МІНІСТЕРСТВО ОСВІТИ І НАУКИ УКРАЇНИ
ЧЕРКАСЬКИЙ НАЦІОНАЛЬНИЙ УНІВЕРСИТЕТ
ІМЕНІ БОГДАНА ХМЕЛЬНИЦЬКОГО

Т. І. Ромащенко
К. М. Ромащенко

КОРПОРАТИВНА СОЦІАЛЬНА ВІДПОВІДАЛЬНІСТЬ:
курс лекцій англійською мовою

Для підготовки студентів другого (магістерського) рівня вищої освіти
спеціальності 292 “Міжнародні економічні відносини”
галузі знань 29 “Міжнародні відносини”

Черкаси – 2024

УДК 005.35(075.8)=111
Р69

Рецензенти:

Гаврилюк О. В., *д.е.н., професор кафедри менеджменту та інноваційного провайдингу ПВНЗ "Європейський університет"*

Денисенко В. О., *к.е.н., доцент кафедри економіки та міжнародних економічних відносин Черкаського національного університету імені Богдана Хмельницького*

Ромащенко Т. І., Ромащенко К. М.
Корпоративна соціальна відповідальність: курс лекцій англійською мовою. Для підготовки студентів другого (магістерського) рівня вищої освіти спеціальності 292 "Міжнародні економічні відносини" галузі знань 29 "Міжнародні відносини" / Укладачі: Т. І. Ромащенко, К. М. Ромащенко – Черкаси: ЧНУ, 2024. – 46 с.

Курс лекцій знайомить з поняттям корпоративної соціальної відповідальності як найважливішого елементу існуючих відносин між компаніями, з одного боку, та їхніми стейкхолдерами (співробітники, споживачі, місцеві жителі, громади мігрантів, представники влади, захисники навколишнього середовища та ін.), з іншого. Також лекційний курс сприяє формуванню важливої компетентності – здатності спілкуватися іноземною мовою з фахових питань.

Рекомендовано для всіх зацікавлених осіб, передусім науковців, викладачів вищих навчальних закладів і студентів економічних та інших спеціальностей.

Затверджено Вченою радою Черкаського національного університету імені Богдана Хмельницького (протокол № 12 від 20.06.2024 р.).

ЗМІСТ

Вступ…………………………………………………………………...……4
Lecture 1. Corporate Social Responsibility as It Is ………….…………...….5
Lecture 2. Stakeholders as Key Drivers of CSR……………..……………....10
Lecture 3. Ethics in Business and Corporate Behaviour………..…..…………14
Lecture 4. Manager as an Integral Part of CSR…………………………..……18
Lecture 5. The Conduct of CSR Assessment………………………...……….25
Lecture 6. Developing a CSR Strategy……………...……………...…....…32
Lecture 7. Verification, Reporting and Evaluation of CSR Progress……...…..40
Список рекомендованої літератури…………………………...……..…44

ВСТУП

Мета навчального курсу: надання студентам теоретичних знань та практичних навичок у галузі ділових етичних концепцій, а також формування у студентів системи знань про різноманітні підходи до соціальної відповідальності в міжнародному бізнесі.

Предмет дисципліни: засади формування та реалізації соціальної відповідальності бізнесу на прикладі вітчизняних та іноземних підприємств; актуальні виклики, які стоять перед корпоративною соціальною відповідальністю на сучасному етапі.

Компетентності та очікувані результати навчання: дисципліна "Корпоративна соціальна відповідальність" забезпечує формування наступних компетентностей, передбачених освітньою програмою "Міжнародний бізнес" з підготовки магістрів спеціальності: 292 "Міжнародні економічні відносини":

Інтегральна компетентність: Здатність виявляти та розв'язувати складні задачі і проблеми, генерувати нові ідеї у сфері міжнародних економічних відносин та/або під час навчання, що передбачає проведення досліджень та/або здійснення інновацій та характеризується невизначеністю умов і вимог.

Загальні компетентності: здатність спілкуватися іноземною мовою; здатність вчитися і оволодівати сучасними знаннями; здатність до пошуку, оброблення та аналізу інформації з різних джерел; здатність працювати в команді.

Фахові компетентності: здатність приймати обґрунтовані рішення щодо налагодження міжнародних економічних відносин на всіх рівнях їх реалізації; здатність застосовувати принципи соціальної відповідальності в діяльності суб'єктів міжнародних економічних відносин і аналізі їхнього впливу на економічний розвиток країн; здатність до самонавчання, підтримки належного рівня знань, готовність до опанування знань нового рівня, підвищення своєї фаховості та рівня кваліфікації; здатність організовувати міжнародний бізнес у різних формах в умовах гострої конкурентної боротьби на світових ринках.

Згідно з вимогами освітньо-професійної програми *програмними результатами вивчення* дисципліни є наступні: мати необхідні для професійної діяльності знання та навички з ділових комунікацій у сфері міжнародних економічних відносин, а також ефективно спілкуватися на професійному та соціальному рівнях, включаючи усну та письмову комунікацію іноземною мовою/іноземними мовами; приймати обґрунтовані рішення з проблем міжнародних економічних відносин за невизначених умов і вимог; здійснювати моніторинг, аналіз, оцінку діяльності глобальних фірм (корпорацій, стратегічних альянсів, консорціумів, синдикатів, трастів тощо) з метою ідентифікації їхніх конкурентних позицій та переваг на світових ринках; розуміти сутність соціального виміру глобального економічного розвитку та імплементувати принципи соціальної відповідальності в діяльності суб'єктів міжнародних економічних відносин.

LECTURE 1

Corporate Social Responsibility as It Is

Thematic Content of the Lecture:
1. Introduction: responsible business is a good business
2. Definitions of CSR, arguments for and against
3. The external effects of corporate activity
4. The principles of corporate social responsibility

1. Introduction: responsible business is good business

"Our biggest challenge this century is to take an idea that seems abstract – sustainable development – and turn it into a reality for all the world's peoples."

Kofi Annan, former UN Secretary General

One of humankind's greatest challenges this century will be to ensure sustainable, just and balanced development. The needs of current and future generations cannot be met unless there is respect for natural systems and international standards protecting core social and environmental values. In this context, it is increasingly recognized that the role of the business sector is critical. As a part of society, it is in business' interest to contribute to addressing common problems. Strategically speaking, business can only flourish when the communities and ecosystems in which they operate are *healthy*.

This broad strategic context helps explain the growing appetite among businesses worldwide and unindifferent society members for authoritative information, company examples and advice about corporate social responsibility (CSR). Let's try to respond to that demand together with you…

There is growing recognition of the significant effect the activities of the private sector have – on *employees, customers, communities, the environment, competitors, business partners, investors, shareholders, governments and others*. It is also becoming increasingly clear that firms can contribute to their own wealth and to overall societal wealth by considering the effect they have on the world at large when making decisions.

Business opinion polls and corporate behaviour both show increased levels of understanding of the link between responsible business and good business. Also, investors and financial markets are beginning to see that CSR activities that integrate broader societal concerns into business strategy and performance are evidence of good management. In addition to building trust with the community and giving firms an edge in attracting good customers and employees, acting responsibly towards workers and others in society can help build value for firms and their shareholders.

"There is no way to avoid paying serious attention to corporate citizenship: the costs of failing are simply too high. ... There are countless win-win opportunities waiting to be discovered: every activity in a firm's value chain overlaps in some way with social factors – everything from how you buy or procure (supply) to how you do your research – yet very few companies have thought about this. The goal is to leverage your company's unique capabilities in supporting social causes, and improve your competitive context at the same time. The job of today's leaders is to stop being defensive and start thinking systematically about corporate responsibility."

Michael Porter, Professor, Harvard Business School

It must be recognized up front that CSR still creates a degree of confusion and controversy. Is the promotion and implementation of socially and environmentally preferable corporate conduct a function of business or government? Is the implementation of CSR practices a cost or a value-enhancer? Is it just public relations? In part, the problem stems (arises) from definitional issues, and a perception in some quarters that CSR is more about philanthropy, rather than "doing business" and responding to shareholder interests. Despite this, the central thesis of this course is that CSR is an integral part of a new business model!

2. Definitions of CSR, arguments for and against

The ***broadest definition*** of corporate social responsibility is concerned with what is – or should be – the relationship between global corporations, governments of countries and individual citizens. ***More locally*** the definition is concerned with the relationship between a corporation and the local society in which it resides or operates. ***Another definition*** is concerned with the relationship between a corporation and its stakeholders.

There is, however, no agreed definition of CSR so this raises the question as to what exactly can be considered to be corporate social responsibility. According to the ***EU Commission*** (2002):

"... CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."

All of these definitions are pertinent (appropriate) and each represents a dimension of the issue. The central tenet (idea) of corporate social responsibility however is the social contract between all the stakeholders to society, which is an essential requirement of civil society. This is alternatively described as citizenship but for either term it is important to remember that the CSR needs to extend beyond present members of society. Social responsibility also requires a responsibility towards the future and towards future members of society. In addition to this is of course a responsibility towards the environment because of implications for other members of society both now and in the future.

Today, a growing number of writers have recognised that the activities of an organisation impact upon the external environment and have suggested that one of the roles of accounting should be to report upon the impact of an organisation in this respect. Such a suggestion *first arose in the 1970's* and a concern with a wider view of company performance is taken by some writers who ***evince concern with the social performance of a business***, as a member of society at large:

"... every large corporation should be thought of as a social enterprise; that is an entity whose existence and decisions can be justified insofar as they serve public or social purposes."

Emil Dahl, 1972

At the same time the desirability of considering the social performance of a business has not always been accepted and has been the subject of extensive debate. As a result, some prominent scholars have taken the view that a corporation ***should not be concerned*** with social responsibility:

"... there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."

Milton Friedman, 1970

Besides, there is a third point of view, an argument that CSR ***is conditional***:

"... whether or not business should undertake CSR, and the forms that responsibility should take, depends upon the economic perspective of the firm that is adopted."

Lance Moir, 2001

So, we can see that corporate social responsibility is a contested topic and it is by no means certain that everybody thinks that it is important or relevant to modern business.

3. The external effects of corporate activity

It is apparent of course that any actions which an organisation undertakes will have an effect not just upon itself but also upon the external environment within which that organisation resides. In considering the effect of the organisation upon its external environment it must be recognised that this environment includes both the business environment in which the firm is operating, the local societal environment in which the organisation is located and the wider global environment.

Hence, this effect of the firm can take many forms, such as:

- the utilisation of natural resources as a part of its production processes;

- the effects of competition between itself and other organisations in the same market;
- the enrichment of a local community through the creation of employment opportunities;
- transformation of the landscape due to raw material extraction or waste product storage;
- the distribution of wealth created within the firm to the owners of that firm (via dividends) and the workers of that firm (through wages) and the effect of this upon the welfare of individuals.

And more recently the greatest concern has been with climate change and the way in which the emission of greenhouse gases are exacerbating this.

It can be seen therefore from these examples that a firm (company, corporation, etc.) can have a very significant effect upon its external environment and can actually change that environment through its activities. It can also be seen that these different effects can in some circumstances be viewed as beneficial and in other circumstances be viewed as detrimental (harmful) to the environment. Indeed the same actions can be viewed as beneficial by some people and detrimental by others.

"We are now, more than ever, aware of the potentially negative impact of business on the environment, whatever the nature or size of the business. There can only be positive results from developing sustainability – from benefiting your own bottom line to benefiting tomorrow's industry to benefiting the environment in which we all live."

Tony Blair, UK ex-Prime Minister

4. The principles of corporate social responsibility

Because of the uncertainty surrounding the nature of CSR activity it is difficult to define CSR and to be certain about any such activity. It is therefore imperative to be able to identify such activity and we take the view that there are three basic principles which together comprise all CSR activity. These are:

- *sustainability;*
- *accountability;*
- *transparency.*

Sustainability. This is concerned with the effect which action taken in the present has upon the options available in the future. If resources are utilised in the present then they are no longer available for use in the future, and this is of particular concern if the resources are finite in quantity.

Thus raw materials of an extractive nature, such as coal, iron or oil, are finite in quantity and once used are not available for future use. At some point in the future therefore alternatives will be needed to fulfill the functions currently provided by these resources. This may be at some point in the relatively distant future but of more immediate concern is the fact that as resources become depleted then the cost of acquiring the remaining resources tends to increase, and hence the operational costs of organisations tend to increase.

Sustainability therefore implies that society must use no more of a resource than can be regenerated. This can be defined in terms of the carrying capacity of the ecosystem and described with input-output models of resource consumption. Thus the paper industry for example has a policy of replanting trees to replace those harvested and this has the effect of retaining costs in the present rather than temporally externalising them.

Viewing an organisation as part of a wider social and economic system implies that these effects must be taken into account, not just for the measurement of costs and value created in the present but also for the future of the business itself. Thus, measures of sustainability would consider the rate at which resources are consumed by the organisation in relation to the rate at which resources can be regenerated.

Accountability. This is concerned with an organisation recognising that its actions affect the external environment, and therefore assuming responsibility for the effects of its actions. This concept therefore implies a quantification of the effects of actions taken, both internal to the organisation and externally. More specifically the concept implies a reporting of those quantifications to all parties affected by those actions. This implies a reporting to external stakeholders of the effects of actions taken by the organisation and how they are affecting those stakeholders.

This concept therefore implies a recognition that the organisation is part of a wider societal network and has responsibilities to all of that network rather than just to the owners of the organisation. Alongside this acceptance of responsibility therefore must be a recognition that those external stakeholders have the power to affect the way in which those actions of the organisation are taken and a role in deciding whether or not such actions can be justified, and if so at what cost to the organisation and to other stakeholders.

Accountability therefore necessitates the development of appropriate measures of environmental performance and the reporting of the actions of the firm. In details this necessitates costs on the part of the company in developing, recording and reporting such performance. Such reporting needs to be based upon the following characteristics:

- understandability to all parties concerned;
- relevance to the users of the information provided;
- reliability in terms of accuracy of measurement, representation of impact and freedom from bias (prejudice);
- comparability, which implies consistency, both over time and between different organisations.

Inevitably, however, such reporting will involve qualitative facts and judgements as well as quantifications. This qualitativeness will inhibit comparability over time and will tend to mean that such impacts are assessed differently by different users of the information, reflecting their individual values and priorities.

A lack of precise understanding of effects, coupled with the necessarily judgmental nature of relative impacts, means that few standard measures exist. This in itself restricts the interorganisation comparison of such information. This should be always taken into account.

Transparency. Transparency, as a principle, means that the external impact of the actions of the organisation can be ascertained (proved) from that organisation's reporting and pertinent (appropriate) facts are not disguised within that reporting. Thus, all the effects of the actions of the organisation, including external impacts, should be apparent to all from using the information provided by the organisation's reporting mechanisms. Transparency is of particular importance to external users of such information as these users lack the background details and knowledge available to internal users of such information. Transparency, therefore, can be seen to follow from the other two principles and equally can be seen to be a part of the process of recognition of responsibility on the part of the organisation for the external effects of its actions and equally part of the process of transferring power to external stakeholders.

As we can see, CSR is a broad subject which leads to a variety of opinions and can be considered in a number of different ways. Later on we will look at these aspects in more detail and at the actual implementation of CSR in a business.

LECTURE 2

Stakeholders as Key Drivers of CSR

Thematic Content of the Lecture:

1. Stakeholders: definitions and classification

2. Stakeholder theory

3. Risk reducing management in the system of CSR

1. Stakeholders: definitions and classification

It is well-known that corporate social responsibility depends much on groups of stakeholders. There are several definitions of the notion. The most common ones are:

- those groups of entities without whose support the company would cease to exist;
- any group or individual who can affect or is affected by the achievement of the organization's objectives.

<u>*Post, Preston, Sachs (2002)*</u>, use the following definition of the term "stakeholder":

"A person, group or organization that has interest or concern in an organization."

We can see from these two definitions that a lot of people can be a stakeholder to a company. The definite representatives of groups who are considered to be stakeholders include: *managers, employees, customers, investors, shareholders, suppliers*.

Besides, there are some more generic groups which often include: *government, society at large*, as well as *the local community*.

And that is not all. Some experts argue that there are additional stakeholders to an organization, namely: *the environment* and *the future*. It should be noted, however, that others do not generally include "the future" as a stakeholder.

It is normal to consider all of these stakeholder groups separately. On the other hand, it should be mentioned that each person (entity) can belong to several stakeholder groups at the same time. For example, a single person might be a customer of an organisation and also an employee and a member of the local community and of society at large. He or she may also be a shareholder and a member of a local environmental association and therefore concerned about the environment. Most probably that person will also be concerned about the future also, on their own behalf or on behalf of their children. Thus, we can speak about so-called ***multiple stakeholding***.

Besides, all these stakeholders can be classified according to some criteria. There are two of them: *internal/external* and *voluntary/involuntary*.

Internal vs external. Internal stakeholders are those included within the organisation such as employees or managers whereas external stakeholders are such groups as suppliers or customers who are not generally considered to be a part of the firm. Although this classification is fine it becomes increasingly difficult in a modern organisation to distinguish the two types when employees might be subcontractors and suppliers might be another organisation within the same group.

Voluntary vs involuntary. Voluntary stakeholders can choose whether or not to be a stakeholder to an organisation whereas involuntrary stakeholders cannot. For example, an employee can choose to leave the employment of the organisation and therefore is a voluntary stakeholder. The local society or the environment are not able to make this choice and must therefore be considered to be involuntary stakeholders.

2. Stakeholder theory

The **stakeholder theory** is a theory of organizational management and business ethics that addresses morals and values in managing an organization. In the traditional view of a company, *the shareholder view*, only the owners or shareholders of the company are important, and the company has a primary duty to put their needs first, to increase value for them.

Stakeholder theory instead argues that there are other parties involved including employees, customers, suppliers, financiers, communities, governmental bodies, political groups, trade associations, and trade unions. Even competitors are sometimes counted as stakeholders – their status being derived from their capacity to affect the firm and its stakeholders. The theory was originally detailed by *Ian Mitroff* in his book *"Stakeholders of the Organizational Mind"*, published in 1983 in San Francisco. Besides, numerous articles and books written on stakeholder theory generally credit *R. Edward Freeman* as the "father of stakeholder theory." Freeman's *"Strategic Management: A Stakeholder Approach"* is widely cited in the field as being the foundation of stakeholder theory.

Nowadays, stakeholder theory advocates that all stakeholders must be considered in the decision making process of the organisation. It also states that there are *3 reasons* why this should happen:

- it is the morally and ethically correct way to behave;
- doing so actually also benefits the shareholders;
- it reflects what actually happens in an organization.

One of modern researches proves that this theory has a practical implication as the majority of large firms are concerned with a range of stakeholders in their decision making process (*see Table 1*).

Table 1

Stakeholder inclusion in decision making

	Concerned with	**Very concerned with**
Stakeholder	**%**	**%**
Customers	89	59
Employees	89	51
Shareholders	100	78
Suppliers	70	3
The environment	62	5
Society	73	3

According to this theory, stakeholder management, or corporate social responsibility, is not an end in itself but is simply seen as a means for improving economic performance of the company. Despite widely-spread recognition of the theory there are also critics of its theses. For instance, *Charles Blattberg* has criticized stakeholder theory for assuming that the interests of the various stakeholders can be, at best, compromised or balanced against each other. According to him, it’s almost impossible to achieve this.

3. Risk reducing management in the system of CSR

One thing which is of particular importance for all corporations, and is becoming more important is *the matter of risk and the managing of that risk*. A stakeholder approach to decision making and managing the organisation is likely to identify more risks and to manage them better. Risk is always related to sustainability which is clearly seen in case of environmental issues (see below).

In order to fully recognise and incorporate environmental costs and benefits into the investment analysis process the starting point needs to be *the identification* of the types of costs and revenues which need to be incorporated into the evaluation process.

Once these types of costs have been identified then it becomes possible *to quantify* such costs and to incorporate qualitative data concerning those less tangible benefits which are not easily subject to quantification. The completion of an environmental audit will enhance the understanding of the processes involved and will make this easier. In considering environmental benefits, as distinct from financial benefits, it is important that *an appropriate time horizon is selected* which will enable those benefits to be recognised and accrued. This may imply a very different time horizon from one which is determined purely by the needs of financial analysis.

Once all the data has been recognised, collected and quantified it then becomes possible to incorporate this data, in financial terms, into an evaluation which incorporates risk in a more consistent manner. It is important *to recognise benefits as well as costs*, and it is perhaps worth reiterating (repeating) as many of these benefits are less subject to quantification and are of the less tangible and image related kind. Examples include:

- enhanced company or product image – this in itself can lead to increased sales;
- health and safety benefits;
- ease of attracting investment and lowered cost of such investment;
- better community relationships – this can lead to a quicker approval of plans through the planning process;
- improved relationship with regulators, where relevant;
- improved morale among workers, leading to higher productivity, lower staff turnover and consequently lower recruitment and training costs;
- general improved image and relationship with stakeholders.

Many of these benefits are not just intangible but will take some time to realise. Hence, it determines the need to select an appropriate time horizon for the evaluation of the risk and associated effects. This time horizon will very likely be a longer one than under a traditional financially based evaluation. Obviously cash flows need to be considered over that period and an appropriate method of evaluation (e.g. a discounted cash flow technique) needs to be used in the evaluation.

None of this will change with the incorporation of environmental accounting information, except for assessment of risk and its associated impact upon the cost of capital, which can be expected to rise as the true extent of the environmental impact.

The steps involved in the incorporation of environmental accounting into the risk evaluation system can therefore be summarized as follows:

- ***first***, identify environmental implications in term of costs and benefits;
- ***second***, quantify those costs and incorporate qualitative data regarding less tangible benefits;
- ***third***, use appropriate financial indicators;
- ***fourth***, set an appropriate time horizon which allows environmental effects to be fully realized.

Thus, as we can see, stakeholder theory is one approach to the managing of an organisation. It is particularly important for an understanding of CSR and its incorporation into daily activity of the firm.

LECTURE 3

Ethics in Business and Corporate Behaviour

Thematic Content of the Lecture:
1. What is ethics and why is it necessary to implement it in business?
2. Ethical philosophies
3. Corporate behaviour and reputation

1. What is ethics and why is it necessary to implement it in business?

Ethics is the set of rules prescribing what is good or evil, or what is right or wrong for people. In other words, ethics is the values that form the basis of human relations, and the quality and essence of being morally good or evil, right or wrong. **Business ethics** means honesty, confidence, respect and fair acting in all business circumstances. However, such values as honesty, respect and confidence are rather general concepts without definite boundaries. Ethics can also be defined as overall fundamental principles and practices for improving the level of humanity well-being.

Ethics is not new for people in business. The corporate world has always had some rules, standards and norms for doing business. However, these are generally changing with some historical, social and cultural basis which can be different country by country. When the company applies these standards or norms as a part of their responsibility we can call them an *ethical code of business conduct*. Corporate behavior should be ethical and responsible; that is why corporate promises for their shareholders and stakeholders have to be fair, ethical and equitable.

Ethics shows a corporation how to behave properly in all their businesses and operations. However, one should remember that business ethics is characterized by *conflicts of interests*. Businesses attempt to maximize their profits as a primary goal on one hand while they face issues of social responsibility and social service on the other.

Ethics is the natural and structural process of acting in line with moral judgments, standards and rules. Nevertheless, being a concrete and subjective concept, "business ethics" can be discussed with differing approaches and in varying degrees of importance in different fields. Indeed, it is highly difficult to define ethics and identify its limits and criteria. ***According to what, how, how much and for whom ethics is or should be?*** These are important questions. However, it is not always easy to find answers to these questions.

Another crucial question to the role of ethics in business is the question of ***why businesses engage in ethical practices?*** Some authors, notably *Milton Friedman*, would strongly deny that a business has a responsibility to any group but the firm's stockholders. To initiate corporate giving, for example, would be a serious breach of management in Friedman's opinion.

However, ethical behavior and ethical business, as we already know, have effects not only on stakeholders and shareholders but also on the entire economy. Thus, another group of scholars believe that when a firm acts ethically in business decision-making process, this will ensure more effective and productive utilization of economic resources. It’s difficult to argue this opinion because a business which does not respect ethical criteria and fails to improve them will disrupt its integrity and unity, i.e., its capacity to achieve its goal, and lead to internal or external conflicts!

2. Ethical philosophies

Ethics is a problematical area as there is no absolute agreement as to what constitutes ethical (or unethical) behaviour. For each of us there is a need to consider our own ethical position as a starting point because that will affect our own view of ethical behaviour. The opposition provided by deontological ethics and teleological ethics (regarding the link between actions and outcomes), and by ethical relativism and ethical objectivism (regarding the universality of a given set of ethical principles) represent key areas of debate in the ***philosophy of ethics***.

Deontological ethics. According to deontologists certain actions are right or wrong in themselves and so there are absolute ethical standards which need to be upheld. The problems with this position are concerned with how we know which acts are wrong and how we distinguish between a wrong act and a good one. Philosophers such as *Nagel* argue that there is an underlying notion of right which constrains our actions, although this might be overridden in certain circumstances. Thus, there may be an absolute moral constraint against killing someone, which in time of war can be overridden.

Teleological ethics. Teleological theory distinguishes between “the right” and “the good”, with *“the right”* encompassing those actions which maximise “the good”. Thus, it is outcomes which determine what is right, rather than the inputs (i.e. our actions), in terms of ethical standards. This is the viewpoint which is promoted by *Rawls* in his ***“A Theory of Justice”***. Under this perspective, ones duty is to promote certain ends, and the principles of right and wrong organise and direct our efforts towards these ends.

Utilitarianism. It is based upon the premise that outcomes are all that matter in determining what is good and that the way in which a society achieves its ultimate good is through each person pursuing his/her own self interest. The philosophy states that the aggregation of all these self interests will automatically lead to the maximum good for society at large.

Ethical relativism. Relativism is the denial that there are certain universal truths. Thus, ethical relativism posits that there are no universally valid moral principles. Ethical relativism may be further subdivided into: *“conventionalism”*, which argues that a given set of ethics or moral principles are only valid within a given culture at a particular time; and *“subjectivism”*, that sees individual choice as the key determinant of the validity of moral principles.

According to the “conventional” ethical relativism it is the mores (traditions) and standards of a society which define what is moral and ethical behaviour. Not absolutely, but according to the dictates of a given society at a given time. Thus, if we conform to the standards of our society then we are behaving ethically. We can see, however, that ethical standards change over time within one society and vary from one society to another. For instance, the attitudes and practices of the 19^{th} century are different to our own as are the standards of other countries.

A further problem with this view of ethics is that of how we decide upon the societal ethics which we seek to conform to. There are the standards of society at large, the standards of our chosen profession and the standards of a social group to which we belong. For example, the standards of society at large tend to be enshrined within the laws of that society. But how many of us rigorously abide by the speed limits of this country?

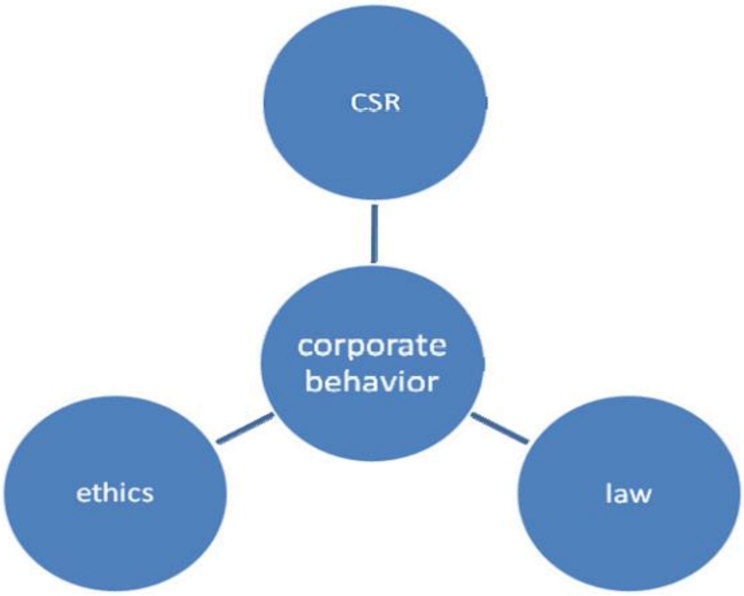
Different grouping within society tend to have different moral standards of acceptable behaviour and we have a tendency to behave differently at different times and when we are with different groups of people. Equally when we travel to a foreign country we tend to take with us the ethical standards of our own country rather than changing to the different standards of the country which we are visiting. Therefore, it becomes very difficult to hold to a position of ethical relativism because of the difficulty of determining the grouping to which we are seeking to conform.

Ethical objectivism. This philosophical position is in direct opposition to ethical relativism: it asserts that although moral principles may differ between cultures, some moral principles have universal validity whether or not they are universally recognised. There are two key variants of ethical objectivism: "strong" and "weak". *Strong ethical objectivism* or *"absolutism"* argues that there is one true moral system. *Weak ethical objectivism* holds that there is a "core morality" of universally valid moral principles, but also accepts an indeterminate area where relativism is accepted.

We can see that each of these theories of ethics is problematical and that there is no overarching principle which determines either what is ethical or what is not. Nevertheless, a concern with ethics has been introduced explicitly into organisation theory and strategy in recent years. This, in return, has led to an increased interest in corporate social responsibility.

3. Corporate behaviour and reputation

Corporate behaviour is very important for company success. It involves legal rules, ethical codes of conduct and social responsibility principles. In other words **corporate behaviour** (*its elements* – see below) is based on all of these components and involves law, ethics and CSR. It is also important to recognize that this behaviour must be ethical but at the same time must also be seen as ethical – perceptions are very important.



Corporate behaviour has effects not only on stakeholders and shareholders but also on the entire economy. When a corporation acts ethically and socially responsibly in its business decisions and strategic planning then that corporation will be more sustainable. Socially responsible corporate behaviour is increasingly seen as essential to the long term survival of companies.

To be a socially responsible corporation, a company must be more than a legal and ethical person. CSR is not always a legal necessity, i.e. nowadays a company has to be socially responsible even though it is not its legal obligation – which is one of the most important characteristics of CSR. These provide the platform (*see the corporate behaviour pyramid below*) upon which present-day social responsibility is built.

Corporate reputation – perhaps, one of the main derivatives of corporate behaviour. The beginning of the 21st century creates a new challenge for corporations – realising the potential of their corporate brands. In today's markets organisations focus on intangible factors in order to compete and differentiate their services/products in an environment, which is characterised by rapid changes. The reputation of the corporation is often the most important factor in gaining a competitive advantage as well as building financial and social success.

Corporations are realising that possessing a well-known name such as *Johnson & Johnson*, can help them secure a good position in the marketplace. Businesses are not only faced with sophisticated and informed stakeholders but also by rigorous regulation and evolving standards as well as by independent associations and agencies that act as watchdogs guarding the interests of their publics.

There are many benefits claimed for being perceived as having a good corporate reputation. One of the main is concerned with the fact that it improves shareholder value: a strong corporate reputation inspires confidence in investors, which in turn leads to a higher stock price for a company. It brings increased customer loyalty to the products of the company. A positive customer perception of a company extends to its products sales. Equally a strong corporate reputation is an influential factor for forming partnerships and strategic alliances as the partner company has the potential to improve its own reputation by association. Similarly a company with a solid reputation is more influential on legislative and regulatory governmental decision-making.

Employee morale and commitment are higher at corporations with a good corporate reputation. At a time of a crisis a good corporate reputation can shield the company from criticism and even blame, and can help it communicate its own point of view more easily to audiences that are willing to listen to its point of view. A good example is the *Pepsi Cola* case according to which products on sale were found to contain hypodermic syringes. Pepsi dealt effectively with the crisis by defusing public alarm with a public relations campaign that highlighted the integrity of its manufacturing process and its corporate credibility (reliability).

Finally, ethical behaviour and ethical business have effects not only for stakeholders and shareholders but also on the entire economy. We believe that when acting ethically in the business decision-making process then this will ensure more effective and productive utilisation of economic resources. Corporate behaviour affects responsible and proper economic and institutional improvement. It will be also an influence on all society and a common benefit.

LECTURE 4

Manager as an Integral Part of CSR

Thematic Content of the Lecture:

1. The role of a business manager

2. The objectives of a company

3. The tasks of a manager

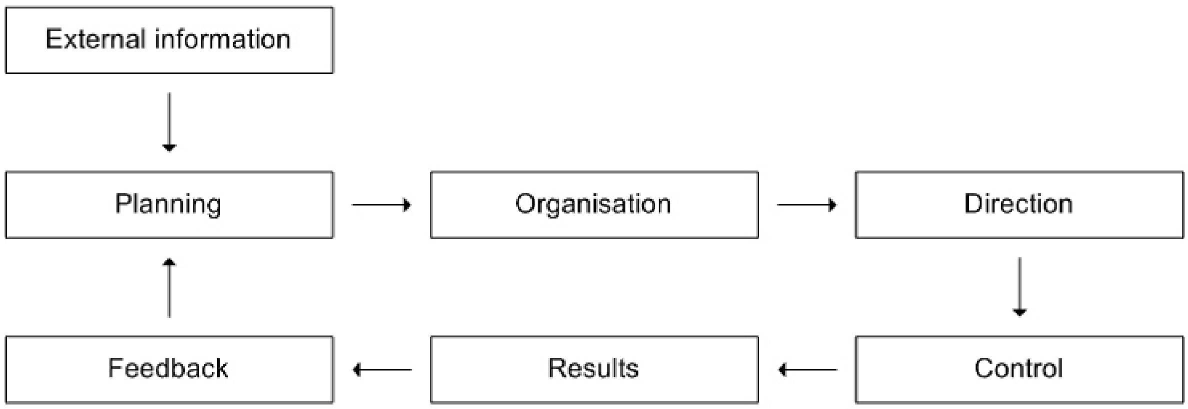
4. Managers and business ethics

1. The role of a business manager

A manager of any modern business has a difficult job to perform. A crucial part of his job is to meet the objectives of the organisation of which he is a part and in order to do so he must pay attention to a number of important issues. Although the exact nature of a manager's job may vary quite significantly from one organisation or department to another (so that the role of a marketing manager, a production manager or a manager of a supermarket may appear to be quite different) there is however considerable similarity in terms of the fundamental tasks to be performed.

These tasks can be categorised as follows (*see figure 1*):

Fig. 1 The tasks of management



Every manager plans his/her work and the work of others as well as organising him/herself and others, directing others as to what to do, motivating them and exercising control over situations and other people. The results are fed back into the planning process in order to modify future plans for the business.

All managers *are concerned with working with people*: those they work with, those they supervise, those they report to, and those who are the customers for the product or service which is provided by that area of an organisation which the manager is responsible for. All managers are therefore naturally concerned with the output for their particular area of responsibility and so are also concerned with the inputs to their area of responsibility, whether these be raw materials, information or goods to be displayed and sold.

Using the information available, a manager must plan for the future of the business. In this context a manager must decide upon the courses of action which need to be taken in order to achieve the best results, and must consider what alternative courses of action are available, and what the consequences of any particular decision might be.

Thus, *the manager of a restaurant*, for example, will need to decide what its opening hours need to be and how these might affect possible customers who might want to dine when the restaurant is closed. The manager, however, needs also to decide upon the ingredients of the menu and how much of each to order; in doing so he needs to consider what the effect of not ordering enough of a particular item might be in terms of dissatisfied customers and the possible effect this might have upon the future of the business but also what the effects of overordering and having waste might be upon the profitability of the business. The manager therefore needs to consider alternatives and their consequences and decide what course of action to take after this consideration of the facts.

Decision making is a crucial part of the job of any manager, and decisions need to be made between conflicting alternatives. These decisions are often to a large extent conflicting in their possible outcomes and there is a degree of uncertainty surrounding the consequences. Selecting the best possible decision to make is therefore often a difficult and skilful process but it is important that the decisions made are the right ones. Because of this a manager needs tools to help him/her to evaluate the consequences of the alternative decisions which he might make. These tools will assist him/her in making better decisions.

2. The objectives of a company

A business manager must be concerned not just with the internal running of the business but must also be concerned with the external environment in which the business operates – that is with his/her customers and suppliers, with competitors, and with the market for the products or services supplied by the business.

Such concerns of a business manager comprise the strategic element of the manager's job and a manager must therefore be familiar with this aspect of management, and with the way in which accounting can help in this area. In this context we also can’t ignore the need to consider various objectives which an organisation might have.

The objectives of a manager need to be considered in terms of their helping to meet *the objectives of the company* in which he works. While most business organisations aim to make a profit, this is not true of all and the not-for-profit sector of the economy is one which is increasing in importance. Thus, making a profit is not the only objective of most organisations. In other words, today organisations can have different objectives and below we’ll try to identify some of them.

Profit maximization. For organisations which exist to make a profit it seems reasonable that they should seek to make as large profit as possible. It is not, however, always clear what course of action will lead to the greatest profit, and it is by no means clear whether profit maximisation in the short term will be in the best interests of the business and will lead to the greatest profit in the longer term. Hence, profit maximisation may not be in the best interests of a business and it certainly may conflict with other objectives which a business may have.

Maximising cash flow. Cash flow is not the same as profit and an organisation needs cash to survive. In some circumstances this cash flow may be more important than profit because the lack of cash can threaten the survival of the company.

Maximising return on capital employed. This is a measure of performance of a business in terms of its operating efficiency and therefore provides a measure of how a business is performing over time. Comparative measures are useful in helping the owners and managers of a business to decide what course of action may be beneficial to the business.

Maximising service provision. This is the not-for-profit sector equivalent of maximising the return on capital employed and thus provides a similar means of evaluating decisions.

Maximising shareholder value. The value of a business depends partly upon the profits it generates and partly upon the value of the assets it possesses. These assets can comprise partly of tangible assets such as plant and machinery or land and buildings and partly of intangible assets such as brand names. Thus, the value of *Coca Cola* as a business far outweighs the value of its fixed assets because of the value of its brand name which is recognised worldwide. Maximising the value of the business to shareholders therefore involves much more than maximising the profit generated.

Growth. Growth through expansion of the business, in terms of both assets and earnings, and the increase in market share which the business holds is one objective which appeals to both owners and managers. If this is an objective of the business then it will lead to different decisions to those of profit maximisation.

Long term stability. The survival of a business is of great concern to both owners and managers and this can lead to different behaviour and a reluctance to accept risk. All decisions involve an element of risk and seeking to reduce risk for the purpose of long term stability can lead to performance which is less than desirable.

Satisficing. It must be recognised that all objectives of a company are dependent upon the people who set them and business behaviour cannot be considered without taking this into account. Satisficing is a way of reducing risk and taking multiple objectives into account by making decisions which are acceptable from several viewpoints without necessarily being the best to meet any particular objective.

Any business is likely to seek to pursue a number of these objectives at any point in time. The precise combination of them is likely to vary from one organisation to another and from one time to another, depending upon the individual circumstances of the organisation at any point in time. The firm will not, however, view all the objectives which it is pursuing at any particular time as equally important and will have more important ones to follow. These objectives will therefore tend to be viewed as a *hierarchy*, which may vary from time to time.

None of these conflict with socially responsible behaviour and there is growing evidence that social responsibility actually enhances the ability to achieve all of these objectives.

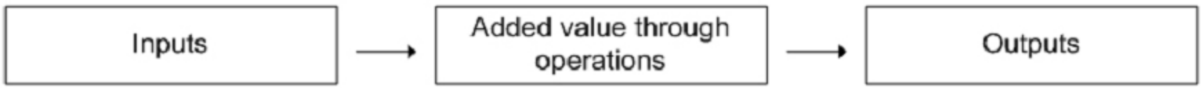
3. The tasks of a manager

The role of a manager will vary greatly according to the area of responsibility of a definite business. Put it otherwise, the roles of different managers are different and the tasks which they undertake to perform their roles are also not the same.

Nevertheless, we can classify these different tasks into one of several types according to their nature.

Planning. A manager needs to plan for the future in order to decide how best to meet the objectives of the organisation. He needs to decide what can be achieved and what inputs are needed to help him meet his plan. Planning therefore needs to be not just qualitative but also quantitative in order to evaluate the plan and determine inputs and outputs to the plan. All business processes can be considered as taking a set of inputs and performing operations in order to add value and transform them into outputs. The function of any business can therefore considered to be adding value through the transformations made during its processing. This can be illustrated as follows:

Fig. 2 The transformational process



Planning needs to consider alternatives, not just in terms of alternative targets to set but also in terms of alternative methods of achieving these targets. Planning cannot be done in isolation but needs to take into account what effect the planning has upon the plans of other managers within the organisation. This is especially true when the inputs of this plan come from the outputs of the plan of another manager or when these outputs affect the planning of another manager.

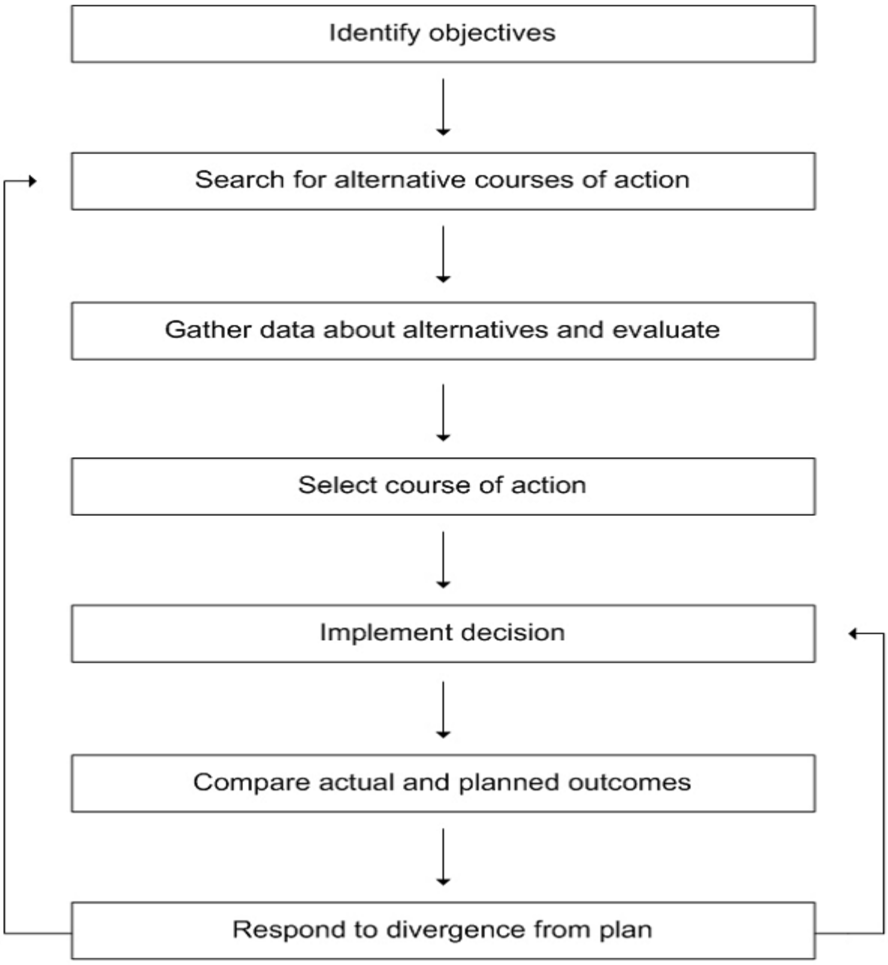
Thus, a *sales manager* cannot plan how much to sell without taking into account the plan of the production manager concerning how much will be produced, and the *production manager* cannot make his plans for production without taking into account the planning of the sales manager regarding how much can be sold. The planning tasks of the manager therefore are important but cannot be made in isolation.

Control. Control is concerned with making sure that things happen in accordance with the plan. It therefore involves monitoring the plan, and progress being made in accordance with the plan. It also involves taking action when things are not going in accordance with the plan in order to attempt to change things so that the plan can be achieved. Control is therefore an ongoing activity for a manager and involves comparing actual performance with targets, providing feedback on actual performance and taking action to change performance when it diverges from the plan.

Although the manager may be able to achieve this by physical observation and communication with people, it is likely that this will not be sufficient. He will probably need to rely to a large extent upon reports in order to exercise control. The reports which management accounting provides are therefore crucial in assisting a manager to exercise control.

Decision making. One of the key aspects of a manager's job is concerned with making decisions. There is always more than one course of action which a manager can take in any particular situation (even if one of the courses is to do nothing!) and so he needs to decide between the alternatives in order to make the decision which is most beneficial. In order to make a decision the manager needs to identify the possible alternative courses of action open to him, to gather data about those course of action and to evaluate the consequences of each particular alternative. The stages in the decision making process are shown in the diagram below (*see figure 3*).

Fig. 3 The decision making process



In order to make a decision a manager needs information. Management accounting is one tool which exists to help the manager by providing information about the consequences of the alternatives open to him.

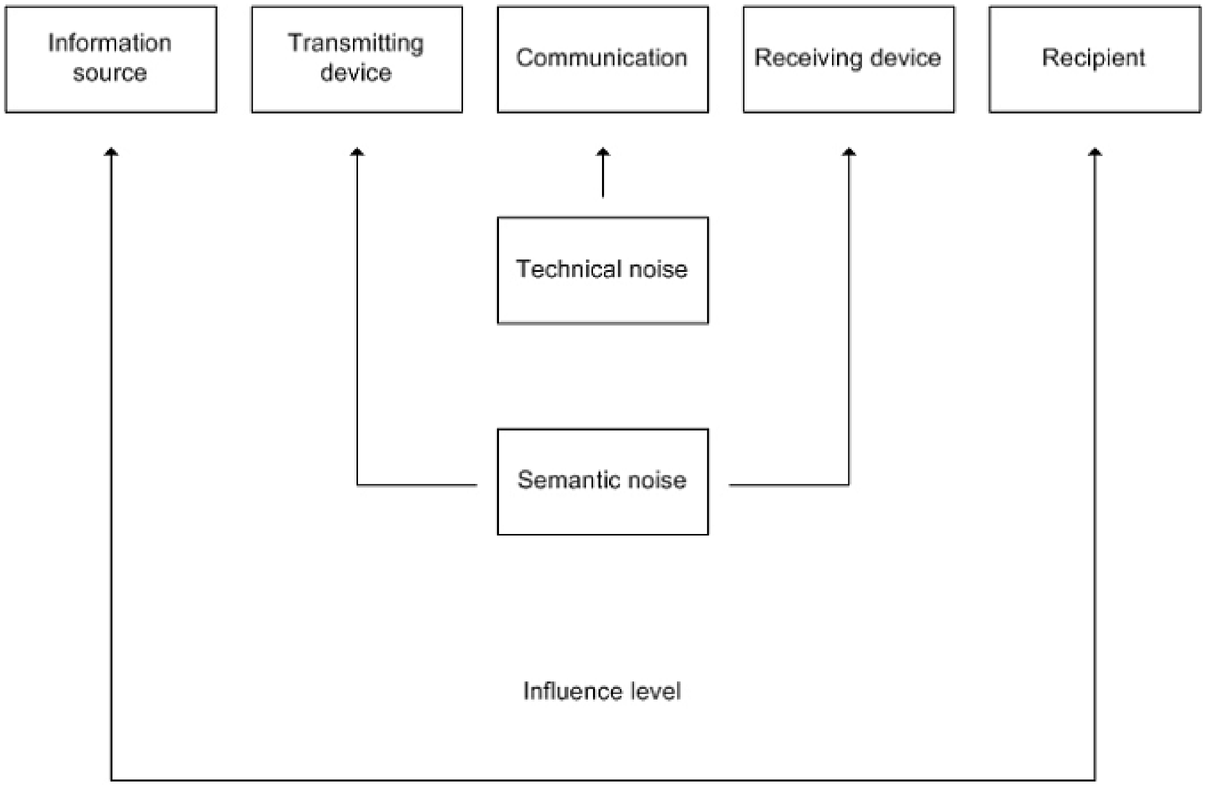
Performance evaluation. While the performance of organisations is evaluated by such measures as return on capital employed, the organisation in turn needs to evaluate the performance of its units and the managers running these units. The managers in turn need to evaluate the actual performance of their tasks against that which has been planned. Measurement needs to be relative to be meaningful – to compare performance with plans and with past performance. Performance measures also need to be quantitative in order to enable comparisons to be made and financial information provides important data for the measurement of performance. Unless performance can be evaluated managers have no basis upon which to exercise control, to make decisions and to plan for the future.

In order for a business to be able to control its operations it is necessary that the managers of that business are able to measure the performance of the business and of individual parts of that business. A significant feature of business management therefore is the need to measure and evaluate performance, both of the business as a whole and of individual parts of that business. Of equal significance is the ability to evaluate the performance of individual managers. This is of importance to the business but particularly to the managers themselves, as their rewards are increasingly based, at least in part, upon an assessment of their performance.

Increasingly also managerial rewards are based upon a variety of aspects of performance and this includes their effect upon the CSR activity of the corporation. This is another reason why CSR is being increasingly linked into the strategic planning process.

Communication. Information available to help managers in their tasks needs to be communicated to them, and managers in turn need to communicate their plans and decisions to others. Communication involves both the sender of information and its recipient, and for the information to be of value it needs to be understood by the recipient as intended by the sender. Any interference which prevents the message being received by the recipient is known as noise and the diagram below (*see figure 4*) shows that two types of noise prevent a message being received as transmitted.

Fig. 4 The communication of information



Technical noise is that which occurs on a telephone or radio which is concerned with the technical means of communication. A more crucial type of noise, however, is ***semantic noise*** which occurs because a message is not transmitted in a clear and unambiguous manner and so is not correctly understood by the recipient. Quantitative information is less likely to be misunderstood than qualitative information and this is one of the importance features of accounting information. Management accounting therefore has an important part to play not just in enabling decisions to be made but also in the communication of this information.

4. Managers and business ethics

Business ethics is a subject of considerable importance to any organization (*see lecture 3*). If it is neglected by a firm this can lead to serious troubles in business nationally and worldwide. For instance, unethical behaviour and late 2008 provides just such an example where the misbehaviour in the housing lending market – the so called *sub-prime scandal* – has led the serious economic problems in the USA which then spread elsewhere around the world.

That is why lots of researchers are concerned with highlighting the value of ethical behaviour and have claimed that this actually leads to better business performance. They consider that ethics need to be at the core of business behaviour and that effective business management is based upon ethical behaviour. It is also stated that this recognition, and acting accordingly, actually increases the performance of a business. The UK accounting bodies, for example, are also concerned with business ethics and all have a stance in this matter, and have incorporated a requirement for ethical behaviour into their codes of conduct. The subject of ethical behaviour amongst businesses has also had an effect upon auditing practice and upon the financial reporting of businesses.

Thus, any manager operating in a business environment needs to be aware of the importance of ethical behaviour. Equally he/she will experience conflicts, in attempting to behave ethically, between different alternative courses of action, and may find conflicts between the firm's objectives and his/her own personal motivation and objectives. No ready solution to these conflicts is available but a manager should be aware that ethical behaviour leads to better performance in the longer term, and so should be encouraged to act accordingly.

LECTURE 5

The Conduct of CSR Assessment

Thematic Content of the Lecture:

1. What is a CSR assessment and why should it be done?
2. The stages of the CSR assessment
3. Practical CSR initiatives for business

1. What is a CSR assessment and why should it be done?

No firm – big or small – is likely to do anything about CSR, unless the board of directors, CEO, senior management or owners recognize that some sort of CSR-related problem, opportunity or challenge exists. In turn, this recognition provides the fuel for proceeding with a **CSR assessment**, *with the purpose of better understanding the nature of the problem, opportunity or challenge and its significance for the business*.

A logical first step is to gather and examine relevant information about the firm's products, services, decision making processes and activities to determine where the firm currently is with respect to CSR activity, and to locate its "pressure points" for CSR action. A *proper CSR assessment* should provide an understanding of the following:

- the firm's values and ethics;
- the internal and external drivers motivating the firm to undertake a more systematic approach to CSR;
- the key CSR issues that are affecting or could affect the firm;
- the key stakeholders who need to be engaged, and their concerns;
- the current corporate decision making structure and its strengths and inadequacies in terms of implementing a more integrated CSR approach;
- the human resource and budgetary implications of such an approach;
- existing CSR-related initiatives.

The assessment should identify the main risks and opportunities, and culminate in a thorough gap analysis: where is the organization strong and where is it weak relative to internal goals, peers and best practices? How well is the firm's strategy responding to emerging issues and opportunities? This is essential information for identifying priorities and for selling the approach within and outside the firm.

When the board of directors, CEO and top management or owners do not have an accurate snapshot of how far the firm is down the CSR road, it is unlikely they will be able to make informed decisions about moving ahead. Front-end intelligence gathering in the form of a CSR assessment *can save a firm from launching an ineffective CSR approach or heading in a direction that is not sustainable in business terms*. *An assessment can also help identify CSR gaps and opportunities and thereby improve business decision making. Importantly, too, it can act as a reminder of existing legal requirements*.

Many firms are already engaging in CSR activities without necessarily identifying them as such! Frequently a firm can introduce a CSR approach to support or complement this work without much incremental (step by step) investment. For example, a firm may have in place quality, environmental, occupational health and safety and other management systems, employee educational advancement programs or community outreach initiatives. These are likely to become important building blocks in a systematic CSR approach. Among other things, a CSR assessment should identify all of these existing implicit initiatives, so they can be properly considered as part of a larger CSR approach.

2. The stages of the CSR assessment

A *five stage CSR assessment process* is set out below:

1. Assemble a CSR leadership team;

2. Develop a working definition of CSR;
3. Identify legal requirements;
4. Review corporate documents, processes and activities;
5. Identify and engage key stakeholders.

However, it should be noted that this is not the only way to do an assessment; rather it is one way a firm can review the full range of its operations through a CSR lens.

Assemble a CSR leadership team. Like any successful management strategy, a CSR process needs both high level management vision and support, and buy-in (support) at all levels of the company. For this reason, a CSR leadership team would include representatives from the board of directors and top management or owners, as well as volunteers from various units within the firm that are affected by or involved in CSR issues. Other representatives could be senior personnel from human resources, environmental services, health and safety, community relations, legal affairs, finance, marketing and communications. Front-line staff in these areas and any other personnel who may become key players involved in implementing the CSR approach the firm eventually develops should also be on the team.

Employees at all levels should be encouraged to contribute their time, energy and ideas. As the work of the team progresses and a better understanding of the implications of CSR emerge for the firm, it is quite possible that the membership of the team will change.

Even when there are no members of the board of directors on the team, it is vitally important that it be directly accountable to senior management and, ultimately, the board. This acknowledges that effective CSR implementation requires integration of the principles of CSR into the firm's central values and activities. Involvement of the CEO as CSR champion sends a clear signal that the firm considers CSR to be important.

Develop a working definition of CSR. The first task of the leadership team is to develop a *working definition of CSR for the firm*. This will become the basis for the rest of the assessment.

The definition for CSR should be something quite general. Here are some examples:

- CSR is the firm's practices and policies that contribute to the well-being of the environment, economy and society. They address the needs of customers, suppliers, shareholders and employees, as well as those of government, the general public and the communities where the firm operates, without compromising the ability of future generations to meet their own needs.
- CSR is the way the company integrates economic, environmental and social objectives while, at the same time, addressing stakeholder expectations and sustaining or enhancing shareholder value.
- CSR is the overall relationship between the corporation and its stakeholders, which include customers, employees, communities, owners/investors, government, suppliers and competitors. Elements of CSR include investment in

community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial performance.

- CSR is the responsibility the firm has to its stakeholders. It means that the firm's products and services create value for customers and contribute to the well-being of society. It means the firm operates using ethical business practices and expects the same from its suppliers and partners. It means minimizing the environmental impact of its facilities and products. It means providing jobs, paying taxes and making a profit, as well as supporting philanthropy and community involvement. It means treating employees with respect and being a good neighbour to the people next door as well as those half a world away.

The team may also wish to identify ***key values*** that motivate the firm, and particular concerns it and members of its supply chain have, such as inclusiveness, stewardship and integrity. These could be related, for example, to the environment, workplace, community relations (including diversity issues), human rights, customers, government relations, bribery and corruption, or corporate governance.

Engaging people at all levels of the organization – from employees to managers and members of the board of directors – in developing the definition of CSR from the very beginning will help ensure the approach the firm ultimately takes to CSR will resonate and be supported throughout the organization.

The input of members of the board, the CEO and other senior managers can be particularly helpful in articulating a definition, since they should be able to shed light on the initial motivations for launching work on CSR. Besides, wherever possible CEOs and others should reference internationally-agreed standards and instruments, since these offer legitimacy and consistency for CSR efforts.

Identify legal requirements. A CSR approach is not a compliance-based activity. It is all above voluntary choices a firm makes to improve its performance and the way it relates to society. In this context, an essential step is to ensure that the business already respects existing laws, whether in relation to such things as governance, taxation, bribery, labour, or environment. A good CSR strategy – and the firm's reputation – can be quickly damaged if it is found to be in breach of basic laws.

Review corporate documents, processes and activities. With a working CSR definition and an initial understanding of the motivations behind the firm's interest in CSR, the team should then review key corporate documents, processes and activities for actual and potential CSR implications.

Documents. Existing mission statements, policies, codes of conduct, principles and other operating documents are logical candidates for review. External documents associated with programs or initiatives which the firm subscribes to may also need revisiting. These would include sector-wide standards, principles or guidelines. It may be that the existing mission statement, policies or codes address worker relations, customer satisfaction or environmental protection in some regard. It is useful for the leadership team to explore why these items were developed and to learn from them (or at least acknowledge that they are CSR-related). It may be that they were past responses to CSR pressure points. By the same token (reason), an absence of any reference to societal impacts or commitments in these documents may indicate that a culture shift may be required to integrate CSR effectively into decision making and business activities.

Processes. One of the advantages of a CSR approach can be to promote "joined-up" thinking and a more integrated strategic approach to material, social and environmental issues. For this reason, existing decision-making processes warrant review. Typically, firms have specific decision-making processes and associated decision-making bodies in place to address particular aspects of operations, and these may affect the CSR approach. For example, a health and safety committee may take the lead in determining the resources, training and implementation of worker health and safety programs. Senior legal counsel may play a key role in decisions about environmental protection activities, in conjunction with senior engineers and other staff. It may also be that various parts of the organization are treated quite differently from one another. In many firms, decision making concerning suppliers is an area that touches on CSR in many regards, including training, wages, and health and safety protection. It is instructive for the leadership team to review these types of decisions, who makes them and how. It is also important to determine whether there is a unit or process in place to coordinate decisions about issues with a societal dimension.

Activities. The firm's activities that relate directly to providing its products or services to users can be closely connected to CSR. In addition to thoroughly examining internal operations for CSR-related challenges and opportunities, it may be useful for the leadership team to examine those of competitors and firms in other sectors. These can be helpful indications of areas in which the firm might wish to concentrate attention. Practical ideas may also be gleaned (chosen) by examining activities in other jurisdictions, such as the level of security or conflict overseas, since these may be indicators of challenges or opportunities to come. The team should also consider activities of business partners (particularly supply-chain partners), since these may significantly affect the firm.

Identify and engage key stakeholders. Although the work of the leadership team should reveal important social responsibility trends, problems and opportunities to act upon, the team may nevertheless miss important issues that are more evident to those outside the firm. As a result, the team may wish to hold discussions with key external stakeholders about CSR. Mapping the interests and concerns of stakeholders against those of the firm can reveal both opportunities and potential problem areas. Indeed, many leading firms now see stakeholder engagement as central to the task of identifying the issues that are most material to them.

It is important to be clear about the purpose of these discussions, since stakeholders might view it as an opportunity to express their views more generally about the company's behaviour in relation to them. Key to engaging effectively with stakeholders is to map their definition of "success" in working with the company. Larger firms may choose to engage one of the many independent consultants specialized in stakeholder mapping to help them with this or other CSR processes.

Note that while stakeholder engagement is listed here as the last element of a CSR assessment, firms might wish to do this earlier.

3. Practical CSR initiatives for business

While making a CSR assessment a leadership team should start thinking over a list of practical CSR activities their business can do. These initiatives (see some of them below) are likely to be of interest to personnel in firms of various sizes.

Improving human resource management practices:

- establish policies to ensure the health and safety of all employees and make the policies known to employees;
- involve employees in business decisions that affect them and improve the work environment;
- consult employees on how to handle a downturn in business (e.g., offer the option of all staff taking pay cuts or reduced hours instead of layoffs);
- when layoffs or closures are unavoidable, offer outplacement services, retraining and severance benefits;
- provide training opportunities and mentoring to maximize promotion from within the organization;
- extend training to life management, retirement planning and care of dependents;
- be open to job splitting, flex-time and other work-life balance policies;
- share training and human resources programs with other local businesses;
- consider supporting daycare for children or elderly dependants;
- encourage a healthy workplace (e.g. implement a smoking ban or drug and alcohol abuse support program);
- provide exercise facilities or offer subsidized membership at a local gym.

Promoting diversity and human rights:

- make sure that all staff knows that there are explicit policies against discrimination in hiring, salary, promotion, training or termination of any employee on the basis of gender, race, age, ethnicity, disability, sexual orientation or religion;
- do not tolerate jokes or behaviour in the workplace that insult employees on the basis of gender, race, age, ethnicity, disability, sexual orientation or religion;
- when hiring, think creatively about where to advertise the job and whether there are any local employability schemes (e.g., run by a local council or employer) to help find work for people who are homeless or disabled;
- pay comparable wages for comparable work;
- support organizations that promote fair trade and human rights compliance;
- check where products are manufactured and look into any associated human rights concerns.

Helping the community:

- encourage employee volunteering in the community and with financial contributions and help in kind;

- make some of the business's product or services available free or at a lower cost to charities and community groups;
- look for opportunities to make surplus product and redundant equipment available to local schools, charities and community groups;
- buy from local suppliers and strive to hire locally;
- offer quality work experience for students (job shadowing);
- collaborate with local teachers to make the business the subject of a school project;
- use the business's experience to help a local school, charity or community group become more efficient and entrepreneurial;
- use some of the marketing budget to associate the business or brand with a social cause.

Improving the environment:

- reduce consumption of energy, water and other natural resources, and emissions of hazardous substances;
- use or produce recycled and recyclable materials, increase the durability of products, and minimize packaging through effective design ("reduce, reuse and recycle");
- train and encourage staff to look for additional ways to reduce the firm's environmental footprint/influence;
- use "green" (i.e., renewable energy) power electricity suppliers and energy-efficient lighting;
- join or start a local "green business" club that can help local firms access conservation grants and expertise for reducing waste, water use and energy;
- consider using video-conferencing to meet a potential supplier or customer rather than always physically travelling to meetings;
- establish an environmental management system with objectives and procedures for evaluating progress, minimizing negative impacts and transferring good practices.

In general:

- develop new environmental and social products and services; innovation brings competitive advantage;
- share CSR lessons learned with business customers, business neighbours and fellow members of a trade association or business organization;
- explain the environmental, social and economic performance of the business to stakeholders and consider their ideas and views as the business develops;
- commit to an external code or standard or a set of business principles that provides a framework to measure progress on environmental, social and community issues.

LECTURE 6

Developing a CSR Strategy

Thematic Content of the Lecture:
1. What is a CSR strategy and why is it important?
2. The development of a CSR strategy
3. International basis of a CSR strategy

1. What is a CSR strategy and why is it important?

The CSR assessment generates a base of information the firm can use to develop a CSR strategy. **A CSR strategy** is a road map for moving ahead on CSR issues. It sets the firm's direction and scope over the long term with regard to CSR, allowing the firm to be successful by using its resources within its unique environment to meet market needs and fulfill stakeholder expectations. A good CSR strategy identifies the following:

- overall direction for where the firm wants to take its CSR work;
- the stakeholders and their perspectives and interests;
- a basic approach for moving ahead;
- specific priority areas;
- a time line for action, responsible staff, and immediate next steps;
- a process for reviewing and assuring outcomes.

Different firms may be at different stages of awareness of and work on CSR, which will dictate the definite contents of the strategy. Some may decide to adopt a "minimum necessary" approach. Others may wish to make strategic forays (interference) into particular numerous areas.

There is an old saying that *"if you don't know where you're going, there's little chance you're ever going to get there"*. This is as true for CSR as it is with any other business approach. Following a CSR strategy helps to ensure that a firm builds, maintains and continually strengthens its identity, its market, and its relationships. Importantly, it provides the framework for a coherent business strategy based on the issues that it and its stakeholders consider material.

It should be clear that a CSR strategy is unlikely to succeed when it is not based on a clear understanding of the firm's values, when it fails to take advantage of the ideas of those who might provide assistance, and when it does not approach issues systematically, building on strengths and addressing weaknesses.

2. The development of a CSR strategy

There exist *<u>five steps</u>* comprising a suggested way to develop a CSR strategy. They are:

1. Build support with the CEO, senior management and employees;
2. Research what others (including competitors) are doing and assess the value of recognized CSR instruments;

3. Prepare a matrix of proposed CSR actions;
4. Develop options for proceeding and the business case for them;
5. Decide on direction, approach, boundaries and focus areas.

There is no magic to this. The steps could be done in a different order or be called by different names, but taking them all will increase the likelihood of the firm having a systematic and realizable CSR strategy.

1. Build support with senior management and employees. Without the backing of a firm's leadership, CSR strategies have little chance of success. The personal engagement of the CEO is usually vital. The first step in developing a CSR strategy is for the leadership team to report back to senior management (and, where relevant, the board of directors) about the key findings of the assessment and to set up interest in moving ahead.

Quite likely, the assessment will have indicated that several aspects of current operations are vulnerable (influenced by) to external criticism, or that there appear to be real opportunities for synergies or new products in certain areas. The assessment could also have found that current decision making on CSR issues is not well coordinated or that there is considerable interest in specific CSR issues or pressure from certain key stakeholders in these areas.

Hence, it is very important for the leadership team to continue to work to build support among employees, given the key role they will ultimately play in a certain CSR implementation.

2. Research what others are doing, and existing CSR instruments. Although it is possible for the CSR leadership team, working with other members of the firm, to develop a CSR approach entirely on its own, there is considerable value in drawing on the experience and expertise of others. Three useful sources of information are:

- other firms;
- industry associations;
- CSR-specialist organizations.

If the leadership team finds that ***companies*** (in their own country, or elsewhere in the same or related sector) are emphasizing different CSR activities, it could examine the similarities and differences between the company and these firms. Examining the vision, values and policy statements of leading competitors, along with their codes, new CSR-related product lines or approaches, and any initiatives or programs in which they participate, can be very useful. Assessing the benefits, costs, immediate outcomes, resource implications and changes to current practices necessary for the firm to adopt similar approaches may also provide helpful information.

Industry associations may be well attuned to CSR developments at home and abroad, and may have undertaken CSR-related work or know of others who have. They may also offer opportunities for networking with colleagues.

Another resource to tap into is ***CSR-specialist organizations*** devoted to promoting and researching sustainable development and CSR activities. The *World Business Council for Sustainable Development (WBCSD)*, *Business for Social Responsibility (BSR)*, and the *Conference Board* are among the better known international bodies active in the CSR field, which sometimes also have national affiliates or branches. These organizations conduct research, hold conferences and workshops, and issue regular newsletters and other publications on CSR issues.

At this point/stage it is also useful to explore the existing CSR instruments that have been developed to provide guidance on what to do, and how to do it. Some of these – such as the *OECD MNE Guidelines* and the *UN Global Compact* – have been developed by governmental organizations and reflect internationally-agreed norms and standards. Others, such as *ISO standards* and the *Global Reporting Initiative*, have been developed in partnerships involving business, NGOs and other experts. There are also a large number of sector-specific codes and guidelines that have been developed, often by the business community. In assessing which of these (or which combination) might be most useful, it will be important to consider such issues as who else is using them, and how well they represent governmental or societal expectations.

3. Prepare a matrix of proposed CSR actions. With this background it should be possible to create a matrix of proposed CSR actions, probably set out by environmental, social and economic aspects, although there may be some overlap. The leadership team can plot current and possible CSR activities, processes, products and impacts on the matrix, cross-referencing them against the firm's current activities and structure to see how well they fit.

The example of matrix of proposed CSR actions can look like this:

	Environmental activity		Social activity (e.g., workers, communities)		Economic activity (e.g., quality assurance, customer satisfaction)	
	Current	Proposed	Current	Proposed	Current	Proposed
Processes	Registered to ISO 14001*	Kyoto emission reductions?	Certified to OHSAS*	SA8000* or Fair Labor Association (FLA)	Registered to ISO 9001*	Integrated management systems (IMS)?
Products/ services	Some products use known logo (e.g., Rainforest Alliance, Organic)	Could products be certified to local energy standard?	None at present	Possible SA 8000 or FLA product certification	Use of ISO 9001 logo on company letterhead	Keep abreast of ISO work on IMS?
Impacts	Internal impact assessment undertaken	Supply chain/ community impacts?	Internal impact assessment undertaken	Supply chain/ community impacts?	Internal impact assessment undertaken	Supply chain/ community impacts?
Responsibility centre	Environmental affairs department		Human resources department		Manager, quality/ customer satisfaction	

4. Develop options for proceeding and the business case for them. Two broad options for proceeding at this point are to take an incremental (gradual) approach to CSR or to decide on a more comprehensive change in direction. The evolution of the Responsible Care program of the *Canadian Chemical Producers' Association* is a good example of the former. This program started with a broad set of principles but now includes detailed codes, conformity assessment, public reporting and the involvement of community and non-governmental organization representatives.

On the other hand, firms may decide to change direction more fundamentally with regard to the social and environmental effects of their activities. Examples may include:

- *Wal-Mart*, the U.S.-based retail chain, has announced major changes in how it plans to use the supply chain to improve social and environmental conditions, and has plans to make its stores entirely powered by renewable energy;
- *Tesco*, a U.K.-based supermarket chain has announced plans to respond to climate change. These include labelling the carbon intensity of all products, and installing the world's largest solar energy roof on one of its facilities;
- *Interface*, a U.S.-based carpet manufacturer has completely overhauled its product line, production methods and sales practices by adopting the concept of "industrial ecology." The company is internationally recognized for its use of non-toxic, re-usable materials and its practice of recycling used flooring for new products;
- *Philips*, a Dutch electronics firm, has launched a range of strategies built around responding to sustainable development challenges. Its "Green Flagship" and "Lighting the Bottom of the Pyramid" campaigns are examples;
- *Rohner*, a Swiss textile firm that is moving toward closed-loop production and consumption of its textile services. Production combines natural and synthetic fibres that can be fully recycled, and even eaten;
- *Carillion*, a U.K. construction company that is moving from construction to providing integrated infrastructure services, including management, with a range of environmental and social benefits.

Generating ideas. Whatever approach is adopted, a useful first step is to come up with ways for the firm to integrate CSR into operations. *Brainstorming sessions* could be held with senior managers, employees, key business partners and others.

Participants must be clear on the need to align any CSR approach with the firm's core business objectives, methods and core competencies. With this understanding made explicit, participants can answer questions such as the following:

- What social and environmental activities and initiatives has the firm undertaken already?
- What strengths, weaknesses, opportunities and threats do these present?
- What has the firm learned from others that could be helpful?
- What are the firm's CSR goals?
- Where could the firm be in 10 years in terms of CSR activities and outcomes?
- What are the big social issues and how might the firm help?

- If the firm is to be a CSR leader, what changes to current practices and products would need to take place?
- Are there some CSR activities or initiatives the firm could easily undertake now at no or low cost (sometimes referred to as “low hanging fruit”)?
- Are there areas in which CSR changes would have a particularly big impact on the firm and others? What are they and what are the likely impacts?
- Can the proposed CSR changes be organized into short-, medium- and long-term deliverables?
- What are the resource implications of these deliverables?
- Are there any changes to the firm’s structure that would need to occur to implement any of the deliverables?
- Are there any other obstacles or impediments (e.g., inadequate training or equipment or inappropriate incentive structures) that might stand in the way of taking a more systematic approach to implementing CSR? If so, what are they?
- Are there opportunities for cost reductions?
- What are the potential risks of failing to take into account the broader environmental, social and economic aspects of a business’s activities?
- What should be the priorities for action if the firm decides to do more?

In addition to stimulating new ideas, such brainstorming sessions can also generate excitement and build awareness about CSR activity within the firm. Informal networking can also be a useful way to see whether the firm is on the right track.

Depending on resources, there may be value in drawing on the services of professional facilitators for these sessions. As neutral parties, facilitators may be able to elicit involvement from individuals who might otherwise not put forward their ideas.

Building the business case. The CSR leadership team can draw on the material generated by the assessment, its research into what others are doing and brainstorming sessions to devise a business case for potential initiatives that show the most promise. The business case should focus on a number of elements, in light of the firm’s business objectives, methods and core competencies:

- possible leverage points (on which particularly large CSR gains can be made);
- areas in which a firm could potentially gain a competitive advantage;
- areas in which stakeholders might have particular influence;
- short- and long-term goals;
- estimated costs of implementing each option (including that of not doing more on CSR);
- anticipated benefits;
- opportunities for cost reductions;
- broader changes the firm would need to make;
- any risks or threats each option poses;
- implications of each option for new developments.

5. Decide on direction, approach and focus areas. The CSR leadership team should now have the information it needs to ask senior management for an informed decision on how the firm should proceed. Of immediate importance is determining the firm's general direction, approach and focus areas with regard to CSR, as described below.

- ***Direction***. This is the overall course the firm could pursue or the main area it is aiming to address. For example, an apparel company could decide to emphasize worker health and safety. A pharmaceutical company could decide to look at developing country health issues. A forestry company could decide that environmental issues associated with logging are the focus of its activities. A mining company could choose improving relations with surrounding communities as its chief concern. A company moving into new markets might decide that anti-bribery measures are a target area, and so forth.
- ***Approach***. This refers to how a firm plans to move in the direction identified. For example, a firm might decide to first revise its mission, vision, and values and ethics statements, next put a new code of conduct in place, then communicate with and train employees and, finally, address issues with contractors in the supply chain.
- ***Focus areas***. These should align most clearly with the business objectives of the firm and, hence, are immediate priorities. The focus areas may identify gaps in the firm's processes, attempt to capitalize on a new opportunity, or address needs of certain key stakeholders. For example, a financial institution could identify new protections for clients' personal information or the opportunities for micro-credit, while a food retailer might decide to focus on combating obesity (fat) as an immediate objective.

These decisions will usually involve setting priorities. The size of the problem and its seriousness, the estimated effectiveness of possible solutions and the ease of implementation are key factors to take into account when prioritizing. Also important are the financial and human resources needed to implement the changes, legal and customer requirements, and the speed with which decisions can be implemented.

Because many CSR initiatives have resource implications, they should be assessed with rigour and substance, similar to how normal financial and investment decisions are reviewed. A casual or half-hearted (hesitatory) approach could jeopardize (threaten) the credibility of the CSR initiatives as well as related corporate business prospects.

3. International basis of a CSR strategy

Any particular CSR strategy should be based not only on individual findings of the firm, but also on international CSR initiatives of governmental and international bodies. Being a ready-made source of wisdom and experience, widely recognized instruments that have been developed with governmental input, and based on agreed international standards, offer an additional level of legitimacy and recognition for CSR approach. Some of the most widely used are mentioned below.

United Nations Global Compact. The United Nations Global Compact, which was first launched 1999 on the initiative of then United Nations Secretary-General Kofi Annan, calls on the private sector to embrace a core set of ten principles pertaining to human rights, labour, the environment, and anticorruption. These principles have been derived from existing international law. Supported by a small international secretariat and a network of local organizations, the Global Compact acts as a learning forum to facilitate the exchange of experiences and good practice. Based on the level of its use, it is currently the world's most popular multistakeholder CSR initiative.

For more information, go to http://www.unglobalcompact.org.

OECD Guidelines for Multinational Enterprises. In June 2000, the OECD issued its revised Guidelines for Multinational Enterprises. The Guidelines establish non-binding principles and standards for responsible business conduct with the aim of promoting economic, environmental and social progress. They also ensure that MNEs act in harmony with the policies of host economies. It is the most important government-backed CSR code and covers such diversified areas as disclosure, employment and industrial relations, human rights, the environment, anti-bribery measures, and taxation and consumer interests. All 30 of the OECD's industrialized country members have formally adhered to the revised guidelines, as well as nine non-member countries (Argentina, Brazil, Chile, Estonia, Israel, Latvia, Lithuania, Romania and Slovenia). Adhering governments commit to appoint a national contact point to promote the guidelines and to help resolve problems that may arise as they are implemented.

For more information, go to http://www.oecd.org

International Labour Organization (ILO). The ILO is a UN specialized agency comprising governments, employers' and workers' organizations. Since its inception in 1919, the ILO has adopted – on a tripartite basis – international labour standards (ILS) covering a wide range of rights at work, including the rights of indigenous peoples. These instruments are the basis of most other social initiatives. The labour content of the revised OECD MNE Guidelines, for example, is based on ILS. The ILO has given special attention to multinational enterprises by adopting the 1977 *Tripartite Declaration of Principles* concerning Multinational Enterprises and Social Policy. This recently revised Declaration is a global commitment designed to guide governments, employers and workers in areas of employment, training, working conditions and industrial relations. More recently, the ILO adopted the *Declaration on Fundamental Principles and Rights at Work*, which focuses attention on the core labour rights dealing with child labour, forced labour, non-discrimination and freedom of association and collective bargaining. This key document has become the basis for the majority of social initiatives, including the labour principles of the UN Global Compact.

For more information, go to http://www.ilo.org.

International Finance Corporation (IFC). The IFC is a member of the intergovernmental World Bank Group of organizations. Its mission is to promote sustainable private sector investment in developing countries. New *Environmental and Social Standards of IFC* came into force in April 2006 replacing previous guidelines. The new standards define the roles and responsibilities of IFC and its client companies. They include: a Policy on Social and Environmental Sustainability on IFC's role and responsibility in supporting project performance in partnership with clients; a

Disclosure Policy defining IFC's obligations to disclose information about itself and its activities; and an Environmental and Social Review Procedure, which gives direction to IFC officers in implementing the Policy on Social and Environmental Sustainability and reviewing compliance and implementation by private sector projects.

For more information, see http://www.ifc.org.

Equator Principles. The IFC was also closely involved in the creation of the Equator Principles, an initiative of private financial institutions to set down common social and environmental principles for the management of project financing. The recently revised Equator Principles have now incorporated, and are fully consistent with IFC's environmental and social "Performance Standards" which ensure that there is one consistent standard for private sector project financing for all adhering banks and institutions.

For more information, go to http://www.equator-principles.com.

Principles for Responsible Investment. Between 2005-2006, responding to a growing view among investment professionals that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios, the UN Environment Programme (UNEP), the UN Global Compact and business and NGO representatives developed a set of principles that would provide investors with a framework for fulfilling their trus-based duties on these issues. The Principles for Responsible Investment aim to help integrate ESG issues into investment decision-making and ownership practices by institutional investors, and thereby improve long-term returns to beneficiaries.

For more information, see http://www.unpri.org.

Voluntary Principles on Security and Human Rights. The Voluntary Principles on Security and Human Rights set out standards of behaviour for resource extraction companies operating in conflict zones. These principles are designed to help companies ensure security in ways that also promote and protect human rights. The principles were developed in 1999 and 2000 through consultations between the U.K. and U.S. governments, companies and non-governmental organizations, and were jointly launched in December 2000 by the Foreign and Commonwealth Office and the U.S. State Department. The governments of the Netherlands and Norway and a growing number of companies and non-governmental organizations have subsequently signed on.

For more information, go to http://www.voluntaryprinciples.org.

United Nations human rights instruments. Although the primary responsibility for the promotion and protection of human rights rests with states, there is growing recognition of the important role that the private sector and other actors can play in avoiding any involvement in human rights violations and more widely promoting respect for human rights. Most multilaterally-endorsed CSR initiatives include a human rights component based in part on key United Nations human rights instruments such as the *Universal Declaration of Human Rights*. For the most part, however, the human rights sections of existing mechanisms are not as well developed as other aspects of CSR. As a set of draft norms proposed by a UN Sub-Commission showed, there are many relevant international conventions, and controversy about how they should be applied. In an effort to better understand the relationship between business and human rights, Harvard Professor *John Ruggie* was appointed in July 2005 as Special Representative to the UN Secretary-General to look at the issue of human rights and transnational corporations and other business enterprises. The mandate calls for the Special Representative *"to identify and clarify standards of corporate responsibility and accountability for transnational corporations and other business enterprises with regard to human rights"*.

For more information, go to http://www.ohchr.org.

LECTURE 7

Verification, Reporting and Evaluation of CSR Progress

Thematic Content of the Lecture:

1. What is CSR verification and reporting?
2. The importance of verification and reporting
3. Evaluation of CSR activities

1. What is CSR verification and reporting?

Corporate social responsibility is ultimately about improving performance. As such, verification, reporting and assurance are important tools to measure whether change has actually taken place, giving interested parties an opportunity to see how well the firm is meeting its commitments and what affect that is having.

Verification (also known as conformity assessment or assurance) is a form of measurement that can take place in any number of ways: *internal audits, industry (peer) and stakeholder reviews, and professional third-party audits*. Firms should tailor (adopt) their approach to verification to suit the corporate culture, objectives and content of their CSR strategy and commitments/obligations.

Verification involves on-site inspections and review of management systems to determine levels of conformity to particular criteria set out in codes and standards to which the firm may have agreed to adhere. Many of these codes and standards enable and encourage third-party certification and auditing.

Reporting is communicating with stakeholders about a firm's economic, environmental and social management and performance. When done well, reporting should address how societal trends are affecting a firm and, in turn, how the firm's operations are affecting society. As such, reporting can demonstrate a company's motivation and willingness to position itself in a broader context. There is a delicate balance between providing sufficient information to be open and transparent, on the one hand, and burdening employees and stakeholders with excessive data, on the other. The objective is to share information with stakeholders to gain their trust and be viewed as credible. The reporting itself can also be assured, with third parties assessing the report's reliability.

Initiatives such as the *Global Reporting Initiative* (GRI), *the AccountAbility AA1000 series* and the *UN Global Compact* are playing a major role in shaping the rapid evolution of CSR verification and reporting:

- In the mid 1990s, only a handful of firms reported on aspects of their performance other than financial issues. By 2006, over two-thirds of the Fortune "Global 250" were reporting on social and environmental policies and activities;
- The UN Global Compact requires its participants to make an annual "Communication on Progress" (CoP) addressing actions they have taken to integrate the Compact's ten principles. The CoP *"must be shared publicly with stakeholders – through annual financial, sustainability or other prominent public reports, in print or on the participant's website"*;
- A large and growing number of organizations worldwide now report using the GRI Guidelines or use the AccountAbility assurance framework. Some firms use both these instruments;
- Special guidance on reporting for small- and medium-sized enterprises is now available from GRI and other sources;
- The International Auditing and Assurance Standards Board (IAASB) has developed the ISAE 3000 standard. The latest version establishes basic principles and procedures for all assurance engagements regarding environmental, social and sustainability reports.

2. The importance of verification and reporting

There is an old saying: *"What gets measured gets managed".* In the CSR field, proof of a CSR progress is crucial to a firm's success. It can provide the basis for informed decision making by interested parties who may wish to purchase the firm's products, invest in the firm or support the firm's activities in their community. The firm can also use it as the basis for further improvements, risk assessment and support for new directions and opportunities.

Verification and reporting can also be important for obtaining and maintaining a firm's licence to operate, improving internal operations and building relationships. Communities, customers, investors, employees and their representatives, regulators and non-governmental organizations wishing to know about a firm and its activities are likely to consult the firm's CSR verification reports. However, verification activities and reporting not done in a rigorous, professional manner, and not seen as credible, could undermine (decrease) a firm's credibility and reputation, thereby shutting doors to opportunities and diminishing value.

How to do verification and reporting? Verification and reporting are more complicated than they seem: each firm is unique, so there is no single approach to carrying out these activities. Firms that agree to adhere to third-party-assured initiatives have information to report drawn from the conformity assessments undertaken as part of such initiatives.

There are a variety of private initiatives and consultants that offer help with the reporting process. Some of these, such as GRI and CorporateRegister, enable access to others' CSR reports:

- ***Corporate Register***: CorporateRegister.com claims to be the world's most comprehensive directory of corporate non-financial (environment/social/sustainability/CSR) reports. Established as a free service by Next Step Consulting in 1998, the site aims to provide access to all current reports, as well as developing an archive of all reports published since 1990. *For more information, see http://www.corporateregister.com/about.html;*
- ***OneReport***: This is a web-based application designed to help make the CSR reporting process as effective as possible. It offers a single system to store, manage and distribute CSR data. Firms can use OneReport to self-publish online sustainability reports. *For more information, see http://www.one-report.com;*
- ***The Government of Canada's online Sustainability Reporting Toolkit*** draws on elements of emerging standards such as the GRI to present a manageable approach for new and early reporters. It is also relevant to experienced sustainability reporters by highlighting a number of best practices. Built in collaboration with Stratos Inc. and experts in the field of reporting, it outlines 10 steps to preparing a report. *For more information, go to http://www.sustainabilityreporting.ca.*

The future of reporting. Finally, there is an ongoing discussion in professional accounting, business and academic circles about how financial and "non-financial" reporting might evolve in the future. A few key themes are worth noting in this context are:

1. ***Information technology***. Rapid developments in information technology have made it easier to digitally "tag", collect and organize all kinds of business data, financial and non-financial. The existence of powerful business reporting software has prompted calls – including by the leading global accounting firms – for "real time" (i.e., continuous) financial reporting and proprietary products to facilitate both financial and non-financial reporting.
2. ***Non-financial reporting***. Also know as "extra-financial reporting" or "intangibles" reporting, this covers the growing interest in reporting on aspects of a firms operations not required by regulation. Financial markets and other stakeholders have shown a growing appetite for data on corporate governance, sustainability and CSR management as ways of complementing and better assessing a firm's real market value.
3. ***Merged reporting***. Some commentators have predicted that financial and non-financial reporting will inevitably merge, as both firms and stakeholders look to increase the utility of reporting, while lowering transaction costs. Many firms already use their annual reports to integrate financial and non-financial data.

3. Evaluation of CSR activities

An evaluation tracks the overall progress of a firm's CSR approach and forms the basis for improvement and modification. With the information derived from the verification and reporting process, a firm is in a good position to rethink its current approaches and make adjustments.

Evaluation is all about learning. Learning organizations are those whose existence is based on continuous receipt and review of new information and adaptation for sustainable advantage. They do not simply attempt to achieve objectives; they are constantly on the alert to adapt to changing circumstances or to find ways for improving their approaches. An evaluation should involve stakeholder engagement, including comments and suggestions from management, CSR coordinators, managers and committees, employees and outside stakeholders.

Why evaluate? The art of business has analogies to sailing. It is about setting a course, steering to make best use of the prevailing winds, and constantly checking to see if the sails need to be adjusted. In similar fashion, an evaluation allows a firm to see whether it is on course, and what it needs to do to be more effective. It enables the firm to:

- determine what is working well, why and how to ensure that it continues to do so;
- investigate what is not working well and why not, to explore the barriers to success and what can be changed to overcome the barriers;
- assess what competitors and others in the sector are doing and have achieved;
- revisit original goals and make new ones as necessary.

This base of information should allow the firm to determine whether the current CSR approach is achieving its objectives and whether the implementation approach and overall strategy are correct. An evaluation not only helps identify valuable information about process and performance, it also helps identify internal partners, and can help develop more "joined-up" management.

How to do an evaluation? Drawing on the CSR objectives and indicators, and the information obtained through the verification and reporting process, firms should consider and respond to the following questions:

- What worked well? In what areas did the firm meet or exceed targets?
- Why did it work well? Were there factors within or outside the firm that helped it meet its targets?
- What did not work well? In what areas did the firm not meet its targets?
- Why were these areas problematic? Were there factors within or outside the firm that made the process more difficult or created obstacles?
- What did the firm learn from this experience? What should continue and what should be done differently?
- Drawing on this knowledge, and information concerning new trends, what are the CSR priorities for the firm in the coming year?
- Are there new CSR objectives?

Finally, it is important that firms celebrate their successes. When goals are met and progress is achieved all parties concerned need to give each other a pat on the back for a job well done!

СПИСОК РЕКОМЕНДОВАНОЇ ЛІТЕРАТУРИ

1. *Dmytriyev, S. D. & Freeman, R. E.* (2023). Corporate Social Responsibility: A Critical Approach. R. Edward Freeman's Selected Works on Stakeholder Theory and Business Ethics: 239-249.

2. *Sánchez-Torné, I., Morán-Álvarez, J. C., & Pérez-López, J. A.* (2020). The importance of corporate social responsibility in achieving high corporate reputation. Corporate Social Responsibility and Environmental Management, 27 (6): 2692-2700.

3. *Latif, K. F. & Sajjad, A.* (2018). Measuring corporate social responsibility: A critical review of survey instruments. Corporate Social Responsibility and Environmental Management, 25 (6): 1174-1197.

4. *Challis, P. & Challis, L.* (2014). The Heart of Corporate Social Responsibility: 1st edition, London: Bookboon.

5. *Benabou, R. & Tirole, J.* (2010). Individual and Corporate Social Responsibility. Economica, 77 (305): 1-19.

6. *Lindgreen, A. & Swaen, V.* (2010). Corporate Social Responsibility. International Journal of Management Reviews, 12 (1): 1-7.

7. *Hanlon, G. & Fleming, P.* (2009). Updating the Critical Perspective on Corporate Social Responsibility. Sociology Compass, 3 (6): 937-948.

8. *Crowther, D. & Aras, G.* (2008). Corporate Social Responsibility, London: Bookboon & Ventus Publishing ApS.

9. *Hohnen, P. & Potts, J.* (2007). Corporate Social Responsibility: An Implementation Guide for Business, Winnipeg: International Institute for Sustainable Development.

10. *Haigh, M. & Jones, M. T.* (2006). The Drivers of Corporate Social Responsibility: A Critical Review, London: Ashridge Business School.

11. *Windsor, D.* (2001). The Future of Corporate Social Responsibility. The International Journal of Organizational Analysis, 9 (3): 225-256.

12. *Jones, M. T.* (1980). Corporate Social Responsibility Revisited, Redifined. California Management Review, 22 (3): 59-68.

Інформаційні ресурси мережі Інтернет

1. www.csreurope.org
2. www.csr-in-deutschland.de
3. www.csrwire.com
4. www.iblfglobal.org
5. www.aspeninstitute.org
6. www.corp-research.org
7. www.bsr.org
8. www.oecd.org
9. www.ilo.org
10. www.libguides.ilo.org
11. www.ifc.org
12. www.unpri.org
13. www.ohchr.org
14. www.voluntaryprinciples.org
15. www.equator-principles.com
16. www.unglobalcompact.org
17. www.corporateregister.com
18. www.sustainabilityreporting.ca
19. www.one-report.com
20. www.pitt.libguides.com/csr/websites
21. www.guides.loc.gov/corporate-social-responsibility/organizations
22. www.epa.gov/smartway/resources-corporate-social-responsibility-csr-and-freight-sustainability-planning

Навчально-методичне видання

Ромащенко Тарас Ігорович –
к.е.н., доцент кафедри економіки та міжнародних економічних відносин

Ромащенко Катерина Миколаївна –
к.е.н., старший викладач кафедри економіки та міжнародних економічних відносин

ННІ економіки і права
Черкаський національний університет імені Богдана Хмельницького

КОРПОРАТИВНА СОЦІАЛЬНА ВІДПОВІДАЛЬНІСТЬ: курс лекцій англійською мовою

Для підготовки студентів другого (магістерського) рівня вищої освіти спеціальності 292 “Міжнародні економічні відносини” галузі знань 29 “Міжнародні відносини”