Companies should begin the process of developing a corporate social responsibility ("CSR") strategy by collecting and analyzing information to assess the potential role of social responsibility in the company’s business activities, benchmark their CSR profile against the efforts of competitors, learn more about the needs and expectations of their stakeholders, identify and prioritize their own unique set of CSR issues and actions and create a foundation for the leadership team to develop a CSR strategy. In order to be effective and impactful, CSR needs to be integrated into the company’s short- and long-term strategies, a process that includes developing mission and strategy statements that incorporate sustainability and CSR commitments that are supported by policies, procedures, targets, performance measures, stakeholder engaging, training, organizational culture and reporting. Ironically, while research has confirmed that a fundamental indication of leadership in corporate sustainability is having a sustainability strategy that articulated a practical sustainability vision and ambition that laid the foundation for new business practices, significantly less than all companies have such a strategy and even fewer have invested time and effort in developing an adequate business case. Many companies limit their sustainability strategy to a near-term plan for achieving incremental environmental or social improvements or complying with relevant existing regulations and/or simply focus on pieces of the puzzle such as supply chain and customer segments. Delaying development of a CSR strategy, or failing to create one at all, will likely put a company at a competitive disadvantage in the future, and directors and executives need to prioritize the launch and completion of a CSR strategy development process that include building internal support through education and engagement, SWOT analysis through a sustainability lens, benchmarking against competitors and recognized voluntary CSR instruments, prioritization, business case development and implementation.

The collection and analysis of information during the assessment stage is valuable in and of itself in that it necessarily increases awareness of the potential role of social responsibility in the company’s business activities, allows the company to benchmark its corporate social responsibility ("CSR") profile against the efforts of competitors and learn more about the needs and expectations of its stakeholders and identify and prioritize its own unique set of CSR issues and actions. However, the primary purpose of the assessment is to provide the leadership team with the information necessary for it to develop a CSR strategy. As with any other strategic initiative, CSR activities must be institutionalized into the organization in order to be sustainable and thus it is essential that CSR be seen to be inherent in the organizational culture and adopted as part of the company’s long term strategy and decision making rather than being seen as an “add on”
Developing a Corporate Social Responsibility Strategy

that can be discarded when circumstances change (e.g., when an economic downturn creates pressures to divert resources away from sustainability initiatives).¹ Like any other strategy, a CSR strategy reflects decisions among multiple potential CSR projects and provides a path for implementation, assigns roles and responsibilities throughout the organization, establishes timetables for completion of various tasks and incorporates metrics to measure progress and performance. The CSR strategy should reflect consideration of the company’s strengths and weaknesses and the opportunities and threats identified during the assessment phase and must also be aligned with the company’s core values and standards.

Maon et al. recommended that companies wanting to invest in CSR activities needed to integrate CSR into their short- and long-term strategies, a process that should begin with translating values, vision or policy statements into commitments, expectations or guiding principles such as a code of conduct and ethics and developing targets and performance measures.² Additional supporting elements suggested by Maon et al. included developing an integrated CSR enabling structure, with specific recommendations such as designating a senior official or a committee responsible for overall CSR implementation; improving inter-functional coordination; building CSR responsibilities into employees’ job descriptions and performance evaluations; the recruitment of people knowledgeable in CSR with appropriate attitudes and skills; and developing a regular forum to share issues and knowledge across the company, produce new ideas, increase visibility and ensure that strategy is connected to operations.³ Implementation of the plan should include attention to training employees and providing incentives for them to execute on the company’s CSR commitments and provide relevant suggestions for improving CSR performance. Maon et al. cautioned that corporate and employees’ activities that are not in line with CSR principles and the designed CSR strategy should be detected at an early stage because the image of the organization can otherwise suffer and that companies should implement mechanisms and processes that will allow for early detection, reporting, and resolution of problematic activity.⁴

Researchers on corporate sustainability from the MIT Sloan Management Review and The Boston Consulting Group (“BCG”) reported that a fundamental indication of leadership in corporate sustainability was having a sustainability strategy that articulated a practical sustainability vision and ambition that laid the foundation for new business practices.⁵ An overwhelming percentage of executives (90%) acknowledged that sustainability is important; however, only 60% of companies had a sustainability strategy

² Id. at 27-28.
³ Id. at 28.
⁴ Id. at 31.
(and much less, just 25%, had developed a business case). Moreover, even among the companies with a sustainability strategy, there are significant differences driven by factors such as organizational structure, supply chain, employee base and geographic footprint. For example, in some companies the sustainability strategy is nothing more than a near-term plan for achieving incremental environmental or social improvements or complying with relevant existing regulations. Other companies link their sustainability strategy to overall business strategy, often focusing on supply chain and customer segments. The preferred approach, still rare, is for the sustainability strategy to actually be the business strategy, which means that sustainability has been fully embedded into the company’s purpose, goals and operational activities. The researchers noted that many companies confuse preparation and release of sustainability reports with having a genuine sustainability strategy; however, in most instances those reports make it clear that all a company has to show its shareholders, regulators and consumers is a collection of projects and anecdotes. The researchers argued that companies would struggle to find a payoff from sustainability until they developed a true sustainability strategy and built a solid business case.

Having a sustainability strategy is an imperative for many companies given that research has indicated that in some industry sectors may not survive as the world moves forward toward a more sustainable future. Researchers and commentators have warned that the pressure for sustainability is perhaps the most disruptive force that businesses will encounter and that companies will not be able to survive solely on their skills with respect to technological innovation in terms of products and services, but instead must be willing and able to take on the risks associated with developing and executing new business models. Making this even more challenging is evidence the corporate lifespans are shrinking, regardless of the level of sustainability-related pressures, which means that CEOs have less time to figure things out and make what are often drastic changes in their strategies and organizational structures.

The researchers from MIT and BCG noted that the companies that companies that had failed to take competitive advantage of sustainability tended to view ESG factors simply as necessary issues to address and that companies that had more developed sustainability strategies viewed sustainability as both a necessity and an opportunity. One leader observer of the sustainability-related actions of businesses quoted in the research report prepared by MIT and BCG cautioned companies against expecting that incremental changes (e.g., recycling programs) and elimination of external risks would be sufficient

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6 The researchers reported that highly regulated industries such as energy and utilities were most likely to have a sustainability strategy (noting that for companies in those industries having a sustainability strategy was practically mandatory); companies in North America were less likely to have sustainability strategies; the percentage of managers who perceived sustainability-oriented strategies as necessary to be competitive varied by region; and larger companies were more likely to have a sustainability strategy. Id. at 6-9.
7 Id. at 6.
8 Id. at 7.
to produce meaningful sustainability results and urged them to instead redefine success and build their business operations to meet new measurements of value.\(^9\)

While there are certain elements that should be included in a formal version of a company’s CSR strategy, the process itself should remain fluid and flexible in order to elicit participation from all of the company’s stakeholders in a dialogue that begins by focusing on just what CSR means to the company. Strategy development must be proactively led by the senior leaders of the company, since they are responsible for setting the appropriate tone, allocating the resources necessary to implement the strategy once it is in place and ensuring that the strategic targets are understood by everyone in the organization and embedded into the company’s culture and systems. When developing the strategy, attention should be paid to creating a record of meetings and other discussions that were integral to development process, since the record itself can be a valuable resource for preserving ideas and providing evidence to stakeholders that serious consideration has been given to CSR strategy and decision making.

The strategy itself should include a mission statement, goals and commitments, policies for each of the CSR dimensions covered by the strategy (e.g., financial, environmental, labor, community and supply chain responsibility), key performance indicators, a clear allocation of responsibilities for the implementation of the strategy and procedures for reporting on progress and regular evaluation of the strategy. As the strategy moves toward finalization, it should circulated to key stakeholders for their input, a step that not only improves the strategy but creates a sense of participation among stakeholders that will ultimately garner their support. Once the company is actively engaged in implementing the strategy it is essential to measure and assure performance, engage stakeholders and report on performance, both internally and externally. The CSR leadership team must evaluate performance, identify opportunities for improvement and engage with stakeholders on implementing changes.

According to Hohnen and Potts, a good CSR strategy typically identifies the 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 timeline for action, responsible staff, and immediate next steps; and a process for reviewing and assuring outcomes.\(^{10}\) As for the process of developing a CSR strategy, Hohnen and Potts suggested the following steps\(^{11}\):

- Build support with the CEO, senior management and employees
- Conduct an analysis of risks and strengths, weaknesses, threats and opportunities
- Research what others (including competitors) are doing
- Assess the value of recognized voluntary CSR instruments

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\(^9\) Id. at 9 (quoting Andrew Hewitt, founder of GameChangers 500, an organization that ranks the world’s top “for benefit” businesses).

\(^{10}\) P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 32-33.

\(^{11}\) Id. at 33.
- Developing and prioritizing options for proposed CSR activities
- Building a business case for each of the proposed CSR activities
- Decide on direction, approach, boundaries and focus areas

Building Support with Senior Management and Employees

CSR initiatives will not be successful with the strong and continuing support of senior management and employees. Maon et al. argued that the raising of organizational sensitivity to organizational environment in general and CSR issues in particular could be succinctly defined as resulting from the influence of four key drivers: economic drivers (e.g., development of perceived competitive advantage; socially responsible investment and pressure from shareholders; building and maintaining company image and reputation; and pressure along the supply chain and improved risk management), social drivers (e.g., recognition of the evolution of consumption trends; pressure from NGOs and communities; and pressures from trade unions and international labor organizations), political drivers (e.g., evolution of the legal and regulatory frameworks and political promotion and pressure at local, regional or national level) and individual drivers (e.g., top management’s ethical orientation and employees’ and managers’ personal values). The first three drivers could be considered as market-based, usually initiating when an organization anticipates or respond to a risk associated with societal impact of a particular business practice; however, the individual drivers appeared to be value-based and highlighted the fact that CEOs usually oriented the ethical norms for their organization and that employees also brought their values into the workplace. Maon et al. noted that the development and integration of a genuine CSR vision is often triggered by an evolution in the way management actually perceives its business and societal environment, which can either be reactive (e.g., responding to external environmental pressures such as damaging media coverage, NGO pressures and activists’ or communities’ protests) or proactive (e.g., in response to the increasing weight of personal values of some individual or groups inside the company).

Hopefully the collection of information during the assessment process, including dialogue among the members of the leadership team and between those team members and employees and other stakeholders, has built an awareness of the potential opportunities associated with socially and environmentally responsible business activities. This awareness should serve as the foundation for support of the development and implementation of the actual CSR strategy. In particular, support needs to be gathered for sometimes difficult changes in product and service offerings and changes to decision making processes and organizational structure. Change management is the responsibility of senior management and senior managers must be willing to add CSR activities to their already busy schedules. One way to create “buy in” among senior managers is to get them involved in stakeholder engagement at a very early stage since

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13 Id. at 17.
those conversations generally uncover opportunities that senior management will be eager to integrate into their strategies.

People at all levels of the organizational hierarchy may be asked to take on new roles and responsibilities and, as noted above, the leadership team must be prepared to “make the case for change” and provide incentives to employees for wholehearted participation in the CSR initiative. Some of those incentives will be actual changes and improvements to the day-to-day experience of employees such as more training and mentoring opportunities and implementation of work-life balance policies. Other steps that should be taken to build employee support include involving employees in business decisions that affect them and improve the work environment. Particular attention should be paid to engaging middle management personnel, many of whom may be skeptical of the importance and relevance of CSR, and steps that should be taken include sharing the business case for proposed CSR actions with impacted middle managers to demonstrate how the actions will have a positive influence on the resources they oversee. The business case should also describe the support that middle managers can expect to receive to help them carry out their new CSR-related responsibilities.

**Situation ("SWOT") Analysis**

Once the company has collected and screened all the relevant information about its external environment and its own internal resources a thorough analysis should be undertaken to match the strengths of the company to opportunities in the business environment and identify weaknesses that are likely to create challenges to the company’s efforts to execute its strategies and attain its goals and objectives. One well-known and useful tool for this process is referred to as “SWOT analysis”, sometimes referred to as “situation analysis”, so named because it calls for systematic review of the company’s Strengths and Weaknesses and the Opportunities and Threats in the company’s business environment as a means for uncovering strategies that effectively leverage the company’s core competencies. In general, SWOT analysis involves the following five steps:

- The analyst should begin by scanning the company’s external environment in order to develop an overall point of reference for the analysis of opportunities and threats that will follow. There are a number of potential sources of information such as business partners, including internal and external customers, suppliers and distributors; governmental entities (local, state, federal and international); professional or trade associations (conventions and exhibitions); and journals and reports, including scientific and professional journals that include information on relevant technologies.
- The second step is identifying and evaluating the company’s strengths with an eye toward determining just what attributes and resources might provide the company with a sustainable competitive advantage. Strengths might include “world class” manufacturing capabilities, a strong intellectual property portfolio, skilled and talented employees, significant market share in a key market, access to capital and/or strong goodwill and reputation among customers and other business partners.
• The third step is identifying and evaluating the company’s weaknesses with an eye toward identifying issues that might materially impair the ability of the company to achieve its strategic goals and objectives and compete effectively in its chosen markets. Weaknesses are generally defined in relation to recognizable strengths of competitors and may crop in the form of inadequate facilities and/or an outdated and weak intellectual property portfolio.

• While the second and third steps—identification of strengths and weaknesses—are based primarily on an internal assessment, the fourth step of identifying opportunities calls for a full and creative exploration of the company’s external environment. Opportunities generally include emerging markets and technologies as well as existing markets where competitors are failing to satisfy the needs of customers or which are expected to grow sufficiently to comfortably allow new entrants.

• The final step is identifying characteristics of the company’s external environment that are likely to threaten the company’s competitive position in the future. Of particular interest would be events that would threaten the company’s existing customer relationships such as new competitors, changing customer requirements and development and introduction of substitute products. Threats may also emerge from new regulations, input shortages or development of new technologies.

While all the steps in the SWOT analysis is important the most crucial questions generally relate to whether or not the company is able to identify resources and other factors that can offer it a sustainable and reasonably protectable competitive advantage. An identifiable tangible or intangible asset, such as a patent or exclusive licensing arrangement, is certainly a good source of competitive advantage; however, it is important to think broadly at this stage to consider other possibilities that may be difficult to quantify. For example, a small emerging company often has an advantage over larger firms because of its ability to respond more quickly to opportunities in the marketplace. This “flexibility” advantage can and should be leveraged in a way that allows the company to quickly and efficiently introduce new products and services. Many emerging companies also derive a competitive advantage from the people that they attract to work for them and senior management should not ignore the role that the human resources function can play in creating and executing an effective strategy.

Weaknesses identified during the SWOT analysis should also be taken seriously and companies must be prepared to identify and implement significant changes to their strategy rather than continuing down a road that will ultimately be unsuccessful in light of the entrenched position of competitors or significant hurdles in the company’s external environment. Assume, for example, that the SWOT analysis indicates that a large competitor has been able to build a significant cost advantage based on proprietary technology that the competitor introduced after several years of development. Assuming that the company’s intellectual property position with the technology is strong it would make no sense for the company to attempt to compete on the basis of price or undertake a lengthy and expensive research and development program to create its own technology that would threaten the competitor’s position. In that situation the weakness in relation to the competitor dictates that the company should look elsewhere for its strategic initiatives. One possibility would be concentrating on new product lines where the
competitor’s technological lead is not relevant and in which the company’s own competitive advantages can be fully exploited.

Finnish Textile & Fashion (“FTF”), the central organization for textile, clothing and fashion companies in Finland, advised companies to undertake the SWOT analysis and explained that the goal would be to identify the factors and circumstances that give risk to potential risks including reputational risks associated with a failure to meet stakeholder expectations regarding corporate responsibility. For example, problems in the supply chain such as failures of supply chain partners to fulfill their obligations relating to corporate responsibility may tarnish the company’s reputation—even though it was not directly involved in the failures, suspicions can be expected to arise that the company was aware of problems and did not do enough to address them—and disrupt the company’s production process causing delays in fulfilling customer orders. As for the SWOT analysis, companies should be familiar with the process and the focus should be on strengths and weaknesses in relation to stakeholder expectations relating to corporate responsibility, identifying business opportunities that can be exploited while pursuing corporate responsibility and identifying threats to the company’s sustainability and competitiveness if the company fails to take appropriate actions.\textsuperscript{14}

FTF recommended that companies conduct a risk analysis in each of the perspectives associated with being a responsible business: financial, environmental and social. For each dimension a list of the material risks should be created and for each risk an assessment should be done about what will happen if the risk is realized, with a specific focus on the impact on sales, profits, share price, reputation and other factors related to the company’s overall competitiveness and sustainability. Risk analysis should also include the company’s best projections regarding the likelihood that the risk will be realized and the severity of the realization. The risk analysis can be used to identify changes that should be made in the company’s organizational structure and processes, as well as measures that may need to be taken to reduce risks in the company’s supply chain. The risk analysis should also be reflected in the company’s sustainability reporting to stakeholders, which should include a detailed discussion of the material risks confronting the business and the steps taken to remediate those risks.

The value of SWOT analysis to the strategic planning process is that it forces senior management to fully understand the company’s external environment and critically evaluate the company’s own internal strengths and weaknesses. While companies often choose to leverage their strengths in areas where of the external environment where competition is sparse there may also be situations where the information in the SWOT analysis clarifies that the company’s strengths are adequate to allow for head-to-head competition with other businesses for a piece of what is clearly the most profitable market available to the company at that time. SWOT analysis should also disclose opportunities for the company to make changes in its external environment that will make it easier to exploit its strengths. For example, the company may decide it is in its interest

to proactively lobby for changes in applicable laws and regulations in a way that will open new market opportunities that fit well with the company competitive advantages. Before any strategy is set, however, the information from the analysis should be used to sketch out several alternative scenarios that can be evaluated and compared side-by-side.

Obviously SWOT analysis can contribute to the developing the most appropriate overall strategy for the company—one that aligns the company’s strengths (i.e., competitive advantages) to the most promising opportunities in the company’s external environment. The information collected during the SWOT analysis can also be quite valuable to the company for other reasons. For example, as the company learns more about its competitors it can begin to establish benchmarks to compare its performance and resources in key areas against that of other firms. This provides opportunities for companies to learn and absorb best practices from other firms with regard to functional activities that can become the basis for a competitive advantage. In situations where the gap between the company and its competitors is extreme an important part of the company’s overall strategic goals and objectives may well be acquiring and deploying the resources necessary to close that gap. Benchmarking itself is a complicated mix of art and science and performance measures should be identified with respect to the efficiency of particular processes and the results obtained by the firm from using those processes.

Researching CSR Activities of Other Firms and Existing CSR Instruments

Information from research on CSR activities of other firms and existing CSR instruments should have been collected during the assessment phase discussed above as a means for measuring how the company’s current CSR efforts compare to similar companies and recognized international standards and best practices. When attention turns to developing the CSR strategy, these same sources of information should be viewed as valuable precedents from others with substantial experience in the area and should be mined to identify the areas of greatest import and gather ideas that can be incorporated into the company’s own CSR strategy.¹⁵

The leadership team should closely assess the CSR activities of two types of companies: companies that operate in the same countries and markets (i.e., competitors) and companies that have gained a reputation for sound CSR practices even though they cannot reasonably be considered competitors of the company. In each case, the goal is to figure out what those companies are doing with respect to CSR and identify similarities and differences between those firms and the company. Information should be available from public statements regarding vision, values and policies; codes of conduct; marketing materials for products and services and social responsibility reports prepared and published as part of the firm’s governance program. While other firms will not disclose all the details of their various projects, the leadership team should be able to get a good sense of the benefits, costs and projected outcomes of a particular initiatives, assess how

¹⁵ One useful tool for researching CSR activities of other firms is Pivot Goals, which is a database of the sustainability goals of the world’s largest and leading companies (http://www.pivotgoals.com/about.php).
they might be implemented by the company and identify key changes in organizational practices that will be needed in order for a comparable project to be launched.

Research on what other companies are doing should be carried out by members of the leadership team that already have operational experience in developing and implementing comparable CSR initiatives as they are the people best situation to “fill in the gaps” given that it is generally not feasible to get all the information necessary to fully understand what other companies are doing. Looking at what competitors might be doing makes sense from a broader strategic perspective since it is always important to be scanning the moves of other firms and it is generally easier to make comparisons with competitors since many aspects of their operational activities are similar and already known to the company. As for information from non-competitive companies, the goal is to expand the leadership team’s knowledge of “best practices” and then figure out what specific lessons can be drawn and put to work in the company’s particular situation. Several organizations regularly publish lists of companies considered to be leaders in corporate responsibility and sustainability. In addition, information on best practices relating to CSR can be collected from industry associations and CSR specialist organizations such as the World Business Council for Sustainable Development (www.wbscd.org), Business for Social Responsibility (www.bsr.org) and the Conference Board (www.conference-board.org), all of which conduct research, hold conferences and workshops and issue newsletters and other publications on CSR issues.  

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**Environmental, Social and Governance Resources**

**Climate Disclosure**

*CDP Benchmark Report:* Peer benchmarking based on CDP climate disclosure data.

**ESG Reporting**

*Integrated Reporting Recognized Reports:* Examples of integrated reports recognized by the International Integrated Reporting Council through a peer benchmarking process.

*PWC Integrated Reporting Guide:* A “how-to” guide for companies seeing a move by their regulators towards more holistic reporting (e.g. in the form of the EU directive on non-financial disclosure, the Strategic Report (UK) as well as the International Integrated Reporting Framework issued by the IIRC).

*SASB Materiality Map:* Investor tool for identifying material ESG issues across industries and sectors based on SASB’s materiality indicators.

**ESG Performance**

*Broadridge Director Insight:* Benchmarking across a range of corporate governance indicators.

*Enablon Publisher:* Peer benchmarking using CSR Hub sustainability ratings.

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16 P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 35.
Assessing the Relevance and Value of Voluntary CSR Instruments

Compliance with laws is a fundamental principle of environmental and social responsibility; however, much of CSR is based on aspiring to fulfill principles and standards that extend beyond what has been formally approved in a legislative or regulatory process. ISO 26000 promulgated by the International Organization for Standards noted that an important and effective way to accelerate implementation of CSR is by tapping into the resources and credibility of one or more of the many organizations that have developed voluntary initiatives and instruments, and even launched separate organizations, intended to help other organizations seeking to become more socially responsible. The goal of these initiatives has generally been to develop a consensus among disparate groups (i.e., governmental organizations, the business community, non-governmental organizations and other experts) regarding international norms and standards with respect to various areas that are commonly placed beneath the expansive umbrella of CSR.

According to ISO 26000, some of these initiatives address aspects of one or more core subjects or issues, while others cover various ways that social responsibility can be integrated into an organization's decisions and activities and create or promote specific tools or practical guides that can be used for integrating social responsibility throughout an organization. Another common activity of these initiatives is the development or promotion of minimum standards and expectations regarding some aspect of social responsibility such as codes of conduct, recommendations, guidelines, declarations of principles and value statements. These standards may be “universal” (i.e., applicable to all organizations) or sector-specific and thus tailored to unique conditions and issues in a particular sector. Some initiatives also involve the possibility of certification against the standards in the initiative by independent third parties.\(^\text{17}\)

Annex A to ISO 26000 contains a non-exhaustive list of voluntary initiatives and tools for social responsibility that were identified by the ISO 26000 working group experts during the development of ISO 26000 using a specific set of criteria that is also described

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\(^{17}\) ISO 26000 Guidance on Social Responsibility (Geneva: International Organization for Standardization, 2010), 83.
in Annex A.\textsuperscript{18} Annex A distinguished between cross-sectoral and sectoral initiatives (i.e., initiatives that have been developed by specific sectors such as agriculture, information technology, public services, tourism etc.). Three types of cross-sectoral initiatives were identified: “intergovernmental initiatives” (i.e., developed and administered by intergovernmental organizations, such as the UN Global Compact); “multi-stakeholder initiatives” (i.e., developed or administered through multi-stakeholder processes, such as the AccountAbility AA 1000 Series, the Ceres Principles and Transparency International); and “single stakeholder initiatives” (i.e., developed or administered through single-stakeholder processes, such as the Caux Round Table Principles for Business and the World Business Council for Sustainable Development).

Many organizations find that attaching themselves to one or more of the well-known voluntary CSR initiatives is a good way to organize and announce their CSR commitments. For example, companies of all sizes have pledged their support for the OECD Guidelines for Multinational Enterprises, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact, ISO 26000 and other standards established by the ISO and the Global Reporting Initiative. Sector- and industry-specific codes and guidelines may also be available for companies depending on their line of business (e.g., tools, codes and standards on sustainable development and CSR for the mineral exploration industry developed by the Prospectors and Developers Association of Canada). However, Section 7.8.2 of ISO 26000 made the point that it was not necessary for an organization to participate in any of the initiatives for social responsibility, or to use any of their tools, in order for it to be socially responsible, nor was participation necessarily a reliable indicator of the social responsibility of an organization.

Initiatives vary significantly with respect to their credibility in the eyes of stakeholders and many are generally perceived as being little more than a public relations scheme designed to protect the reputation of members as opposed to helping them make real progress toward social responsibility. Participation in any of these initiatives comes with a cost in terms of time, effort and resources and organizations need to determine whether participation will be perceived as valuable by their stakeholders and provide them with access to practical guidance that can be readily used to drive implementation and integration of CSR. Section 7.8.3 of ISO 26000 includes the following list of factors that organizations should take into account when considering whether to participate in or use a CSR initiative\textsuperscript{19}:

- Whether the initiative is consistent with ISO 26000’s principles of social responsibility (i.e., accountability, transparency, ethical behavior and respect for stakeholder interests, the rule of law, international norms of behavior and human rights)

\textsuperscript{18} Id. at 86.
\textsuperscript{19} Id. at 84.
• Whether the initiative provides valuable and practical guidance to assist the organization to address a particular core subject or issue and/or to integrate social responsibility throughout its activities
• Whether the initiative is designed for that particular type of organization or its areas of interest
• Whether the initiative is locally or regionally applicable, or whether it has global scope and whether it applies to all types of organizations
• Whether the initiative will assist the organization to reach specific stakeholder groups
• The kind of organization or organizations that developed and govern the initiative, such as government, NGO, labor, private sector or academic
• The reputation of the organization or organizations that developed and govern the initiative, considering their credibility and integrity
• The nature of the process for developing and governing the initiative (e.g., whether the initiative has been developed through or governed by a multi-stakeholder, transparent, open, and accessible process, with developed and developing country participants)
• The accessibility of the initiative (e.g., whether an organization must sign a contract to participate, or whether there are costs to join the initiative)

ISO 26000 included several additional points to take into account when using the list of considerations above. For example, while the fact that an initiative is widely accepted is likely an indication that it is feasible, valuable, relevant and credible, it may also mean that its requirements are less stringent. In turn, an initiative that has yet to gain traction and has not gained wide support may nonetheless be an opportunity to get exposed to standards and methods that are significantly innovative and challenging and that will ultimately drive the organization’s CSR efforts ahead more quickly. The costs associated with maintaining membership in an initiative should be balanced against the additional value that the organization receives over time (i.e., does the initiative continuously update its tools and provide members with frequent opportunities for interaction to share emerging best practices). Consideration should also be given to the interest among organizational members in actively participating in the activities of a particular voluntary initiative, perhaps as a leader or a technical consultant. Proactive involvement in the activities of an initiative allows the organization to assume a strong role in the direction of initiative and the tools that the initiative develops in order to assist its members; however, a higher profile carries potential reputational risks and members of the organization assuming leadership roles need to be carefully monitor the quality of the initiative’s governance practices and the messaging in its external communications. As with all aspects of its CSR efforts, an organization should regular review its participation in voluntary CSR initiatives to ensure that they remain valuable, relevant and applicable to the organization’s core CSR issues and activities.20

Developing and Prioritizing Options for Proposed CSR Actions and Activities

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20 Id. at 85.
The assessment of the company’s current and potential CSR activities, combined with the survey of practices of other companies and guidelines included in CSR instruments, should allow the leadership team to start putting together a list of proposed CSR actions that can then be analyzed in light of the company’s immediate opportunities and threats and available resources. One approach to identifying and prioritizing proposed CSR actions is to begin by collecting and placing ideas into an L-shaped matrix: one dimension would be the main categories of CSR activities (i.e., environmental, social (e.g., workers, communities) and economic (e.g., quality assurance, customer satisfaction)) and the other dimension would be the element of the company’s activities that would be the focal point of the action (i.e., processes, such as upgrading registration and certification status; products and services such as focusing on product labeling and performance characteristics; and impacts such as increasing stakeholder engagement). Another important step is to hold brainstorming sessions with key internal and external stakeholders including members of the senior management team, employees and representatives from key business partners and the surrounding community to understand their expectations, intensity of interest and willingness and ability to contribute to strategy execution.

A different perspective can be gleaned from mapping the CSR landscape based on two dimensions—benefit to society and benefit to business—and then populating that map with suggested activities based on where they fall among four areas: “pet projects”, activities selected by individual executives based on their personal interests, are often supported by companies, yet typically have little benefit to either society or the business; philanthropy, which generally does well in terms of benefit to society but often provides little in the way of business benefit unless done strategically; “propaganda” activities that are primarily intended to enhance the company’s reputation but do not produce much in the way of social benefit and often put the company at risk for criticism if it appears that its actions are not as strong as it words; and “partnering” arrangements established to improve the company’s core value creation abilities, address long-term challenges to the company’s sustainability and make an impact on important social issues such as improving employment, overall quality of life and living standards. Mapping of this type highlights shortcoming in prior actions and illustrates how companies can shift the balance of their activities toward strategic philanthropy and high value and impactful partnering initiatives.

Regardless of the approach that is taken by a company, the leadership team needs to remain focused on materiality in order to manage what will typically be a long list of potential ideas that, taken together, would overwhelm the company’s available resources if all of them were executed simultaneously. While many companies appears to have a wide range of programs that they proudly promote as indicators of their environmental and social responsibility—biking programs, recycling drives and small philanthropic initiatives selected based on the preferences of the CEO—they fail to achieve the level of success they might have if they limited their efforts to a handful of impactful projects around material business and sustainability issues that can be clearly measured and explained to stakeholders. This does not mean that companies, particularly small businesses, should not bother with modest programs to get their feet wet; however, the
long-term goal should be to undertake and realize dramatic and fundamental changes in business models, products, processes and stakeholder relationships to incorporate socially and environmentally responsible principles.

**Preparing a Matrix of Proposed CSR Actions**

Hohnen and Potts suggested that companies prepare an L-shaped matrix of proposed CSR actions: one dimension would be the main categories of CSR activities (i.e., environmental, social (e.g., workers, communities) and economic (e.g., quality assurance, customer satisfaction)) and the other dimension would be the element of the company’s activities that would be the focal point of the action (i.e., processes, products and services, impacts). The responsibility center for the activities would also be included on the matrix since the feasibility of implementation of the actions depends on having the appropriate resources and organizational structure in the group responsible for implementation and monitoring. The interior of the matrix would be populated with a brief description of proposed CSR actions and comparable current activities of the company. For example, in their illustration of a matrix Hohnen and Potts included the following proposed actions:

- Proposals relating to processes focused on upgrading registration and certification status and a proposed economic activity involved going beyond the company’s current ISO 9001 registration to implementation of integrated management systems
- Proposals relating to products and services focused on product labeling and performance characteristics and one of the environmental activities proposed going beyond labeling some products as “organic” using a known logo to having products certified to local energy standards
- Proposals relating to impacts typically focus on increasing engaging with stakeholders and would include proactive engagement with supply chain partners and/or community groups

The matrix should be used as a brainstorming tool and it is important to remember that most of the proposed CSR actions could be placed into more than one of the activity categories. For example, product certification actions obviously can be characterized as a social activity and as an economic activity (i.e., product certification enhances customer satisfaction and provides customers with assurances regarding product quality). The matrix is a good tool to both get ideas on the table and begin a discussion on how well a proposed action might fit with the company’s current activities and structure and what steps might need to be taken to effectively implement the proposed action. In addition, even a simple matrix like the one illustrated by Hohnen and Potts quickly creates a list of alternatives that the leadership team will need to prioritize on the way toward developing the CSR strategy.

**Stakeholder Brainstorming**

21 P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 36.
Another approach the leadership team should use to develop options for new CSR actions is to hold brainstorming sessions with key internal and external stakeholders including members of the senior management team, employees and representatives from key business partners and the surrounding community. The foundation for these sessions should have been established during the dialogue that began in the assessment stage. While the agenda for the sessions might vary a good starting point would be to go through the following questions recommended by Hohnen and Potts:

- What social and environmental activities and initiatives has the company undertaken already?
- What strengths, weaknesses, opportunities and threats do these present?
- What has the company learned from others that could be helpful?
- What are the company’s CSR goals?
- Where could the company be in terms of CSR activities and outcomes five and ten years down the road?
- What are the big social issues and how might the company help?
- If the company 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 company could easily undertake now at no or low cost (i.e., is there any “low hanging fruit”)?
- Are there areas in which CSR changes would have a particularly big impact on the company 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 company’s organizational 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 the company’s activities?
- What should be the priorities for action if the company decides to do more?

As noted above, the brainstorming sessions can and should contribute to strengthening stakeholder relationships, engagement and collaboration. In addition, the opportunity to participate in discussing what are often difficult issues builds commitment and excitement among those involved and makes it easier for participants to “take ownership” of the ideas and champion them throughout the organization once the time comes for implementation. Some companies use outside facilitators for these sessions in order to take advantage of their expertise in group dynamics and eliciting comments and provide a

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22 Id. at 38.
neutrality that ensures that the “agenda” of any one person or business unit does not skew the process and ignore other good ideas. Outside sources may be used to gather information necessary to answer some of the questions posed above. For example, while participants may have their own views about what are the most pressing social and environmental issues reference should also be made to publicly available surveys on the subject in order to get a better idea of stakeholder expectations and the likelihood of changes in regulatory and market attitudes.

Companies should re-arrange their list of ideas into categories that are based on each of their key stakeholder groups. For example, companies should normally find that they can create idea lists for employees, customers, supply chain partners, local community members, investors and the global community. When creating these lists an assessment should be made about what the company is already doing from a CSR perspectives with each of the stakeholder groups and the gaps in attentiveness that the company would like to address. For example, creating the lists may shed a spotlight on the company’s need to more in its local communities and the leadership team may make this a priority when deciding among competing alternatives in developing its CSR strategy. In and of itself, re-arranging a long list into categories does not reduce the number of ideas and this is generally a good time to make the whole process more manageable by choosing two to four initiatives for each category as qualifiers for the next step in the process (i.e., building a business case).

Mapping the CSR Landscape

According to Keys et al., CSR encompasses dual objectives: pursuing benefits for the business and for society. They used these two objectives to create a map of the CSR landscape using two dimensions: benefit to society and benefit to business and then populated that map with four popular activities that have generally been included under the umbrella of CSR. For example, “pet projects”, activities selected by individual executives based on their personal interests, are often supported by companies, yet generally have little benefit to either society or the business. Philanthropy is another common CSR approach and generally does well in terms of benefit to society; however, unless philanthropy is done strategically it can be subject to criticism as providing little in the way of benefit to the business of the company. Some companies engage in what have been derogatively termed “propaganda” activities that are primarily intended to enhance the company’s reputation but do not produce much in the way of social benefit and often put the company at risk for criticism if it appears that its actions are not as strong as it words. Finally, partnering appears on the map as providing significant benefits on both the societal and business dimensions. Keys et al. explained that with partnering the focus of the business moved beyond avoiding risks or enhancing reputation and toward improving the company’s core value creation abilities and addressing long-term challenges to the company’s sustainability. As for society, the focus of partnering extends beyond maintenance of minimum standards or seeking funding to make an

impact on important social issues such as improving employment, overall quality of life and living standards.

Keys et al. urged company leaders to map all of the current and proposed CSR initiatives and activities based on the two dimensions described above. Mapping allows leaders to get a better idea of where the company’s CSR activities have been focused in the past and where they should be focused in the future. When completing the mapping exercise, leaders should pay particular attention to identifying the objectives of each activity; the benefits that are being created by each activity, including who is actually realizing those benefits; and how relevant the activity is to addressing key strategic challenges and opportunities of the company. Answering these questions is important because every company, regardless of its size, has resources limitations that will apply to CSR initiatives. In addition, a “deep dive” mapping exercise will force the company to develop and use rigorous measurement and assessment tools in order to develop a clear picture of the impact of its CSR activities, tools that can be put to good use when the company establishes the framework for partnering activities.

Once the mapping process is completed, the information should be used to generate ideas for maximizing both the business and social benefits of the company’s CSR activities. Keys et al. argued that this meant moving away from the relatively easy CSR activities that companies generally embrace because they are easier to execute—pet projects, philanthropy and propaganda—toward partnering. Companies were advised to concentrate their CSR efforts, making sure that limited time and resources were focused on high business and social impact projects; build a deep understanding of both the business and social objectives and benefits of prospective projects; and find the right partners, partners who offer complementary strengths and have the motivation, and provide the requisite chemistry, to forge long-term sustainable relationships. Partnering activities, much like potential CSR topics, are abundant and each company needs to be smart in their selection process and ask additional questions such as what are the one or two criteria areas in its business where it interfaces and has an impact on society and also has significant opportunities for enhancing the value of the business; what are the core long-term needs for the company and society that can be addressed through a particular partnership; and what resources or capabilities are needed in order for the partnership to be successful and which of these can the company offer through its existing core competencies and innovation capabilities.

Prioritization: Focusing on Materiality

Brainstorming sessions and other processes such as the mapping exercise described above will and should generate a long list of potential ideas and the next step is to prioritize those ideas and decide how many of them the company is willing and able to execute. Researchers on corporate sustainability from the MIT Sloan Management Review and The Boston Consulting Group (“BCG”) reported that companies achieved the most success with sustainability when they identified and prioritized the material sustainability issues on which to focus their resources. Specifically, companies that focused on material issues when formulating and executing their sustainability strategies
reported up to 50% added profit from sustainability, but those that did not focus on their material issues struggled to add value from their sustainability activities. For example, many companies proudly announce sustainability strategies that are based primarily, if not exclusively, on biking programs, recycling drives and small philanthropic initiatives selected based on the preferences of the CEO. There is nothing wrong with this; however, this approach generally does not lead to a significant impact on the business or on the broader sustainability issues that matter most to the company and society in general over the long term. Moreover, investors generally do not care that much whether a company has launched an energy savings program; however, they do pay attention to what the company is doing to identify and manage environmental and social risks in its value chain since those types of activities are material to the value and stability of the investors’ stake in the business.

The report prepared by MIT and BCG provided three examples of companies that had done a good job of connecting sustainability strategy with material business issues. Patagonia Inc., a leading textile manufacturer and retailer, recycled plastic waste into its innovative fabrics and contributed 1% of annual revenues to nonprofit organizations that promoted conservation of the natural environment, a cause that the company knew was very important to its primary market of outdoor customers. Greif Inc., a supplier of industrial packaging products, provided an example of how external stakeholders can serve as a catalyst for causing companies to build a stronger connection with sustainability. Grief noticed that many of its customers were seeking a sustainable “shipping solution” and asking Grief to provide more environmental information about its operations, such as data on greenhouse gas emissions. Grief’s response was to undertake an extensive lifecycle analysis of its core products of steel, plastic and fiber containers, a process that eventually led to ideas about how to improve the environmental performance of its containers and triggered a strategic shift toward integration of additional sustainability services into its business model. BASF SE, the large German chemicals company, took a proactive approach by launching an assessment of the company’s entire business model through a sustainability lens that included ranking all of the company’s products on a sustainability scale based on whether a product was exceeding, meeting or noncompliant with certain sustainability standards. Top performers were designated as “accelerator” products (i.e., products making a significant contribution to the market and exceeding environmental and social standards for the product category) and the company made a commitment to shift its focus toward turning

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24 D. Kiron, G. Unruh, N. Kruschwitz, M. Reeves, H. Rubel, and A.M. zum Felde, “Corporate Sustainability at a Crossroads: Progress Toward Our Common Future in Uncertain Times,” MIT Sloan Management Review (May 2017), 10. The report noted that evidence gathered in 2013 indicated that while 52% of companies that mostly or completely addressed their material sustainability issues also profited from their sustainability practices, just 16% of the companies that paid little or no attention to material issues reported that they profited from sustainability. The drafters of the report encouraged companies to use tools such as the Sustainability Accounting Standards Board’s Materiality Map to identify relevant material issues common to their industries. Id. at 11.

25 Id. at 9.

26 Id. at 9-11.
all its products into highly-sophisticated sustainability-centered products and solutions that fulfill the criterion for “accelerator” status.27

**Business Model Innovation**

For many companies, CSR is implemented in an incremental manner due to limited resources and concerns about introducing too many changes into the workplace and the company’s products and processes at one time. For example, a good first step is adopting a set of general principles that reflects the company’s recognition of the need to incorporate social responsibility into its strategies and decisions. Of course, simply adopting guiding principles is not sufficient unless the company begins to proactively incorporate them into its day-to-day activities. Once that begins, the company can take additional small but meaningful steps such as adopting detailed CSR commitments, pursuing and attaining certifications for its products and processes, formally engaging with stakeholders and reporting on its CSR outcomes.

Most small businesses prefer the incremental approach because a large CSR initiative seems well beyond their resources and the scope of what is generally a limited business strategy. Small businesses can select one or two areas to focus their initial CSR actions and set reasonably achievable goals that nonetheless will be meaningful when and if they are attained. For example, CSR for a small company may begin with implementing a recycling program and/or installing equipment that will reduce energy usage and costs. Whatever is done, a record should be created and maintained and CSR should be added to the list of factors or questions that senior managers and owners consider each year when it is time to set strategic goals for the next year. Eventually the small business will have several CSR successes to refer to and the organizational climate will change to the point where many people in the workplace will have new ideas as to how the company can advance socially and environmentally responsible causes.

At the other end of spectrum, there are companies that have made dramatic and fundamental changes in their business models, products, processes and stakeholder relationships to incorporate socially and environmentally responsible principles. For example, a number of companies have focused their attention on monitoring their supply chains and pushing their supply chain partners to conform to internationally-recognized best practices with respect to environmental matters, wages and workplace conditions. Other companies have overhauled their production methods and sales practices and introduced eco-friendly practices such as relying on re-usable and recyclable materials for their products and shifting to renewable energy sources.28

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27 Accelerator products accounted for almost 18% of the company’s total annual relevant product sales. Id. at 10.

28 Project ROI: Defining the Competitive and Financial Advantages of Corporate Responsibility and Sustainability (IO Sustainability, 2015), 37 (describing examples of companies such as Wal-Mart, Tesco and Philips that have attempted comprehensive and fundamental changes with regard to the social and environmental effects of their activities).
Researchers on corporate sustainability from the MIT Sloan Management Review and The Boston Consulting Group (“BCG”) argued that companies pursuing impactful improvements in their sustainability needed to innovate on multiple dimensions of their business model and reported that nearly 50% of companies had changed their business models as a result of sustainability opportunities. MIT and BCG created a framework that companies in their surveys were asked to use in order to analyze their business models in order to identify which parts of those models were changing as they responded to sustainability factors. The framework focused on a company’s value proposition, asking what the company was offering and to whom (i.e., target segments, product or service offerings and revenue model), and its operating model, asking what the company was doing to profitably deliver its offering (i.e., value chain, cost model and organizational change). The researchers found that 59% of the companies achieved significant improvements in their profitability from sustainability-related activities by doing more than just develop game-changing products and services, although that certainly didn’t hurt, and actually making changes in three or four business model elements including both target segments and value chain processes. Successful companies focused on creating opportunities relating to sustainability, most often with respect to developing supply chain efficiencies. Sustainable sourcing in the value chain was also an important business model shift; however, companies performed even better when they went beyond “greening” a product to build new businesses in target segments based on developing innovative products that appealed to new groups of customers and reduced production and distribution costs.

Companies did even better with respect to sustainability-related profitability when they combined business model innovation with a compelling business case, customer collaboration and focus and top management attention. While the value of business model was compelling, the researchers cautioned that companies also need to pay attention to developing a proper strategy, strong and effective leadership and organizational change in order to shift the organizational culture toward sustainability. Among other things, organizational leaders need to establish key performance indicators (“KPIs”) tied to important tangible goals, with clear assignment of responsibilities, and pay particular attention to educating middle managers about sustainability goals and incentivizing them to participate in the often difficult actions that must be taken in order to make material business model changes.

Other sustainable business practices that should be implemented include sustainability reporting, personal KPIs related to sustainability, appointing one person in each business unit to be responsible for sustainability, creating a separate sustainability function to focus exclusively on sustainability KPIs and collecting data to access progress and report and creation of a chief sustainability officer position so that sustainability has a seat in the C-suite.

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30 Id.
31 Id. at 11-13.
significant investment of financial and human capital and heavy doses of patience; however, companies that have been successful in this approach have enjoyed positive impacts on their reputations in the eyes of customers and business partners and have also set new standards that competitors are compelled to pursue in order to keep pace.

Building the Business Case for a Proposed CSR Action

While corporate social responsibility ("CSR") is grounded in the fundamental proposition that companies should look beyond economic performance to take into account the social and environmental impact of their activities, the reality is that "doing the right thing" is not a sufficient argument and CSR initiatives also need to make good business sense and be based on economic, environmental and social goals that are achievable and that do not create undue risk to the survival of the company. All this means that the leadership team should be creating and evaluate a business case for each of the CSR ideas that a company is considering; however, research indicates that only about one in four companies that have decided to formally pursue a sustainability strategy have taken the extra time to establish the necessary business case. Among the companies that do take the time to develop a business case, many take a reactive approach and wait until it is necessary to respond to external pressures (i.e., "playing defense" and focusing their sustainability activities and investments on mitigating risk and other externalities, preserving reputation and regulatory compliance). The preferred assumption for building a CSR business case is that the investment should be perceived in the same way as any other opportunity, which means demonstrating how the project will increase market share, enhance efficiencies and create a competitive advantage. Having a strong business case that has been rigorously vetted supports other key requirements for effective CSR including leadership commitment, employee engagement and interest, clear goals and metrics that can be readily communicated and stakeholder engagement and support.

While CSR is grounded in the fundamental proposition that companies should look beyond economic performance to take into account the social and environmental impact of their activities, the reality is that companies need to use the tools built for traditional business decision making when considering and selecting proposed CSR actions. Companies have a duty to their stakeholders—customers, employees, investors and community members—to pursue and achieve sustainability so that they can continue to make positive social and environmental contributions and provide quality products to their customers and good and satisfying jobs to their employees. This means that CSR needs to make good business sense and that the company’s CSR goals must be achievable and not create undue risk to the survival of the company. The leadership team needs to create and evaluate a business case for each of the ideas that have emerged from the assessment stage and the other preceding steps outlined above.
Researchers on corporate sustainability from the MIT Sloan Management Review and The Boston Consulting Group ("BCG") argued that long-term success for companies seeking sustainability depended on developing a clear business case for their sustainability efforts and reported that while 60% of companies had a sustainability strategy, only 25% had established the necessary business case. The researchers argued that successful innovators focused on opportunity creation—looking at market share, potential efficiencies, competitive advantages, and innovation rather than risk, reputation, and regulatory compliance, and that companies that were reactive and responded to external pressures (i.e., "playing defense" and focusing their sustainability-related spending on mitigating externalities) were less likely to develop a strong business case for sustainability.

Tonello discussed the history of the search for the business case for CSR, seeking to describe how businesses could overcome the arguments of economists, such as Milton Friedman, that companies should only pursue the economic interests of shareholders and justifiably allocate certain of their resources to advance a certain socially responsible cause. He noted that building the business case for CSR was obviously important for the directors and senior executives given their fiduciary responsibilities for the financial well-being of the company; however, the debate regarding the business case also impacted other groups with relationships to the company: shareholders were primarily, if not exclusively, concerned about the financial performance of the company and as such could be expected to be sensitive to the impact of CSR initiatives that might distract company managers from maximization of shareholder value; social activists saw CSR initiatives from the business community as a means for achieving their long-term interests in social change; politicians and regulators wondered whether companies could deliver social and environmental benefits more effectively than the public sector, thus allowing them to shift limited tax revenues to other areas; and consumers were interested in purchasing products that were designed based on principles of sustainability and creating a better world for future generations.

Tonello noted that the earlier arguments in the 1960s and 1970s in favor of CSR were often based primarily on ethical considerations and altruism ("doing the right thing" and "being a good corporate citizen") and that few claimed that companies that were more philanthropic would be more profitable than their less generous competitors. However, researchers began what became a decades’ long project to establish a positive relationship

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33. Id. at 12.

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between corporate social performance and corporate financial performance, eventually reaching the point where such a relationship could credibly be identified and quantified. At the same time investors launched what eventually became known as the socially responsible investment movement and socially responsible investment funds emerged that operated with an explicitly investment strategy focusing on companies with a track record of successful CSR-oriented initiatives. By the 2000s, companies were integrating CSR into their core operations and proactively seeking ways to create “shared value”: improving their financial performance while simultaneously fulfilling their responsibilities to the broader society.

Although much progress had been made, it was still necessary for executives to make a formal business case for CSR initiatives to their boards and board members needed to be able to explain their decisions regarding strategy and allocation of corporate resources to shareholders and other stakeholders. Tonello reviewed several alternative views of the business case for CSR and concluded that there really was no single rationalization for how CSR improved the corporate “bottom line”. Instead, he argued that businesses should build their arguments for pursuing CSR initiatives based on one or more of the following categories of benefits that they might attain:

- **Reducing Costs and Risks**: It has been argued, and generally accepted among researchers and managers, that certain CSR activities can reduce a company’s inefficient capital expenditures and exposure to risk, thus protecting the economic interests of shareholders and alleviating their concerns about the viability of the organization while simultaneously addressing environmental and social issues. Examples include implementation of energy-saving and other environmentally sound product practices, which typically reduce long-term costs after sometimes significant initial investments; adoption of equal employment opportunities (“EEO”) policies and practices which support diversity and thus reduce costly employee turnover through improved morale, which also enhances productivity; and community relations management, which focuses on building positive community relationships that can lead to tax advantages for future investments and decreased regulatory burdens on the company because it is perceived as a sanctioned member of the local community.

- **Gaining Competitive Advantage**: Executives have come to see addressing stakeholder demands as opportunities to achieve competitive advantages rather than constraints. For example, implementing an EEO policy not only reduces costs and risks it provides the company with better opportunities to recruit and retain employees from the widest talent pool. Customer and investors relations programs strengthen the company’s competitive advantage, brand loyalty and consumer patronage and can also have a positive impact on attracting new investment given that institutional investors have made it clear that they prefer companies with good records on employee relations, environmental stewardship, community involvement, and corporate governance. Employee volunteer programs improve employee morale and productivity and provider opportunities to employees to develop skills they can use in their day-to-day work with the company. Competitive advantage may also be gained through adoption of strategic philanthropic practices which are based on alignment of philanthropic activities with the firm’s core competencies and capabilities.
• **Developing Reputation and Legitimacy:** Surveys have indicated that a large majority of executives believe that CSR strategies result in improved corporate reputation and legitimacy, each of which are perceived as beneficial generally and particularly valuable in building mutually beneficial relationships with employees, customers and other stakeholders. Companies use philanthropy as a tool of legitimization, particularly when they are engaged in operational activities that create environmental and product safety issues, although such companies remain open to skepticism from activists unless and until they take more aggressive actions to mitigate the adverse impacts from their operations. Sustainability reporting has also become a strategy for enhancing legitimacy and reputation by demonstrating a commitment to disclosure and transparency and providing a means for communicating with stakeholders on the ways in which the company is conducting its operations in a manner consistent with social norms and expectations.

• **Seeking Win-Win Outcomes through Synergistic Value Creation:** Companies can achieve synergistic value creation and “win-win” outcomes for themselves and society by identifying and exploiting opportunities that both reconcile differing stakeholder demands and allow the company to pursue its own financial success with the consent and support of its non-financial stakeholders. For example, companies that support philanthropic activities in their local community to improve education not only create a higher quality of life for their neighbors but also develop a more talented pool of potential human resources and expand their local customer base. At the same time, such activities strengthen community engagement, contribute to enhancement of the company’s reputation and legitimacy and reduce the risk that the company will be caught unprepared by criticism from community groups.

Each of the alternative business cases discussed above make intuitive sense; however, proponents of CSR initiatives also need to provide concrete targets and associated metrics that can be used to assess whether the promised benefits have actually been achieved. One of the challenges relating to developing a business case for sustainability was being able to identify and measure the relationship between the environmental or social impact of a product, service or activity and the company’s bottom line. One company created an index that measured climate impact and the chemicals and resources consumed in the manufacture of certain of its products and then compared a product’s score to its profit margin. The company found that even though sustainable products were often more expensive to produce, they generated better margins. However, the business case for developing and promoting a sustainable product really comes down to what customers are willing to bear in terms of pricing, and finding those limits is challenging and requires a lot of experimentation and heavy up-front development and marketing expenses. Some experts counsel companies not to get too tied up with business case development when a new idea appears, recommending that companies “just do it” with the confidence and expectation that a business case will ultimately emerge from the learning process.

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35 This example is consistent with the argument that Peter Drucker made that “the proper ‘social responsibility’ of business is to … turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth.” P. Drucker, “The New Meaning of Corporate Social Responsibility”, California Management Review, 26 (1984), 53.
associated with developing sustainable solutions. Another piece of advice offered in the report was for business case development to focus on broad changes to the business model that promise a bigger impact as opposed to incremental changes. As sustainability reporting methods have matured, companies have been able to implement quantitative and qualitative tools and methods to measure the impact of their CSR initiatives on stakeholders and the financial performance of the enterprise.

Business case preparation should be familiar to the members of the leadership team; however, it is important to integrate CSR concepts into the process and Hohnen and Potts suggested that companies need to take the following elements into account:

- Possible leverage points (on which particularly large CSR gains can be made)
- Areas in which the company could potentially gain a competitive advantage
- Areas in which stakeholders might have particular influence
- Short- and long-term goals
- Estimated costs of implementation (including that of not doing more on CSR)
- Anticipated benefits
- Opportunities for cost reductions
- Broader changes the company would need to make
- Any risks or threats each option poses
- Implications of each option for new developments

While many hope that sustainability initiatives will be compelling in their own right because of the need for businesses to participating in addressing significant global challenges and threats, the reality is that sustainability executives and managers must be prepared to demonstrate a strong business case for those initiatives in order to mobilize sustained commitment to them throughout the organization and ensure that the appropriate resources are allocated to the initiative and that the necessary changes are made to company’s measurement, management, recognition and reward systems. As evidence for the importance of the business case, Willard, who has written extensively on best practices among companies with respect to sustainability, pointed to a report by Bain & Company, “Achieving Breakthrough Results in Sustainability”, that was based on a

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36 D. Kiron, G. Unruh, N. Kruschwitz, M. Reeves, H. Rubel, and A.M. zum Felde, “Corporate Sustainability at a Crossroads: Progress Toward Our Common Future in Uncertain Times,” MIT Sloan Management Review (May 2017), 14-15. Companies that had successfully developed a business case for sustainability had a distinct set of characteristics: they tended to act without complete information; balanced a long-term vision with concrete near-term wins; drove sustainability top-down and bottom up; de-siloed sustainability; measured everything; valued intangible benefits seriously; and tried to be authentic and transparent—internally and externally. Sustainability: The “Embracers” Seize Advantage, MIT Sloan Management Review (Spring 2011).


survey of over 300 large companies engaged in sustainability efforts and found that 98% of their sustainability initiatives had failed. According to Bain & Company, one of the five reasons for this dismal failure rate was “lack of a compelling business case”.

While the results of its survey were discouraging, Bain & Company believed that companies could improve their performance with respect to sustainability initiatives by following four guidelines: “make a public commitment”, “lead by example at the top”, “highlight the business case” and “hardwire change through incentives and processes”. Willard argued that a compelling business case should be seen as the prerequisite for the other three guidelines since executives could not reasonably be expected to do any of the other things unless they were convinced that the initiative was good for the company and its direct stakeholders (i.e., investors, employees and customers), as well as good for the environment and for society as a whole. Willard also pointed out that “strong leadership support”, cited by Bain & Company as one of five factors that contributed to successful sustainability initiatives, could only be expected if the business case was strong enough to earn the endorsement, engagement and proactive support of company executives and senior managers and that such support paved the way for the other success factors mentioned by Bain & Company: “employee engagement and interest,” “clear goals and metrics,” “effective internal communication,” and “introduction of environmentally friendly policies/processes.” Willard made his pragmatic case for focusing on the business case for sustainability initiatives as follows:

“We need to meet executives where they are and honor their need for compelling ROI information when they assess proposals. If an initiative improves the company’s reputation, grows revenue, saves expenses, engages employees, helps win the war for talent, spurs innovation, meets company norms for payback periods, provides a good internal return on investment, increases the value of company assets, and / or contributes to higher share prices, of course executives will support it.”

There are a number of different methods that can be used to develop a business case; however, Willard has developed a customized approach that he recommends for sustainability executives and managers looking to build the business case for sustainability initiatives. Willard’s “sustainability return on investment” workbook “provides a comprehensive cost-benefit analysis framework by which to build a tailored business case for single or multiple sustainability initiatives implemented within various timeframes”, is extensively annotated and should be consulted directly for practical guidance on developing and implementing sustainability initiatives. The elements of Willard’s method for developing the business case for a sustainability project or initiative are based on his assumption that there are only three reasons that companies undertake

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39 Id. (citing and describing J. Davis-Pecdoud, P. Stone and C. Tovey, “Achieving Breakthrough Results in Sustainability”, Bain & Company (January 2017)).
40 Id.
41 Id.
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major projects and that these justifications for investment must be borne in mind when making the case for implementation to decision makers:

- **“Do the Right Thing”**: This justification means activating the company’s purpose and values, being ethical, and making sure that projects and initiatives are aligned with the company’s strategic direction and mission. Willard explained that something is “right” when it improves the wellbeing of stakeholders and that since society and the environment are stakeholders there is a strong justification for sustainability projects and initiatives that improve their wellbeing by reducing harmful impacts and increasing positive impacts. In addition, a sustainability project or initiative may be the “right thing” for the decision maker’s own personal values, wellbeing and aspirations.

- **“Capture Opportunities”**: This crucial justification speaks the need to the chief executive and financial officers to accommodate the needs of the company’s investor stakeholders by not approving any sustainability project or initiative that cannot be cost justified over a specified planning period, be it short- or long-term. When presenting a business case consideration must be given to the specific financial metrics that are motivating the decision makers and these may vary and can include return on investment, reductions in expenses, top-line revenue growth and/or the impact of the project or initiative on the company’s investment market value and share price.

- **“Mitigate Risks”**: Willard explained this justification as being the flip side of “Capture Opportunities” and pointed out that prudent stewardship of the company’s assets and principles of good governance demanded implementation of robust enterprise risk management processes. Part of those processes is examining each new project or initiative from a risk management perspective and that requires that business cases must quantify risks that could arise if the project or initiative was not undertaken and the risks that could arise if the project or initiative fails.

While each of the justifications should be addressed in every business case the appropriate weighting will depend on the particular circumstances and the personal concerns and approaches of the decision makers involved. In many cases capturing opportunities and/or mitigating risks will remain the predominant factors for decision makers, even as the company is looking to integrate sustainability into its operations; however, the need to “do the right thing” is becoming increasing important as non-investor stakeholders, such as employees and customers, apply pressure on executives to take societal and environmental wellbeing into account. Moreover, when a company decides to “do the right thing” by improving working conditions for its employees it will hopefully see that the company’s capacity to capture opportunities will be enhanced due to the involvement of a happier and better trained workforce.

Willard argued that each business case for a sustainability project or initiative should include several common elements, each of which is related to one of the justifications described above:
• When a project or initiative is recommended as being in furtherance of the desire to “do the right thing” it must be aligned with the company’s purpose, values, mission, vision, principles, beliefs and long-term strategic goals.

• When a project or initiative is recommended as a means for capturing opportunities it should include a cost-benefit analysis and return on investment assessment that supports one or more particular categories of opportunities such as revenue growth from improved company reputation with customers, innovative sustainable products, services and financing and strong brand and social license to operate; operational expense savings and improved efficiencies or human resource expense savings (e.g., lower hiring and attrition costs and increased productivity). Additional opportunities may be available with respect to asset and/or market value improvement.

• When a project or initiative is recommended as a means for mitigating risks the business case should address mitigation of risks of inaction (i.e., if the initiative is not undertaken by the company and its competitors do) and mitigation of risks of taking action (i.e., if there might be cost overruns, delays, or collateral damage). For example, a project or initiative may be appropriate to mitigate the risk of lost revenue from poor company reputation with customers; the risk of lost revenue from outdated products and services; or the risk of higher energy, carbon, materials, water, waste, maintenance, travel and/or transportation expenses.

The business case should also address potential benefits to the company with respect to “reputation” and “innovation”; however, it should be acknowledged that impact and value to these areas from a particular project or initiative will be difficult to quantify in the same manner as revenues and expenses. In spite of the measurement challenges, successful projects and initiatives can improved reputation with customers, which may drive revenue growth; improve reputation with employees that drives engagement and productivity that eventually leads to human resources expenses savings; and improve reputation with investors that causes the company’s market value to increase. In addition, projects and initiatives that produce new revenues and cost savings are generally new and innovative and will lead to advances in many operational areas including policies, products, processes and practices.

Willard recommended the following multi-step process for creating a business case for sustainability projects and initiatives:

• **Step 1 – Prepare a High-Level Description of the Project or Initiative and the Proposed Scope:** Describe the project and indicate if it applies to the whole company/all departments/all product lines or one location/one department/one product line. Indicate whether this is the business case for the whole project or just for the extra investment required to make an already planned and approved project “sustainable”. The business case should identify the department that will manage the project, sources of required capital and which accounts or budget line items will be impacted.

• **Step 2 – Describe the Business and Sustainability Needs:** Describe the business problem(s) that the project or initiative will address, the overall opportunities it will
capture, how it relates to the company’s strategic plan, and why it is timely. In addition, describe how the project or initiative will improve the company’s current level of performance on one or more of its sustainability goals (i.e., the expected percentage change in progress toward the goal(s) after successful completion of the project or initiative). Also estimate the extent, if any, to which other sustainability goals may be positively or negatively impacted by the project or initiative.

- **Step 3 – Describe How the Project or Initiative Activates the Company’s Purpose and Values:** Move beyond the impact on the company’s sustainability goals to describe specific ways in which the project or initiative helps fulfill the company’s purpose and values and aligns with the company’s mission, vision, principles, beliefs and long-term strategic plans.

- **Step 4 – Estimate Potential Revenue Growth and Expense Saving Benefits and Do a Cost-Benefit and ROI Analysis:** Revenue growth may come from improved reputation with customers, innovative sustainable products, innovative service and finance offerings and/or improved social license to operate/brand. Savings may come from savings on energy, carbon, shipping and transportation, business travel and/or maintenance expenses; lower materials, water and/or waste disposal costs; lower insurance premiums; lower litigation and compliance expenses; lower cost of capital; and lower hiring and attrition costs coupled with higher productivity from employees.\(^{42}\) Use the estimates to develop and analyze projected benefits and expenses over the term of the project or initiative and determine NPV, IRR, Payback Period etc. using the company’s normal discount rate.

- **Step 5 – Estimate Asset Value and Market Value Opportunities:** Companies may achieve an increase in several classes of asset values including company-owned buildings and properties, company-owned vehicles and equipment and the company’s investment portfolio. In addition, the project or initiative will hopefully create an opportunity for increasing market value/capitalization.

- **Step 6 – Estimate Revenue and Expense Risks If the Project or Initiative is Not Undertaken:** There are situations where companies need to consider revenue and expense risks if a project or initiative is not undertaken. Potential loss of revenues may come from poor reputation of the company with customers, outdated/unsustainable features, lack of potential services and financial offerings and weak brand and social license to practice. In addition, foregoing a project or initiative may cause increased expenses for energy, shipping and transportation, business travel and/or maintenance; higher materials, water and/or waste disposal costs; higher insurance premiums; higher litigation and compliance expenses; higher cost of capital; and higher hiring and attrition costs coupled with lower productivity from employees.

- **Step 7 – Estimate Asset Value and Market Value Risks If the Project or Initiative is Not Undertaken:** In addition to the revenue and expense risks of not undertaking a project or initiative, companies must consider the likelihood of decreases in several

\(^{42}\) Productivity gains from employees may come in different forms such as gains from more time on the job (i.e., gains from less unplanned absenteeism, more telecommuting and/or reduced business travel) and gains while on the job (i.e., gains from working in green buildings, improved collaboration and/or higher employee engagement).
classes of asset values including company-owned buildings and properties, company-owned vehicles and equipment and the company’s investment portfolio. In addition, failing to pursue a project or initiative may damage the company’s market value/capitalization.

- **Step 8 – Estimate Contingency Risks Associated with Doing the Project or Initiative:** As with any business case, estimates and projections are not always accurate and the case should include estimates of contingency risks associated with doing the project or initiative including risks if the project does not meet expectations, is delayed, has cost overruns or meets expectations at first but fails later; risks if the initiative succeeds but causes unforeseen negative “collateral” impacts in other areas; and objections that are like to occur and must be addressed if and when they are raised by opponents of the project or initiative.

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**Using the Sustainable Development Goals to Identify Business Opportunities**

A good business case requires a great business opportunity, and what better place to look for sustainability-related opportunities than the 17 Sustainable Development Goals ("SDGs") in the 2030 Agenda for Sustainable Development. Delivery of the SDGs should be important to businesses that realize that they will not be able to achieve sustainable success in a world of poverty, inequality, unrest and environmental stress. As such, companies should contribute to the SDGs by upholding recognized standards and principles on human rights, labor, the environment and anti-corruption and transparently reporting on their SDG-related priorities and efforts to investors and other stakeholders. Ideas regarding opportunities that can simultaneously boost the financial performance of companies while supporting the universal drive toward achievement of the SDGs can be gathered from various resources such as the “Better Business Better World” report available through the Business & Sustainable Development Commission, which identifies the 60 biggest market opportunities related to the achievement of the SDGs in the areas of food and agriculture (e.g., reducing food waste in the value chain, product reformulation, technology in large-scale farms, micro-irrigation and urban agriculture); cities (e.g., affordable housing, road safety equipment, water and sanitation infrastructure, office sharing and car sharing); energy and materials (e.g., expansion of renewables, resource recovery, energy access, shared infrastructure, energy efficiency and carbon capture and storage); and health and well-being (e.g., weight management programs, better disease management, better maternal and child health and health care training). The categories are broad enough that any company, regardless of its size and type of operations, can find at least one opportunity that is related to its core competencies and is reasonably attainable. In many cases, companies find that there are multiple opportunities that can be pursued simultaneously while retaining a tight focus. For example, opportunities and goals related to health and well-being, such as weight and disease management and child health can be paired with participation in projects related to food and agriculture, such as dietary switch, reducing food waste and sustainable and urban agriculture.

In the executive summary to that report, the Commission offered the following suggestions as to the action that business leaders can and should take in order to “capture their share” of the financial prize available for businesses that effectively commit to contributing to sustainable development:

- **Build support for the SDGs as the right growth strategy in their companies and across the business community.**

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44 http://report.businesscommission.org/
45 Executive Summary: Better Business Better World (Business & Sustainable Development Commission, January 2017), 8-10.
• Incorporate the SDGs into every aspect of company strategy: appointing board members and senior executives to prioritize and drive execution; aiming strategic planning and innovation at sustainable solutions; marketing products and services that inspire consumers to make sustainable choices; and using the SDGs to guide leadership development, women’s empowerment at every level, regulatory policy and capital allocation.

• Drive the transformation to sustainable markets with sector peers and stakeholders including mapping their collective route to a sustainable competitive playing field, identifying tipping points, prioritizing the key technology and policy levers, developing the new skill profiles and jobs, quantifying the new financing requirements, and laying out the elements of a just transition.

• Push for a financial system oriented towards longer-term sustainable investment and work to strengthen the flow of capital into sustainable investments by pushing for three things: transparent, consistent league tables of sustainability performance linked to the SDGs; wider and more efficient use of blended finance instruments to share risk and attract much more private finance into sustainable infrastructure; and alignment of regulatory reforms in the financial sector with long-term sustainable investment.

• Rebuild the social contract between business and society by working with governments, consumers, workers and civil society to achieve the whole range of SDGs, adopting responsible and open policy advocacy and adopting and implementing sustainable business practices for their own activities and those of their supply chain partners (e.g., contributing positively to the communities in which they operate, fair wages and working conditions, training and education and abolishment of slave and child labor).

Deciding on Direction, Approach and Focus Areas

Once the most promising and interesting CSR actions have been identified and business cases created for each of them, the leadership team needs to decide on the direction, approach and focus areas of the CSR initiative. In many cases, a proposed action will be eliminated after the business case is completed and it is clear that undertaking the action is not feasible. The business case analysis will generally allow the leadership team to create a rough ranking of the proposals from an economic perspective; however, it is not always the case that these rankings are followed and an action that may not have as strong a business case as the others may still be selected because it fills a gap in building on a relationship with an important stakeholder group. Ultimately the choices must be based on the size and importance of the issue addressed by the proposed action, the chances of success for the proposed action and the degree of difficulty in implementing the action, the amount of time that will likely pass before results are seen from the action, the financial and human resources required to effectively implement the action and the anticipated legal, political, technological and cultural hurdles to implementing the action. In addition, consideration needs to be given to feasibility of support from outside parties. For example, many good ideas for developing countries are simply not viable unless and until local governments make improvements to roads and telecommunications.

Hohnen and Potts explained that the “direction” is the overall course that the company could pursue or the main areas it is aiming to address.46 While the answer to this

46 The discussion in this paragraph is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 40.
question should be consistent with generally-recognized values and standards (e.g., protecting human rights or the environment) it will also very company-specific. Examples of a “direction” include emphasizing worker health and safety; for pharmaceutical companies, focusing on health issues in developing countries; environmental issues associated with manufacturing processes; relations with surrounding communities; and implementing anti-bribery measures. The “approach” includes the steps that the company intends to take in order to proceed in the selected direction and might include revising its mission, creating and implementing new codes of conducts, employee communications and training and engagement with supply chain partners. Finally, “focus areas” should be clearly aligned with the company’s business objectives and thus an immediate priority. Examples include changes in the company’s existing processes (i.e., enhanced protection of personal information by a financial institution), investment in new opportunities (i.e., a bank launching micro-credit programs in developing countries) and/or implementation of new programs to address critical needs of key stakeholders (i.e., a food retailer introducing new products to help customers in the battle with obesity).

There are a number of different ways to develop a “strategy” and the key point is that the parties involved need to have the skills and experience necessary, including knowledge about the company’s external environment, to develop a top-line sustainability approach, focus areas and goals and targets (including a means for measuring progress toward achievement of the goals and targets). For example, on the section of its website relating to sustainability strategy (www.gesustainability.com) General Electric (“GE”) described its top-line sustainability approach as “investing in developing sustainable and environment-friendly products to drive revenue growth”. In executing its strategy, GE focused on three areas: developing a safe working environment, developing products that met customers’ needs and supporting society through social activities. Specific goals and targets, which were measured and reporting on regularly, were established for workforce development and inclusiveness, governance, health and safety, health, energy and climate, water, charitable giving, volunteering and investment in innovation.

Another example is provided by the public positions of Kellogg Company, which declared in 2012 that it was “devoted to producing great-tasting foods that people love, and to operating all aspects of our business safely and responsibly”. Kellogg broke out its global CSR strategies into four categories, each of which had their own issues:

- **Marketplace:** Kellogg committed to continuing to be seen as a trusted provider of “great-tasting, safe and high-quality products” and a company that contributed to the health and nutrition of its consumers by providing food products that they could integrate as part of a balanced diet and that met their varying taste requirements. Kellogg also committed to creating and practicing ethical and responsible marketing.

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standards and ensuring that consumers had access to the information necessary to make informed choices.

- **Environment:** Kellogg committed to the pursuit of sustainable growth through the protection and conservation of natural resources and set goals and targets with respect to reducing the environmental footprint of its products, achieving cost savings throughout the value chain, increasing the recycled content of packaging and building the company’s understanding of sustainable agriculture practices that align with the company’s business needs for the procurement of ingredients, ensuring required quality, traceability, nutritional content and continuity of supply.

- **Workplace:** Kellogg committed to support a talented and dedicated workforce and foster a work environment that valued diversity and inclusion and aimed to reflect the diversity of our consumer demographics. In addition, Kellogg committed to remaining competitive with respect to compensation, being a leader in its sector in health and safety performance and ensuring that suppliers upheld the same labor standards that the company expected of its own operations.

- **Community:** Building on its belief in “the power of breakfast to feed better days and better lives”, Kellogg’s commitment with respect to global charitable giving efforts were focused on providing servings of cereal and snacks, more than half of which would be breakfasts, to those who needed it most.

Kellogg noted that the specific commitments within each of the categories were driven in large part by taking into account areas of importance for the company and its stakeholders and also helped form for the structure for internal reporting. According to Kellogg: “Our corporate responsibility strategy has been fully integrated into our business; subject-matter experts for each material area report on progress to the heads of their business units, who, in turn, report up through to a committee of our Board of Directors. In the past two years we have increased incentives for our executives to drive progress in certain corporate responsibility-related areas . . . [and] . . . we worked with our brand leadership teams to help better leverage our corporate responsibility activities in the brands’ engagements with consumers”.

A study of CSR initiatives of Turkey’s 30 largest corporations found interesting differences among the selection of CSR activities based on the type of business model. Specifically, while business-to-business companies tended to focus on CSR activities linked to their core business functions, business-to-consumer companies focused on CSR initiatives that were more discretionary, varied and philanthropic. In addition, the researchers found that multinational enterprises (“MNEs”) implemented CSR initiatives at the global level rather than focusing on local needs. While the findings about MNEs may have general application, there are clearly situations where those types of firms must address environmental and social issues in the communities in which they operate. For example, a study of MNE subsidiaries operating in Sri Lanka found that their

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involvement in addressing local communities’ issues as part of their CSR initiatives was driven in large part by strategic considerations and the need and desire to build, maintain and enhance important relationships and standing amongst the state and other important institutional stakeholders in Sri Lanka.  

The “Balanced Scorecard” Approach to CSR Strategy

Traditionally, performance measurement systems relied almost exclusively on management and cost accounting principles, often resulting in an emphasis on short-term results and efficient management of tangible resources (i.e., fixed assets and inventory), which were easier to measure using financial metrics, and failed to pay appropriate attention to non-financial intangible activities (e.g., nurturing of customer relationships, development of innovative products and services and implementation of high-quality and responsive operating processes) that contributed to the creation of long-term value for the organization. The “balanced scorecard”, or “BSC”, perspective was first advanced by Kaplan in the 1980s and is based on the premise that measurement of organizational performance should take into factors that are not purely financial and that organizations should use a management system that is better suited to communicating what they are trying to accomplish; aligning the day-to-day work that everyone is doing with strategy; prioritizing projects, products, and services; and measuring and monitoring progress towards strategic targets. Specifically, the BSC framework is a multi-disciplinary view of organizational performance that includes measures such as market share, changes in intangible assets such as patents or human resources skills and abilities (e.g., employee learning and other aspects of so-called “organizational capacity”), customer satisfaction, product innovation, internal business processes (e.g., productivity and quality), stakeholder performance and potential value of future opportunities that have been created but which have yet to be realized financially. Proponents of the BSC stress that the term “balanced” is not intended to imply equivalence among the various measures that are used in the framework but rather has been selected to ensure that users of the framework understand that not all key performance metrics are financial and that non-financial measures should be considered when looking for ways to improve long-term organizational performance and define and implement the organization’s vision, strategy, structure, reporting processes and training and rewards programs. Not surprisingly, the BSC has been promoted as particularly useful for implementation of CSR initiatives given that the BSC framework explicitly incorporates and balances shareholder, customer and employee perspectives and can be readily deployed using measurements along three dimensions of performance: economic, social and environmental. Commentators have

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suggested that combining the BSC with CSR can and should begin with traditional financial measures and both expand the concept of financial to include CSR-driven market forces (e.g., “green” consumers and energy crunch) and broaden the performance dashboard to include the non-financial perspectives associated with the BSC and measured using qualitative and quantitative indicators and targets borrowed from the Global Reporting Initiative’s Sustainability Guidelines. This type of approach facilitates identification of new strategic opportunities that also score well in terms of CSR: insisting on supplier performance related to environmental and social commitments can not only improve quality of inputs but also attract and retain new customers that base their buying decisions on trust in the responsible business practices of vendors.

The “balanced scorecard”, or “BSC”, perspective, first advanced by Kaplan in the 1980s, is based on the premise that measurement of organizational performance should take into factors that are not purely financial in nature since many of the financial indicators that are generally used are based on operational performance.\(^{50}\) The balanced scorecard has become one of the best-known examples of a strategic performance measurement system that organizations should implement as a means for developing strategic plans and evaluating the fulfillment of organizational objectives.\(^{51}\) The Balanced Scorecard Institute has described the balanced scorecard as a management system that organizations can use to communicate what they are trying to accomplish; align the day-to-day work that everyone is doing with strategy; prioritize projects, products, and services; and measure and monitor progress towards strategic targets.\(^{52}\)

Traditionally, performance measurement systems relied almost exclusively on management and cost accounting principles, often resulting in an emphasis on short-term results and efficient management of tangible resources (i.e., fixed assets and inventory), which were easier to measure using financial metrics, and a lack of appropriate attention to non-financial intangible activities (e.g., nurturing of customer relationships, development of innovative products and services, and implementation of high-quality and responsive operating processes), that contributed to the creation of long-term value for the organization.\(^{53}\) These “old school” measurement systems were also useful tools in complying with regulatory and accounting reporting requirements. As time went by, however, a consensus developed that traditional performance measures had become outdated and that managers needed a performance measurement system designed to present managers with financial and non-financial measures covering different


\(^{52}\) http://www.balancedscorecard.org/BSC-Basics/About-the-Balanced-Scorecard [accessed June 6, 2017]

perspectives which, in combination, provided a way of translating strategy into a coherent set of performance measures.\(^{54}\)

![Balanced Scorecard Framework](image)

The balanced scorecard framework, which is depicted above, is a multi-disciplinary view of organizational performance that includes measures such as market share, changes in intangible assets such as patents or human resources skills and abilities, customer satisfaction, product innovation, productivity, quality, and stakeholder performance.\(^{55}\)

The balanced scorecard is a focused set of key financial and non-financial indicators that includes both leading and lagging measures. The balanced scorecard does not ignore past financial performance, recognizing that it usually a good indicator of future results and critical to success of the scorecard. However, the balanced scorecard is based on the reality that there are limitations to the financial measurement of business performance, particularly due to the fact that financial measurement is not forward looking and fails to take into account non-financial measures that need to be incorporated in order to get a


fuller and more balanced picture of the business. Kaplan and Norton describe the innovation of the balanced scorecard as follows:

“The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation.”

The balanced scorecard takes into account the potential value of opportunities for the future that have been created but which have yet to be realized financially, an aspect that is outside of generally accepted accounting principles. The balanced scorecard includes, and attempts to “balance”, financial and non-financial measures and seeks to include customer, internal business process and employee learning and growth perspectives along with financial perspective measures that are used to track how well improvements in the other three perspectives are working. It cannot be stressed enough that the use of the term “balanced” does not imply equivalence among the various measures that are used in the framework but rather is intended to ensure that users of the framework understand that not all key performance metrics are financial and that non-financial measures should be considered when looking for ways to improve long-term organizational performance.

The graphic of the balanced scorecard framework above highlights the four perspectives for viewing the organization, each of which are to be referred to when developing strategic objectives, measures of performance, targets and initiatives. The Balanced Scorecard Initiative described each of these perspectives as follows:

- **Financial:** Often renamed Stewardship or other more appropriate name in the public sector, this perspective views organizational financial performance and the use of financial resources.

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58 http://www.balancedscorecard.org/BSC-Basics/About-the-Balanced-Scorecard
• **Customer/Stakeholder:** This perspective views organizational performance from the point of view the customer or other key stakeholders that the organization is designed to serve and focuses on customer value and customer satisfaction and/or retention.

• **Internal Process:** Views organizational performance through the lenses of the quality and efficiency related to our product or services or other key business processes.

• **Learning and Growth (often called Organizational Capacity):** Views organizational performance through the lenses of human capital, infrastructure, technology, culture and other capacities that are keys to breakthrough performance.

Sitting in the middle of the framework and influencing each of the perspectives is the organization’s overall “vision and strategy”. Managers can use the four perspectives of the balanced scorecard to develop and communicate the organization’s strategy for improving overall financial performance that incorporates activities, goals and metrics from all of the perspectives and provides opportunities for stakeholders other than shareholders to derive value and benefits from their relationships with the organization. For example, implementing plans in the “learning and growth” perspective to increase the level of training for employees will improve their skills and make them more motivated to perform on behalf of the company. The higher skill level of employees should then lead to stronger internal business processes and operational performance, which is the focus of the “internal” perspective of the balanced scorecard framework. Improvements from internal processes can be deployed in the “customer” perspective to increase customer satisfaction by providing them with either improved delivery time and/or lower prices. If the organization is success with increasing customer satisfaction, it can expect better performance in the financial perspective. Better financial performance generates profits that can be used to satisfy shareholders and re-invested in employees, customer relationships and the pursuit of environmental and social causes.

Proponents of the balanced scorecard approach point to the introduction of a broad array of non-financial indicators that can be used to improve decision making and selection and implementation of strategies. According to the Balanced Scorecard Institute, business and industry, government, and nonprofit organizations worldwide have embraced the balanced scorecard, with studies by the Gartner Group and others suggesting that more than half of major companies in the US, Europe, and Asia are using the scorecard and that use in growing in those areas as well as in the Middle East and Africa. A global study conducted by Bain & Co placed the scorecard fifth on a list of the top ten most widely used management tools around the world—strategic planning was first—and the scorecard has also been recognized by the editors of the Harvard Business Review as being one of the most influential business ideas of the past 75 years.

**Implementing a Balanced Scorecard Management System**

While the implementation and effectiveness of the balanced scorecard approach is tied to various measures of performance, Kaplan and Norton made it very clear that they conceived of the scorecard as a management, and not a measurement, tool. They

http://www.balancedscorecard.org/BSC-Basics/About-the-Balanced-Scorecard
explained: “This distinction between a measurement and a management system is subtle but crucial. The measurement system should be only a means to achieve an even more important goal—a strategic management system that executives can use to implement, and gain feedback about, their strategy.” Kaplan and Norton suggested several guiding principles that should be followed in implementing the balanced scorecard:

- The balanced scorecard measures must be linked to the company’s strategy using three core principles: cause-and-effect relationships, performance drivers and linkage to financials. These principles must be considered together in order to be effective. For example, while steps may be taken to improve a performance driver, the effort is not really meaningful unless improvement in financial performance also occurs.
- The structure and strategy of an organization must be reflected in the balanced scorecard and in many cases it is appropriate and useful for each of the strategic business units of the company to have their own scorecard and for executive leadership to focus on identifying and disseminating a common theme or strategy that covers all of the business units and monitoring the individual scorecards to ensure that they are effective in progressing toward achievement of the common strategy.
- As mentioned above, effective implementation of the balance scorecard requires empowering employees by educating them about the organization’s strategy and the methods that have been selected to achieve it. Similar education efforts should be launched with key outside constituents and organizations should support the scorecard through communication and education programs, goal setting programs and reward systems.
- The balanced scorecard is part of a larger long-range strategic plan and operational budget process that is achieved by following four steps: setting ambitious “stretch” targets for all performance measures that are understood and accepted by employees; identify and rationalize strategic initiatives and make sure they are aligned with the scorecard objectives; identify critical cross-business objectives on the scorecard and make sure that initiatives of different business units or the corporate parent are aligned to achieve those objectives; and linking the three to five year plan to budgetary performance in order to compare the performance to the strategic plan.
- The balanced scorecard should be subjected to rigorous and ongoing feedback with the overall goal of maintaining continuous improvement. Everyone in the organization, particularly employees, should be empowered to implement or suggest changes and contribute to the development of new ideas that can be incorporated into the organizational strategy. In this way, the balanced scorecard provides a roadmap for everyone in the organization to work together toward a common goal and performance of the organization can be measured by reference to the strength and effectiveness of its strategic management system.

The Balanced Scorecard Institute noted and explained how the balanced scorecard framework and elements could be effectively used in a process called “strategy mapping”, which the Institute described as a tool for visualizing and communicating how

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Developing a strategy map begins with assessing the organization’s overall environment and taking all the steps necessary to develop an appropriate strategy for the organization, hopefully one that is aligned with the organization’s mission and vision. They next step is to break down implementation of the strategy into actionable steps, which are referred to as “objectives” in the balanced scorecard framework. There should be objectives for each of the four perspectives, such as “increasing revenue”, “improving the customer or stakeholder experience” or “improving the cost-effectiveness of the organization’s programs”.

The strategy map itself begins with four rows on what may be referred to as a “mapping grid”, one for each of the perspectives in the balanced scorecard. The ordering of the rows depends upon the priorities of the organization. For example, the ordering for a “for-profit” organization that needs to prioritize financial performance might have “learning and growth” at the bottom, internal process above it, customers above it and, finally, financial as the top row. In contrast, a non-profit organization might have reverse the top two row so that the customers who are the main beneficiaries of the organization’s mission and activities are on the top row and financial is on the second row. Regardless of ordering, each row includes a box for each of the strategic objectives, which are continuous improvement activities, chosen for that perspective. For each objective there will be one or more “initiatives”, which are the programs that they organization has decided to implement in order to achieve its objectives. The mapping process is arrows between the various boxes that lays out the path that the organization can follow based on objectives from each of the perspectives.

Kaplan and Norton made it very clear that although the balanced scorecard was based on four perspectives, the strategy map should be designed to identify a clear causal path among the perspectives that leads to the most important overall strategic objective for the organization. It is no accident that the financial perspective is at the top of the grid for for-profit organizations since financial outcomes, such as sales growth, return-on-capital employed or economic value added are the key strategic outcomes for those types of organizations. Kaplan and Norton noted that many managers embrace isolated improvement programs such as total quality management and employee empowerment, but fail to link those programs to specific targets for improving customer satisfaction and financial performance. The result, in most cases, is that managers become disillusioned about the initiatives because they fail to deliver tangible “bottom line” results. Done correctly, the business scorecard framework ensures that the objectives and initiatives for each perspective are not implemented until they are part of the cause-and-effect path leading to improved financial performance (or, in the case of “non-profits”, improved delivery of services to the organization’s intended beneficiaries).

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61 The discussion in this section on “strategy mapping” is adapted from the Balanced Scorecard Institute’s “Balanced Scorecard Basics”, which is available at http://www.balancedscorecard.org/BSC-Basics/About-the-Balanced-Scorecard

In order for an objective to be meaningful and to know whether the associated initiatives are appropriate and successful, there must be a way to measure progress toward the desired outcome (i.e., level of performance), which is referred to as the “target”. The Balanced Scorecard Institute referred to these measures as “Key Performance Indicators”, or “KPIs”, and explained that they should be used to monitor the implementation and effectiveness of an organization's strategies, determine the gap between actual and targeted performance, and determine organization effectiveness and operational efficiency. According to the Institute, good KPIs provide an objective way to see if strategy is working, offer a comparison that gauges the degree of performance change over time, focus employees' attention on what matters most to success, allow measurement of accomplishments, not just of the work that is performed, provide a common language for communication and help reduce intangible uncertainty.

Ordering, objectives, metrics, targets and initiatives are the building blocks of the balanced scorecard strategy mapping process. The Balanced Scorecard Institute noted that organizations often begin by focusing on improving performance related to objectives found in the bottom two rows (i.e., “learning and growth” and “internal processes”) and then move forward to leverage gains in those perspectives to achieve more desirable results with respect to customer satisfaction and/or financial performance. A strategy map is an important tool for communicating with employees and other stakeholders how the actions taken in connection with initiatives from one perspective will ultimately influence performance on other perspectives. For example, employees can and should be motivated to engage in improving their knowledge and skills when they understand that this will increase process efficiency that will eventually allow the organization to reduce costs and/or improve the quality of customer interactions. As with any other managerial process, implementation of strategic mapping should be accompanied by appropriate training and continuous evaluation to determine whether there is correct alignment. If performance is not meeting the established targets, changes should be made and the entire process should be re-launched.

Strategic Mapping Using the Balanced Scorecard Framework

One of the most valuable byproducts of implementing the balanced scorecard framework is the ability to create dynamic “strategy maps”, which organizational leaders can use as a tool for visualizing and communicating how value is created by the organization and for clearly illustrating a logical “cause and effect” connection between the strategic objectives established for each of the four perspectives in the framework. The Balanced Scorecard Institute provided two illustrations of how an organization might develop a strategy map that incorporates each of the four perspectives of the balanced scorecard framework, and the summary below should be read in conjunction with the description of the mapping process and the various elements included in the main text of this Guide.

The first illustration assumed a “for-profit” organization and ordered the four perspectives from top to bottom as follows on a “mapping grid”: financial, customer, internal process and organizational capacity. The map proceeded through the following objectives, from start to finish:
Developing a Corporate Social Responsibility Strategy

- Starting with the learning and growth, or organizational capacity, perspective, the organization focused on improving knowledge and skills among its workforce and improving the tools and technology that they worked with.
- Leveraging the improvements in organizational capacity, the organization moved to the internal process perspective and concentrated on increasing process efficiency in order to lower cycle times.
- The lower cycle times achieved through investments in the internal process allowed the organization to lower wait times for its customers, thus improving overall customer satisfaction.
- Ultimately, improved customer satisfaction translated into increased revenues at the financial perspective. At the same time, the increased process efficiency lowered costs, which improved the “bottom line”. The combination of increased revenues and lowered costs meant that the organization had been successful in achieving the key financial strategic objective of increased profitability.

Each of the strategic objectives discussed above associated with the various perspectives were pursued by specific initiatives, all of which had their own performance metrics and performance targets that could be included in the balanced scorecard framework for the organization. For example, the efficacy of employee training and improving employee skills should be measured against a detailed index of the specific skills that employees should be expected to have in order for the organization to be successful in its competitive environment. Improvements in the capabilities of information systems, which provide the tools and technology to enable employees to do their jobs more effectively, can be measured by reviewing real-time availability of accurate customer and internal process information to front-line customers.

Also important to note is the “cause and effect” connection between the organization’s overall “vision and strategy” and objectives and related activities undertaken in connection with each of the four perspectives. Kaplan and Norton emphasized that a strategy is really a set of hypotheses about cause and effect that are expressed on the strategy map as a sequence of “if-then” statement that create a path throughout the four perspectives and tell the story of the organization’s strategy. For example, every organization wants to achieve higher profitability; however, the strategy map shows how improving sales training of employees can eventually lead to increased profitability: more training leads to a sales team that is more knowledgeable about the organization’s products, which leads to improved sales effectiveness, and ultimately causes average sales margins of the products to increase.

The second illustration assumed a “non-profit” organization and ordered the four perspectives from top to bottom as follows on a “mapping grid”: customer, financial, internal process and organizational capacity. In this instance, the central strategic objective of the organization could be identified from the customer perspective (i.e., the principal beneficiaries of the organization’s activities); however, financial objectives remained of paramount importance since the organization necessarily needed to ensure it had sufficient capital to fulfill its obligations to its customers and that it was able to continue attracting financial support from its donors. The map proceeded through the following objectives, from start to finish:

- As is common with the learning and growth, or “organizational capacity” perspective, the objectives were to improve knowledge, skills and abilities of employees, which also increased employee innovation, and improve the use of technology.
- With a more knowledgeable and motivated group of employees, the organization was able to focus on internal processes that enhanced stakeholder relationships. At the same time, the organization used its improved technology profile to improve customer communications and the efficiency and reliability of its services. Another objective pursued at this perspective was developing more value added services.
- The combination of objectives successfully undertaken at the internal business process perspective led to an expansion of the customer base and improved financial performance.
- Finally, improved financial performance along with the expanded range of services allowed the organization to achieve its key objective of enhancing the organization’s value in the eyes of its customers.

Sources: Balanced Scorecard Institute’s “Balanced Scorecard Basics”, which is available at http://www.balancedscorecard.org/BSC-Basics/About-the-Balanced-Scorecard. See also the two case
Balanced Scorecard and Corporate Social Responsibility

Crawford and Scaletta argued that because the balanced scorecard had become a recognized and established management tool, it was well positioned to support a knowledge-building effort to help organizations make their values and vision a reality.\(^\text{63}\) In addition, they believed that the balanced scorecard was an effective way to help executives, managers and employees make day-to-day decisions based upon values and metrics that could be designed to support an organization’s CSR initiatives. The balanced scorecard also allows organizational leadership to articulate its CSR strategy, communicate the details of the strategy throughout the organization, motivates the members of the organization to execute the plans associated with the CSR strategy, and enables leaders to monitor results using both financing and non-financial metrics.

The balanced scorecard is well suited to CSR given that the scorecard framework explicitly incorporates and balances shareholder, customer and employee perspectives. The balanced scorecard can be used to improve the way in which organizations meet the expectations of their stakeholders with respect to reporting on their economic, social and environmental performance and impacts. CSR reporting is a crucial aspect of the transparency demanded by stakeholders such as employees, regulators, investors and non-governmental organizations, and more and more organizations have committed to disclosing CSR-related information in addition to their traditional annual financial reports. CSR reporting generally tracks the “triple bottom line” (“TBL”), which includes measurements along three dimensions of performance: economic, social and environmental. The leading standard for TBL reporting is the Global Reporting Initiative (“GRI”), which has championed the development of the GRI Sustainability Guidelines that include both qualitative and quantitative indicators.

Crawford and Scaletta argued that the balanced scorecard could be an effective format for reporting TBL indicators since the scorecard illustrated the cause-and-effect relationship between being a good corporate citizen and being a successful business.\(^\text{64}\) They specifically recommended that organizations should adapt or introduce a balanced scorecard that specifically included and integrated key market forces driving CSR and the indicators of CSR performance and impact taken from the GRI Sustainability Guidelines.\(^\text{65}\) The market forces would be “objectives” in the balanced scorecard


\(^{64}\) Id.

\(^{65}\) For the key market forces driving CSR, Crawford and Scaletta relied on Willard, who argued that attention to CSR was driven during the early 2000s by a combination of mega-issues (i.e., climate change, pollution/health, globalization backlash, the “energy crunch” and erosion of trust) and demands from emerging stakeholder groups including “green" consumers, activist shareholders, civil society/non-governmental organizations (“NGOs”), governments and regulators and the financial sector. See B.
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Crawford and Scaletta suggested that using the balanced scorecard framework to introduce and explain CSR initiatives can overcome resistance to such initiatives among managers, employees and shareholders who may be skeptical of deviating too much from the traditional financial focus of organizational strategy and decision making. For example, the balanced scorecard makes it easier to see the path that an organization might take to creating a competitive advantage based on cost leadership: investing in new


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technology and more effective and efficient processes that lead to improved ecological protection and better risk management that allows the organization to lower its cost of capital. Similarly, a differentiation-based strategy can be pursued through community building activities that improve organizational reputation and brand equity such that customer satisfaction and demand for the organization’s products and services is enhanced such that the organization is able to increase sales.

**CSR Strategy Based on Theatres of CSR Practice**

Rangan et al. argued that every company needs a CSR strategy; however, they felt that considering the many disparate drivers of CSR within a company, and the many different motivations underlying the various initiatives, that it was naïve to expect a company to somehow weave all this together and incorporate it as part of its core business strategy. The solution they offered was based on a platform of three “theatres” of CSR that would serve as a descriptive framework that accommodated the wide range of CSR activities and facilitated identification of strategic implications and development of a comprehensive CSR strategy that would integrate all of the diverse CSR activities. Theatre 1 included philanthropic activities which were primarily motivated by charitable instincts even though they may also have some potential business benefits. Theatre 2 included CSR activities that were symbiotic and intended to simultaneously benefit the company’s bottom line and the environmental or social impacts of one or more of company’s value chain partners (i.e., the supply chain, distribution channels or production operations). Theatre 3 included programs aimed at fundamentally changing the business’s ecosystem by taking on short-term risks in order to create social value that ultimately enhance the company’s long-term business position.

Rangan et al. claimed that their analysis suggested that companies rarely coordinated among the three theatres. They also made it clear that they did not believe that companies needed to be involved in initiatives in each of the theatres, nor should companies feel a need to evolve their CSR activities from one theatre to another. Their goal was to suggest a model that companies could use to maximize the effectiveness of what they did with respect to CSR, realizing that all companies cannot and should not have the same “brand” of CSR. The CSR initiatives and programs that a company does decide to take on should be determined by the company’s core competencies, institutional capacity, industry, geographic reach and its ability to excel in efforts that are associated with a particular theatre (i.e., philanthropy, value chain or ecosystem transformation). A manufacturing company can be expected to focus its CSR activities on supply chain matters while a financial services company likely prefers to concentrate on philanthropic and transformative initiatives to address financial inclusion and literacy. Two key points from Ragan et al. were that all three of the CSR theatres are important to addressing social and environmental problems, either at a local or global level, and that not all CSR programs should or will have an immediate business bottom-line goal.

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67 Id. at 4-5.
Rangan et al. argued that it was not feasible, or even necessary, to develop a “one-size fits all” CSR model given that companies have, and will continue, to support initiatives that fall within three very different types of CSR theatres. The motivations and catalysts for CSR programs vary significantly, as do the expected outcomes of those programs. Companies and their leaders and employees often seek to make contributions that have value that is difficult to measure and is often far from directly connected to bottom line performance. At the same time, more and more companies are becoming more active in Theatre 2 and proactively seeking to create shared value through collaborations involving internal and external stakeholders. Theatre 3 programs are clearly the most challenging, but larger and small companies are coming to believe that the risks are warranted given the opportunities to achieve significant long term private and public value that benefits the company and the society and environment in which it operates. For Rangan et al., the goal for companies looking for a CSR strategy is not to settle on one of the theatres but to find ways to create more efficiency and synergy among a variety of programs from each of the theatres that are motivated by a wide range of perspectives and protagonists. In order to do that, they suggested that companies follow a process that travels through several stages: auditing, editing, “connecting the dots” and organizing.

**Auditing and Classifying the Company’s CSR Programs**

Rangan et al. suggested that companies should begin their efforts to devise a CSR strategy by classifying and categorizing all of their existing CSR programs into one of three theatres. This audit process needs to be thorough and extensive and not limited to the showcase programs that companies select for highlighting in their sustainability reporting to impress external stakeholders. Accordingly to Rangan et al., the auditing must include collection and analysis of information from every program from each discipline within the company that attempts to make a deliberate social and/or environmental contribution. While this appears to be straightforward, the proponents of many programs often struggle to identify a specific contribution that they have in mind for a particular program. Once the listing of programs has been completed, each of them needs to be evaluated in order to generate a record of costs (direct, indirect, financial and intangible) and likely benefits and impacts (internal and external). With this information a reasonable decision can be made as to which theatre a program should be placed. Companies should not underestimate the difficulty of the auditing process; however, Rangan et al. noted that simply going through the process is reward in its own right even before the information is used to move further down the path toward a CSR strategy.

**Philanthropic Giving**

The first CSR theatre identified by Rangan et al. focused on philanthropic initiatives and activities, either in the form of direct funding to nonprofit and community service organizations, employee community service projects or in-kind donations of products and

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68 Id. at 15.
69 Id. at 17.
services to nonprofits and underserved populations. Companies may engage in philanthropy directly or through corporate foundations that are established as entities separate from the main business unit, although the work of foundations generally remains closely aligned to the company’s core competencies and business priorities. Ragan et al. described corporate philanthropy as the “purest” form of CSR and “the ‘soul’ of a company, expressing the social and environmental priorities of its founders, executive management and employees, exclusive of any profit or direct benefit to the company.”

Corporate leaders often find it difficult to explain how particular philanthropic initiatives make a direct contribution to business strategy; however, it is generally conceded that philanthropy has strategic value to the extent that it enhances the company’s reputation in its local communities, provides the company with insulation from unanticipated risks, motivates employees through opportunities to participate in volunteering activities in their communities on causes that are meaningful to them and provides managers and employees with a chance to gain new skills and experience which engaging in philanthropic activities that can also be used in their day-to-day roles for the company’s primary business.

Surveys indicate that the motivations and benefits for Theatre 1 programs tend to be softer, with the most common being improving the company’s social standing and/or brand reputation, supporting the company’s philanthropic priorities/initiatives and, quite importantly, increasing employee motivation. Theatre 1 programs typically reflect the preferences of operating managers as opposed to being determined based on some formal review and ranking of potential programs based on standard quantified selection criterion. Notably the anticipated benefits of Theatre 1 programs, such as improvement of the company’s reputation and improved employee motivation and morale, are most difficult to measure than changes in revenues, costs and profits, which makes the success and impact of these programs more difficult to evaluate in a manner that is consistent with traditional strategic planning. A small number of Theatre 1 programs actually generate new business opportunities; however, this is clearly not the primary driver of decisions in this theatre, one in which gain the support of the appropriate decision makers inside the organization seems to be the most important factor.

Ragan et al. counseled that the initiatives and activities conducted in the first theatre should evolve, if possible, toward becoming more strategic and integrated with the company’s strategic priorities. The goal should be “strategic corporate philanthropy” that involves funding and other types of support for social or environmental programs that

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70 Id. at 5 and 7.
72 Rangan et al. surveyed 50 CSR managers who attended an executive education program in 2011 and who reported 168 significant CSR initiatives at their respective companies roughly divided 40% in Theatre 1, 40% in Theatre 2 and 20% in Theatre 3. Among other things, the managers were asked to identify the primary motivations and benefits for each of the initiatives at their companies. K. Rangan, L. Chase and S. Karim, Why Every Company Needs a CSR Strategy and How to Build It (Cambridge MA: Harvard Business School Working Paper 12-088, April 5, 2012), 13-14.
reflect the company’s philanthropic priorities as an extension of its business interests. For many companies strategic philanthropy is an opportunity to consolidate a diverse range of programs under the umbrella of a single “big idea” that can galvanize the attention of managers and employees and bring everyone together around engagement on an important social or environmental cause or problem. However, while strategic philanthropy brings a level of formality and rigor to the process typically associated with traditional business planning, it does not mean that the goal must be business profits. Instead, the hope is that strategic philanthropy will not only help the company “do the right thing” but also return intangible benefits in the form of brand awareness and improved social capital. While corporate philanthropy is generally proactive, campaigns may also be launched in response to social pressures and activist complaints, in which case the business goal is reducing and managing adverse reputational impact.

Ragan et al. provided several examples of how strategic corporate philanthropy can simultaneously serve a social or environmental purpose that employees and management care about while supporting and expressing the company’s core business priorities. For example, IBM donated computers to young people through its global KidSmart Early Learning Programming to build a computer literacy in ways that might ultimately expand markets for the company’s products. Microsoft’s donation of $300 million in software products to NGOs across the world helped to build capacity among those important players in the sustainability world while also introducing those products into new markets. Efforts by companies such as PNC to support early childhood education among underserved populations could be expected to lead to strong communities in the areas where those companies are operating, a larger and more qualified pool of prospective employees and brand loyalty.

Rangan found that CSR initiatives in this theatre were generally overseen by corporate and community affairs managers who were not closely connected to business operations including personnel in corporate foundations that were actually separate entities. This approach was consistent with the traditional view that philanthropic activities were business expenditures that were not expected to generate a tangible financial value and thus need not be closely supervised by operational or strategic leaders.

Reengineering the Value Chain

Rangan et al. describes the priorities in the second theatre of CSR as “increasing business opportunities and profitability, while also creating social and environmental benefits, by improving operational effectiveness throughout the value chain be it upstream in the supply chain or downstream in the distribution chain.” For companies operating in the second theatre improving the bottom line is just as important as delivering social value (i.e., the overall goal is to create “shared value”) and relevant CSR initiatives and

73 Id. at 6.
74 Id. at 5-7.
75 Id. at 7.
76 Id. at 5-7.
programs will touch on natural resource extraction and sourcing, manufacturing, shipping, product delivery and other areas where it is feasible to identify and develop innovative technological solutions that reduce operating costs while mitigating environmental and social impacts.\textsuperscript{77}

Since CSR initiatives in this theatre are implemented throughout the company’s value chain they have the potential for achieving much broader social and environmental benefits than philanthropic CSR programs. In addition, particularly when companies undertake supply chain initiatives it is easier to identify and quantify positive impact on their bottom line (e.g., working with supply chain partners to improve working conditions in their factories can be expected to increase productivity, benefitting both the partner and the company). On the demand side, focusing on ethically or socially responsible sourced products allows companies to tap into the willingness of many consumers to pay a premium for such products and thus increase profits.\textsuperscript{78}

Surveys confirm that Theatre 2 programs are more readily linked to revenue opportunities or cost efficiencies that philanthropic initiatives with companies citing benefits such as improvements in their environmental impact, creation of new business opportunities, marketing to socially responsible customers willing to pay premiums for goods and services developed and delivered in a sustainable manner, protection of human and natural resources on which the company depends, reduction of operating costs and improvement of supply chain performance.\textsuperscript{79} Certain of the benefits from Theatre 2 programs, such as protection of resources and improved supply chain performance and sustainability, are a bit more challenging to measure and often take a little bit of time to reach a significant level, all of which means that programs in this theatre might be best measured and reported using double or triple bottom line measurements. Companies may need to incur additional costs up front in order to launch certain of these initiatives and this should be accounted for; however, the assessment can and should also give appropriate weight to the value of increased brand reputation.\textsuperscript{80}

Rangan et al. provided several examples of how companies might engage in value chain engineering. One common initiative is establishing a code of conduct that governs a company’s entire production supply chain, particularly the factories in which supply chain partners manufacture products and parts that are eventually delivered to the company under supply contracts. Codes can cover a wide array of topics; however, in almost all cases the company seeks commitments from its supply chain partners to compensate their workers fairly (i.e., at or above a local “living wage”), maintain a healthy working environment and treat their workers fairly and ethically. Companies may also apply pressure on supply chain partners to reduce production waste, materials and energy use. Employees are obviously also an important link any company’s value chain and this theatre includes support of educational and health programs for employees.

\textsuperscript{77} Id.
\textsuperscript{78} Id. at 8.
\textsuperscript{79} Id. at 14.
\textsuperscript{80} Id. at 14.
and their families, which reduce absenteeism, improve work-related skills and build a loyal and committed workforce. Also included would be micro-finance programs to support small retailers in a company’s distribution chain, many of whom need additional help to overcome working capital shortages and finance small capital additions (e.g., maintaining and improving their storefronts in a way that attractively showcases the company’s products).  

Rangan et al. found that initiatives in the second theatre were typically managed or co-managed by an operational manager on the supply side or a marketing manager on the demand side of the value chain, a decision that was consistent with the focus of such initiatives on enhancing operational efficiency and/or building revenue; however, companies frequently involved a community affairs or CSR manager in devising and overseeing supply chain initiatives and brought in their marketing departments to assist in cause branding initiatives. Rangan et al. pointed out that who initiatives in the second theatre are expected to ultimately balance improved profitability and social/environmental responsibility, it often takes awhile for them to reach that point. In some cases, supply chain initiatives are originally launched for largely operational reasons (i.e., to cut costs) and/or to respond to activism and negative publicity; however, as time goes by companies begin to realize that these changes are just the first of many that will be required in order for them to forge and maintain a business strategy that can be relied upon to make the company more prosperous and sustainable in an environment where stakeholder expectations are changing.

Transforming the Ecosystem

Rangan et al. described the third CSR theatre as “emblematic of wide scale and disruptive change to a corporation’s business model that puts the priority first on crafting a solution to a societal problem, which would then lead to financial returns in the longer run” and argued that this approach was “a fundamental departure from the incremental and self-interested change of Theatre 2 initiatives that are focused primarily on increasing profits.” Notable characteristics of Theatre 3 initiatives include:

- An attempt to significantly address a critical social or environmental need that is within the company’s business reach with the realization that it may not return immediate business profits
- A need and willingness to undertake a fundamental change in its business model and develop new skills and strategies given that the initiative often does not emerge from the company’s core competencies.

81 Id. at 8.
82 Id. at 7.
83 Id. at 9.
84 Id. at 9.
85 Id. at 9-10.
• Creation of a radically new ecosystem solution that may be outside the company’s core business interests and which is fundamentally disruptive to the existing value chain
• Efforts that are not incremental or cautious, but which require strategic risk-taking and a focus on long-range rather than short-term economic gains
• Aggressive and compelling leadership by the company’s CEO or executive management, given that they are uniquely situated to identify and drive the long-range business strategies that are required in order for broad changes to occur throughout the organization
• Explicit assurances from executive management to line managers and executives with budgetary responsibility for elements of the initiative that their products and other outputs will not be expected to meet the short-term performance forecasts of traditional projects

Surveys among CSR managers confirm that Theatre 3 initiatives are predicated on the promise of long-term private value gains through significant transformational changes in the company’s business ecosystem that also create an important solution to a social or environmental problem and deliver public social value. CSR managers described the initiatives as fulfilling the social mission of the CEO or senior management, focused on creating significant and new business/market opportunities and promoting and delivering significant new operations or supply chain or manufacturing efficiency.86

The social and environmental needs and threats that are typically addressed in this theatre are truly compelling—climate change, freshwater degradation and biodiversity loss, global hunger and poverty—and require solutions that can only be realized with collaboration among actors in the governmental, corporate and nonprofit sectors, as opposed to any one sector attempting to act alone. It is argued that corporations can and must exert the leadership necessary to influence a diverse range of interests through their multiple spheres of influence and extensive market reach and forge the necessary partnerships with governmental actors, non-governmental organizations and collaborators in their own industries. Rangan et al. noted that given what is necessary to drive change with respect to these issues it is not surprising that initiatives in this theatre are most appropriate for companies that have scale, diversified product lines, and significant financial resources to absorb the uncertainties of a delayed financial payoff; however, it is also feasible that smaller companies may opt for ecosystem disruption if they believe they can displace incumbents using innovative technologies or business processes.87

One illustration of a Theatre 3 initiative provided by Rangan et al. was the attempt by General Electric (“GE”) to lead a comprehensive initiative to address global warming and climate change by transforming the United States’ automobile transportation system to reduce CO2 emissions and petroleum-based fuel consumption from passenger automobiles. GE’s proposal included development and commercialization of electric vehicle (EV) charging stations, electrical grid improvements, investments in component

86 Id. at 14.
87 Id. at 10.
technologies and a robust EV production system, all projects for which GE was well suited given its engagement in many aspects of renewable energy production, energy delivery, EV production and EV charging supply chain. When launched, GE acknowledged that it would need to defer short-term profits to produce environmental and social benefits; however, it was anticipated that when those benefits were realized it would be accompanied by increases in GE’s long-term profitability. As time passed it became clear that GE would not be able to achieve the successes it had hoped for; however, the company’s initial vision is helpful in understanding what might be at stake in this theatre. Other companies have acted in this theatre through sweeping efforts to overhaul the “cradle-to-grave” handling of their products in order to achieve environmental benefits, initiatives that involve drastic changes to manufacturing, distribution and sale of products to customers and reclamation of those products when they are no longer needed by customers. Theatre 3 activities also include collaboration with NGO partners or industry coalitions, voluntary corporate standards organizations and councils to address environmental and social impacts and share ideas and best practices on how best to change existing business models.

**Editing**

Once the audit and classification process is completed, Rangan et al. counseled companies to explore within each of the theatres to find ways to move the composition and thrust of the programs in those theatres in a more strategic direction, a process they referred to as “editing”. For activities in Theatre 1 the goal was to move from traditional philanthropy to strategic philanthropy. In Theatre 2 companies should strive for a systematic and strategic approach to re-engineering their value chains. In Theatre 3 the dual challenges would be re-engineering and transforming the business in order to respond to and take advantage of parallel initiatives to transform the ecosystem in which the company operates.

The editing effort for Theatre 1 is to move the programs from the traditional *ad hoc* menu of a diverse and unconnected set of programs championed by individuals and groups scattered throughout the organization toward the practice of strategic philanthropy. Rangan et al. noted that Theatre 1 campaigns tend to be driven by the personal, social, and environmental priorities of a key officer of the company or of the community affairs department, thus making it difficult to build and maintain company-wide support for philanthropic giving programs whose values may not be shared by the majority of the company’s management or employees. This lack of institutional supports means that such programs are vulnerable to termination if the sole proponent leaves the company or changes positions. The concerns about continuity would be exacerbated if the program lacked a logical connection to the company’s business priorities. While it is understood that programs in Theatre 1 will likely not produce an economic return, this does not mean that companies should not set strategic goals for their philanthropic efforts, such as

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88 Id. at 10.
89 Id. at 12-13.
making sure that each program contributes to strengthening the company’s social capital and reputation among employees, customers and other stakeholders. 90

Rangan et al. argued that companies needed to make an effort to mold unconnected philanthropic efforts so that they will yield a more strategic thrust. One way to accomplish this is for companies to channel their primary business expertise and institutional knowledge and connections into a comprehensive and well-funded initiative that is strategically focused on a highly visible and critical environmental or social issue that motivates all of the company’s employees, benefits the company’s community and improves the company’s social capital and brand reputation. Theatre 1 programs have become a necessary cost of doing business given changing societal expectations regarding the role that a company should play in its community. Programs in this theatre are difficult to measure in terms of impact and it is often argued that the often intangible value that a company is creating comes at an economic cost that is painfully clear. All that said, it is possible to improve and refine measures of input and output with respect to philanthropic activities and this theatre is a valuable platform for companies to experiment and learn in anticipation of becoming more active in Theatres 2 and 3. 91

Just as Theatre 1 programs may be disconnected from business priorities, Theatre 2 programs, with their emphasis on improving performance in the value chain, may struggle to integrate the requisite social value component necessary for a program to successfully achieve “shared value”. With primary responsibility for Theatre 2 programs usually vested in operations managers, it is not surprising that execution of such programs, which are intended to improve the environmental or social impact of the company’s entire supply chain, often is grounded in achieving improved financial results (e.g., lowering costs, increasing profits and/or improving productivity). Unless a manager from the community affairs or corporate social responsibility office is proactively involved in a Theatre 2 program there is likely to be a disconnect between the operation manager’s stewardship of the program and the company’s CSR goals. Moreover, if economic return becomes the primary measurement tool for the program it may be abandoned if the return declines even if the program has been delivering significant social value. Another thing to consider with Theatre 2 programs is that gathering and maintaining employee support for supply chain initiatives may be difficult unless they see them as being a part of the company’s overall CSR strategy and goals. 92

The “shared value” focus of programs in Theatre 2 imposes an obligation on companies to develop and apply quantitative measures of the environmental, social and economic costs and impacts of each of the programs in the theatre as well as all of the programs collectively. In other words, progress in this theatre come from improvements in identifying, measuring and reporting reduction of energy use that leads to a stronger financial “bottom line” and enhanced wellbeing among workers in the company’s supply chain due to programming focused on health and education issues. Much of the

90 Id. at 16.
91 Id. at 17 and 33.
92 Id. at 16.
Developing a Corporate Social Responsibility Strategy

information in sustainability reporting refers to Theatre 2 programs, not surprising given the need to communicate to investors and other stakeholders the economic benefits from programs that also have a substantial social value element. Rangan et al. cautioned that when companies make decisions regarding Theatre 2 programs they need to be honest and transparent about the total impact of their operations and take into account both the positive and negative effects of their activities. When setting strategy for value chain initiatives companies must not only set goals for positive business and social impacts but also prioritize initiatives that mitigate the sometimes unavoidable negative consequences of a particular activity in the value chain. While gradual, yet meaningful, reduction of negative impacts is not always as sexy as supporting education and training for thousands of underserved persons it represents a meaningful commitment by the company to challenge the “status quo” and make a significant contribution to preservation of resources for use by subsequent generations.93

While programs in Theatres 1 and 2 may struggle due to conflicts and disconnects between community affairs and operations management that will ultimately need to be resolved at higher levels within the organization, Theatre 3 programs are uniquely “top down” and come with the powerful leadership of the CEO and other members of the executive team. However, Rangan et al. cautioned that this is far from sufficient for guaranteeing success. Of course, the shear scope of programs in this theatre—transforming the company’s long-term business strategy and the ecosystem in which it operates while delivering significant public value—make them extremely risky. In addition, several challenges posed by various stakeholders of the company must be addressed and overcome: operations managers must be taught how to manage programs in which profits are deferred to realize social or environmental benefits; employees must learn new skills in order to execute what are often fundamental changes in the way that products are designed, produced and marketed (the need to learn new skills and take on different responsibilities often causes tension and anxiety among the workforce which must be addressed by senior management); and investors must be convinced about the viability of a business strategy that reduces financial return in the short- or medium-term in exchange for the promise of greater long-term shareholder value.94

Rangan et al. argued that a key question for the strategic planning process for Theatre 3 initiatives is whether or not there is a logical path to changing the ecosystem and if so what is the accompanying projected path to profitability (i.e., does the strategy include a business model that is capable of delivering a return on the company’s societal investments). In many cases the initiatives that fall into Theatre 3 are logical extensions of programs that began in Theatre 2 and transformed into aggressive efforts to reduce negative impacts of operations through the development of new technologies and disruptive changes to existing ecosystems. Rangan et al. noted that the transformative aspects of Theatre 3 initiatives often come from changing the perspective on a particular issue from risk management to business opportunity. The important thing to remember is

93 Id. at 18.
94 Id. at 16-17.

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that progress in this theatre takes time, often much longer than results from programs in the other theatres.  

**Connecting the Dots**

Rangan et al. argued that crafting a comprehensive and cohesive CSR strategy required a company to “connect the dots” between its initiatives in all three theatres. They did not believe that companies should or needed to follow any preferred path, such as starting with strategic philanthropy in Theatre 1 and then progressing toward re-configuring its value and then focusing on transforming its business environment. Size and industry play a big part in how a company puts together its CSR portfolio: smaller, private companies tend to focus on philanthropic giving initiatives that reflect their founders’ personal commitments to social or environmental causes, with little engagement in integrated CSR programs; smaller public companies typically focus on CSR initiatives that integrate with their business and manufacturing operations, while potentially also making philanthropic contributions to social or environmental conservation institutions; and larger global companies usually are engaged in all three CSR theatres, a choice that raises significant managerial challenges. Rangan et al. offered the following suggestions as to how companies can do a better job of designing and implementing a CSR strategy that coordinates and provides a common direction for what would otherwise be a portfolio of disparate and possibly ineffective initiatives:

- Companies that are engaged in only one of the theatres should be making plans for the eventual expansion of their CSR initiatives into the other theatres and should begin that process by developing their own unique overarching CSR vision that can encompass programs in philanthropic, supply-chain and transformative ecosystem efforts. Having a vision in place before additional resources are committed increases the likelihood of successful expansion and ensures that new investments are properly focused.

- Before expanding too far beyond a single theatre the company should ensure that its activities in that theatre are coordinated and expressive of the corporate CSR vision. For example, smaller companies that tend to focus their initial CSR efforts on philanthropy need to avoid the trap of a portfolio of programs driven by personal preferences of individuals around the company and concentrate on setting and following a set of strategic philanthropy priorities that fit into the business’ operational strategy. Among other things, this requires establishing a CSR office to cooperatively manage the programs and proactively gather broad corporate support for the vision and the accompany strategy.

- Companies simultaneously involved in Theatres 1 and 2 should coordinate efforts in order to better express, in a consistent fashion, the core values that have been selected for their CSR efforts. For example, a company that has decided to focus on workers’

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95 Id. at 19 and 23.
96 Id. at 20.
97 Id. at 19 and 20.
98 Id. at 20 and 21.
rights throughout its supply chain in developing countries in Theatre 2 should also prioritize philanthropic giving that addresses poverty, education and empowerment of girls and women in those same countries in its Theatre 1 initiatives.

- Supply chain initiatives are a common choice for CSR activities; however, companies often fail to approach them in the most efficient manner by failing to execute them through the lens of clear corporate CSR priorities. Rangan et al. recommended that companies identify a CSR priority, such as establishing environmental protection in the areas where they operate, and then use it as the primary means for evaluating every component of its supply chain: how are products sourced, what environmental guidelines are followed by suppliers and what is the environmental impact of suppliers’ logistics and transport systems?

**Organizing for CSR Strategy Development**

According to the survey they conducted Rangan et al. found clear distinctions among the three CSR theatres with regard to the range and role of protagonists, which provides valuable lessons as to organizational changes that should be considered in order for CSR strategy to be more effective. 99 First of all, CSR executives were involved to some extent in each of the three theatres; however, the center of gravity between line managers and executives with respect to decision making and leadership noticeably shifted as the focus of analysis shifted from Theatre 1 to Theatres 2 and 3. In general, decisions regarding philanthropic programs were made by managers in the community affairs group and, in some cases, by managers in other business units. Given that programs in Theatre 2 focused on “shared value” and delivering business-related improvements as well as social and environmental value it was not surprising to find that most of the responsibility had shifted to line managers in production, quality control, marketing, procurement, logistics and other disciplines; however, Rangan et al. did find that community affairs managers often remained significantly involved in many initiatives, particularly in social and economic programs for communities affected by the company’s supply chain (e.g., community affairs managers might oversee health and education programs supported by the company for employees of supply chain partners and their family members). Not surprisingly given the scope of transformation projected for Theatre 3 programs, decision making responsibilities in this theatre were held by the CEO and other executives at the top of the organizational hierarchy with advisory input from a small number of others lower down in the organization. Rangan et al. summed it up as follows 100:

“The key distinction between the three theatres was the decision making process. Most Theatre 1 initiatives were of a bottom-up nature, with CSR efforts initiated and executed from the field, after being vetted by the community affairs department. Theatre 2 initiatives were usually a mixed bag, alternately driven by the CSR officers, operational management and/or by executive management in a top-down fashion. Theatre 3 initiatives were almost always top-down directives formulated and articulated by executive decision-makers.”

99 Id. at 15.
100 Id. at 15-16.
The differences in decision making among the three theatres makes it difficult for establish and enforce CSR priorities that are clearly understood and supported by everyone in the organization: managers, executive leadership and employees. This does mean that companies will not be engaging in a substantial range of CSR activities; however, the impact of those activities may be unnecessarily limited due to conflicts of interests inside the organization and unwillingness to collaborate. For example, operations managers may be afraid that too much emphasis on generating social value will make it more difficult for them to “deliver their numbers” and members of the executive team may be reluctant to cede their authority regarding overall business strategy to community affairs or corporate foundation managers. \(^\text{101}\)

\(^{101}\) Id. at 21.
About the Author

This chapter was written by Alan S. Gutterman, whose prolific output of practical guidance and tools for legal and financial professionals, managers, entrepreneurs and investors has made him one of the bestselling individual authors in the global legal publishing marketplace. His cornerstone work, Business Transactions Solution, is an online-only product available and featured on Thomson Reuters’ Westlaw, the world’s largest legal content platform, which includes almost 200 book-length modules covering the entire lifecycle of a business. Alan has also authored or edited over 90 books on sustainable entrepreneurship, leadership and management, business law and transactions, international law and business and technology management for a number of publishers including Thomson Reuters, Practical Law, Kluwer, Aspatore, Oxford, Quorum, ABA Press, Aspen, Sweet & Maxwell, Euromoney, Business Expert Press, Harvard Business Publishing, CCH and BNA. Alan is currently a partner of GCA Law Partners LLP in Mountain View CA (www.gcalaw.com) and has extensive experience as a partner and senior counsel with internationally recognized law firms counseling small and large business enterprises in the areas of general corporate and securities matters, venture capital, mergers and acquisitions, international law and transactions, strategic business alliances, technology transfers and intellectual property, and has also held senior management positions with several technology-based businesses including service as the chief legal officer of a leading international distributor of IT products headquartered in Silicon Valley and as the chief operating officer of an emerging broadband media company. He has been an adjunct faculty member at several colleges and universities, including Berkeley Law, Golden Gate University, Hastings College of Law, Santa Clara University and the University of San Francisco, teaching classes on corporate finance, venture capital, corporate governance, Japanese business law and law and economic development. He has also launched and oversees projects relating to sustainable entrepreneurship and ageism. He received his A.B., M.B.A., and J.D. from the University of California at Berkeley, a D.B.A. from Golden Gate University, and a Ph. D. from the University of Cambridge. For more information about Alan and his activities, and the services he provides through GCA Law Partners LLP, please contact him directly at alangutterman@gmail.com, follow him on LinkedIn (https://www.linkedin.com/in/alangutterman/) and visit his website at alangutterman.com.

About the Project

The Sustainable Entrepreneurship Project (www.seproject.org) was launched by Alan Gutterman to teach and support individuals and companies, both startups and mature firms, seeking to create and build sustainable businesses based on purpose, innovation, shared value and respect for people and planet. The Project is a California nonprofit public benefit corporation with tax exempt status under section 501(c)(3) of the Internal Revenue Code dedicated to furthering and promoting sustainable entrepreneurship through education and awareness and supporting entrepreneurs in their efforts to launch and scale innovative sustainable enterprises that will have a material positive environmental or social impact on society as a whole.

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