relationships of mutual respect between business and other sectors of society offer dividends for understanding and action, in both directions. And the contribution of business leaders is not just at the CEO’s door to deliver.

On the Board, the NEDs represent the external world. Their average tenure can outweigh the period in office of the CEO, placing them in an ideal position to take a long-term, broad-based view of the company's interest in society. Guidance on good practice in corporate governance directs towards an increasing diversity of members of a company Board, opening up the profile against which NEDs are recruited. The awareness of NEDs of developments in other sectors, including, for example, the worlds of academia and not-for-profits, gives them a perspective that may not be available to executives immersed in day-to-day management. It can provide a new view of the company and its activities, as seen from outside. NEDs have a direct interest in the responsiveness of the corporation to society's agenda, it is a 'ticking time bomb' they cannot afford to ignore.

So, the Board can have the understanding and commitment to operate a responsible, sustainable business and can see it as a central, indeed inextricable, part of its corporate strategy. But what about execution? Clearly, it must be reflected in the objectives and priorities of line management. And they and the Board will need help in assessing where to focus for maximum impact and how to measure outcomes. Here's where executive support comes in—CEOs with their Boards set the direction, but others are needed to help make it happen.

# Taking the Board Agenda Forward

Mandy Cormack

Niall has set out a description of the role of business in society that puts the core activities of the company at the centre of attention: its products and how it goes to market; its behaviour towards and by employees, and between the company and its business partners; and accountability for its environmental footprint. He has stressed the importance of creativity and innovation to growth and successful business performance in competitive markets, and the centrality of trust in the relationship between business and society if this progressive contribution to social development is to continue. To build trust in the company today calls for transparency and consistency in company behaviour and a willingness to account for performance—good and bad.

But the role of business does not stop there. By identifying with the challenges that face societies in a globalising world, companies, through their innovation and creativity, have the opportunity to contribute to their resolution. Bringing the outside into the company, for example, through the development of partnership projects to tackle issues of mutual interest, poses challenges, but opens up a wealth of opportunities. Business in society is not just about what is going on in business, it is about what is going on in society too.

Supporting the leadership on this agenda requires one foot inside and one foot outside the company. Inside, to understand how operations are being conducted, and to build with the people who know the business best—its employees—a good basis of knowledge of its social and environmental impacts. Outside, to understand the concerns of external stakeholders and what they perceive the company to be doing. It is also important to look outside to see where gaps, errors and omissions in performance may be, or assets under-utilised, or where external understanding may be limited because of a lack of explanation or information. Unfortunately, it is easy to become a messenger unwelcome by both sides.

To get to grips with this agenda, I will focus on just three areas where a clear management programme can help the Board fulfil its role with confidence: (1) the core activities for the Board to review; (2) the ‘inter-locking’ agenda, and how the Board can respond; and (3) the steps necessary to build trust. To explore the managerial/leadership dilemmas in depth is beyond the scope of this paper. My intention is to highlight what the CEO and Board can do and the practical steps they can take.

## The Core Activities for the Board to Review

When the Board is evaluating the company's role in society, it should review five areas: (a) the company's 'footprint' in society, (b) values governance and employee engagement, (c) strategy and marketing development, (d) industry priorities, and (e) consistency of corporate relations and communications. Based on these assessments the Board will be in a position to consider how social and environmental factors impact strategy, management and reputation, now and in the future.

*Check that your own house is in order, own operations, and throughout the value chain.  
Understand your company's 'footprint' — your impact on society and the environment.*

The development of a fact-based understanding of the impact of your company on society and the environment is the starting point. It begins with in-house operations, and then works through the value-chain from initial sourcing to post consumption. The process is strongest when done in stages, first, through in-house self-assessment of performance measured against local and international legal and regulatory requirements, published statements of company standards (Code of Conduct) and values (Corporate Purpose/Vision). It should cover the economic, social and environmental performance of the company.

The assessment will lead to a picture of the company's 'footprint' in society, and highlight strengths and weaknesses. It will begin to improve understanding of the social and environmental dimensions of performance and what is required to manage them. Once managers understand what is being asked of them, the assessment process can be opened up to include external review and verification and to set targets for future performance.

### Stepping Stones: The Company "Footprint"

Performance targets set by Unilever following an assessment of its environmental footprint resulted, in a ten-year period (1995-2004), in water per tonne of production being reduced by more than 50%, and energy consumption and greenhouse gas emissions per tonne of production being reduced by more than 25%.

Lessons learned from Unilever's quality and environmental management systems have also been used in other areas, such as work with Unilever's business partners. In 2003 the company introduced a Business Partner Code to make explicit the standards expected of suppliers with respect to health and safety at work, business integrity, labour standards, consumer safety and the environment. These standards are being embedded as an integral part of the company's routine supply assurance process.

Source: Environmental and Social Report 2005 and Unilever Environmental Report 2004<sup>12</sup>

The self-assessment process is rewarding for managers and employees as it deepens their understanding of the operation of the company and provides them with a framework for managing its social and environmental impacts. It provides a first indication of priority actions—those to remedy any under-performance and those strengths that could be developed to the advantage of the company and society.

Self-assessment provides the solid base for raising management awareness and understanding. It provides the necessary data for measurement and evaluation of performance, target setting and external reporting. Self-assessment of local operations can capture the ‘development footprint’ of the local company giving a picture of how the company contributes positively and negatively to development (see Oxfam Unilever Report *Exploring the Links Between International Business and Poverty Reduction: A Case Study of Unilever in Indonesia* referred to later in this report).

*Has your company joined-up corporate governance and corporate responsibility?  
Have all employees been engaged in delivering the standards of social, economic and environmental performance?*

Demonstrating responsibility in corporate performance touches on the contribution of all employees in all departments. It is given particular visibility in the CEO and cannot be divorced from the corporate leadership of the Board and Executive. But it is in the actions of employees as they go about their work and in their relationships, both inside and outside the company, that corporate responsibility is given its most influential expression. Everyone in the company has a part to play.

The starting point for accounting for the behaviour of the company is corporate governance and the company’s Code of Conduct—is it in line with current international good practice?<sup>13</sup> To oversee the effective operation of the Code requires co-ordination throughout business activities. There needs to be a clear focus on securing buy-in from management and employees before monitoring performance. The CEO can nominate a Code Committee (involving, for example, Company Secretary, Legal, Audit, Operations, HR and Corporate Affairs heads), to support the leadership in living out the Code and to provide the necessary focus for continuous improvement based on their oversight of current performance. The work of the Code Committee will be of direct assistance to the Board in carrying out its governance and fiduciary duties.

There is an interesting paradox here. The stronger the internal corporate culture, the greater is the danger of losing touch with external expectations in society as they evolve, and the greater the sense of shock and disbelief in the company when faced with external criticism. Bridging between the internal corporate culture and the external world is an important part of the business in society agenda.

Linked to the management of the Code of Conduct, is the opportunity to increase the understanding of employees of the role of their business in society. Employees are as concerned about responsible corporate behaviour as other citizens (they are members of society too) and are ambassadors for the company in their communities. Making management accountable for social and environmental factors engages employees in the reality of what is, and what is not, practical. Employees attuned to the role their company can play in society and the part they have in meeting societies' needs, can find this agenda highly motivating. A well-structured CSR approach can energise the relationship between employees and the company.

*Has the social and environmental footprint of the company been incorporated into corporate strategy development? Is the development and marketing of brands, products and services meeting the needs of 'consumers as citizens'?*

Resource constraints, markets of newly emerging consumers, public attitudes to new technologies and innovation, evolving consumer perceptions and preferences, are just some of the factors shaping the global marketplaces of tomorrow. A clear articulation of the company's social and environmental footprint will provide essential inputs to understanding the threats and opportunities these offer the business.

## **Hindustan Lever Market Development — Different Approaches to Addressing Social Issues**

### **Lifebuoy 'Swasthya Chetna' — learning new habits**

Diarrhoea causes over three million deaths a year worldwide. Yet a World Bank study estimates that hand washing with soap and water can reduce diarrhoeal diseases by up to 48%. The five-year Lifebuoy 'Swasthya Chetna' Health Awakening programme launched by Hindustan Lever in India in 2002, aims to educate 200 million people—20% of the population—about basic hygiene habits, including hand washing with soap. In 2005 sales increased by 10% and discussions are now underway with the Indian government to consider extending the life and scope of the original programme. It is a good example of a marketing programme with social benefits.

### **Project Shakti — getting the economic engine running**

Among 500,000 small rural villages in India, the absence of a retail distribution network, no advertising coverage and poor roads and transport have left millions of potential consumers underserved. In 2000, Hindustan Lever launched Project Shakti as an innovative approach to expanding the markets for its household brands. The company worked through women's self-help groups and with strong support from more than 300 partners, including NGOs, banks, and both state and local government departments to recruit a sales force of direct-to-consumer distributors. By the end of 2004, Project Shakti had recruited 13,000 Shakti women distributors covering 50,000 villages and selling to 70 million consumers. The average monthly earnings of a Shakti distributor typically doubles a field labourer's household income.

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*Source: Extracts from Unilever Publication Series Global Challenges Local Actions<sup>14</sup>*

The company footprint can begin the process of helping managers see the external world differently. To relate to ‘consumers as citizens’, with a civic interest in sustainable development, is to open up a whole new frame of reference for corporate planning. To achieve the desired level of intimacy between managers and society is to enable the company to identify real-time with evolving social norms and aspirations and the development opportunities these represent. These can be completely new ways of considering the future of the business and its relationship with its customers and consumers (see box). Sustainable development and social responsibility are not end points, but evolving fields of activity with benefits to be gained from learning along the way.

External partners and stakeholder advisors can play a useful role bringing social perceptions and environmental aspirations into scenario-planning and the strategy development process. Lowering the barriers to understanding between them and business leadership, through regular meetings and communications, can increase the effectiveness of the business’s contribution to society, as well as engaging social stakeholders in the reality and limitations of business operations.

*What are the industry priorities — environmental, social and economic — and what are the company’s corresponding strategies?*

For every industry there is a range of specific topics, economic, social and/or environmental, of particular relevance to the role the companies in that industry play in society. Identifying emerging trends and rising to their challenge may enable a reputational advantage. Missing the trends, may involve a loss of growth opportunities and market share (the emergence of the market for organic produce in response to consumer concerns about the safety of food, has resulted in one of the most open and rapidly expanding sectors of the grocery market in Europe and North America).

Some benefits will come from raising the bar for the whole sector on a non-competitive basis and as such may warrant an industry-wide response (the Extractive Industries Transparency Initiative<sup>15</sup> and the Equator Principles<sup>16</sup> have respectively set new international standards for accountability for resource revenues and for project finance in developing economies). The Washright Campaign in Europe<sup>17</sup>, on the other hand, extended well-tried consumer communication techniques to engage users in more responsible washing practices. If an industry-wide programme is adopted it will be important to agree with competition authorities that joint actions cannot be misconstrued as anti-competitive practice.

Transparency is also needed when taking part in the development of public policy as a response to social or environmental concerns. The regulation of chemicals in Europe, advertising to children, and food labelling are important policies for specific industries, but their impacts, and the outcomes of the policies, are of wider interest and greater importance. For example, the European legislation on chemicals will ultimately only be



successful if it really does reassure the public about the safety of chemicals used in everyday products, an end point most effectively achieved through a transparent and inclusive policy-making process.

*Do your corporate communications offer society the opportunity to form a well-founded view of your company? Do you engage with your stakeholders and listen to their concerns and expectations?*

Linking actions and words together—does the company give society the opportunity to form a well-founded understanding of the company and its activities? Can society, maybe with imperfectly articulated concerns, get its views heard by the company?

Data on company performance is essential. Information on social impacts can be difficult to aggregate and assess, particularly international data from different cultures and jurisdictions. But performance measures and proxies can be found.<sup>18</sup>

The business in society agenda recognises  
the mutual dependency that business and society  
have on each other...

Perceptions of the company are also an important factor. Internally, perceptions can be collected via employee attitude surveys and discussion of specific issues included in formal and informal communications. Externally, data on attitudes towards the company may be more diffuse, making collection and interpretation difficult, particularly in the initial stages of ‘mapping’ the company’s footprint. But as the information base and the appreciation of the subjects develop, increasing levels of sophistication in collection and interpretation can be achieved.

On its own, a good flow of information to and from the company will not be enough. Business relationships with society are also important. The business in society agenda recognises the mutual dependency that business and society have on each other and the mutual benefits to be gained from establishing corporate relations that are based on trust and respect. This does not necessarily mean always seeing eye-to-eye, but it does require that debate is based on facts and that respect is accorded to the different beliefs and values, as well as the different roles played by each party. The commitment and active participation of the CEO and senior managers in good communication, which conveys factual information and develops understanding, is critical to building public confidence and trust.

By reviewing the status of these five activities, a Board will have a reasonable grasp of the company's approach to its social and environmental responsibilities and what further strategic direction is required from the Board. The commitment of Executive Directors to implementation is essential. Corporate responsibility is like 'motherhood and apple pie' it is hard to be against. Progress will require the clear endorsement and leadership of the CEO and Board and the active engagement of senior management in the delivery of results.

## Managing the Interlocking Agenda

Niall has described some of the main trends in society that are leading to a wide range of organisations taking a keen interest in corporate behaviour. Interested parties are not concerned about department or function; they are looking for coherent corporate behaviour and consistent communication with the company. Governments and politicians, regulators and governance committees, and the media and pressure groups each interact with different parts of the company, nationally and internationally. Competitors and peer companies, driven by their own strategic priorities, track developments closely. Achievements in one sector drive expectations of what can be accomplished in others and continue to raise the bar. This is an interlocking agenda (see Figure 4).

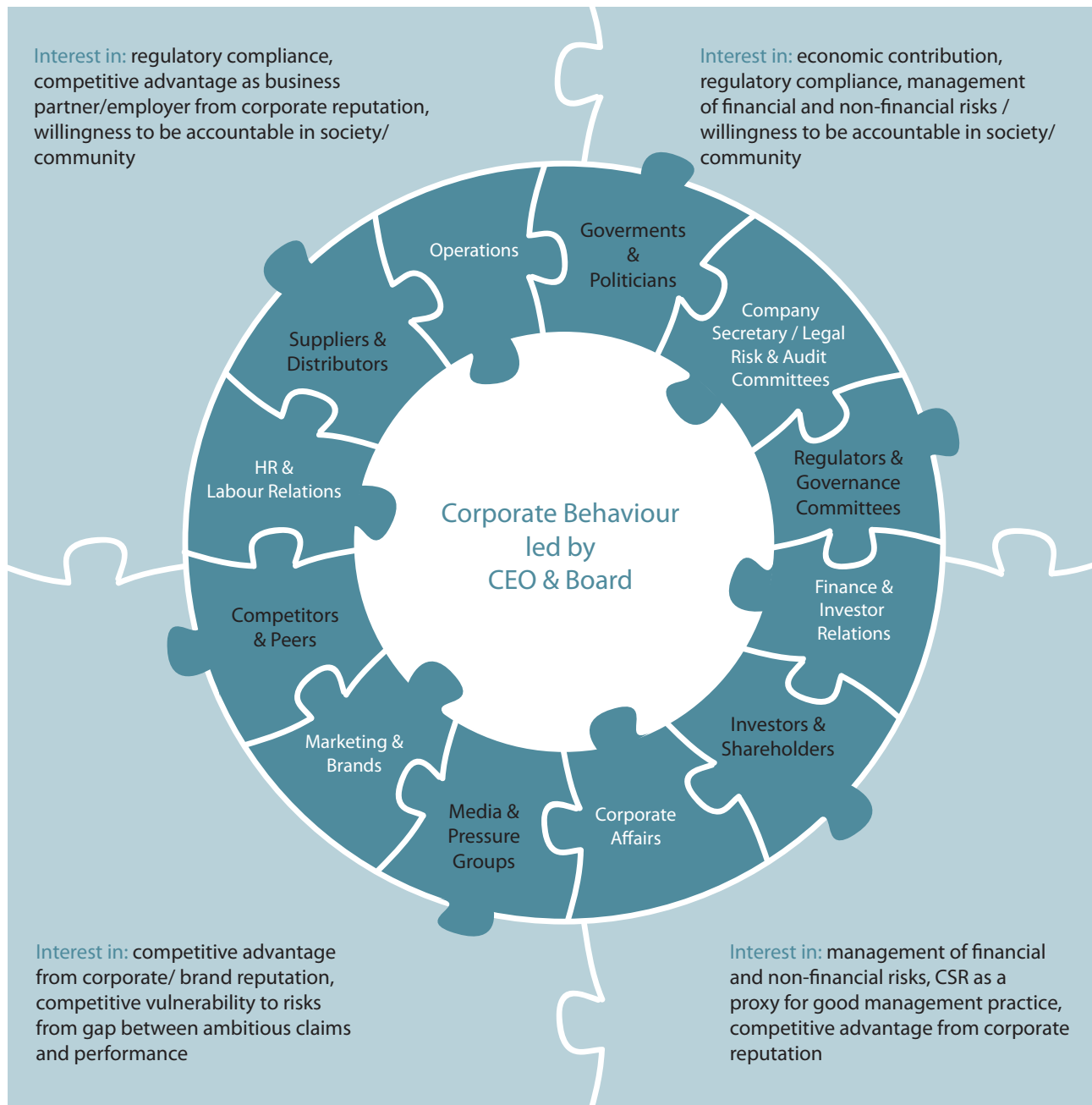
Leading the corporate responsibility agenda is a horizontal challenge in a vertical world. Each company department can respond to its own 'piece' of the business in society agenda, set its own policies and strategies, and implement its own procedures and programmes. But this "issues management" approach is likely to maximise the burden and miss the opportunity, to run the risks of duplication, inconsistency and costly contradictory activities, to diminish impact and actually increase risks. To avoid this does not need a new function. What it does need is a good shared understanding of the impacts of the business and its role in society, and an agreed management approach on how to engage in the agenda, led by the CEO and Board and supported by managers and employees.

## The Role of a Board Committee on Corporate Social Responsibility (CSR)

The response of a number of leading companies in Europe to external interest in the social and environmental performance of companies has been the formation of a Board Committee on CSR (see "Board Committees", page 28). A Board Committee signals internally the importance the CEO and Board attaches to external oversight of these aspects of company activity, and provides reassurance externally, that outside views and concerns will be heard by the company leadership.

In view of the breadth of the agenda, which may consider areas ranging from, for example, ‘climate change to human rights and genetically modified organisms to the gender pay gap’, the Board Committee on CSR needs to be supported in its work through the provision of briefing papers on current issues and have direct access to relevant expertise within the company and outside. Its work needs to be linked to oversight of the actual behaviour of the company in living out its code of conduct, but its interest will be wider, for example, covering consideration of relevant emerging trends and expectations in society and the environment that may impact business growth strategies.

Figure 4  
The Interlocking Agenda: the overlapping interests of different groups in society



## Board Committees On Environmental, Social & Ethical Issues

### Examples

#### Committees of NEDs (Non-Executive Directors)

Anglo American	Safety, Health and Environment Committee
BAA	Health, Safety, Security and Environment Committee; Ethics Committee
Boots	Social Responsibilities Committee
BP	Ethics and Environment Assurance Committee
Cadbury Schweppes	Corporate and Social Responsibility Committee
GlaxoSmithKline	Corporate Social Responsibility Committee
Rio Tinto	Committee on Social and Environmental Accountability
Shell	Social Responsibility Committee
Unilever	External Affairs and Corporate Relations Committee

#### Other Committees

BT	Community Support Committee—chaired by the Chairman and comprising a NED, senior executives who are not directors, and two external independent members.
Marks & Spencer	Corporate Social Responsibility Committee—chaired by the Chairman, and comprising two NEDs, two Executive Directors, the Company Secretary and two other senior executives.
Severn Trent	Environmental and Corporate Social Responsibility Advisory Committee—chaired by a NED (who is a former senior government environmental official), and comprising the Chairman, the Chief Executive, two other NEDs, Executive Directors and three senior executives.

AstraZeneca has decided not to establish a separate board CSR committee, but has allocated specific responsibility for CSR to a NED, Dame Bridget Ogilvie.

*Source: Governance For Corporate Responsibility: The Role Of Non-Executive Directors In Environmental, Social And Ethical Issues. A Discussion Paper R. Lake Henderson Global Investors.<sup>19</sup>*

The Board Committee on CSR will be strengthened by diversity in its membership in helping the company to interpret the complexity of the agenda. It can be a focal point for NEDs to bring to the service of the company the full range of their wider interests and experience, to tackle what Niall has called the ‘ticking time bomb’ of the relationship of business with society.

## **The Steps to Build Trust**

The challenge of changing the terms of the debate—inside the company about its role in society and outside the company to regain the levels of respect and trust that will enable the company to fulfil its potential, will require concerted action. The willingness of a company to open up and engage with other social groups, some of whom may be profoundly critical, is a real challenge for company Boards. But there are advantages to be gained, particularly in strengthening relations with both employees and with the outside world and some dilemmas to be faced.

Inside the company, many members of staff have a strong desire to find meaning in their work, beyond the need to earn a living and the satisfaction of winning. Actively and explicitly managing the company’s role in the community and wider society can contribute to this sense of purpose, resulting in a non-financial benefit to individuals, and to the company, that is hugely satisfying. A company that is making a positive contribution to society is an attractive place to work. The impact can be felt on culture and behaviour, in a spirit of generosity where individuals are willing and happy to give of themselves and the company to reciprocate, where the bond of understanding between employees and the company is strengthened.

Outside the company, Boards face a choice. Should they perceive the external world as hostile, full of risks to be controlled, in which, for example, being asked to give an account of the company’s social, economic and environmental impacts is seen as an affront to its legitimate operating freedom? Where the name of the game is to isolate the issues so that the company can seek to control each one, but which, by taking such an approach, risks increasing the suspicion of a sceptical public and fuelling mistrust? Or should the company go out and explore the changes in society, opening up and empowering employees to work with society to increase understanding of the nature of the business and sharing some of the dilemmas that companies face? Where the name of the game is transparency and a willingness to work with others, and in so doing build confidence and trust in the company?

The way forward for each company will be different, and while these positions have been polarised deliberately, they give an indication of the kind of trade-offs and judgement that Board leadership is being called on to provide in setting the framework for executive action. It is an area where a willingness to step outside the box and welcome business’s role in society can move a whole agenda forward.

In incremental steps, the CEO and Board can set the company on a new path and a new relationship with society, by: (a) ‘walking the talk’ on social and environmental commitments; (b) making performance transparent and accounting for what is, and what is not achieved; and (c) demonstrating through a willingness to work in partnership that the company is alive to the issues of globalisation and willing to play its part in addressing them.

### *Walk the talk*

The credibility of the company’s commitment will be born out by how it runs its operations and whether it treats its employees and business partners fairly and equitably; the role it is willing to play in the communities of which it is a part, and whether it can grow a reputation in society for responsible business practice (see Figure 5).

The expectation of what constitutes responsible business practice has risen to include both socially responsible practices and a stewardship approach to the environment. Although specific priorities will differ over time and from country to country (see Figure 2 page 12), they are a measurable indication of what is expected of companies. Any gaps or contradictions in perceptions between employees, communities and society indicate areas to be addressed by the company either through a change in policy or practice or, not unusually, through better communication of performance, or both.

**Figure 5**  
**Framework of engagement with society: building trust through corroboration of responsible business practice**



\* Community may refer to physical location and/or social groups with close association to the company (e.g., the industry, investors, business partners, academic institutions, NGOs, etc.)

The former chairman of Unilever Indonesia put it succinctly: “In the dying days of the Suharto regime, when there was unrest and properties owned by foreign nationals came under attack, our factories and offices remained unscathed. When I enquired why, I was told by a local community leader that it was because our business was accepted as an essential part of the community. It was because we were seen as part of the community, not separate from it, that our neighbours had been able to protect us from the protestors.”<sup>20</sup> Third-party corroboration of company behaviour and performance, especially from those who know the company best, is an essential contributor to building trust.

This framework of engagement with society, focussing on core activities and relationships, those immediately impacted by the company’s business, and then the company’s wider influence in society, is also a useful framework for understanding the different types of contribution an international company can make to local development (see in particular, the work of the Kennedy School of Government CSR Initiative and the International Business Leaders Forum).<sup>21</sup>

### *Transparency and a willingness to account for actions*

Transparency is a logical follow-on once you have mapped your social and environmental footprint and identified the audiences interested in your performance. At first there is a lot of ground to cover, but reporting gives the company the opportunity to tell its story, 360 degrees, to explain its perspective on controversial issues and what its approach and policies are.

It gives a chance to describe company strategies, for example, to improve the eco-efficiency of manufacturing. And when targets are missed, there is a context in which to explain under-performance or error; for example, the progress on completion of the decontamination of the closed Kodaikanal factory in India, where Hindustan Lever used to make medical thermometers, is reported annually by Unilever as part of its environmental performance. Reporting also provides a context in which to describe the difficulties of aggregating social data internationally (for example it is illegal to collect data on diversity in some countries and meaningless in others).

While there is no set format for company social and environmental reports there are guidelines and emerging good practice.<sup>22</sup> And once the company is familiar with the agenda and confident of its performance, the report provides a spur to maintain good performance. It also frames the dialogue with society and the business issues on which to solicit views, so that audiences inside and outside the company have the opportunity to have their voices heard. Accessible on the web, the report can be an important first point of reference for factual information and performance data about the company’s role in society.

### *Working in partnership to tackle issues of globalisation*

Niall opened this paper by talking about the Marine Stewardship Council. Since the early days of Unilever's partnership with WWF, the MSC has come a long way. By the beginning of 2006, 40 fisheries worldwide were engaged in its programme, representing over three million tonnes of seafood. Together the global retail value of MSC-labelled seafood in 2004/05 was more than \$130 million with more than 300 seafood products bearing the MSC eco-label in 24 countries. A major endorsement for the programme came in January 2006 when Wal-Mart committed to progressively source all their fresh and frozen wild capture supplies for the North American market from fisheries certified against the MSC's standard—a powerful new route to raise awareness of sustainable seafood choices with the North American public.<sup>23</sup>

Starting from the preparedness to work through Unilever's business supply chain, to build practice and standards that could be taken up by others, consumer and commercial support is now being harnessed to the environmental goal of fishery sustainability.

A different partnership, this time a 'learning project' with Oxfam GB and Novib gave insight into the business practices of the international operations of Unilever, using Unilever Indonesia as a case study.<sup>24</sup> Established in 1933, Unilever Indonesia is a highly successful business and is quoted on the Jakarta Stock Exchange. The research looked at the whole value chain, from indigenous small-scale farmers, through manufacturing operations, to low-income consumers. It examined relationships between the different parties and how these were managed. Unilever Indonesia opened up its books to Oxfam and gave access to employees, contractors and suppliers. The research provided Oxfam with an 'inside' perspective of the company's operations, and Unilever with an 'outside' view of its conduct.

The report found that there was a significant multiplier in the number of livelihoods created outside the company in its value chain which offered the opportunity for many poor people to gain basic skills and earn incremental extra income. The report found that the spread of value-adding activity created a broad tax base for the Indonesian Government. But it also showed that participation in value chains, such as Unilever Indonesia's, does not automatically guarantee improvements in the lives of people living in poverty. There need to be other social institutions and resources in place such as credit and savings schemes, marketing associations and insurance schemes.

The case study showed that a joined-up approach to poverty reduction would involve governments, business, international institutions and civil society organisations. Each needs to play its part, each needs the other.


What both of these, very different, partnerships demonstrated was the shared interest the company and society had in the outcomes, in one case, of sustainable fisheries and the other of poverty reduction. Neither are straightforward wins, both involved sharing



learning, a willingness to accept different perspectives, to focus on the desired goals, and, in the company’s case, sticking to what it knows best, its own business. Both demonstrate what is possible when business identifies with society’s concern to tackle social and environmental issues in an interdependent world and the innovative and creative capabilities it can contribute—through its core business activities—as society seeks to find ways to address these problems.

## Board Checklist: Actions & Measures

Supporting a busy CEO and Board to take forward the CSR agenda requires clarity of analysis and focused attention on a few priority actions. Below is a Board Checklist of the key actions described in this paper and the measures that can be used to assess performance. No two companies’ strategies will be the same, their relations with society will be as distinctive as their competitive approaches. The Checklist is designed to give CEOs and Boards a framework for how they manage and account for their company’s corporate behavior and environmental impact, and to help them build the public confidence and trust that will make the most of the role of their business in society.

 <b>Board Checklist</b>	
<b>ACTION</b>	<b>MEASURE</b>
1 Map social and environmental ‘footprint’	Social and environmental performance mapped, targets & measures set for significant company impacts
2 Review Code of Conduct	Code integral part of employment – performance measures agreed and reported, eg Code awareness. Helpline issues, dismissals for Code breaches
3 Integrate CSR into business strategy	Consumer citizen analysis and social and environmental footprint included in new business development projects
4 Leverage industry scale	Information on role in industry-wide social and environmental programme(s) publicly available and progress reported
5 Pro-active communication with stakeholders	Externally-verified, annual Social and Environmental Report on CSR performance against targets, subject to roundtable stakeholder review
6 Create Board Committee on Social and Environmental Responsibility	Review of Committee work included in annual Social and Environmental Report, signed off by NED Chair of Board CSR Committee
7 Build your relationship with society	Your company is preferred as socially and environmentally responsible product/service provider, employer, business partner of choice

## Conclusion — The Last Word Goes to Niall FitzGerald

So that is Mandy Cormack's experience and learning from the sharp end of Strategy into Action. I am absolutely clear that this is not some soft discretionary social agenda, but a hard-edged business issue.

For me, at the centre of this whole analysis, is the consumer, on whom businesses are ultimately, utterly dependent. The consumer is, simultaneously, the citizen—the citizen in the society we impact through the way we run our business operations. Over time, their consumer choices will be driven by their response to us and our companies, as citizens. If we are not seen to be committed to the communities within which we are allowed to operate, they will make their consumer choices in favour of others.

Trust lost departs on a fast horse and returns, if ever, slowly on foot.

Corporate reputation underpins the sustainability of the organisation. It is built slowly and deliberately, brick by brick. It can be lost in an instant—a misjudgement, a thoughtless comment, a careless approach to our consumers or communities. Trust lost departs on a fast horse and returns, if ever, slowly on foot.

Any business or organisation is in the end the sum of the skills, experience and commitment of its people. Motivation is balanced differently by each individual, but within us all is a need to feel we are part of something, or of some group, which makes a positive contribution to society. Talent will be attracted to a corporation or cause in which it believes.

Leadership that does not recognise the essentials of the consumer-citizen—choice, corporate reputation and the collective commitment of its people—will sooner, or later, fail. This is why the role of business in society is right up there on the agenda and deserves the unstinting attention and support of the whole Board—the CEO, the Executive and the Non-Executive Directors too.

## Endnotes and Further Reading

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- 18 Information on reporting frameworks, standards and measures can be found at:  
The Global Reporting Initiative (GRI) ([www.globalreporting.org](http://www.globalreporting.org))  
The Business in the Community (BitC) Corporate Responsibility Index 2005 ([www.bitc.org.uk/programmes/key\\_initiatives/corporate\\_responsibility\\_index](http://www.bitc.org.uk/programmes/key_initiatives/corporate_responsibility_index))
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