



Workshop: Global Regulation of Corporate Social Responsibility

Dates: 12-13 April 2010

Venue: Room F5 Gamle Fysikk, Norwegian University of Science and Technology

This report summarises the workshop ‘Global Regulation of Corporate Social Responsibility’ held as part of the ongoing EM-CSR research at the Department of Industrial Economics and Technology Management, in collaboration with the Programme of Applied Ethics and NTNU’s Globalization Programme.

Twenty-four participants engaged in active exchange and discussion over the two-day workshop. Professor Annik Magerholm Fet opened and closed the workshop outlining the history and future initiatives of CSR research at NTNU. Two international guests, Professor Prakash Sethi, Sethi International Center for Corporate Accountability, Inc, New York and Associate Professor Darryl Reed from York University, Toronto presented the keynote talks as part of this program. Einar Flydal, Senior Advisor at Telenor, updated the group on the progress of ISO 26000 to be launched later this year, while Associate Professor Siri Granum Carson presented her ideas on the Post-National Challenge for Corporate Citizenship. PhD Candidates, Caroline Y. Cheng, Natallia Vakar and Christofer Skar also presented their PhD work-in-progress paper presentations.

The presentations by the respective speakers, as well as the workshop programme and participants list, are appended.

Caroline Y. Cheng
Trondheim, 16 April 2010





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Day 1	Monday 12 April 2010	Day 2	Tuesday 13 April 2010
13.50-14.10	Welcome & Coffee	09.00-11.00	Strategic Management of Social Issues - Professor Prakash Sethi, Sethi International Center for Corporate Accountability, Inc, New York
14.10-14.30	CSR research at NTNU – Professor Annik Magerholm Fet, IØT	11.00-11.15	Coffee Break and discussion
14.30-15.15	Norwegian Policy on Corporate Social Responsibility - Are-Jostein Norheim, CSR ambassador, Ministry of Foreign Affairs (<i>unable to attend due to sick leave</i>)	11.15-12.15	Fair Trade as a Form of Non-State Regulation: Possibilities, Prospects and Tensions – Associate Professor Darryl Reed, York University, Toronto
15.15-15.30	Coffee Break	12.15-13.15	Lunch (Electrobygget)
15.30-16.30	Using the Hexagonal Balanced Scorecard approach to implement Corporate Sustainability - Caroline Y. Cheng, PhD Candidate, IØT	13.15-14.15	Communicating CSR in the Value Chain: Opportunities and Limits of the EPD Scheme - Christofer Skaar, PhD Candidate, IØT
16.30-17.30	CSR and Competitiveness - Natallia Vakar, PhD Candidate, IØT	14.15-15.15	ISO 26000 and its Implications - Einar Flydal, leader of the Norwegian ISO 26000 work
17.30-18.30	The Post-National Challenge for Corporate Citizenship – Associate Professor Siri Granum Carson, Programme for Applied Ethics	15.15-15.45	Further activities and closing comments – Professor Annik Magerholm Fet, IØT
19.00	Dinner (Bryggen Asian Cooking)		

Register for the workshop by sending your name, affiliation and contact details and if you would be attending lunch on Day 2 to csr-forum@iot.ntnu.no by **Wednesday 8 April 2010**.

For more information about this workshop, please contact Caroline.Cheng@iot.ntnu.no.





Workshop: Global Regulation of Corporate Social Responsibility

Participants List

	Name		Primary Affiliation	Email
1	Ali Pedram	Master student	NTNU IØT - Project Management	alip@stud.ntnu.no
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3	Anne Margrethe (Maggi) Brigham		SINTEF Technology & Society	maggi.brigham@svt.ntnu.no;
4	Anne-Lene Midseim	Head of CSR	Norsk Hydro ASA	anne-lene.midseim@hydro.com;
5	Annik Magerholm Fet	Professor	NTNU Industrial Econ & Tech Mgmt	annik.fet@iot.ntnu.no;
6	Antoinette Matundura	Master student	NTNU Programme for Applied Ethics	tonimatundura@yahoo.com;
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8	Caroline Y. Cheng	PhD Candidate	NTNU Industrial Econ & Tech Mgmt	Caroline.Cheng@iot.ntnu.no;
9	Cecilia Haskins	Post doc	NTNU Industrial Econ & Tech Mgmt	cecilia.haskins@iot.ntnu.no;
10	Christoffer Skaar	PhD Candidate	NTNU Industrial Econ & Tech Mgmt	christofer.skaar@iot.ntnu.no;
11	Darryl Reed	Associate Professor, Chair	York University, Toronto	dreed@yorku.ca;
12	Davide Natale	Master student	NTNU Programme for Applied Ethics	davide.natale83@gmail.com
13	Dina Aspen	Master student	NTNU Industrial Ecology Programme	dina.aspen@gmail.com;


NTNU

 Department of Industrial Economics
 and Technology Management

 Programme for
 Applied Ethics

 NTNU Globalization
 Programme




	Name		Primary Affiliation	Email
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17	Kari-Mette Murvoll	HSE&Q advisor, AGR Petroleum Services	Teekay PetroJarl	kari-mette.murvoll@teekay.com;
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21	Natallia Vakar	PhD Candidate	NTNU Industrial Econ & Tech Mgmt	natallia.vakar@iot.ntnu.no;
22	Prakash Sethi	Professor	International Center for Corporate Accountability, Inc, New York	Prakash.Sethi@baruch.cuny.edu;
23	Sara Sharif	Master student (Ext)		sshshvip@yahoo.com;
24	Siri Granum Carson	Associate professor	NTNU Programme for Applied Ethics	siri.granum.carson@hf.ntnu.no;
25	Uno Abrahamsen		NTNU Industrial Econ & Tech Mgmt	uno.abrahamsen@iot.ntnu.no
26	Øivind Hagen	Research scientist	SINTEF Technology & Society	oivind.hagen@sintef.no;



Workshop: Global Regulation of Corporate Social Responsibility

NTNU - 12-13 April 2010

Professor
Annik Magerholm Fet
Department of Industrial Economics and Technology Management



Program 12. April

- **CSR research at NTNU** – Professor A M Fet, IØT
- **Norwegian Policy on CSR** - Are-Jostein Norheim, CSR ambassador, Ministry of Foreign Affairs, Norway
- **Using the Hexagonal Balanced Scorecard approach to implement Corporate Sustainability** - Caroline Y. Cheng, PhD Candidate, IØT
- **CSR and Competitiveness** – Natallia Vakar, PhD Candidate, IØT
- **The Post-National Challenge for Corporate Citizenship** – Associate Professor Siri Granum Carson, Programme for Applied Ethics



Program 13. April

- **Strategic Management of Social Issues**- Professor Prakash Sethi, Sethi International Center for Corporate Accountability, Inc, New York
- **Fair Trade as a Form of Non-State Regulation: Possibilities, Prospects and Tensions** – Associate Professor Darryl Reed, York University, Toronto
- **Communicating CSR in the Value Chain: Limits and Opportunities** - Christofer Skaar, PhD Candidate, IØT
- **ISO 26000 and its Implications** – Einar Flydal, leader of the Norwegian ISO 26000 work
- **Further activities and closing comments** – Professor AM Fet, IØT



NTNU strategic research areas

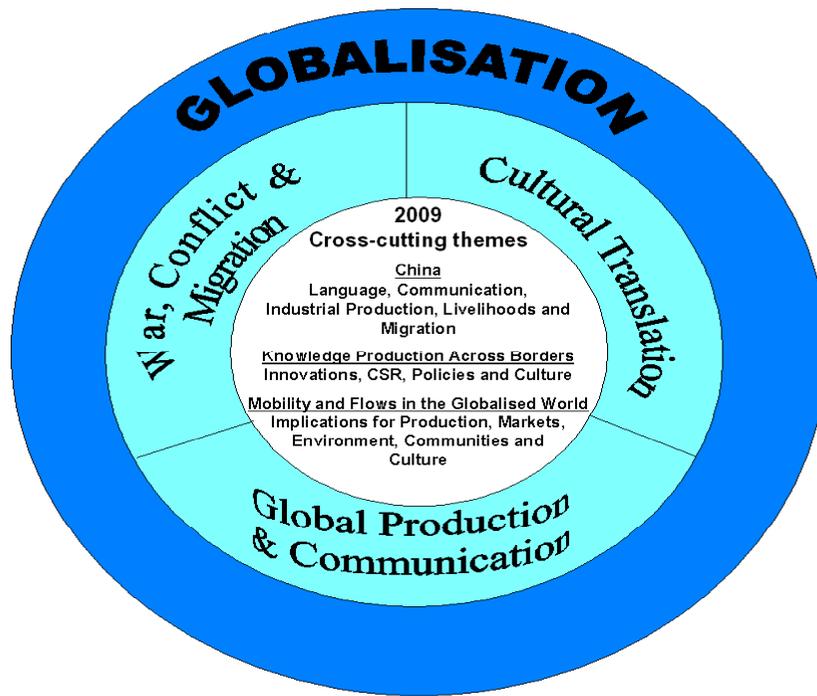
- Energy and Environment
- Information and Communication Technology
- Marine and Maritime Technology
- Materials Technology
- Medical Technology
- **Globalization**



Globalisation and CSR

From Danish Action Plan for Strategic CSR (May 2008)

- Globalisation means that financial, cultural and political ties across national borders are becoming ever closer. This process creates a more open world, offers new opportunities.
- CSR is high on the international agenda, and *Denmark* is a country where many businesses have embraced this agenda. Through this action plan the Government aims to intensify and support businesses in continuing their active work of social responsibility, thus helping to improve conditions in the countries with which they trade or have set up business

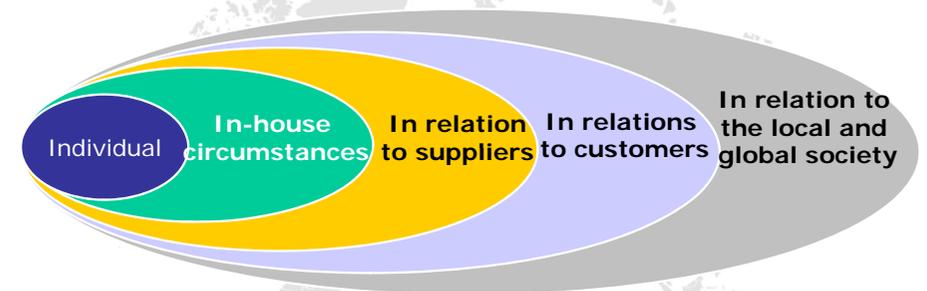


Corporate Social Responsibility

- EU definition:
 A concept whereby companies integrate social **and** environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis
- UN Global Compact, 10 principles
 (environment/labour/human rights/ anti-corruption)

www.unglobalcompact.org

Corporate Social Responsibility - CSR



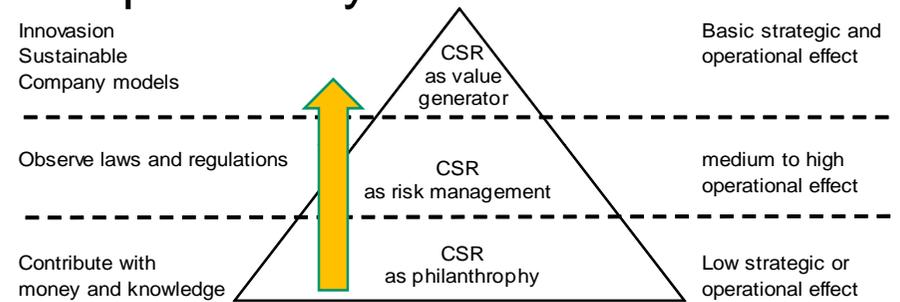
CSR implies working along different dimensions in global production systems

Corporate Social Responsibility

CSR can contribute in the company to:

- Accommodate demands from consumers and customers
- Control supplier relations
- Accommodate owner relations
- Strengthen innovation, business and product development
- Reduce company costs

Three different understandings of social responsibility



From the White paper: "Industry and social responsibility in a Global Economy" (Norwegian Ministry of Foreign Affairs, January 2009).

CSR-initiatives at NTNU:

- CSR is part of the Globalization program, one of the strategic areas in 2010
- CSR is also a strategic area at the department of industrial economics and technology management (IØT)
- CSR is an important part in research projects and in PhD-programs
- CSR in master courses and Experts in Teams
- CSR is part of the programs "Applied ethics" and "Industrial ecology"
- CSR Forum at NTNU
- Re-launch Net Impact NTNU

Initiatives taken 2009

- Systemic Sustainable Innovation in Development (EU proposal, July 2009)
- CSR-products, KMB-BIA proposal submitted in collaboration with J.E. Ekornes ASA, Sept 2009
- Nasjonalt kompetansesenter for CSR-driven innovasjon, KMB-BIA-proposal submitted Oct 2009
- National Centre for CSR-driven Innovation, SFI-preproject submitted 22.12.2009

CSR-research projects:

Earlier projects:

- CSR in Global value chains
- CR in US and Norwegian companies – CRUSAN
- DATSUPI – data assisted tools for sustainable product information
- CSR and regional development (application sent NFR June 2009, not funded)

Ongoing projects

- IGLO-MP 2020 – Innovation in Global Production Systems – Maritime production – 2008-2012
- CTEM in Bhutan, 2009-2010
- PCRs for building products, 2010
- Carbon footprint of ship transport, New Zealand, 2009-2010
- Sustainable Development, Production and Communication, Hungary, 2008-2011

New initiatives

- CSR as a Strategic Tool for Sustainability- Focused Innovation in Small and Medium Sized Enterprises (application sent NFR Feb. 2010)
- Knowledge based networking between young, innovative, CSR-driven companies (initiative together with WWF)
- CSR and green procurement (initiativ IØT – DIFI)

The common strategy behind the CSR-projects:

- CSR ability to address environmental challenges as well as opportunities in the context of global innovation and production systems

Research Themes

- *Method development* (CSR-driven innovation methodology),
- *Technological development* (new technology which meets CSR-requirements such as environmental stewardship, better workplace conditions in global production systems etc.)
- *Development of new concepts and business models* (innovative solutions that integrate environmental and social responsibilities with corporate governance) and create a competitive advantage for Norwegian businesses

Examples of NTNU-CSR webpages

www.iot.ntnu.no/csr
www.iglo-mp2020.no
www.csr-norway.no
www.netimpact.no/
<http://twitter.com/csrntnu>

CSR-arrangements NTNU 2009

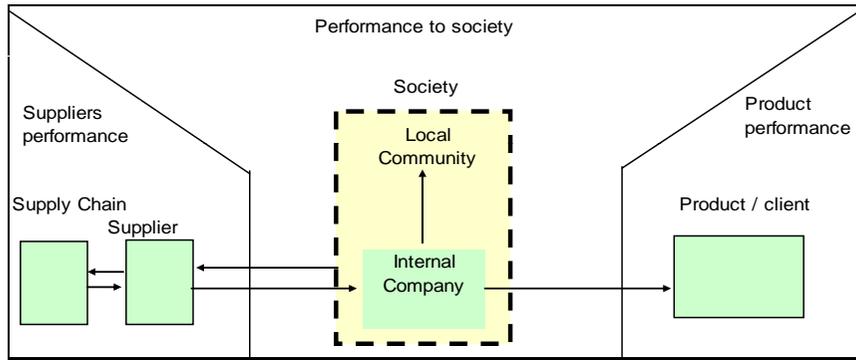
CSR Research Seminar

- 25. May: "Communicating CSR: Enhancing or inhibiting socially responsible business practice?" with Dr. Juan Miguel Rey, University of Granada, Spain
- 3. June: CSR and Innovation, IGLO-MP 2020 workshop
- CSR-stream of the Program for applied ethics seminar 15-16. juni og 5. oktober 2009
- 13. August: CSR Research seminar with Professor Prakash Sethi and Dr. Jouni Korhonen
- Net Impact NTNU meetings; Rolf Lunheim, Erik Lundebj
- PhD-seminars

IGLO-MP 2020

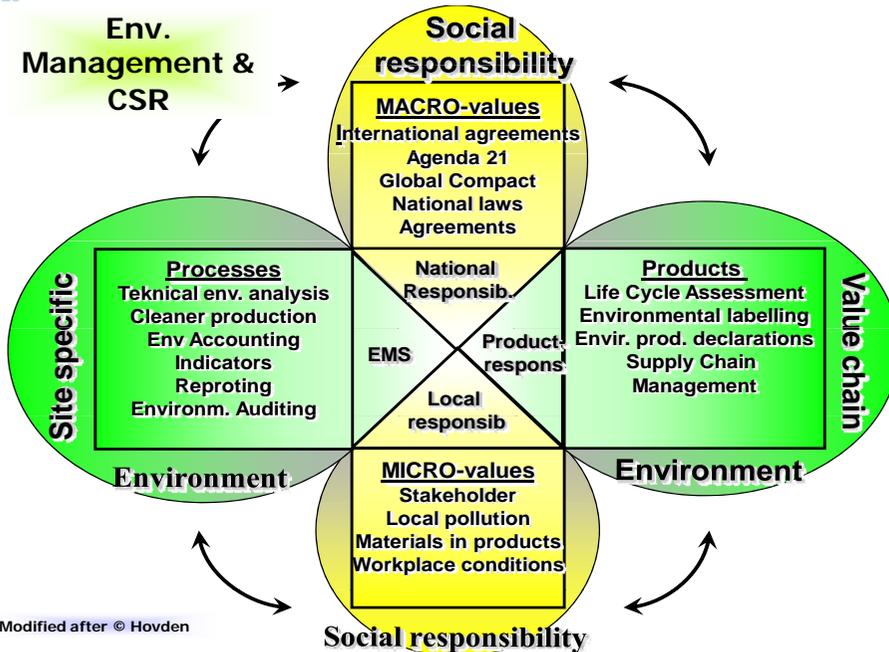
- Develop knowledge related to firm level **CSR and environmental challenges as well as opportunities in the context of global innovation and production systems**
- IGLO-MP 2020 Working paper 6-2009: CSR – A Reader
- IGLO-MP 2020 Working paper 4-2009: Theoretical approaches to CSR An attempt to map an over-complex terrain
- IGLO-MP 2020 Working paper 3-2009: Norwegian shipping – integration of CSR in company strategies

CSR and regional development

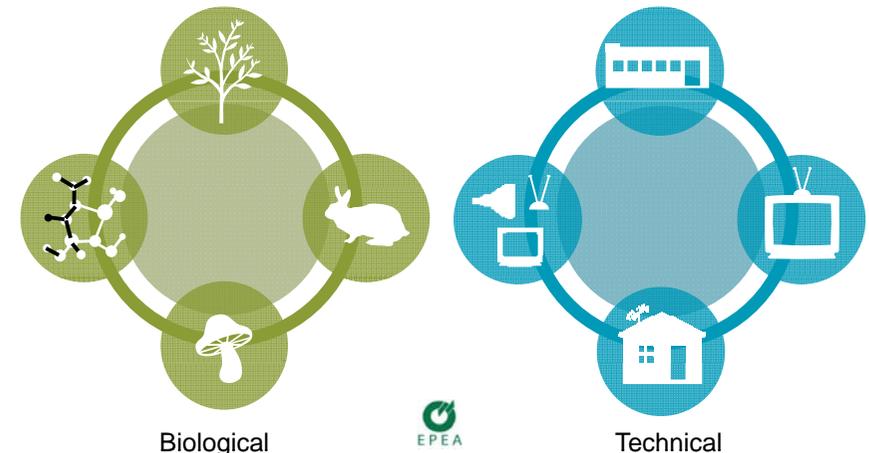


NTNU CSR PhD projects

- Haskins, C. (2008). *Systems engineering analyzed, synthesized, and applied to sustainable industrial park development*. Trondheim: NTNU (doctoral dissertation 2008: 175)
- Hagen, Ø. (2009). *Do Socially Responsible Brands Lead to Socially Responsible Companies? Understanding Change in Expressive Organizations*. Trondheim: NTNU (doctoral dissertation 2009:51)
- Dahlsrud, A. (2009). *Corporate social responsibility as a business contribution to sustainable development - A study based on data from the Norwegian shipping industry*. Trondheim: NTNU (doctoral dissertation 2009:142)
- Schau, E. *Environmental life cycle assessments of fish food products with emphasis on the fish catch process* (2010) (funded by Sintef-program)
- Skaar, C. *CSR-Reporting Systems in Global Value Chains* (2010)
- Vakar, N. *CSR as a competitive factor* (2011) (funded by the Globalization program)
- Cheng, C. *Evaluation of the Effectiveness of Hexagonal Balanced Scorecard approach for Managing Corporate Social Responsibility (CSR) in Global Production Systems* (2013). (funded by the Globalization program)



Cradle to Cradle



Cradle to Cradle products



Further challenges

Cradle to Cradle management

Cradle to Cradle partners (establish networks among our business partners)

NTNU's strengths in CSR

- Innovation focus
- Multidisciplinary approach
- Energy and environment as core topics
- Long traditions for innovation and development together with industrial partners
- Several ongoing initiatives
- Strong interest in the topic
- **NTNU's primary profile in technology and natural science with support from social science differentiates NTNU from other institutions' approach to CSR-related research**

The way forward?

- A few core-publications on CSR
- CSR-activities in the current projects
- CSR-Reader
- National CSR-conference in Dec. 2010
- Initiatives together with external partners
- International collaboration

Government policy for Corporate Social Responsibility

April 12, 2010
Norwegian University of Science and Technology (NTNU)
Are-Jostein Norheim, CSR Ambassador



2600 million excluded from growth

St.meld. nr. 10 (2008-2009)

Næringslivets samfunnsansvar i en global økonomi

Corporate social responsibility in a global economy

...what is
utopian
is the notion that poverty
can be overcome without the
active engagement of business.



Why create a White paper on CSR?

- Increase engagement and knowledge
- Formulate expectations towards Norwegian companies
- Clarify roles and responsibilities
- Challenges and dilemmas in developing countries

Corporate Social Responsibility involves how companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders. It concerns what companies do on a voluntary basis, beyond respecting laws and regulations in the country where the company operates.



Goals, ambitions and expectations – government activities

State owned enterprises, investment, public procurement and administration
International frameworks and processes
Development of national measures



Goals, ambitions and expectations – Government expectations of companies

Integration in board, leadership and corporate culture
OECD guidelines for MNEs
Ethical guidelines
Supply chain management

Contents

1. Introduction
2. Government roles and responsibilities
3. Corporate roles and responsibilities
4. Corporate international engagement – challenges and dilemmas
5. Corporate social responsibility in a development context
6. International frameworks for corporate social responsibility
7. International initiatives and processes
8. Assessment of legal measures
9. Measures to promote corporate social responsibility
10. Financial and administrative implications



Important issues in the white paper

1. The role of the government in stimulating CR
2. Key international frameworks and processes
3. Challenges and dilemmas in developing countries



Role of government

- Legislation - regulations
- International cooperation
- Owner, investor, procurer
- Convening power

Photo: Gisle Nomme



International guidelines

- OECD Guidelines for Multinational Enterprises
National Contact Points (NCPs)
- UN Global Compact
- Global Reporting Initiative



International Processes

- Business and human rights – UN Special Representative John Ruggie
 - Protect, respect, remedies
- Decent Work Agenda
- Environmental protection and climate change

Helge Lund, Jonas Gahr Støre, John Ruggie – foto: Gisle Nomme



Challenges and dilemmas

- Scope of responsibility?
- Sphere of influence
- Complicity
- Due diligence processes
- Supply chain management

Photo: Paul Lowe/Panos Pictures/Felix features



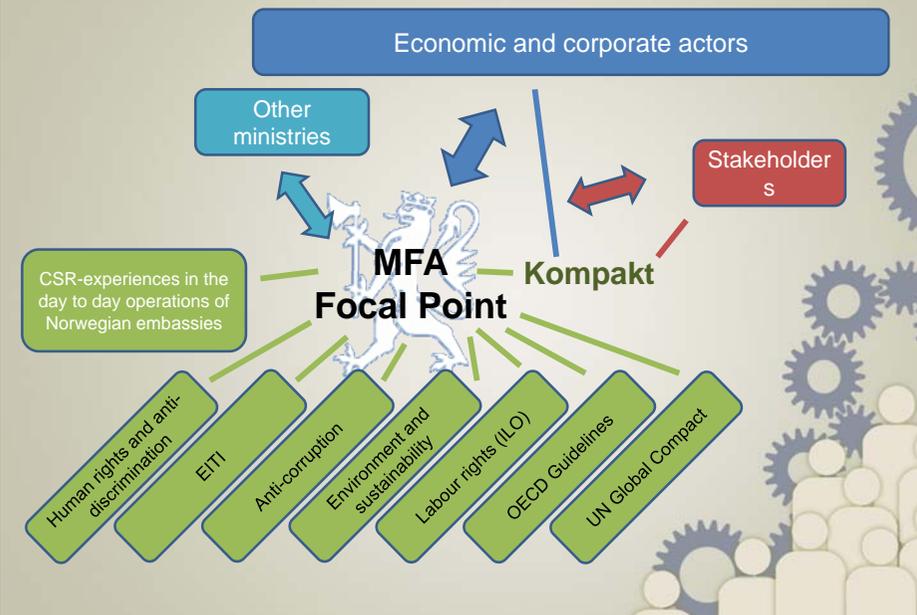
Challenges and dilemmas

- Zones of conflict
- Rampant corruption
- Extractives Industries Transparency Initiative (EITI)

Photo: Paul Lowe/Panos Pictures/Felix features

Questions!

- What will we see in the future - legislation or voluntarism?
- Can SMEs relate to international guidelines? How would you implement CSR in an SME?
- How far should a company be held responsible?
- How will the financial meltdown impact CSR?



What is achieved?

First comprehensive CSR policy by a Norwegian government

Expresses clear expectations of companies – guidance and clarity

Suggests amendments to the Accounting Act regarding CSR guidelines and implementation

Measures for increased guidance and advice to companies

Initiates process for strengthening the national contact point for OECD MNE guidelines.



csr@mfa.no

<http://www.regjeringen.no/nb/dep/ud/dok/regpubl/stmeld/2008-2009>

http://www.regjeringen.no/upload/UD/Vedlegg/csr/Stm10_2008-2009-kortversjon_Eweb.pdf

Using a Hexagonal Balanced Scorecard approach to implement Corporate Sustainability - Outline of paper for ISDRC 2010

Caroline Y. Cheng
PhD Candidate

CSR Workshop – Global Regulation of CSR
12 Apr 2010



Outline of Paper

- Introduction
 - What is Corporate Sustainability?
 - Emergence of CSR managers
 - Problem formulation
- The Hexagonal Balanced Scorecard approach
 - Where is the focal point?
 - Six perspectives
 - Four sub-systems
- Discussion
 - Issues concerning use of the approach
 - Managerial implications
- Conclusion and Further Research



Corporate Sustainability

- A corporate way to contribute to Sustainable Development
- Instrumental view of CSR
 - *focusing on achieving economic objectives through social activities*
 - natural resource-based view in business level strategy
- Emergence of CSR managers
 - Emergence of well-remunerated CSR managers (1998-2008),
 - CSR function is here to stay
 - Managers' personal values as drivers of CSR (Hemingway & MacLagan, 2004)



Management-oriented guidelines & standards for CSR

- Human rights
- Labour rights
- Environment
 - Rio Declaration, CERES, ISO 14000
- Corruption
 - OECD Convention
- Generic
 - OECD guidelines for MNCs
 - UN Global Compact
 - IFC guidelines of the World Bank
 - SIGMA
 - GRI
 - ISO 26000

..... and so on



CSR visions articulated



"to become a world leader in international shipping, logistics services, and ship-building and ship-repairing by maintaining trustworthy relationships with our customers, employees and partners, yielding best returns for shareholders, society and environment."

"We recognise that our continuing business success depends on our ability to effectively manage the variety of environmental and social challenges, risks and opportunities which our operations face."



"As part of Walmart's ongoing mission to be a more sustainable company, we recently announced a worldwide sustainability index initiative."

"At HSBC, a sustainable business means achieving profits for our shareholders, underpinned by good governance, long-lasting customer relationships, and highly committed staff delivering the corporate strategy and managing the social and environmental impact of our business"



What CSR managers say

"CSR aspects are included in the decision basis."

"But vision and principles are not enough....The first condition for CSR stays therefore to have a sound management processes based on clear measurement and efficient divisional and regional planning processes."

"CSR initiatives come from all sides, both from in-house and external parties. But the management board needs to want it, or it won't work."

"CSR challenges are integrated into our strategy and policies, which contributes to improving overall performance by furthering value creation."



Source: CSR Europe, from interviews with members including Toyota, Coca-cola, Norsk Hydro, France Telecom.

Yet, no concrete management system to integrate CSR into strategy



Strategy tools



The *practice* of a CSR Manager

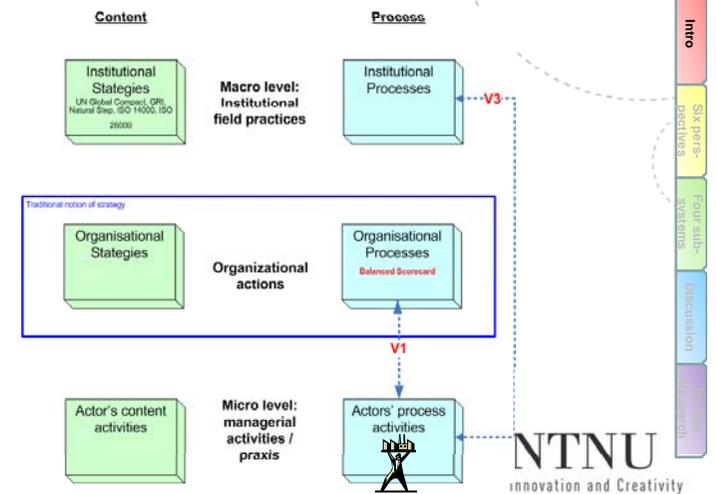
Don't forget, we are in the business of business! \$\$\$



Sustainability tools



Strategy Content vs. Process



Source: adapted from Johnson et al., 2007

Problem Formulation

- Gap between making corporate sustainability real in practice* and availability of simplistic yet holistic management system integrating strategy
- How can innovative extensions to the balanced scorecard approach be used by managers to implement corporate sustainability (according to a firm's specific ambition and approach)?

Intro
Six peer-decisions
Four sub-systems
Discussion
Research

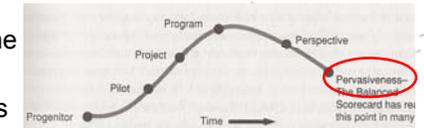
*such as day-to-day strategising to day-to-day operations



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Balanced Scorecard today

- Hailed as one of the 75 most influential business ideas of the 20th century by HBR
- Widely practised by thousands of firms and has reached "pervasive" level
- Huge spectrum of splinter group consultancies and practitioners following it
- Continuously evolving through the work of academic and practitioners



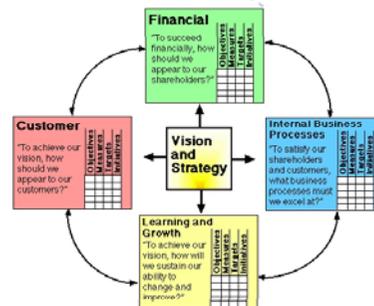
Lifecycle of a Business Idea within a firm (Niven, 2005)



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Why has BSC risen to prominence

- Rise in prominence of intangible assets
 - such as employee knowledge and skills, relationship with customers, culture have become major sources of competitive advantage
- only 10% of organisations execute their strategy
 - Vision barrier (~5% of workforce understands the strategy)
 - People barrier (linking pay to performance)
 - Management barrier (difficult to distill things down to their essence)
 - Resource barrier (linking budget and strategy)

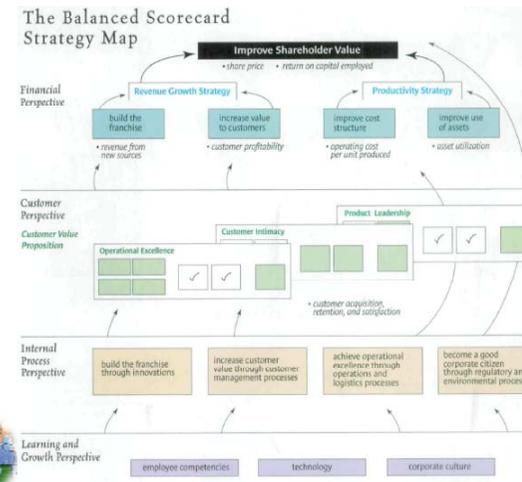


Source: Kaplan & Norton, 1992; Niven, 2005



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The Strategy Map



- Developed in the 1990s
- Shows strategy linked by cause-and-effect relationships across four perspectives, addresses "how?"
- Dovetails with BSC by containing statement of objectives

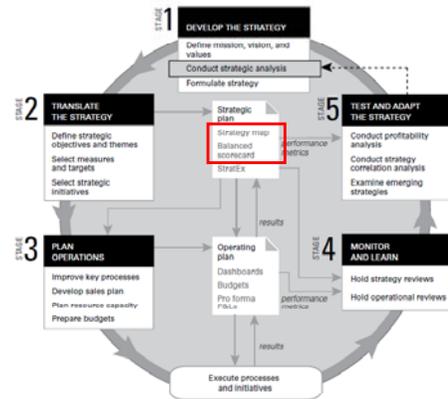


Source: Kaplan & Norton, 2000



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Linking strategy and operations in a closed-loop mgmt system



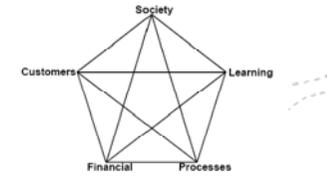
- 5 stages of a closed-loop management system

NTNU
 • StratEx = strategic expenditures
 ≠ CapEx or OpEx

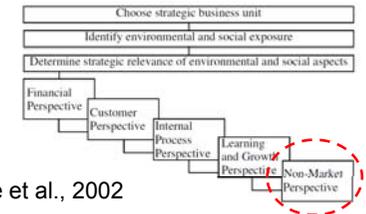
Source: Kaplan & Norton, 2008

Sustainability Balanced Scorecards abound but...

- BSC as a promising starting point to incorporate environmental and social aspects into main management system of firm (Figge et al., 2002)
- SBSCs studies:
 - Epstein & Wisner, 2001, Figge et al, 2002, Zingales & Hockerts, 2003, Bieker, 2005, Crawford & Scaletta, 2005, Möller & Schaltegger, 2005, Korhonen, 2009, Hubbard, 2009



Architecture of a Sustainability Balanced Scorecard (Bieker, 2002)



Figge et al., 2002

The Hexagonal Balanced Scorecard approach

- Six perspectives
 - to **plan, communicate, measure and review** managerial and business performance in key strategy categories
 - linked in a **logical** flow
 - Start at Learning & Growth
 - Culminate in Financial perspective



Hexagonal Balanced Scorecard approach (Cheng, 2008)

NTNU
 Innovation and Creativity

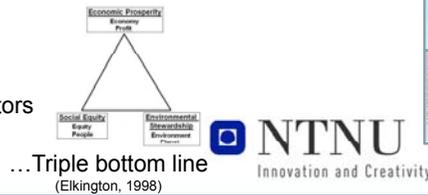
Six perspectives

- Learning & Growth
 - Getting own house in order
 - Higher order learning within the firm & generating competitively valuable resources and capabilities, tacit knowledge and skills (Menguc & Ozama, 2005)
 - Measures: training hours (mgmt skills, env knowledge), employee satisfaction, employee turnover
- Internal process
 - Product & process innovation- CSR attributes that customers are willing to pay for
- Customer
 - Unique value proposition
 - Measures: penetration rate of env friendly products in portfolio

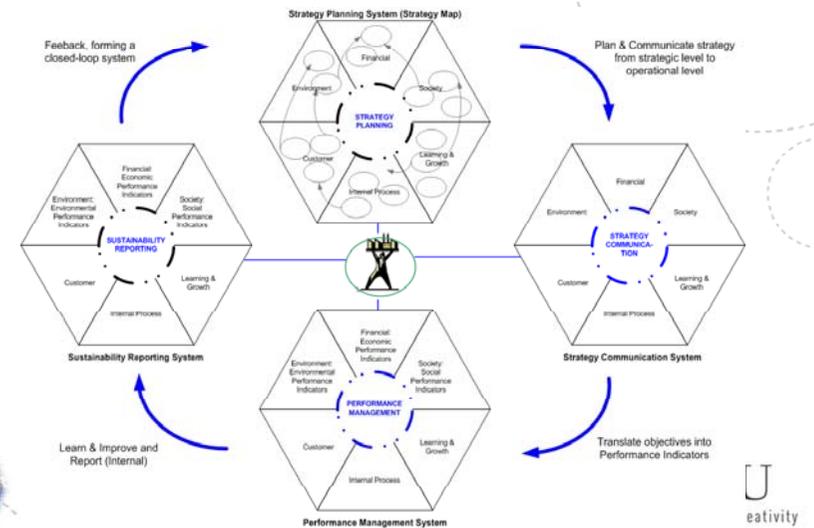
NTNU
 Innovation and Creativity

Six perspectives (cont'd)

- Environmental
 - Selected GRI indicators such as EN 26 (initiatives to mitigate impacts of products and services, and extent of impact mitigation)
 - Assesses actions firm has taken to reduce negative env impacts of its products, processes and services
- Social
 - Selected GRI indicators such as PR1 (Life Cycle stages in which health & safety impacts of products and services are assessed for improvement) and PR3 (Type of product and service information required by procedures)
 - Note anti-clockwise arrow
- Financial
 - Traditional economic indicators



The model



Four sub-systems

- Strategy Planning System
 - Hexagonal Strategy Map
 - Strategy Communication System
 - Performance Management System
 - Sustainability Reporting System
- An iterative system as well as
- Iterative within each sub-system



Strategy Planning & Communication

- Strategy Planning System
 - “Mental” space for social and environmental considerations
 - Utilise natural environmental and society as driver for resource and capability development
 - Topline categories in strategy formulation documents,
 - Output: statement of objectives at high strategic level
- Strategy Communication System
 - cascade formulated statement of objectives down to operational level (i.e. vertically)
 - And also *horizontally* across business units
 - Output: statement of objectives at business unit level, individual employee level + revised statement of objectives



Performance Management & Sustainability Reporting

- Performance Management System
 - Translate statement of objectives into specification of performance indicators
 - Output: holistic collection of leading performance indicators (how the requirements are to be achieved)
- Sustainability Reporting System
 - Envisage learning and improvements take place to bridge gaps between planned and actual performance
 - Output: lagging performance indicators (whether requirements have been achieved)
 - Act as input to eventual internal Sustainability Reporting System



Prelim review of Hexagonal Balanced Scorecard approach

- On representation
 - Holistic and “a complete concept” with “robust”, “interconnected”, “inter-related” and “interacting” categories, containing “objectives”, “goals” and therefore a “way of displaying strategy” covering “six crucial points”.
 - Focus on triple bottom line and vital intangible assets
- On linkages
 - “Logical relationship” capable of telling the story of strategy
- Emphasis
 - Communication and learning
 - Innovation processes



Discussion

- Phases:
 - Strategy Planning System & Strategy Communication System
 - Performance Management System & Sustainability Reporting System
- Implementation cost
 - (represents a change initiative, substantial investment of human resources & managerial time)
- Managerial implications
 - As a performance management system, BSC seen to be a very American concept (e.g. in Norway)? Individuals prefer freedom rather than being tracked on the radar (Anecdote: Sintef Researcher)



Discussion

- How to approach and research strategy practice empirically?
 - Action research? (but credibility of the conclusions could be problematic, given the close proximity between the observer and what is observed)
 - Next best alternative: comparative case study approach
- Unit(s) of analysis:
 - CSR manager? The CSR Practitioner. The people *doing it*
- What data to capture and how to theorise?



Concluding thoughts

- Recognise HBSC is not...
 - a driver of change
 - a static solution
 - the only model available
- That the HBSC is...
 - an instrument of strategy: a powerful planning and communication tool describing and articulating strategy incorporating environmental and social aspects
 - poised to recognise the intangible assets which has a strategic relevance and yet not lose focus on the triple bottom line
 - part of a repertoire of sustainability tools and environmental management systems that can help firms “learn” and move towards a more sustainable performance.
- Beyond the BSC
 - Understanding tools-in-use can inform strategy tool design, dissemination and critique



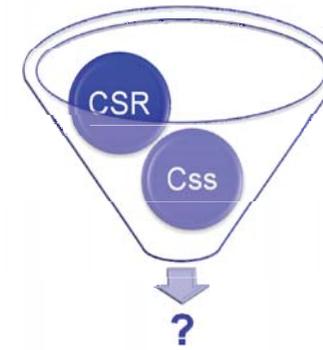
www.ntnu.no

Competitiveness & Corporate Social Responsibility

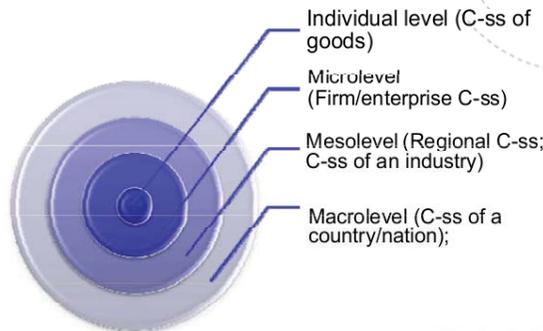
12 April 2010

Natallia Vakar
PhD Candidate
IØT

Relationship between CSR & Competitiveness (C_{ss})



Competitiveness

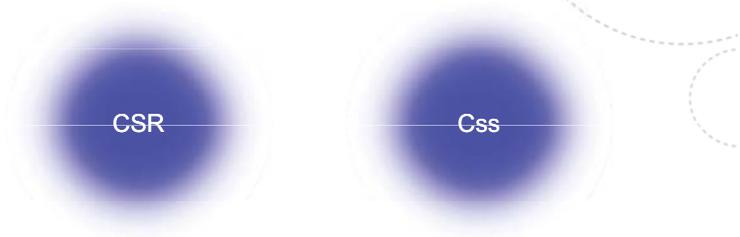


CSR

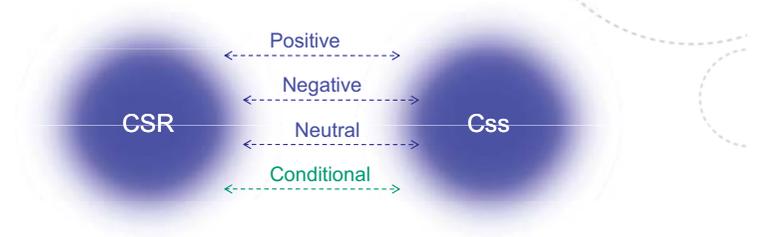
CSR initiative – organization, programme or activity expressly devoted to meeting a particular aim related to social responsibility

(ISO 26000)

How CSR initiatives influence C_{ss} → controversial



Type of the Relationship



Type of the Relationship		Prior Studies
Positive	Unconditional	...
	Conditional	...
Negative	Unconditional	...
	Conditional	...
	Plain Negative	...
Neutral/ Inconclusive		...

Dimensions of Competitiveness



Source: Marc Vilanova 2007

Dimensions of Competitiveness



Modified after Marc Vilanova 2007

Dimensions of CSR

- Organizational governance
- Human rights
- Labor practices;
- The environment;
- Fair operating practices;
- Consumer issues;
- Community involvement and develop

(ISO 26000)

Dimensions of CSR



		Csr Dimensions						
		Image	Financial Performance	Quality	Productivity	Innovation	Human Capital	Shareholder value
CSR Dimensions	Legal compliance							
	Business Ethics							
	Accountability							
	Workplace							
	Marketplace/ market-oriented activities							
	Environmental Management							
	Fair operating practices							
	Community development / investment							
Corporate governance								

		CsS Dimensions						
		Image	Financial Performance	Quality	Productivity	Innovation	Human Capital	Shareholder value
Legal compliance		→	↔					
	Businesses Ethics	←		↔				
CSR Dimensions	Accountability	↔						
	Workplace	→						
	Marketplace/ market-oriented activities	↔						
	Environmental Management	→	↔					
				→				
	Fair operating practices	→						
	Community development / investment	→	→					
		↔	←					
	Corporate governance	→						

Findings:

1. Empirical vs Conceptual studies
2. Recent studies vs older studies
3. Emerging and developing economies

Thank you

The Postnational Challenge for Corporate Citizenship



Siri Granum Carson
Associate Professor
Programme for Applied Ethics
NTNU



Disposition

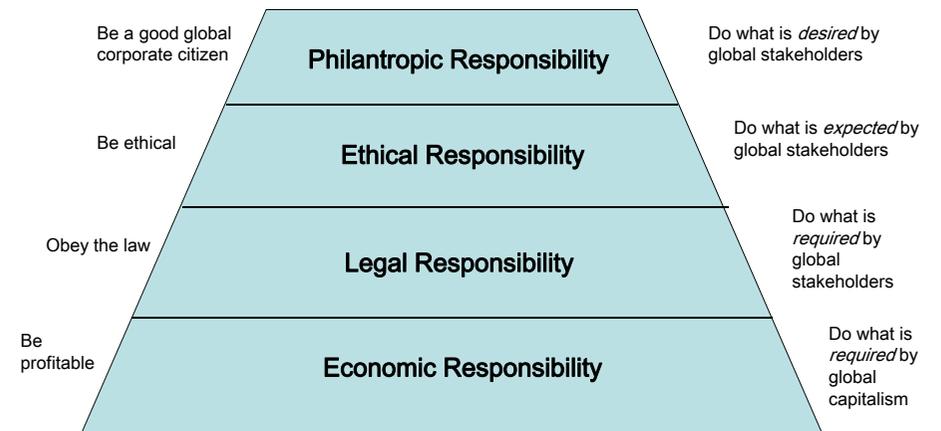
- 1) Economic globalization & CSR
- 2) "The Postnational Constellation"
- 3) The legitimacy of "corporate citizenship"



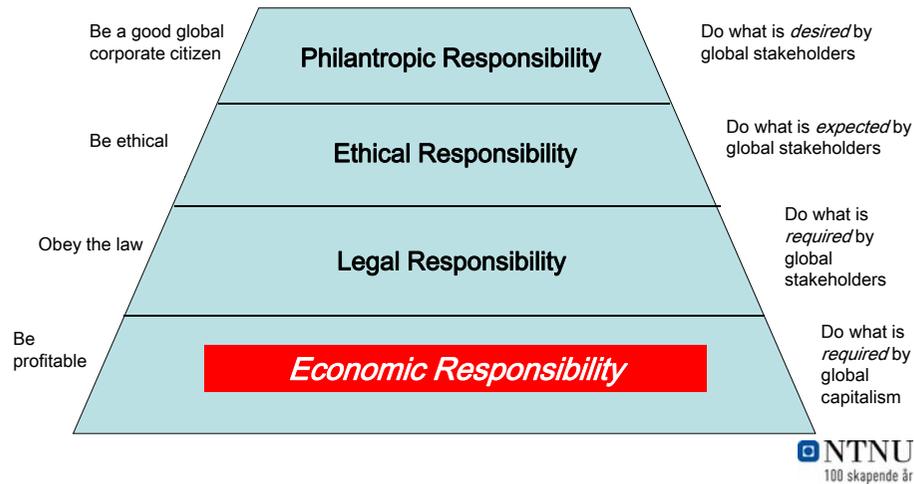
The Pyramid of CSR



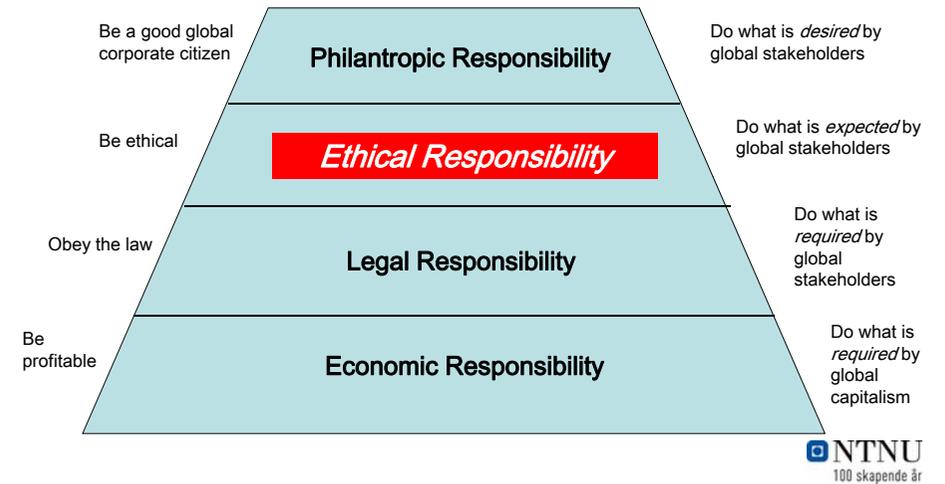
The Pyramid of *Global* CSR



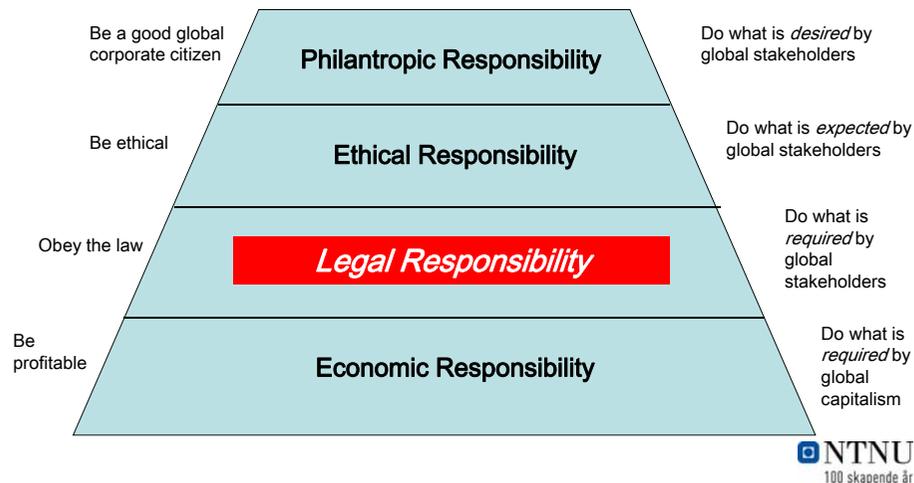
The Pyramid of Global CSR



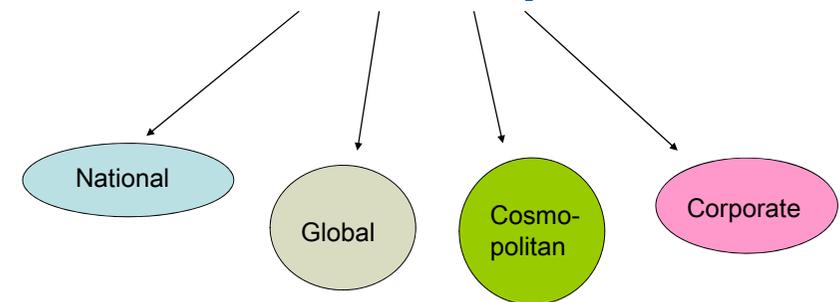
The Pyramid of Global CSR



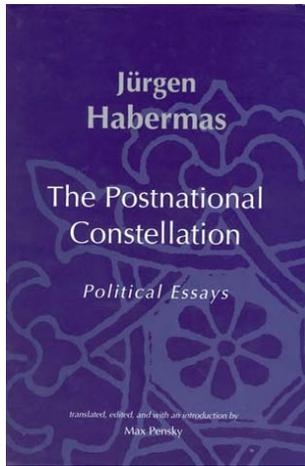
The Pyramid of Global CSR



Citizenship



The Postnational Constellation



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100 skapende år

Siri Granum Carson: The Postnational Challenge for Corporate Citizenship

Global Regulation of CSR – 12-13 April 2010

Discourse ethics

Action Orientation	Oriented to Success	Oriented to Reaching Understanding
Action Situation		
Nonsocial	Instrumental action	—
Social	Strategic action	Communicative action

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Siri Granum Carson: The Postnational Challenge for Corporate Citizenship

Global Regulation of CSR – 12-13 April 2010

Habermas' cosmopolitanism

- Moderate position
- Normative core of democracy: Autonomy
- The need to develop a global public sphere

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Siri Granum Carson: The Postnational Challenge for Corporate Citizenship

Global Regulation of CSR – 12-13 April 2010

The global campaign against Nike



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Siri Granum Carson: The Postnational Challenge for Corporate Citizenship

Global Regulation of CSR – 12-13 April 2010

Corporate Citizenship

- A corporation's legal status.
- A corporation's sense of responsibility towards society.

www.businessdictionary.com

Corporate Personhood Debate



The good global corporate citizen



RESEARCH SEMINAR

STRATEGIC MANAGEMENT OF SOCIAL ISSUES

Integrating Corporate Strategy with Sustainability and Social Accountability

S. Prakash Sethi, Ph.D.

Prepared for presentation at the CSR Research Seminar, Department of Industrial Economics and Technology Management Norwegian University of Science and Technology (NTNU), Trondheim, Norway, April 12 - 13, 2010

WHAT IS A STRATEGIC SOCIAL ISSUE?

There are two types of social issues:

- Traditional Social Issues
- Emerging Social Issues



TRADITIONAL SOCIAL ISSUES

- Mostly focus on activities that are considered good corporate citizenship or corporate social responsibility (CSR) activities. These include:
 - A financially successful corporation with strong roots in the community.
 - Corporate managers are seen as community leaders.
 - Companies provide good jobs with benefits and a supportive environment.
 - Support local community with philanthropic activities, education, and enhanced quality of life.
 - Encourage employee involvement in their communities.
- The magnitude and scope of a company's traditional CSR activities reflects a sense of enlightened self-interest on the part of the company's management.

STRATEGIC IMPLICATIONS OF CONVENTIONAL CSR

Strengths

- Both the scope of CSR and its specific components are defined almost entirely by the corporation.
- The corporation largely determines the adequacy of its CSR activities.
- Accountability for CSR activities is internally driven.
 - External stakeholders are viewed as beneficiaries of corporate CSR and supportive of corporate presence in the community.
 - Traditional CSR issues are peripheral to a company's core business activities and have little material impact on a company's bottom line.

STRATEGIC IMPLICATIONS OF CONVENTIONAL CSR

Drawbacks

- ❑ CSR activities reflect preferences of the companies' management.
- ❑ There may be a mis-match between corporate preferences and community expectations.
- ❑ These activities lose their importance when the community is adversely impacted by the company's core business activities.

DRAMATIC CHANGE IN SOCIETAL EXPECTATIONS OF CORPORATE SOCIAL PERFORMANCE



It has been caused by:

- Rapid globalization of economic activity
- Emergence of large multinational corporations

IMPACT OF GLOBALIZATION

- ❑ Globalization of economic activities has led to an uncoupling of the corporate persona from its local roots and weakened the traditional bonds of loyalty between the home grown companies and their local communities.
- ❑ Production and consumption activities have become highly dispersed around the world.
- ❑ Wages and working conditions differ widely among countries and regions.
- ❑ Emergence of high growth countries in Asia and Latin America with different cultures, governance structures.

IMPACT OF LARGE MULTINATIONAL CORPORATIONS (MNCs)

- ❑ The rising economic influence of the MNCs has changed the balance of power between MNCs and national governments.
- ❑ MNCs have used their relative bargaining power to increase their share of the economic output.
- ❑ All other factors of production, e.g., labor in the emerging economies, and physical resources (environment) have shared poorly in comparison.

THE ALTERED NOTIONS OF CSR – A PARADIGM SHIFT

Consequences of the Paradigm Shift

- ❑ Conventional CSR now plays a minor role in meeting societal expectations.
- ❑ Corporate social performance now includes corporate conduct in its core business activities.
- ❑ Corporations are being held accountable for their conduct by a growing number of non-governmental organizations.

STRATEGIC SOCIAL ISSUES

From the company's perspective the most important societal concerns emanate from:

- a) the second order consequences or negative externalities of a company's core business activities, i.e., **the individual company impact**;
- b) the extent to which a company-related negative externalities follow an industry-wide pattern, i.e., **the industry impact**;
- c) the extent to which a company's negative externalities follow a pattern similar to all company's from a particular country, i.e., **the country of origin impact**.

CRITICAL CHALLENGES IN MANAGING STRATEGIC SOCIAL ISSUES

- ❑ Managing Social Issues is of critical importance to corporations.
- ❑ The severity of social issues and their potential impact on corporations are positively correlated with:
 - The size of the corporation in terms of assets and sales.
 - The extent to which a company's products and services are considered critical to the security, economic survival and social well-being of society.
 - The complexity of its product-service mix and the countries and regions where a company has operations.
 - The perceived power and influence of the company over a country's political and regulatory processes.
 - The intensity of a country's people about their culture and traditions.

ANALYTICAL FRAMEWORK FOR DEVELOPING CORPORATE RESPONSES TO SOCIETAL PRESSURES

Models or Frameworks are Needed:

- To develop Corporate Strategic Options in Response to Societal Pressures.
- To Evaluate Effectiveness of Corporate Social Responses.
- To establish goals.
- To identify, collect, and evaluate data.
- To measure performance.

A FRAMEWORK CAN HELP CORPORATIONS



- Define specific goals in public interest terms.
- Identify factors that influence achievement of goals plus appropriate strategies and targets.

AN EFFECTIVE SYSTEM SHOULD YIELD:

- Strategic options that are responsive to a given set of environmental conditions.
- A realistic assessment of risks and rewards.
- A process for selecting and implementing specific options, and for constant feedback and adjustment.

SOCIETAL CONTEXT OF CORPORATE PERFORMANCE

- Corporate performance in meeting societal expectations must be measured within the framework of time, environment, and the parties involved.
- Therefore, a corporate action may be socially acceptable within a given set of circumstances involving one group of persons.
- But the same action may be considered socially reprehensible in another set of circumstances involving another group.

THE NOTION OF CREDIBILITY GAP

The dynamic character business-society suggests that at any given time there is a credibility gap between the reality and perception of business performance, and societal expectations of business performance.

A narrow gap indicates:

- Greater congruence between business goals and society's expectations.
- Trust in business leadership.
- Trust in business institutions.
- Faith in self-regulation over the market mechanism.

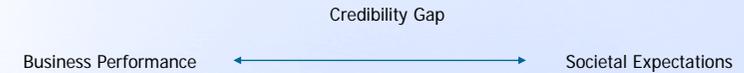
THE NOTION OF CREDIBILITY GAP

A wide gap indicates:

- Greater incongruity between society's expectations and corporate goals and performance.
- Lack of trust in business institutions and leadership
- Lack of trust in the market mechanism.
- Greater tendency toward political control of economic/market activities.

At a general level, business strategies for narrowing the credibility gap fall into four categories.

BUSINESS STRATEGISE FOR NARROWING THE CREDIBILITY GAP



1. Do not change performance, but change public perception of business performance through education and information.
2. If strategy 1 is not working, attempt to change societal expectations of business performance through education and information and thereby bring down these expectations to the level of corporate performance.
3. If changes in public perception are not possible, the symbols used to describe business performance, thereby making it congruent with public perception.
4. In case strategies 1 through 3 are unsuccessful in completely bridging the credibility gap, bring about changes in business performance, thereby making a closer match with society's expectations.

ANALYTICAL FRAMEWORK FOR ANALYZING SOCIAL ISSUES

Dimension 1

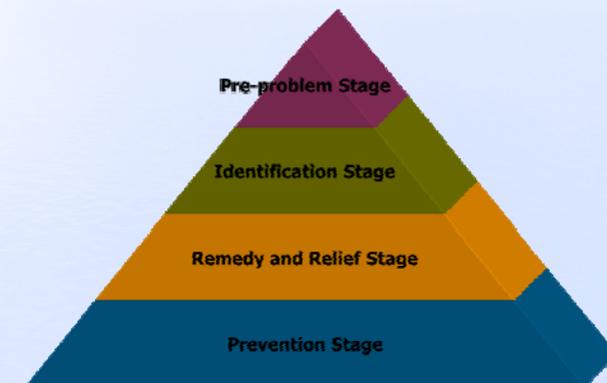
- Issue life cycle (the stages of conflict evolution).

Dimension 2

- Modes of corporate behavior (patterns of corporate response).



FOUR LIFE CYCLE STAGES



THE PRE-PROBLEM STAGE

- Each firm attempts to internalize benefits while externalizing costs (externalities).
- 100% zero defects is impossible, so there are additional costs or risks.
- Taken individually, risks to society are not significant.
- Taken cumulatively, with many corporations involved, the impact is substantial.

Thus, a problem is born.

THE IDENTIFICATION STAGE

When the problem becomes significant, there is a rushing effect among groups to define, identify, and relate it to its source.

- Most difficult stage.
- Cause and effect linkages impossible to sort out.
- Problem definition may involve vested interests.

This stage is marked by extreme tension between opposing groups: business tries to delay identification, other groups try to speed up the classification as a problem.

THE REMEDY AND RELIEF STAGE

Once causal linkages are established, the question of compensatory or punitive damages arises.

The issues are:

- Identification of injured parties.
- Liability vs. ability to pay.
- Role of courts and legislatures.
- Effect of a settlement on the parties and the economy.

THE PREVENTION STAGE

- Overlaps problem identification and remedy and relief stages.
- Is marked by uncertainty over costs and benefits.
- Involves new technologies and socio/political arrangements.
- Gives rise to inflated self-righteous rhetoric.
- Increases conflict over benefits to current or future generations.
- Preventive measures may lead to a new "issue cycle" because of unforeseen negative side effects.

RESPONSE TO NONMARKET FORCES

- Pressure grows on corporations to be accountable for externalities.
- Corporations aim to narrow the legitimacy gap between performance and society's expectations.
- Corporate responses classified as social obligation, social responsibility, and social responsiveness.

A CORPORATE POSTURE OF NO OBLIGATION

Many corporations, especially during the pre-problem stage, refuse to concede the existence of the problem and deny any responsibility for causation and amelioration.

In part, this may be due to a genuine disagreement as to the nature and scope of the problem. It may also result from the fear that any concession at this stage may expose the corporation to uncontrolled future liability.

However, where such resistance becomes embedded in corporate culture and strategic posture, the company's risks further deterioration in public trust.

CORPORATE BEHAVIOR AS SOCIAL OBLIGATION

- Criteria for legitimacy are legal and economic only.
- Need to go beyond these criteria.
- This response is defensive and proscriptive.

CORPORATE BEHAVIOR AS SOCIAL RESPONSIBILITY

- Making behavior congruent with prevailing norms and values.
- Being one step ahead of legal requirements.
- This response is prescriptive.



CORPORATE BEHAVIOR AS SOCIAL RESPONSIVENESS

- Defining the corporate role in a dynamic social system.
- Anticipating social change.
- This response is proactive and preventive.

A THREE-STAGE SCHEMA FOR CLASSIFYING CORPORATE BEHAVIOR

Dimensions of Behavior	Stage One: Social Obligation Proscriptive	Stage Two: Social Responsibility Prescriptive	Stage Three: Social Responsiveness Anticipatory & Preventive
Search for legitimacy	Confines legitimacy to legal and economic criteria only; does not violate laws; equates profitable operations with fulfilling social expectations.	Accepts the reality of limited relevance of legal and market criteria of legitimacy in actual practice. Willing to consider and accept broader – extra legal and extra market – criteria for measuring corporate performance and social role.	Accepts its role as defined by the social system and therefore subject to change; recognizes importance of profitable operations but includes other criteria.
Ethical norms	Considers business value – managers expected to behave according to their own ethical standards.	Defines norms in community related terms, i.e., good corporate citizen. Avoids taking moral stand on issues which may harm its economic interests or go against prevailing social norms (majority views).	Takes definite stand on issues of public concern; advocates institutional ethical norms even though they may seem detrimental to its immediate economic interest or prevailing social norms.
Social accountability for corporate actions	Construes narrowly as limited to stockholders; jealously guards its prerogatives against outsiders.	Individual managers responsible not only for their own ethical standards but also for the collectivity of corporation. Construes narrowly for legal purposes, but broadened to include groups affected by its actions; management more outward looking.	Willing to account for its actions to other groups, even those not directly affected by its actions.
Operating strategy	Exploitative and defensive adaptation. Maximum externalization of costs.	Reactive adaptation. Where identifiable, internalize previously external costs. Maintain current standards of physical and social environment. Compensate victims of pollution and other corporate-related activities even in the absence of clearly established legal grounds. Develop industry-wide standards.	Proactive adaptation. Takes lead in developing and adapting new technology for environmental protectors. Evaluates side effects of corporate actions and eliminates them prior to the action being taken. Anticipates future social changes and develops internal structures to cope with them.

A THREE-STAGE SCHEMA FOR CLASSIFYING CORPORATE BEHAVIOR (Continued)

Dimensions of Behavior	Stage One: Social Obligation Proscriptive	Stage Two: Social Responsibility Prescriptive	Stage Three: Social Responsiveness Anticipatory & Preventive
Response to social pressures	Maintains low public profile, but, if attacked, uses PR methods to upgrade its public image; denies any deficiencies; blames public dissatisfaction on ignorance or failure to understand corporate functions; discloses information only where legally required.	Accepts responsibility for solving current problems; will admit deficiencies in former practices and attempt to persuade public that its current practices meet social norms; attitude toward critics conciliatory; freer information disclosures than state one.	Willingly discusses activities with outside groups; makes information freely available to public; accepts formal and informal inputs from outside groups in decision making. Is willing to be publicly evaluated for its various activities.
Activities pertaining to governmental actions	Strongly resists any regulation of its activities except when it needs help to protect its market position; avoids contact; resists any demands for information beyond that legally required.	Preserves management discretion in corporate decisions, but cooperates with government in research to improve industry-wide standards; participates in political processes and encourages employees to do likewise.	Openly communicates with government; assists in enforcing existing laws and developing evaluations of business practices; objects publicly to governmental activities that it feels are detrimental to the public good.
Legislative and political activities	Seeks to maintain status quo; actively opposes laws that would internalize any previously externalized costs; seeks to keep lobbying activities secret.	Willing to work with outside groups for good environmental laws; concedes need for change in some status quo laws; less secrecy in lobbying than state one.	Avoids meddling in politics and does not pursue special interest laws; assists legislative bodies in developing better laws where relevant; promotes honesty and openness in government and in its own lobbying activities.
Philanthropy	Contributes only when direct benefit to it clearly shown; otherwise, views contributions as responsibility of individual employees.	Contributes to non-controversial and established cause; matches employee contributions.	Activities of state two, plus support and contributions to new, controversial groups whose needs it sees as unfulfilled and increasingly important.

STAGES OF CONFLICT EVOLUTION AND MODES OF CORPORATE RESPONSES

An Illustrative Example of Sweatshops/Human Rights Issue in Overseas Factories in China and India.

Dimensions of Corporate Response Pattern	Pre-problem Stage (Before 1989)	Problem-Identification Stage (1989-1995)	Remedy and Relief Stage (After 1995)	Prevention Stage
Response Mode	Character of Response			
No Social obligation	Do not concede existence of the problem. Refuse any responsibility for causation and amelioration.			
Social obligation	Do what is required by law and economic necessity. Response is defensive and proscriptive.			
Social responsibility	Mitigate negative side effects of corporate activities on society. Response is prescriptive and interactive.			
Social responsiveness	Promote social change. Response is proactive, anticipatory, and preventive.			

IMPACT FORMULA CONTROVERSY

STAGES OF CONFLICT EVOLUTION

Industry Response	Pre-problem Stage (Pre - 1970)	Problem Identification Stage (1970)	Remedy & Relief Stage (1976)	Prevention Stage (1977-)
Social Obligation	Bristol-Myers (Mead Johnson Div.) Borden Nestle American Home Products (Wyeth Lab.) Abbott (Ross Lab.)	Bristol-Myers (Mead Johnson Div.) Borden Nestle American Home Products (Wyeth Lab.)	Bristol-Myers (Mead Johnson Div.) Borden	Bristol-Myers (Mead Johnson Div.)
Social Responsibility		Abbott (Ross Lab.)	Nestle American Home Products (Wyeth Lab.)	Borden Nestle American Home Products (Wyeth Lab.)
Social Responsiveness			Abbott (Ross Lab.)	Abbott (Ross Lab.)

A Grid Pattern for Determining the Life Cycle of an Issue from "Emerging" to "Critical"

		Intensity of the Issue				
		Low				High
Intensity of Corporate Responses	High	Dimensions of Corporate Behavior	Pre-problem Stage	Identification Stage	Remedy & Relief Stage	Prevention Stage
	Social Obligation					X CRITICAL ISSUE
	Social Responsibility					
	Low	Social Responsiveness	X EMERGING ISSUE			

Strategic Grid for Social Issues Management

		Frequency of Occurrence of an Issue			
		High	Medium	Low	
Negative Impact on the Corporation	High	Current Critical Issue 1	2	Potential Crisis Situation 3	
	Medium	STRATEGIC PLANNING AND MANAGEMENT MODE			6
	Low	Emerging Critical Issue 7	8	Low-Priority Issues 9	

CAVEATS



- Need thorough understanding of
 - External environment
 - Stakeholders' behavior
 - Internal decision-making processes
 - Intra-organizational constraints
 - Competitive behavior
- Continuous review and update.
- Need input from various levels within the organization
- Careful analysis and review of final selections

QUESTIONS

THANK YOU!

FAIR TRADE AS A FORM OF NON-STATE REGULATION: POSSIBILITIES, TENSIONS AND PROSPECTS

**Global Regulation of Corporate Social
Responsibility Workshop**

Norwegian University of Science and Technology
Trondheim, Norway
April 12-13, 2010

Darryl Reed
York University

Goals of the Presentation

- **Problematize CSR as a form of non-state regulation**
 - Asking why we are concerned about CSR
 - Conceptions of development
 - Development strategies
 - Compare it to other possible forms of non-state regulation
 - Relates these forms of CSR to the larger issue of globalization
- **Show the dynamics of CSR and its competition with other forms of non-state regulation**
 - Through the analysis of Fair Trade
 - Which is a key site of such conflict

The Presentation

- **Five conceptual frameworks**
 - Conceptions of Development
 - Development Strategies
 - Forms of Non-state Regulation
 - Globalization Agendas
 - Fair Trade Value Chains
- **Show how these conceptual frameworks fit together in an analysis of Fair Trade**
 - Highlight the role of CSR

**(NORMATIVE)
CONCEPTIONS OF
DEVELOPMENT**

(Normative) Conceptions of Development

Feature Con-ception	Conception of Social Justice	Problem of Development	Primary Agents of Change
Neo-Classical/ neo-liberal	<u>(Indiv) Pursuit of Happiness</u> markets → fair distribution lib'l democracy → ltd state	<u>States</u> → overstep boundaries (rent-seeking behaviour)	<u>Corporations</u> → create growth, jobs → check state power
Capabilities (Sen)	<u>(Individual) Capabilities</u> markets → opportunities states/others → ensure min. resources/capabilities ("development as freedom")	<u>States</u> → do not provide minimum capabilities (not clear why)	<u>Markets</u> → most people <u>(States, civil society)</u> → for worst off
Human Face (Cornia)	<u>Universal Welfare Rights</u> states → basic rights to social protections	<u>Corporations/States</u> → neo-liberal globalization	<u>(Autonomous) States</u> → demand-led policies <u>Intl Policy Framework</u> → support autonomy
Social Power (Friedman, Young)	<u>Overcoming Unjust Power Imbalances</u> social power political power economic power	<u>Unequal Power Relations</u> elite influence over structures → reinforces power differentials	<u>Marginalized Groups</u> collective action → transformation of social structures

Types of Power

Types	Basis of Power	
Political Power • state • civil society	<ul style="list-style-type: none"> • ability to alter incentive structures of specific social groups and, thereby, inter-group relations; in particular, it is able to define and condition the access of groups to the bases from which their power emanates • access to formal democratic mechanisms; civil disobedience; and informal mechanisms of protest; media 	
Economic Power	<ul style="list-style-type: none"> • ability to condition people's livelihood possibilities through control over, and access to economic resources 	
Social Power	<ul style="list-style-type: none"> • defensible life space • surplus time • knowledge and skills • appropriate information 	<ul style="list-style-type: none"> • social organization • social networks • instruments of work and livelihood • financial resources

DEVELOPMENT STRATEGIES

(Dominant) Development Strategies

Feature Con-ception	Key Principles/ Strategies	Policy Framework	Primary Actors/ conception of development
Market-led	Market Competition Comparative Advantage	Structural Adjustment Deregulation Trade Liberalization Privatization Fiscal Responsibility Market Sustaining Rules	Corporations (TNCs) → create growth, jobs → check state power
State-led	Commanding Heights Infant Industries (Enabling Social Legislation)	License-Permit Raj State Financing Protected Markets (Export Quotas)	State Agencies Domestic Corporations
Endogenous Development	Local Ownership Local Control Decentralized, Participatory Planning	Small Business Consulting Financial	Social Economy Groups Small Business (Local Government)

FORMS OF NON-STATE REGULATION

Forms of Non-state Regulation

Feature Form	Purpose/Function	Methods/Tools	Assumptions
Private	<ul style="list-style-type: none"> replace gov't regulation → reduce inefficiency 	<ul style="list-style-type: none"> market mechanisms 	<ul style="list-style-type: none"> efficiency as the goal governments are inevitably ineffective
Corporate Social Responsibility	<ul style="list-style-type: none"> limit gov't regulation promote self-regulation → business freedom 	<ul style="list-style-type: none"> voluntary codes best practices reporting mechanisms 	<ul style="list-style-type: none"> motivation to comply → win-win scenarios → ethical motivation knowledge resources
Corporate Accountability	<ul style="list-style-type: none"> est. hard standards make standards universal ensure compliance 	<ul style="list-style-type: none"> certification programs rules, monitoring, etc. scaling up efforts transition to hard law 	<ul style="list-style-type: none"> consumer support activist/citizen support
Social Economy Promotion	<ul style="list-style-type: none"> promote social economy enterprises coops, non-profits, etc 	<ul style="list-style-type: none"> principles certification programs rules, monitoring, etc. 	<ul style="list-style-type: none"> mobilization consumer support

GLOBALIZATION AGENDAS

Globalization Agendas

Feature Con-ception	Goals/Values	Institutional Arrangements	Preferred Regulatory Approaches
Neo-Liberal	<ul style="list-style-type: none"> business freedom 	<ul style="list-style-type: none"> Bilateral Agreements Multilateral Agreements business participation in governance (Davos, etc.) 	<ul style="list-style-type: none"> private regulation use of courts (by business)
Embedded Liberalism	<ul style="list-style-type: none"> business freedom responsible business 	<ul style="list-style-type: none"> Bilateral Agreements Multilateral Agreements business & civil society participation in governance 	<ul style="list-style-type: none"> CSR soft corporate accountability
Post-National Democracy/ Cosmopolitan	<ul style="list-style-type: none"> establish democratic control over econ. re-establish welfare state in a global econ. 	<ul style="list-style-type: none"> supranational political bodies (regional/global) civil society participation 	<ul style="list-style-type: none"> supranational law hard corporate accountability
Alternative Globalization	<ul style="list-style-type: none"> local ownership local control solidarity based trade popular democracy 	<ul style="list-style-type: none"> decentralized pol. power supranational political bodies (regional/global) civil society participation 	<ul style="list-style-type: none"> pro-social economy regulation hard law (to restrain corporate power)

° WHAT IS FAIR TRADE?

Origins of Fair Trade

- Starts as “Alternative Trade”
- “Social economy” enterprises helping small producers in the South
 - NGOs (Oxfam, Traidcraft)
 - Cooperatives (Equal Exchange, Planet Bean)
 - Social entrepreneurs (Alternative Grounds)
- Limited distribution networks
 - Fair trade (*alternative trade*) shops
 - Cooperatives
 - Health food stores

Fair Trade Goals & Principles

- Goals
 - create an “alternative trading system”
 - help small producers through relations based on solidarity
 - support alternative forms of development (local control)
 - change the regulation of the international trade system
- Principles
 - Support marginalized groups (small producers)
 - Long term-relationships
 - Fair prices
 - Capacity building
 - Solidarity-based trade
 - Environmental sustainability
 - Gender equality (a later development)

Fair Trade Certification

- Certification started by Southern producers
 - a cooperative of indigenous peasants (Mexico)
 - worked with a Dutch NGO
 - want to access a wider market (supermarkets)
- The role of certification
 - assured consumers that the small producers were being treated fairly
- represents a compromise
 - does not eliminate alternative trade
 - many alternative trade (social economy) actors still prominent
 - allow for the participation of corporations
 - Does not require adherence to Fair Trade principles
 - No corporations live up to these
 - Only requires following minimum standards
 - minimum price
 - social premium
 - long-term contracts
 - pre-financing

Certification Bodies

- 21 National Labelling Bodies
 - Netherlands, Germany, Belgium, Canada, US, UK, Germany, Japan, Norway, Italy, etc.
 - Non-governmental organizations (NGOs)
- 1 International Body
 - Fair Labelling Organizations (FLO)
 - composed of
 - National labelling bodies
 - Small producer bodies (Asia, Africa, Latin America)
 - Independent members
 - Large national labelling bodies have effective control
 - US (TransFair USA)
 - UK (Fairtrade Foundation)
- Functions
 - Set standards (e.g., minimum price, quality standards, etc.)
 - Certify conformity with standards

The Introduction of Corporate Participation

- Initially very limited
 - “Retailers” (e.g., Tesco, Loblaws)
 - to get access to supermarket shelves
- Later extends to agricultural corporations
 - “Licensees” (e.g., Starbucks, Proctor & Gamble)
 - to increase sales by integrating intermediaries (large agro-industrial players)
- Later extended to production
 - “Estates” (owned or working with Dole, etc.)
 - justified as helping agricultural workers, lack of supply
 - driven by the interests of corporations?

Corporate Responses to Fair Trade

- Deny/Attack
 - It is not relevant (inadequate supply, poor quality)
 - It distorts markets (creates dependency)
- Subvert
 - set up rival certifying bodies
 - individual firms – Starbucks → C.A.F.E. Practices
 - industry – coffee → Utz Kapeh
- Limited Participation
 - Have a token presence in the market (1-2%)
 - Treat is as a niche market (charge premium price)
- Combinations of the Above
 - e.g., limited participation and subversion
 - trying to water down Fair Trade standards

VALUE CHAIN ANALYSIS

The Notion of Value Chains

- **Notion of a value chain**
 - different actors participate in making a product
 - they all “add value” along the chain
 - Some actors assert more control and gain more of the “value added” than others
- **Global Value Chain Analysis**
 - with globalization → transnationalization of production
 - GVC provides a fruitful framework for analysis of this phenomenon of transnational production

5 Forms of (Corporate) Value Chain Governance

- Gereffi, Humphrey and Sturgeon 2005
 - Market
 - Modular
 - Relational
 - Captive
 - Hierarchy

Social Economy Value Chains

- Not examined in the literature
- Based upon a different governance principle
 - solidarity
- In the case of fair trade
 - goal is to push value down to the bottom of the chain

5 FORMS OF FAIR TRADE VALUE CHAINS

Distinguishing Fair Trade Value Chains

- **Positive (Social Science) Analysis** → Possible to distinguish 5 Fair Trade value chains based upon
 - the level of corporate participation
 - none, retail, licensing, production
 - the principle that controls the chain (governance principle)
 - solidarity, modular control, power relations, hierarchy
- **Underlying Normative Concerns** → Different chains may allow for different degrees of change in the lives of small producers (and agricultural workers)
 - Social
 - Economic
 - Political

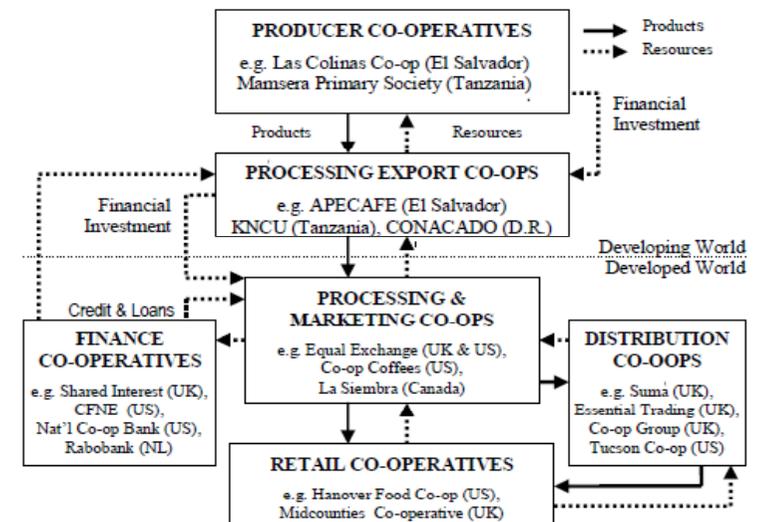
I. Certified Fair Trade without Corporate Participation

- a **“social economy” value chain**
 - the original variant of the FT value chain
 - prior to certification all FT used this model
 - all actors in the chain are “social economy actors”
 - differs from corporate value chains (which dominate the value chain literature)
 - actors not motivated by maximizing profit, but have a “social” purpose (viz., maximizing the return to small producers).
- **governance principle**
 - solidarity
 - all actors primarily seek to help small producers
 - they are committed to long-term relations, increasing the capacity of small producers, promoting local control over the economy, etc.

I. Certified Fair Trade without Corporate Participation

- **potential for social transformation** (for small producers and their local communities)
 - **social**
 - maintain control over their own means of production, resources
 - organized in cooperatives (social organization, networks)
 - get access to knowledge (of markets, technology)
 - skill development (to improve organizational capacity)
 - **economic**
 - gain access to markets
 - encouragement, support to move up the chain, diversify, etc.
 - the chain is oriented to maximizing value for small producers
 - **political**
 - encourages engagement in civil society and formal political structures
 - leaders of cooperatives often emerge as candidates for political office
 - evidence tends to indicate greater engagement by women in the broader civil society

100% Social Economy Value Chain



2. Certified Fair Trade with Corporate Retail Participation

- a **“socially economy” dominated** value chain
 - there is corporate participation only at the retail end
 - e.g., large grocery stores
 - the producers and licensees are social economy actors
 - incorporation of corporate retail participation
 - a way of expanding the market
- **governance principle**
 - solidarity
 - all actors (except the retailers) primarily seek to help small producers
 - they are committed to long-term relations, increasing the capacity of small producers, promoting local control over the economy, etc.

2. Certified Fair Trade with Corporate Retail Participation

- **potential for social transformation**
 - same as in (1)

3. Certified Fair Trade with Corporate Licensees

- a **corporate dominated value chain**
 - as licensees, corporations are able to change the form of governance in line with their interests
- **form of governance**
 - modular control by corporate actors
 - shifts production to different units (of small producers) depending upon considerations of quality, cost, reliability, etc.

3. Certified Fair Trade with Corporate Licensees

- **potential for social transformation**
 - social
 - maintain control over their own means of production, resources
 - still organized in cooperatives (social organization, networks)
 - get less access to knowledge (of markets)
 - more limited skill development (for quality not organizational capacity)
 - economic
 - gain access to markets, higher price (but not on all their crop)
 - slotted in at the bottom of corporate dominated chain
 - no encouragement, support to move up the chain, diversify, etc
 - goal is to improve quality
 - the chain is no longer oriented around them
 - political
 - little support for and sometimes active discouragement of political engagement, though their organizational form provides a basis for this

4. Certified Fair Trade with Estate Production

- a **totally corporate value chain**
 - this possibility emerges with estate production
 - corporations involved as retailers, licensees and producers
 - no social economy actors left in the chain
- **form of governance**
 - hierarchical (if corporations own estates)
 - balance of power (negotiate if large estate owners and corporations are relatively equally positioned)

4. Certified Fair Trade with Estate Production

- **potential for social transformation**
 - social
 - do not have control over their own production (hired labour)
 - less opportunities for social organization, networks
 - some opportunities through union, control over the social premium
 - economic
 - higher wages, better working conditions guaranteed
 - few prospects for economic development
 - dependent on the corporation's decision to maintain Fair Trade status (no control over this by workers)
 - political
 - political engagement typically discouraged (though union presence may encourage it)

5 Fair Trade with private (non-FLO) certification

- a **totally corporate value chain** (typically)
 - corporations involved as retailers, licensees and producers
 - no (few) social economy actors left in the chain
- **form of governance**
 - hierarchical (if corporations own estates)
 - balance of power (negotiate if large estate owners and corporations are relatively equally positioned)

5 Fair Trade with private (non-FLO) certification

- **potential for social transformation**
 - social
 - estate
 - no guarantees of union representation, no social fund (little transparency and limited monitoring/reporting)
 - less opportunities for social organization, networks
 - social projects (but controlled by the company)
 - small producers
 - control means of production but no guarantees with respect to minimum prices, long-term contracts, etc.
 - do not receive other forms of support for organizational capacity building
 - economic
 - estate
 - no prospects for economic development alternatives
 - small producers
 - no encouragement to diversity, move up the value chain
 - political
 - political engagement typically discouraged by employers

Fair Trade Value Chains

Nature of the Value Chain	Corporate Involvement	Model of Governance
1) 100% social economy	none	solidarity
2) social economy dominated	retail	solidarity
3) corporate dominated	retail & licensing	modular
4) 100% corporate (socially- regulated, FLO)	retail, licensing & production	balance of power hierarchical
5) 100% corporate (privately-regulated)	retail, licensing & production	balance of power hierarchical

EVALUATING THE ROLE OF CORPORATIONS IN FAIR TRADE

The Trade-offs of Corporate Participation

- Increased sales vs. Fair Trade principles
 - Issues of extent of participation and “integrity”
- Agricultural workers vs. small producers
 - concern about “squeezing out” small producers
- Promoting corporate accountability vs. alternative development models
 - And the question of who decides which model to promote

The Wider Controversy over Corporate Participation

- Governance of Fair Trade
 - Labelling Bodies controlled by Northern NGOs
 - not by small producer organizations from the south
 - NGO interests/ideas not the same as those of small producers
 - more concerned with sales (than local issues) ?
 - more concerned with changing corporate behaviour than promoting alternatives?
 - influenced by large corporations (especially US, UK)
 - Small producers’ groups want more control
 - Fair trade is supposed to “empower” them, but
 - They did not consent to corporate participation
 - Northern labelling bodies did this (especially US, UK)
 - want a greater say about this
 - don’t want estate production
 - want more control over corporations (higher minimum standards, etc)

Situating Fair Trade Value Chains

Type of Chain Features	100% Corporate (Self-regulated)	100% Corporate (Socially-Regulated)	Corporate Dominated	Social Economy Dominated	100% Social Economy
Form of Non-state Regulation	Corporate Social Responsibility		Corporate Accountability		Alternative Trade/Social Economy
Development Strategy	Market-led		State-led		Endogenous
Development Theories	Neo-Liberal	Capabilities	Human Face		Social Power
Globalization Agendas	Neo-Liberalism	Embedded Liberalism	Post-national Keynesian		Alternative Globalization
Exercise of Social Power	Weak ←===== Social Power =====→ Strong				

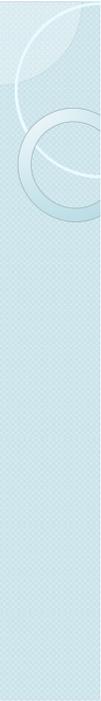
Situating Fair Trade Value Chains

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POSSIBILITIES, TENSIONS & PROSPECTS

Possibilities

- Different variants of the chain might continue to exist
- Different actors will benefit in accordance with the different governance principles and forms of regulation



Tensions

- Different variants of the Fair Trade value chain are at odds with each other
 - Different values
 - Different business strategies
- The different variants compete
 - In markets
 - For control/influence over the regulation of Fair Trade



Prospects

- The ability of the marginalized to organize themselves
 - as economic units
 - to control non-state regulatory mechanism
- Their ability to engage and pull in other sympathetic actors and related movements without losing control of their initiatives
 - cooperatives, social entrepreneurs, etc.
 - green/dvlpmt social movements, NGOs, etc.
- Their ability to mobilize consumers
 - to access markets
- Their ability to contest formal political realms
 - domestic, international

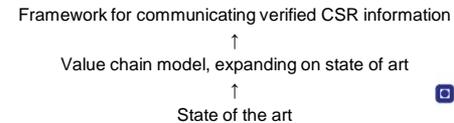
Communicating CSR in the Value Chain: Limits and opportunities

Christofer Skaar
Department of Industrial Economy and Technology Management

2

Introduction

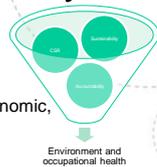
- PhD title: Reporting Systems in Global Value Chains
- Goal: Framework for documenting, reporting and improving CSR in global value chains
- Documenting and reporting: Methods for aggregation of CSR information in global value chains
- State of the art of current practices (working paper)



3

Corporate Social Responsibility

- What distinguishes CSR from sustainable development, industrial ecology, etc?
 - Five dimensions of CSR: environmental, social, economic, stakeholder and voluntariness (Dahlsrud)
- CSR according to the EU commission
 - *A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.*
- In PhD 'social' is delimited to occupational health
- In state of the art survey, 'social' is anything the evaluated frameworks define as social
- Towards more transparent accountability



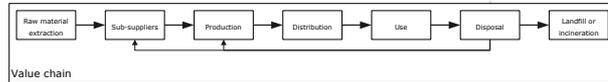
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Motivation for research

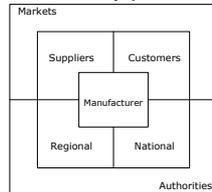
- Experiences from research and education on environmental issues in the value chain
 - Life cycle assessments
 - Environmental Product Declarations
- Experiences from education on CSR frameworks
 - GRI
 - Global Compact
 - OECD Guidelines
 - WBCSD
- Perceived gap between these approaches

5

Value chains



Value chain entry point



Key issues:

- Economic flows
- Material flows
- Information flows
- Governance
- Stakeholders

6

Value chains

- Key elements in the value chain system
 - Processes
 - Products
 - Companies
- Key elements in my research
 - Material flows and information flows regarding environmental and social aspects
- Three corresponding system levels
 - Product system, process level
 - Product system, corporate level
 - Single corporation
 - (note: the single process as a system is excluded as a unit of analysis)

7

Reporting

- Reporting as communication
 - Formalised and proceduralised
 - Indicators: **performance indicators**, mediating indicators
- Typical observed reporting:
 - Corporate (e.g. annual financial, environmental, sustainability reports)
 - Product/service value chain (e.g. labels and declarations)
- System boundaries
 - Who is doing the reporting, for what and when?
- Indicators
 - Which aspects, which level or sub-level, how to measure?

8

Method

- 2 stage analysis
 - First comparison on a general level
 - Then comparison on indicator level (selected frameworks)
- Stage 1: Criteria
 - Based on literature review of 15 previous analyses of environmental, social and sustainability reporting frameworks
 - General: purpose, object, scope, verification
 - Compatibility: method, indicators, impact evaluation, temporal aspects
- Stage 2: Performance indicators
 - Indicator compatibility, one on one comparison

9

Material, stage 1

- 6 frameworks identified through literature review
 - AA1000
 - ISO14001
 - Global Reporting Initiative
 - Social Accountability 8000
 - Environmental Product Declarations (Type III)
 - Product or service labelling schemes (Nordic Swan, EU Flower++)
- Two types of classification
 - 6 frameworks: 4 corporate, 2 product value chain
 - 6 frameworks: 2 management, 2 certification, 2 reporting
 - But: some are overlapping (SA8000 is a certification scheme, but demands that a management system is in place)

10

Material, stage 1

- **General**
 - Purpose (attributional, consequential)
 - Object (policies, regions, organisations, products)
 - Scope (economic, environmental, social, business ethics, stakeholders)
 - Verification (yes, no; third party)
- **Compatibility**
 - Method (sustainable cost, natural capital inventory analysis, IO analysis, full-cost accounting, triple bottom line, other)
 - Indicators
 - Impact evaluation
 - Temporal aspects (more or less than annual update frequency)

11

Results, stage 1

- Jaccard index
 - Simple two and two statistical comparison of criteria matches (excluding matches that are negative for both)
 - Highest correlation ($J = 0.714$): AA1000/SA8000
 - Second highest ($J = 0.676$): AA1000/ISO 14001
 - Second lowest ($J = 0.4$): GRI/AA1000
 - Lowest ($J = 0.316$): SA8000/EPD

12

Material, stage 2

- Two selected frameworks
 - Global Reporting Initiative
 - Environmental Product Declarations
- Selection criteria
 - J-index (although not the highest match)
 - Potential indicator compatibility
- Only two approaches with defined (although not consistently when it comes to EPDs) performance indicators

13

Results, stage 2

- One on one comparison of GRI indicators with potential match in EPD
 - Other way round not possible, due to PCR flexibility
 - 16 of 30 environmental indicators can easily be allocated to product level
 - 14 of 30, not so much
 - How to relate a management programme to products? Allocation to process level, A -> A1
 - How to combine A1's for all corporations in a value chain? Aggregation
- Environmental issues are dealt with in value chain reporting, but not many social
 - In Norwegian EPDs: chemical use and chemical emissions
 - Claiming territory

14

Implications

- Research gap identified
 - Little has been done previously on including the corporate aspect in value chain reporting
 - Product aspect in corporate reporting usually limited to first tier suppliers and user
 - Especially: Quantified approach lacking
- Future research needed
 - Broadening EPDs with social aspects (for me, limited to occupational health)
 - Developing methods for aggregation and allocation (see next slide)
 - Use of reported information, internally and externally
 - Link to top down frameworks (national, global), is this contributing to sustainability?
 - Use hybrid LCA as basis to also include indirect effects
 - Data quality: specific versus generic
 - Reporting in times of crisis

15

Aggregation and allocation

- Aggregation or allocation?
- Vertical and hierarchical value chains
- Double counting of physical, economical and social issues
 - Avoid? (many physical, economical)
 - Accept? (many social)
- As mentioned:
 - From corporate to process
 - From process to product

16

Limitations

- Battling GRI-zilla
 - How can SMEs engage in reporting that currently is very resource demanding?
- Accuracy
 - Based on descriptive models (as opposed to consequential)
 - Accuracy for new aspects: example from ecotoxicology characterisation models where 1 % is just as significant as 98 %
- Verification
 - Who can we trust?
- Aspects not included
 - Need to be transparent what has been excluded from the reports and why the included aspects were chosen
- Linkages
 - Does not connect strongly to top down systems
 - Does not look at connection between corporations (e.g. Governance)

Thank you!



"ISO 26000 and its implications"

Einar Flydal

expert member of the ISO 26000 Working Group & chair of Norwegian Mirror Committee
senior adviser, Telenor ASA/Global Business Dev. & Innovation/Disruptive Change
adj. assistant prof., Univ. of Technology NTNU (Telematics & Society)

NTNU, CSR conference, 13.4.2010



ISO General Assembly

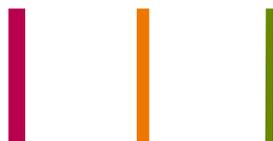
ISO
OSLO NORWAY
2010

- **National Standardization Organisations voted by 18th February 2010:**
 - 70%+ YES with comments
- ***Hopefully, ISO declares ISO26000 to be finished in Sept. 2010***
- www.standardnorge.no

In 30 minutes:

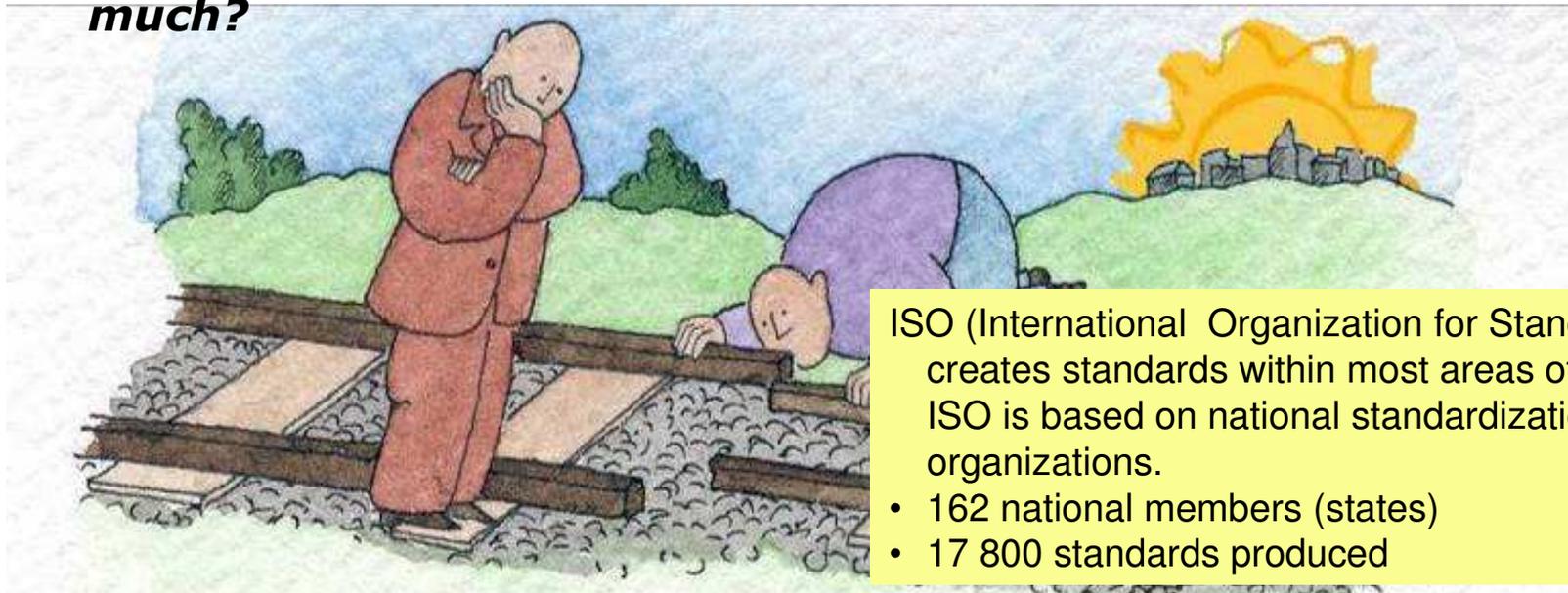
- Learning to know the elephant:
 1. SR concept, its development
 2. the process around developing the standard
 3. What kind of standard?
 4. Basic concepts and cosmology
 5. Locating responsibility, where as to what?

- Speculations about impact and implications
 1. Usefulness and methodologies
 2. Relations to law
 3. Its role as a political tool, and limitations



Standards are important!

- Standardization is a tool for making things happen
 - Standards create co-operation
 - “If you don’t have common concepts, you can’t co-operate!”
 - i.e. strategic & design tools in an ever more complex world
 - Standards are guides and tools to achieve practical goals
 - “If you can’t measure, you can’t manage!”
- Standards create level playing fields, enlarge markets, extend influence
 - i.e. are tools for welfare, modernization, globalization, control, solidification of relations, transparency, rule of law, etc.
 - i.e., two-edged swords for globalists as well as for anti-globalists
- Business, trade and co-operation rely heavily on standardisation
- ***As we may have too little stadardization, may we have too much?***



ISO (International Organization for Standardization) creates standards within most areas of society. ISO is based on national standardization organizations.

- 162 national members (states)
- 17 800 standards produced

What is ISO 26000?

100 pages describing

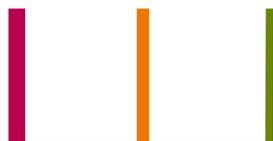
- **What** social responsibility (SR) is
- **Why** SR is important
- **Basic concepts** as to SR
- **How** SR is expressed in practical action
- **How to go about** to act socially responsibly
- I.e.: background, definitions, recommendations/practical advice as to how to understand, behave, act, pay attention to, adapt to a.s.o., and what is needed in the management system of the organisation
- A **system standard**, a guidance **standard**, but *not* a management system standard, *not* a certification standard

Target groups: ALL organisations

- **Business enterprises**
 - from SMBs to large corporations
- **Governments**
 - i.e. public administration
- **Voluntary organisations ((I)NGOs)**
 - e.g., relief organisations
- i.e. **all kinds of** (modern and formal) **organisations**
- **Global applicability**, i.e. all countries, but not part of law

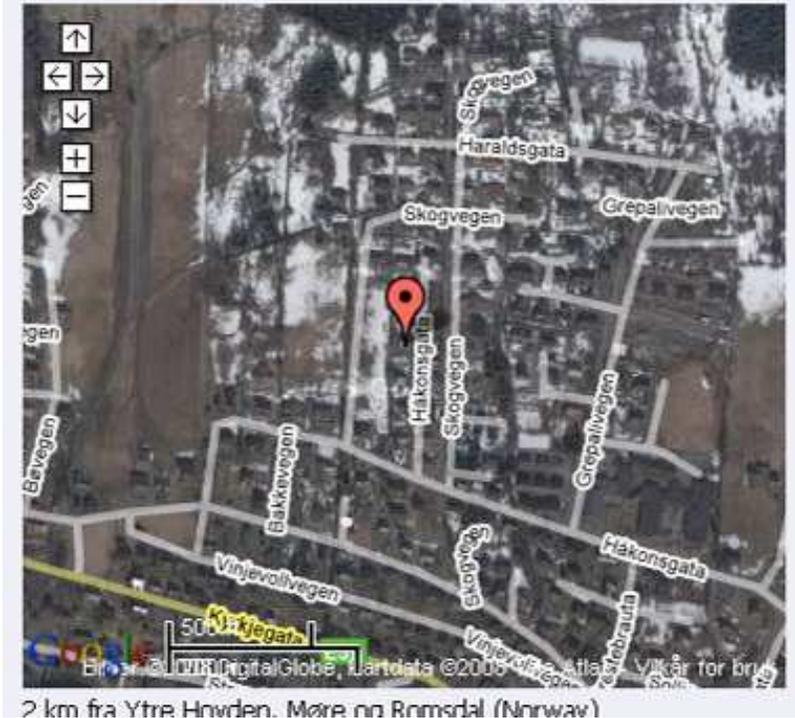


**...and by the way, what is
"social responsibility"?**



"Phase 1": Social Responsibility is an old idea - everywhere

- All societies – traditional and modern - have SR "mechanisms"
- SR is about how to create the common good
- Patterns, means, forms, distribution and reach vary greatly
- Dominant (Market- and Trade-)Economics gives **very poor guidance**:
 - is about "rational resource allocation", i.a.
 - Create overall growth through free trade and free market
 - Specialization and scaling (reduce unit costs)
 - Remove constraining social institutions ("friction") and build support structures
 - Exploite inequalities of values and wealth
- Temptations are high when discrepancies are large

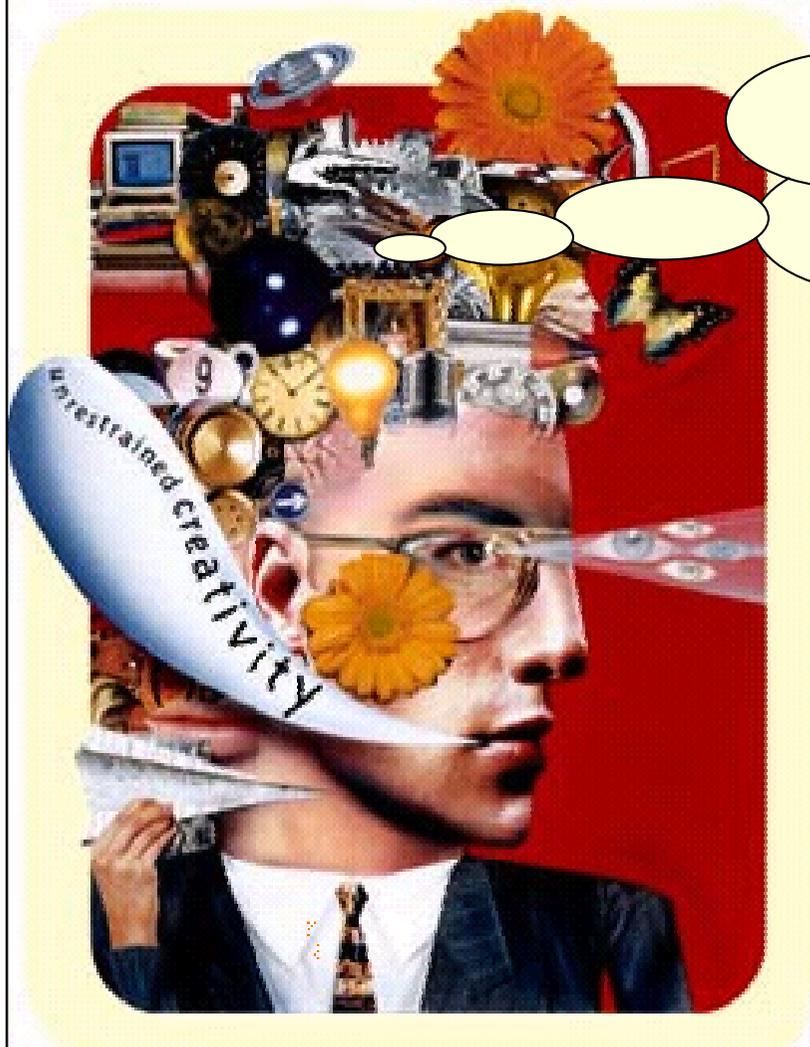


- Better help is found in laws, politics, ethics, traditional cultures, social sciences ...
- *Do universal values exist?*



"Phase 2": CSR = "Business should take on responsibility – no matter how markets and governments work!"

We must create norms for [corporate self-regulation](#) - integrated into the [business operation](#).
Business must monitor itself and ensure that it follows law, ethical standards, and [international norms of good behaviour](#).



business addressing basic needs

charity

expectations according to
"good morality and ethics"

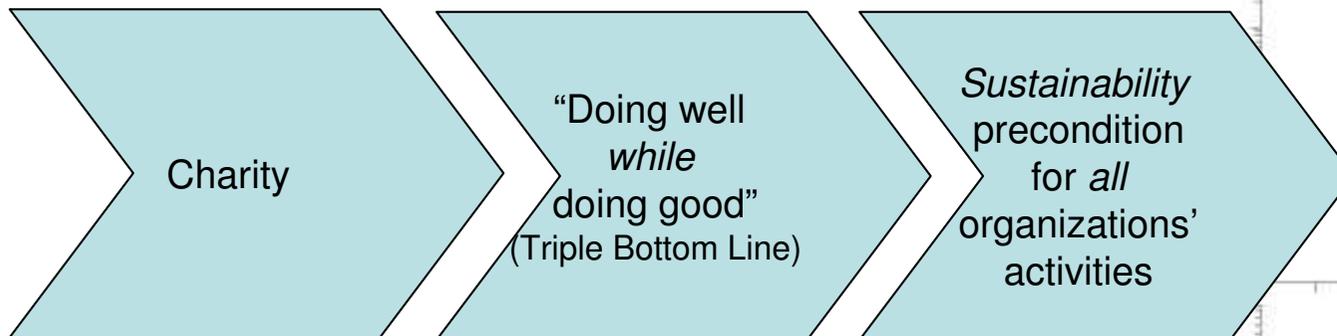
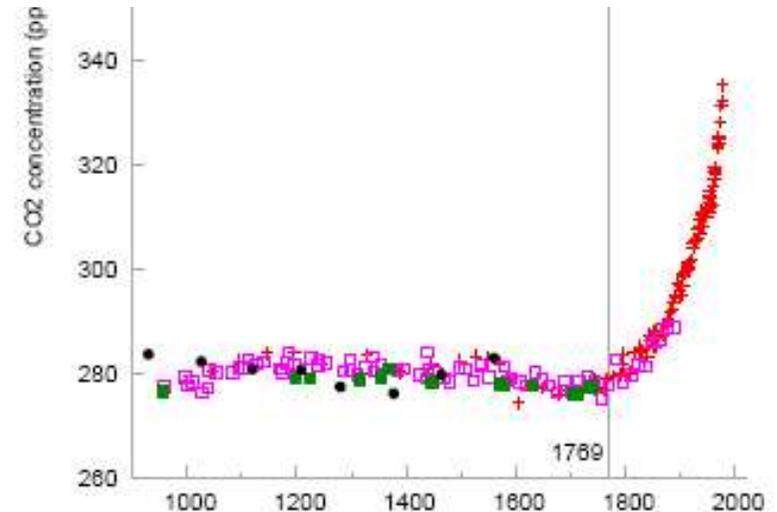
international conventions

duties according to local laws

Where
does
CSR
start
or
end?

"Phase 3": The CSR concept has evolved – with the post-Rio world agenda

- global warming
- resource depletion
- habitat destruction
- failing states
- population growth
- cultures in conflict
- integration caused vulnerabilities
- growth in material consumption
-

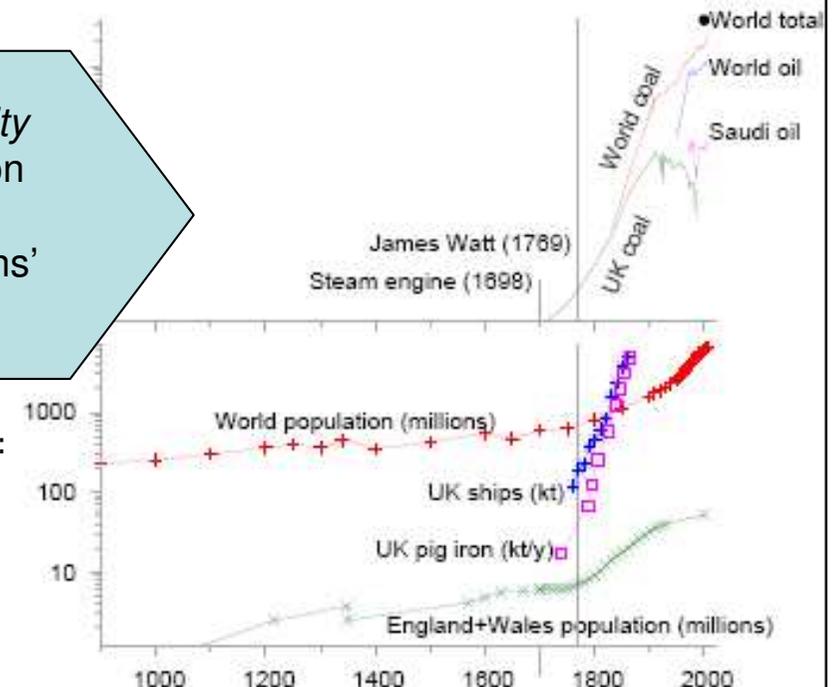


- Spending from the surplus and leisure time on people in need

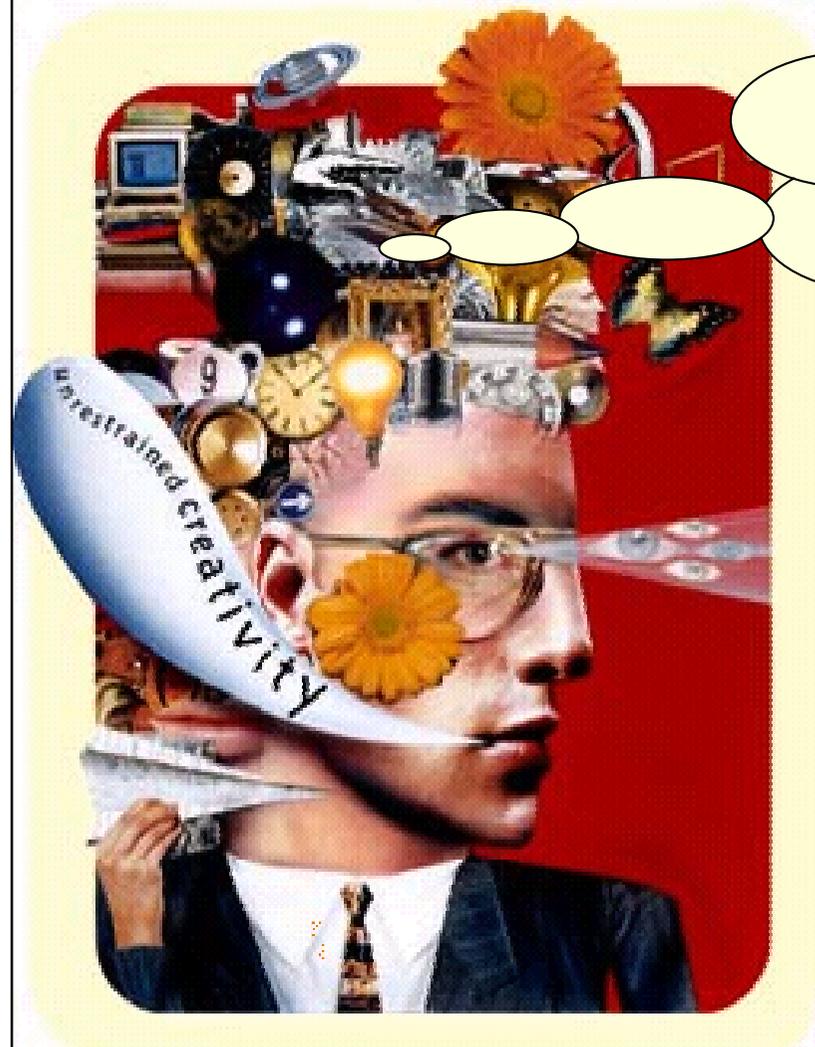


- Go for all three:
 - Profit
 - People
 - Nature

- Go for all three:
 - Nature
 - Society
 - Economy



3. CSR = “Business should take on responsibility – no matter how markets and governments work!”



We must create norms for corporate self-regulation - integrated into the business operation.
 Business must monitor itself and ensure that it follows law, ethical standards, and international norms of good behaviour.

- business addressing basic needs
- charity
- expectations according to "good morality and ethics"
- international conventions
- duties according to local laws
- Sustainability as to environmental, social and economic matters

Where does CSR start or end?

ISO26000 SR intends to catch up with this development

- A Post-Rio idea: To create a CSR standard on sustainability
- The idea came from industry (2002)
- ISO could make CSR universally accepted
- A new field for ISO to enter after
 - ISO 9000-series - quality system standards
 - ISO 14000-series - environment quality system standards
- Hurdle: strong resistance from industry
- The compromise:
 - A *system* standard, *but not a management system standard*
 - to be applicable to *all kinds of organisations (SR)*
 - a guidance standard – not for certification
- ISO 26000 should describe “what is” and “how to”, but not what one “should” do!



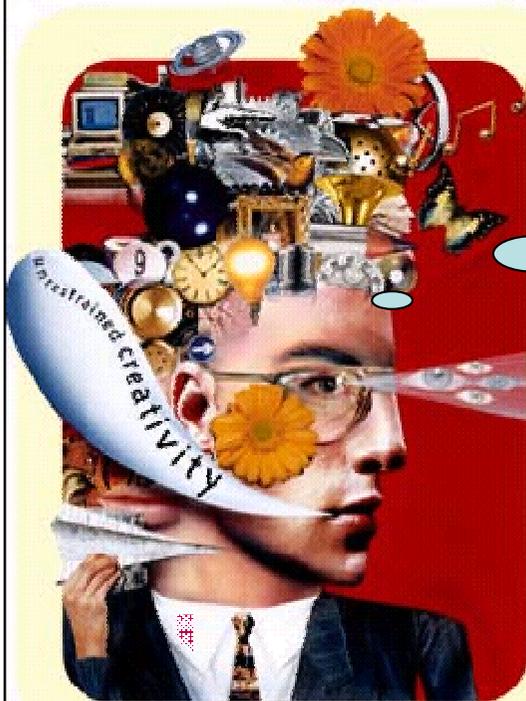
Decision to start the work: taken by ISO in 2004



ISO26000 SR intends to catch up with this development

- A Post-Rio idea: To create a CSR standard on sustainability
- The idea came from industry (2002)
- ISO could make CSR universally accepted
- A new field for ISO to enter after
 - ISO 9000-series - quality system standards
 - ISO 14000-series - environmental standards

Would it later become a standard for certification?.....



resistance
 se:
 andard, but
 able to "kinds of (SR)
 standard - not for certification



ould describe "what is" and "how to", but not what one

Decision to start the work: taken by ISO in 2004

Largest ISO undertaking ever – high level of agreement

- Around 400 people meet in the Working Group, thousands indirectly involved
- August 2008: 34 “i” countries; 50 “u” countries
- Unique with majority from “u” countries
- **40** liaison organisations, e.g. OECD, UNCTAD, WHO, ILO, UN Global Compact, GRI og Consumers International, several with MoUs
- Multi stakeholder process:
 - marketing people, governments, consumer actionists, research, unions, NGOs, consultants, environmentalists
 - from all corners of the world... with their distinct agendas
- No voting, only consensus based decision making
- Secretariat: Sweden and Brasil
- Snitt reisestrekning: **85.000 km?**

[Chile 2008

5th ISO Social
Responsibility
Plenary Meeting

An open process!

www.iso.org/ISO26000

We have the responsibility

- WG consists of **experts** and **observers** linked to **states, stakeholder groups, liason organisations.**

- Experts represent just themselves

- Wide participation: i.a. Canada, USA, Mexico, Brasil, Chile, Norway, Sweden, Finland, Denmark, most EU states, Russia, Ukraine, China, Japan, India, South-Africa and Australia, Kazakstan, a.s.o.)

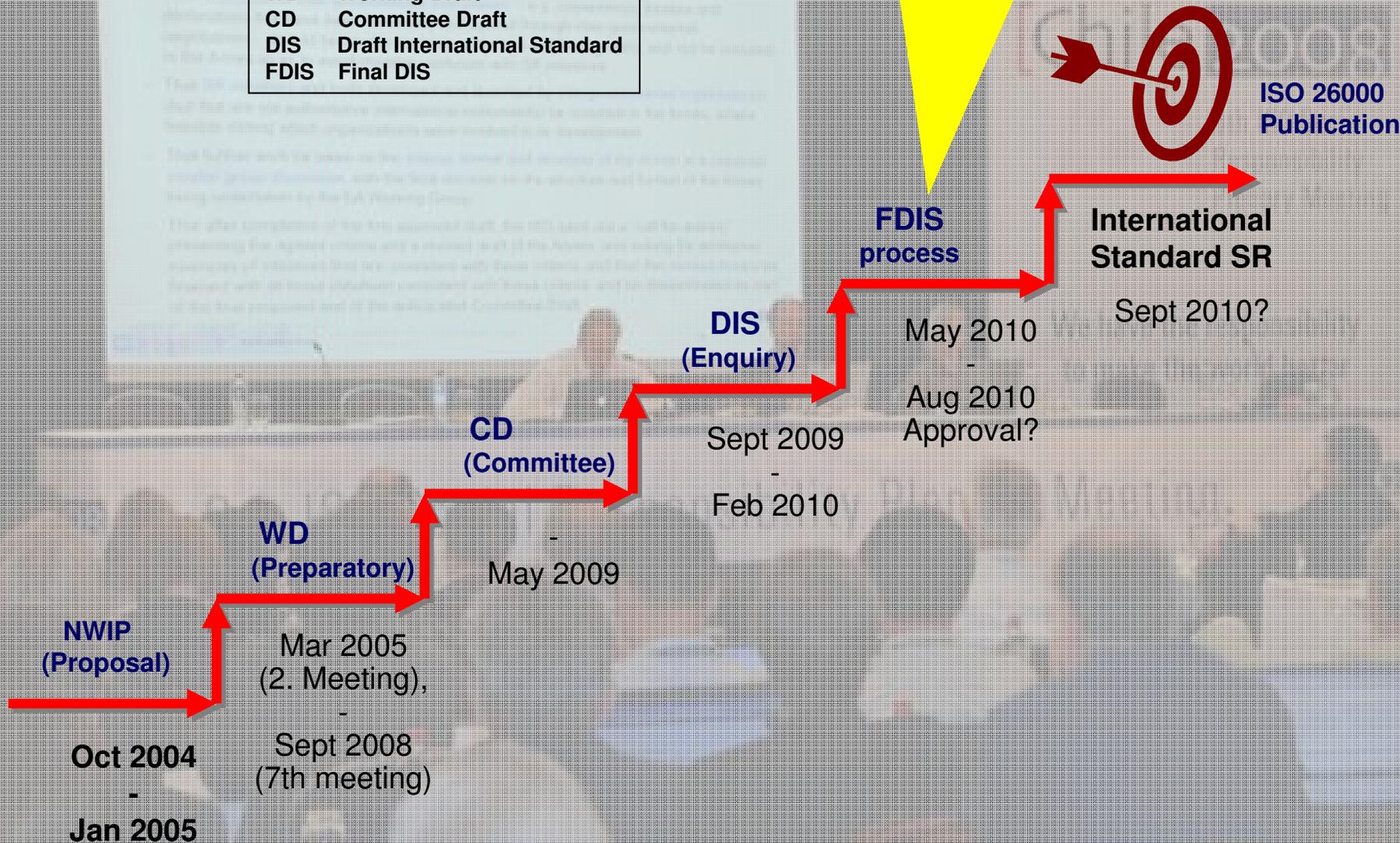
- Seven meetings held: Salvador, Bangkok, Lisboa, Sydney, Wien og Santiago de Chile, Quebec.

- Last WG(?): Copenhagen, May 2010.

State as by April 2010

NP	New Work Item Proposal
WD	Working Draft
CD	Committee Draft
DIS	Draft International Standard
FDIS	Final DIS

We now work on the FDIS!



ISO 26000 Core: Principles, subjects, advice, references

1. **Scope**
 2. **Terms and definitions**
 3. **Understanding SR**
 4. **Principles of SR**
 5. **Recognizing SR and engaging stakeholders**
 6. **Guidance on SR core subjects**
 7. **Guidance on integrating SR into an organization**
- **Annex A – SR Initiatives**
 - **Bibliography**

- 3.1 The SR of organizations
- 3.2 Recent trends in SR
- 3.3 Characteristics of SR
- 3.4 The State and SR
- 4.1 General
- 4.2 Accountability
- 4.3 Transparency
- 4.4 Ethical behaviour
- 4.5 Respect for stakeholder interests
- 4.6 Respect for the rule of law
- 4.7 Respect for international norms of behaviour
- 4.8 Respect for human rights
- 5.1 General
- 5.2 Recognizing SR
- 5.3 Stakeholder identification and engagement
- 6.1 General
- 6.2 Organizational governance
- 6.3 Human rights
- 6.4 Labour practices
- 6.5 The environment
- 6.6 Fair operating practices
- 6.7 Consumer issues
- 6.8 Community involvement and development
- 7.1 General
- 7.2 The relationship of the organization's characteristics to SR
- 7.3 Understanding the SR of the organization
- 7.4 Practices for integrating SR throughout the organization
- 7.5 Communication on SR
- 7.6 Enhancing credibility regarding SR
- 7.7 Reviewing and improving the organization's actions and practices related to SR
- 7.8 Selecting initiatives on SR



Applicable to:

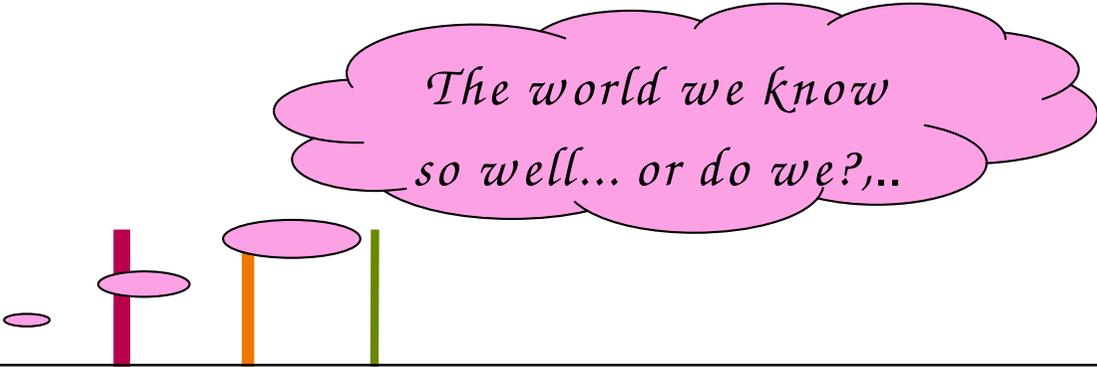
- **Business** organisations
- **Governmental** organisations
- **Non-governmental** organisations (NGOs)

i.e. all kinds of **modern and formal** organisations
Globally applicable, i.e. **all countries, but not part of law**

All the buzzwords are there:

1. Scope
 2. **Terms and definitions**
 3. Understanding SR
 4. Principles of SR
 5. Recognizing SR and engaging stakeholders
 6. Guidance on SR core subjects
 7. Guidance on integrating SR into an organization
- Annex A – SR Initiatives
 - Bibliography

- accountability
- consumer
- customer
- due diligence
- environment
- ethical behaviour
- gender equality
- impact of an organization
- international norms of behaviour
- issue of social responsibility
- organizational governance
- principle
- service
- social dialogue
- social responsibility
- social responsibility initiative
- sphere of influence
- stakeholder
- stakeholder engagement
- supply chain
- sustainable development
- transparency
- value chain
- vulnerable group



*The world we know
so well... or do we?,...*

Responsibility, where and for what?

1. Scope
 2. Terms and definitions
 3. Understanding SR
 4. Principles of SR
 5. Recognizing SR and engaging stakeholders
 6. Guidance on SR core subjects
 7. Guidance on integrating SR into an organization
- Annex A – SR Initiatives
 - Bibliography

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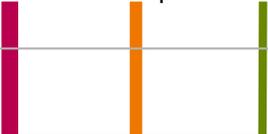
social responsibility

responsibility of an organization for the **impacts** of its **decisions** and **activities** on **society** and the **environment**, through transparent and ethical behaviour that

- contributes to sustainable development, including **health** and the **welfare** of society;
- takes into account the expectations of stakeholders;
- is in compliance with applicable law and consistent with international norms of behaviour; and
- **is integrated throughout the organization and practiced in its relationships.**

NOTE 1 Activities include products, services and processes

NOTE 2 Relationships refer to an organization's activities within its sphere of influence



Basics: Definitions, contextualization, principles, core issues, guidance, references

1. Scope
2. Terms and definitions
3. Understanding the organization and its context
4. Principles of social responsibility
5. Recognizing and assessing the risks and opportunities
6. Guidance on integration into an organization
7. Bibliography

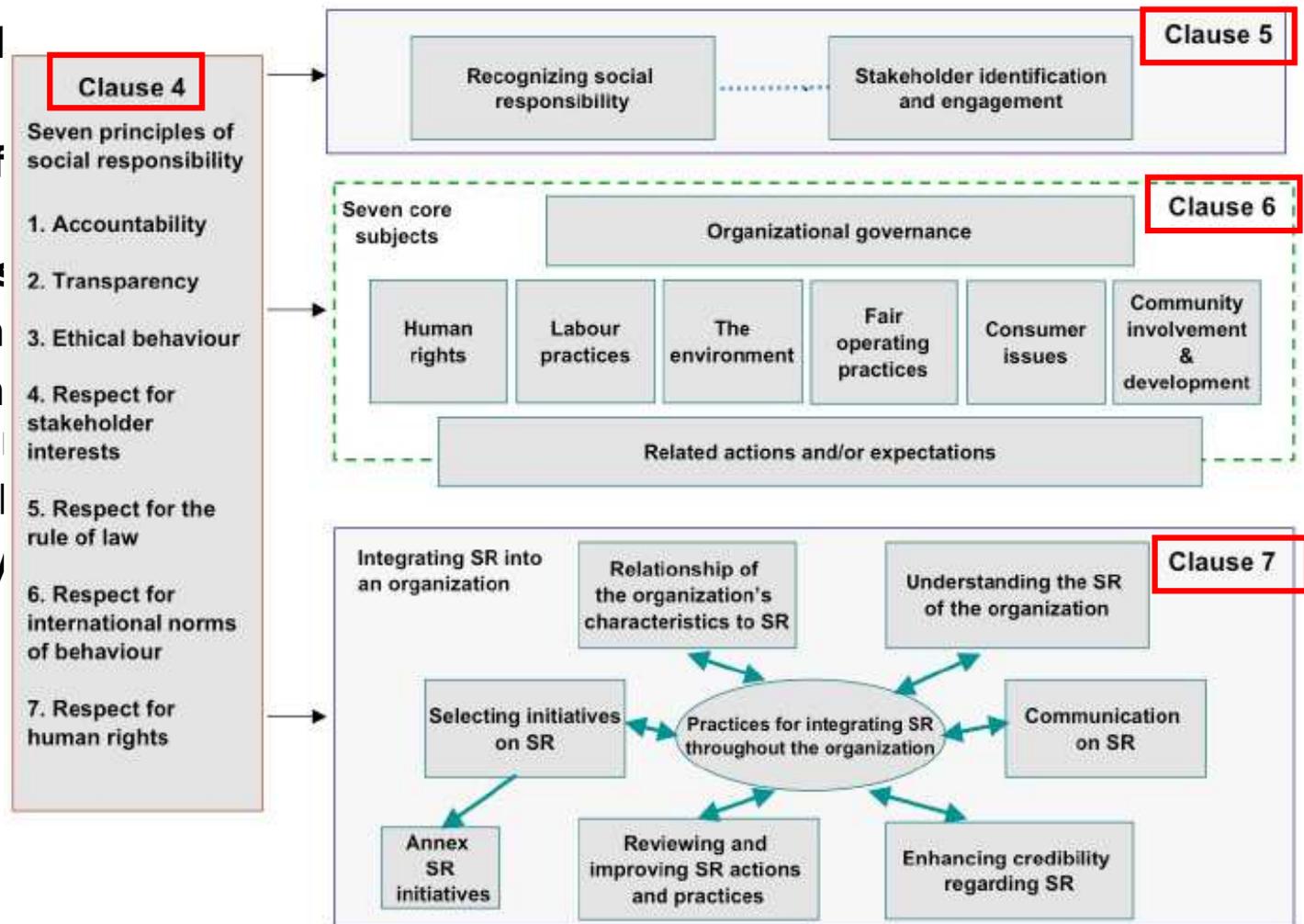


Figure 1 ISO 26000 - Principles, Subjects and Practices

text sample

5.3.3 Stakeholder engagement

Stakeholder engagement involves dialogue between the organization and one or more of its stakeholders. It assists the organization in addressing its social responsibility by providing an informed basis for the organization's decisions.

Stakeholder engagement can take many forms. It can be initiated by an organization or it can begin as a response by an organization to one or more stakeholders. It can take place in either informal or formal meetings and can follow a wide variety of formats such as individual meetings, conferences, workshops, public hearings, round-table discussions, advisory committees, regular and structured information and consultation procedures, collective bargaining and web-based forums. Stakeholder engagement is interactive.

Its essential feature is that it involves two-way communication. There are various reasons for an organization to engage with its stakeholders. Stakeholder engagement can be used to:

- inform its decisions through determining and understanding the likely consequences of its activities and of its impacts on specific stakeholders;
- determine how best to increase the beneficial impacts of the organization's decisions and activities and how to lessen any adverse impact;
- help an organization review its performance so it can improve it;
- reconcile conflicts involving its own interests, those of its stakeholders and the expectations of society as a whole;
- address the link between the stakeholders' interests and the responsibilities of the organization to society at large;
- contribute to continuous learning by the organization;
- fulfil legal obligations (for instance to shareholders or to employees) to address conflicting interests, either between the organization and the stakeholder or between stakeholders;
- provide the organization with the benefits associated with obtaining diverse perspectives;
- increase transparency and the credibility of its communications; and
- form partnerships to achieve mutually beneficial goals.

In most situations an organization will already know, or can easily learn, society's expectations of the way the organization should address its impacts. In such circumstances, it need not rely on engagement with specific stakeholders to understand these expectations, although the stakeholder engagement process can provide other benefits. Such expectations are found in laws and regulations, widely accepted social or cultural expectations and established best practices or standards with respect to specific matters. Expectations concerning stakeholders' interests can be found in the "Related actions and expectations" sections following the description of various issues 932 in Clause 6. An organization should not use stakeholder engagement as a way of avoiding already established expectations concerning its behaviour.

A fair and proper process based on engaging the most relevant stakeholders should be developed. The interest (or interests) of the organizations or individuals identified as stakeholders should be genuine. The identification process should seek to ascertain whether they have been or are likely to be impacted by any decision and activity. Where possible and practical, engagement should be with the most representative organization reflecting these interests. Effective stakeholder engagement is based on good faith and goes beyond public relations.

When engaging stakeholders, an organization should not give preference to an organized group because it is more "friendly" or supports the organization's goals more than another group. An organization should not create or support particular groups to give the appearance that it has a dialogue partner when the supposed partner is not in fact independent.

An organization should be conscious of and respect the interests and needs of its stakeholders and their relative capacity to contact and engage with the organization.

Stakeholder engagement is more likely to be meaningful when the following elements are present:

- a clear purpose for the engagement is understood;
- the stakeholder's interests have been identified;
- the relationship that these interests establish between the organization and the stakeholder is direct or important; and
- the interests of stakeholders are relevant and significant to sustainable development.

A delicate balance

a result of compromises, conformity creation, anchoring, and development of mutual understanding

- Unreasonable costs to carry for the u-countries!
- Too demanding for weak governments!
- Too much is seen from a US consumer perspective!
- Differences in culture and life situations not well enough reflected!
- Key concepts un-translatable!
- How to speed up the process?

- A great opportunity to make the world better!

- Wording contrary to ISO rules!

- Business needs to guard its competitive edge!
- Must not make business "impossible"!
- Should not impede competition!
- No demands should go beyond the law!
- Fear of fuzzy law and jurisdictions!
- Fear of incurred costs!
- Too abstract to be really practical for SMEs!

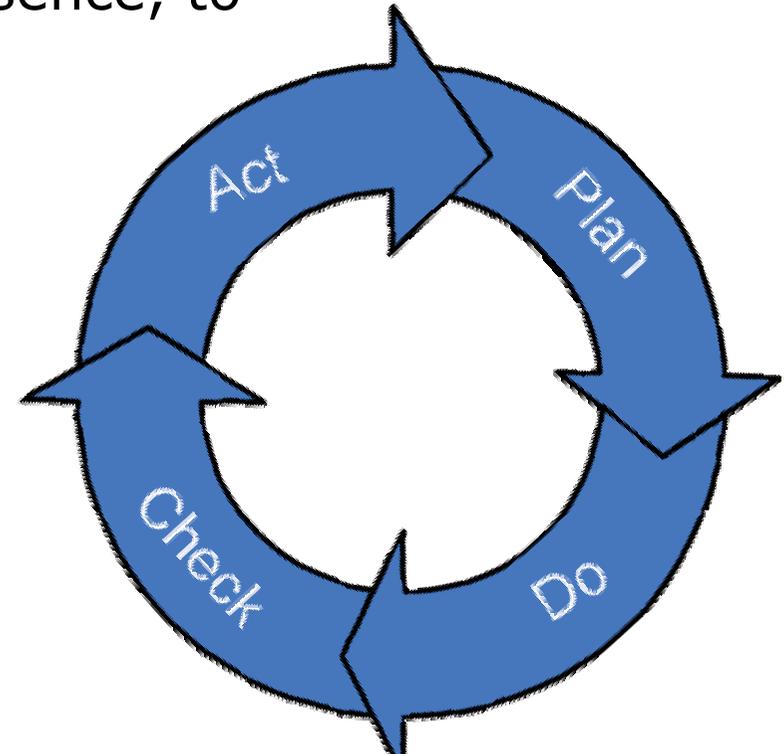
- Hmm. To what extent should governments be concerned?
- Needs coordination with UN Norms!
- The world needs heavy measures!

- Too soft on sustainability problems!
- Too easy not to improve!
- SR principles must be imposed along the value chain!
- "Pick and chose" principle is unacceptable!
- Demands must be stronger than laws and regulations!
- Cautionary principle should not be weakened!
- Too soft to improve labour conditions!

What does it take to put ISO26000 into practical use in an organisation?

ISO 26000

- Is an educational or learning tool
- Is a lever for anyone to use
- Sees the world its way
 - Principles, core issues, guidance
- To apply ISO26000 means, in essence, to
 - Work through the topics
 - Choose the most important
 - Involve stakeholders
 - Make a plan
 - Do!
 - Check!
 - Start over again!



Make or buy a methodology...

Build on existing systems and structures

Plan

§ R Do

§ A

§ C

- § Implement
- § Raise awareness
- § Allocate resources

Check

- § Monitor, evaluate and report on SR performance
- § Report on SR performance
- § Consider external issues

Act

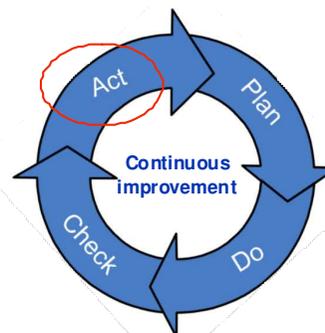
- § Ensure continuous improvement
- § Respond to changing expectations

7 Principles

- Transparency
 - disclose subject & impact
- Ethical behaviour
 - control
- Respect for stakeholders
 - report
 - analyse
- Respect for the law
 - periodic
- Respect for human rights
 - periodic

7 Principles

- Accountability
 - communicate commitment and performance
- Respect for stakeholders
 - communicate and improve
 - ensure continuous learning
- Respect for the rule of law
 - remain informed



- § Analyse how organisation relates to SR
- § Identify relevant issues
- § Analyse sphere of influence
- § Set objectives and targets
- § Identify activities

- § Raise awareness
- § Prioritise actions
- § Consider impact on others while making decisions
- § Incorporate SR in purchasing and investment practices

...or buy a handbook with a tool kit

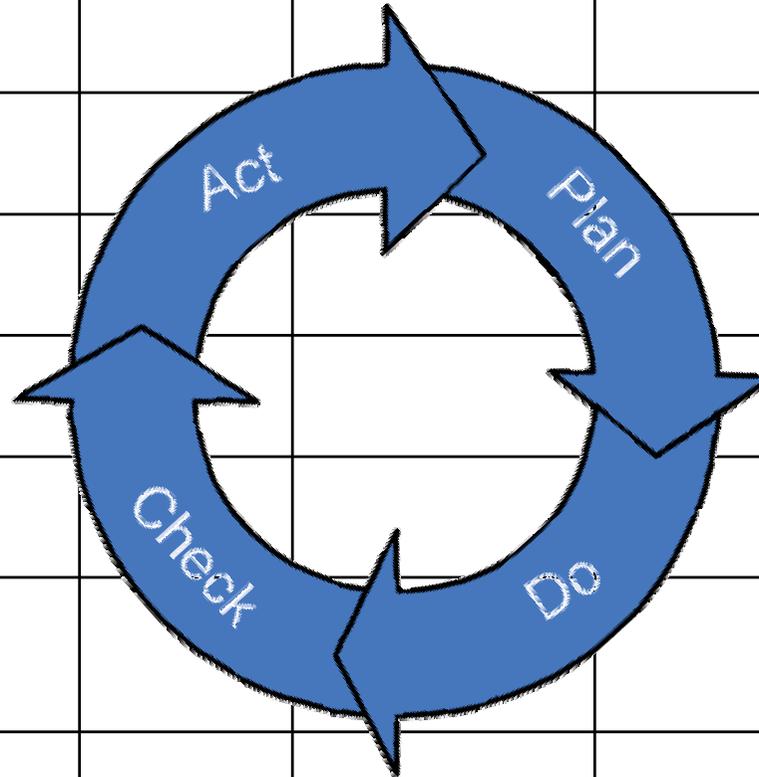
- E.g.: William R. Blackburn:
The Sustainability Handbook,
Eli Press, 2007, 788 pages!



... or – if adequate - just make it simple!

1. Recognize responsibility and identify and involve those concerned!

2.	Organizational governance	Human rights	Labour practices	The environment	Fair operating practices	Consumer issues	Community involvement & development
Accountability							
Transparency							
Ethical behaviour							
Respect for stakeholder interests							
Respect for the rule of law							
Respect for international norms of behaviour							
Respect for human rights							



3. Integrate into the organization!

ISO 26000 and law

- Lawyers have no preferential rights in interpreting the standard:
 - The Preamble states clearly that ISO26000 SR is intended for the layman, is not a juridical document, a.s.o.
- However, ...
 - ...it defines 'social responsibility' similar to law, refers to many legally binding documents concerning states, groups, individuals, not corporations or NGOs
 - (e.g., human rights, WTO agreements, ILO conventions)
 - ...and uses a range of concepts from the world of law
 - e.g. "accountability", "norms", "due diligence", ...
 - ...but with non-judicial content
- Fear that ISO26000 might create
 - a CSR platform for new trade barriers
 - controversies as to the delimitations on "sphere of influence"
- *What to do where local law is weak?*
 - Operate according to "international norms of behaviour" referring to conventions not locally adhered to?
 - Follow national laws + international norms – legal and non-legal?

How shall lawyers relate to these topics?



A historical-juridical perspective from Maputo

- As the concept of sustainable development was introduced (by Gro H.B. in 1987), later to become a base for the Rio conference and the Agenda 21 document signed by 179 countries, the concept as such became a *political-legal concept*. Its use has become sanctioned by its entering into constitutions (so far France and Brazil), as well as becoming common usage.
- To solidify the concept as well as its contextual interpretation, the elaboration of a standard (norm) has been considered an instrumental strategy, and was wished. ISO26000 is the result.
- In this perspective, ISO26000 might serve that purpose by linking together the responsibility of organizations (SR) with constitutions and other legal or semi-legal documents referring to sustainable development.
- Accordingly, the standard will have an important role in underpinning a legal platform for interpretations of the concept. Further, the SR concept becomes linked to '*sustainable development*' and '*organizations' responsibilities*' as well as with the *responsibility of their managers*, so that the managers shall act (as agents) in the interest of society (principal) through practicing *good governance* with reference also to sustainable development (in conformity with Agent theory).
- An implication of this is that even though the preamble of ISO26000 DIS (not final) states clearly that it is not intended for legal interpretations, it will contribute anyhow to such linkage between the concepts.

(prof. Lourenço Dias da Silva, Universidade Politécnica, Maputo)



What to say about this?

Sang Hing Construction Company Limited awarded ISO/CD 26000 certificate

Accredited Certification International Ltd has recently granted the ISO/CD 26000 Social Responsibility and Sustainable Development Management certification to Sang Hing Construction Company Limited in August 2009. This management system helps them to maintain a high standard level in the area of social responsibility.

The need for organizations in both public and private sectors to behave in a socially responsible way is becoming a generalized requirement of society, in developed and developing countries. Nowadays, stakeholders become more and more concerned about

- Is this bad?
- Or a sign of success?
- Or both?

the way corporations do their businesses. They prefer companies whose policies are more consistent with the sustainable development of the world economy. For instances, buyers from developed countries would prefer a supplier with policies that contribute to environmental protection and minimize the adverse impacts on local communities. In addition, they would also expect their partners to participate actively in promoting equity and justice.

ISO 26000 is the designation of International Standard giving guidance on social responsibility (SR). ACI invites companies to learn more about the benefits of this standard, any interested companies can contact us for free information.



Would an ISO26000 certification be meaningful?

- *Real life is complex and full of paradoxes which makes SR certification misleading:*
- *E.g., a company living from - or a government favouring investments in energy efficiency measures: The result will be increased energy demand (under normal circumstances and other things equal), i.e. less sustainability. Should a SR certificate be issued?*
- *Nonetheless, iso26000 and/or derivatives will be used for conformity assessments.*
- *Assessments would have to refer to methodology and serious work, not the outcome.*
- *Could be:*
 - *"Organization X" recognizes ISO 26000 as a reference document that provides guidance on social responsibility.*
- *and /or*
 - *"Organization X" has used ISO 26000 as a guide to integrate social responsibility into our values and practices."*

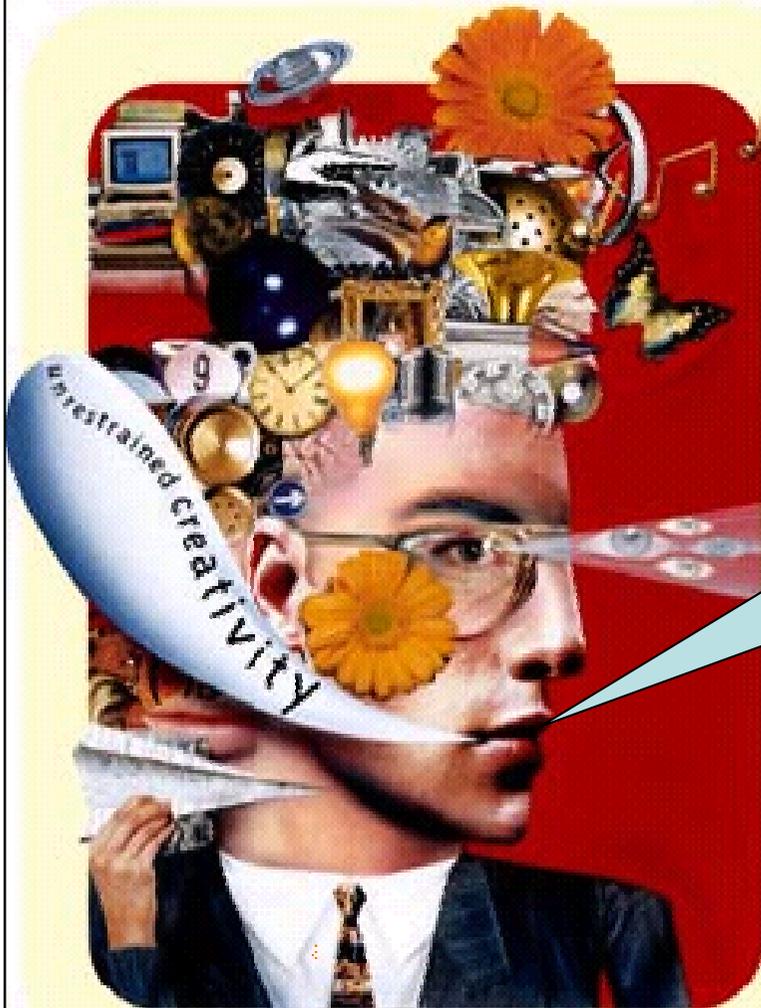


What will be the practical implications?

They are already there: The message catches on!

- o ISO 26000 + ISO26000: >1 million hits on Google
- o Many companies face the pressure
- o Consultancy business growing fast
- o Common language and references are created
- o Might become The standard reference and basis for SR
- o Triggers local certification standards
- o Demands “social responsiveness”
- o Offers a political “lever” / micro tripod
- o Creates a need for more formalized organisations
- o Weakens sensitivity to context
- o “Idealistic” ...

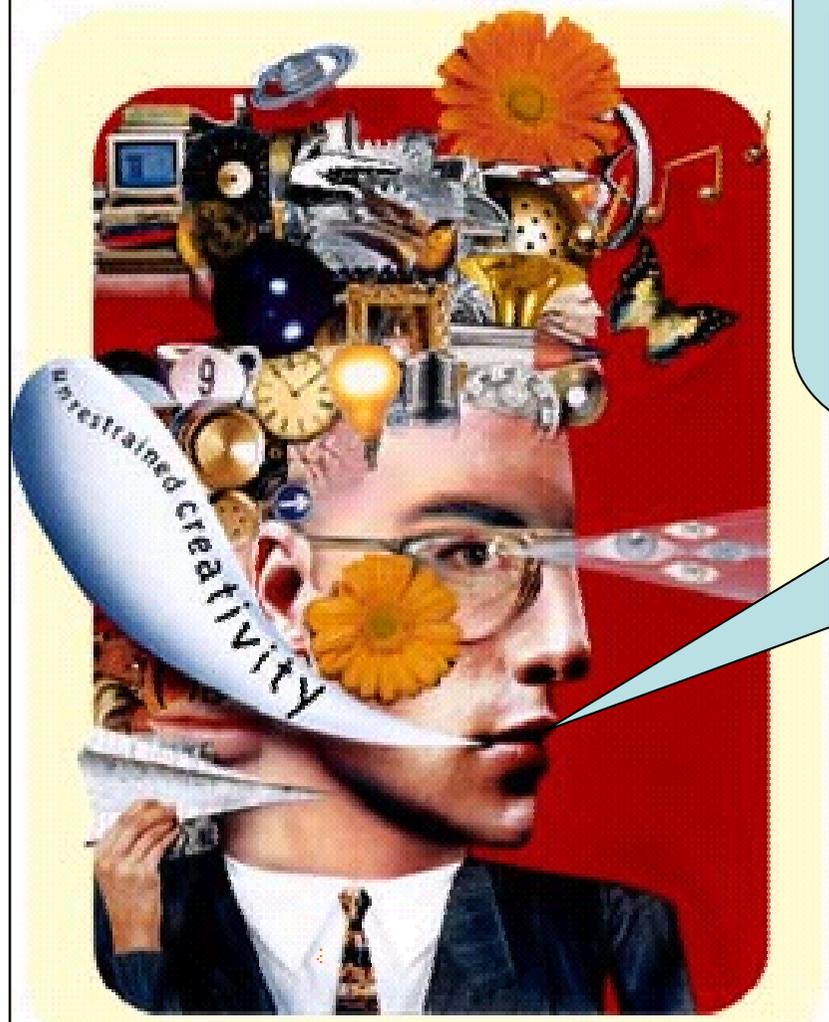
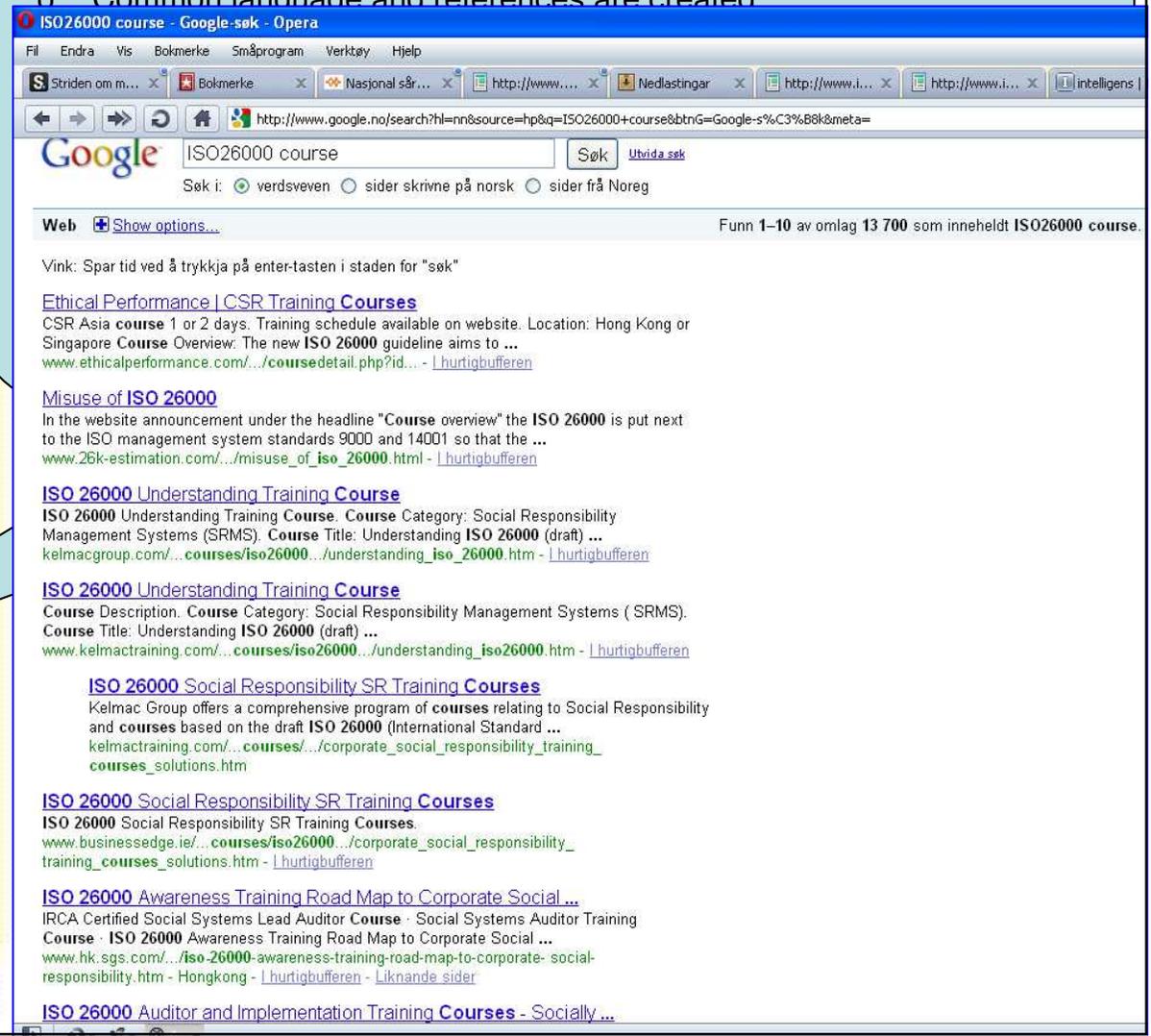
But....



What will be the practical implications?

They are already there: The message catches on!

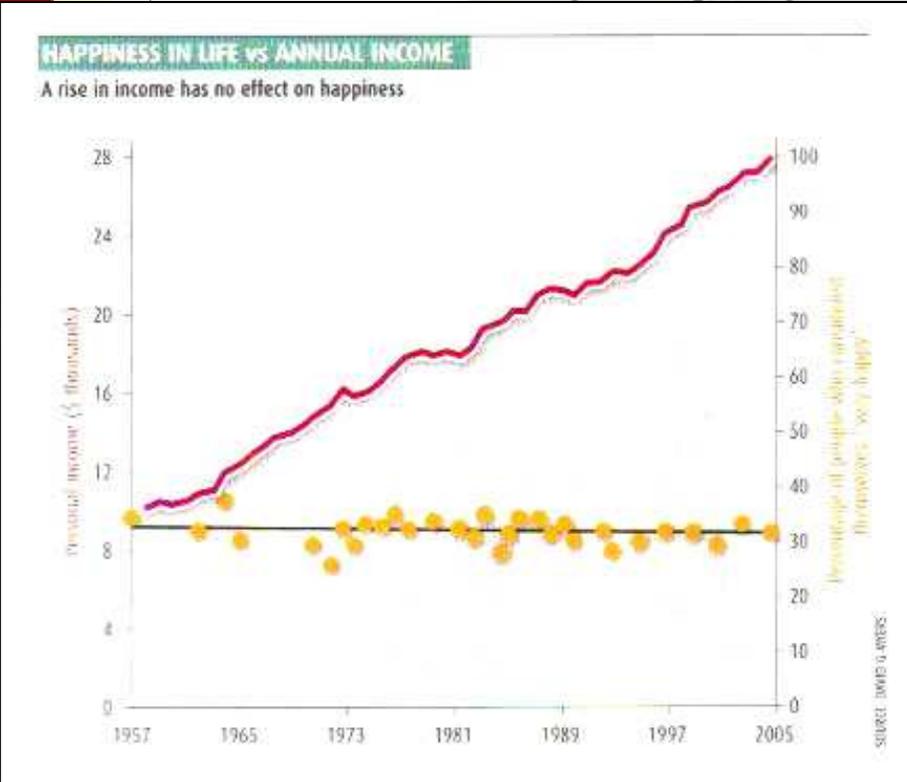
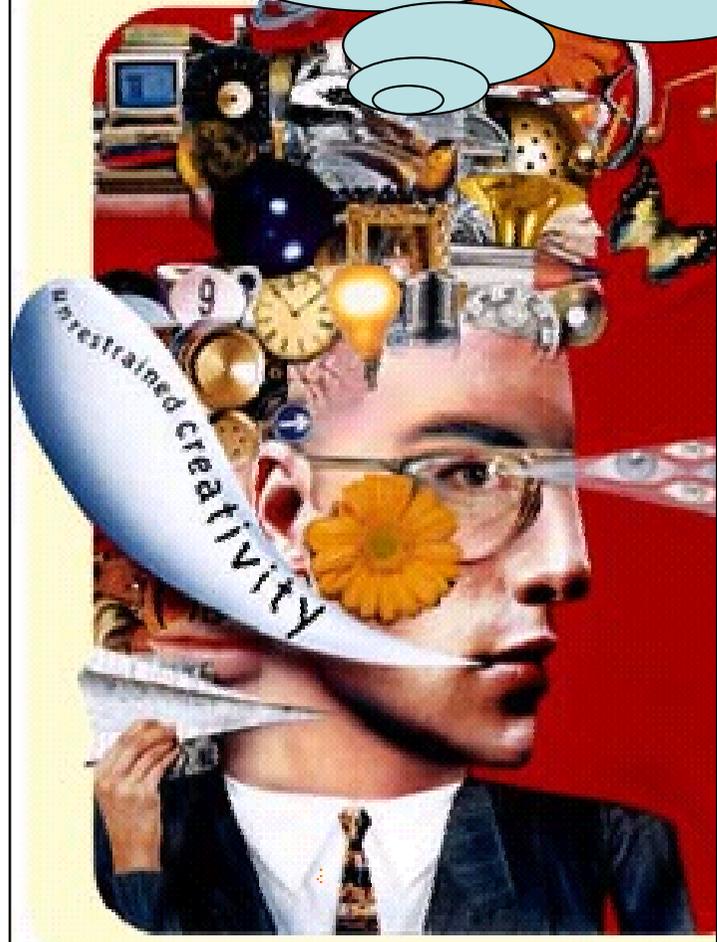
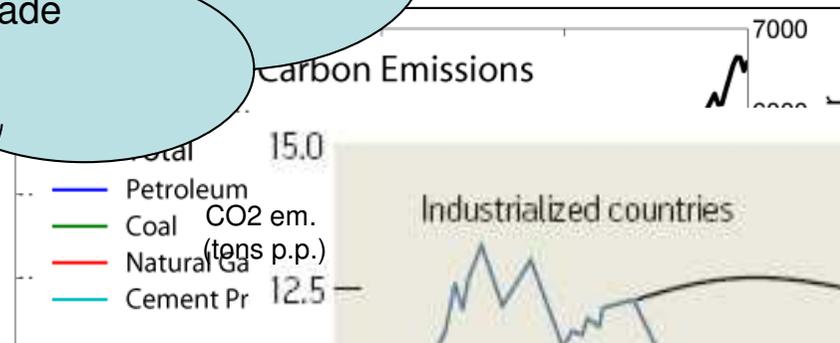
- o ISO 26000 + ISO26000: >1 million hits on Google
- o Many companies face the pressure
- o Consultancy business growing fast
- o Common language and references are created



ISO26000 does not transcend the Western development paradigm:

- Growth => Happiness
- Non-sustainable growth
- De-development through unequal trade regimes as result of destructive freemarkets.
- A next step is needed!

Biggest weakness...

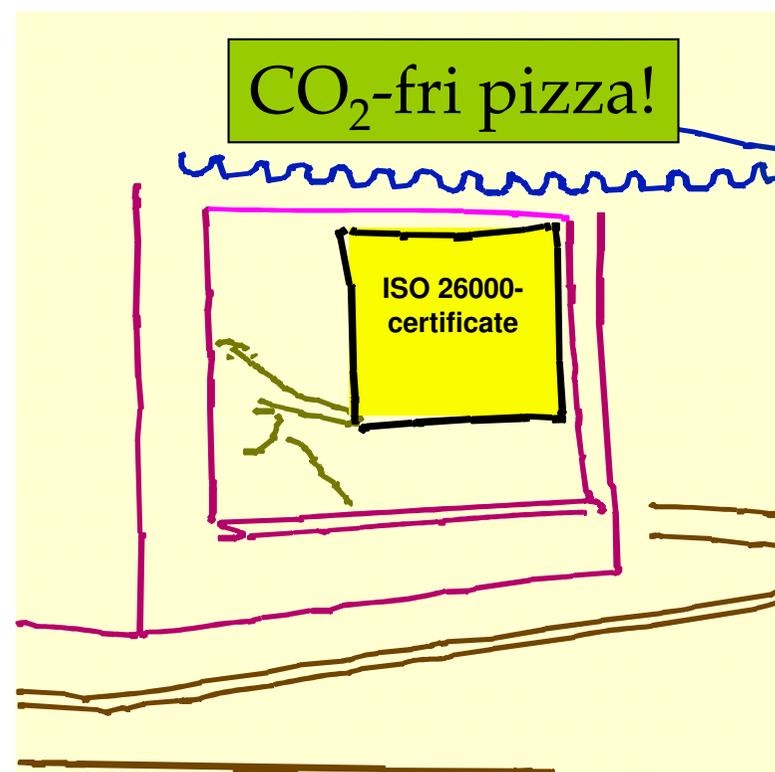


But will it help?

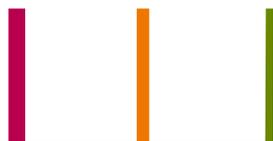
- Yes and No:
 - Strategies for narrowing the gap without doing anything real will continue
 - ISO26000 might be a stronger tool to force about real change
 - Which force – CSR washing or real change – will be the stronger?
 - Will depend on the circumstances, not on ISO26000, e.g. external pressure and internal management culture
 - A game of internalization of what the organisation's purpose and incentives tempts you to externalize
 - This goes for all kinds of organisations



Thank you for your attention!



einar.flydal@telenor.com





PS. Norsk deltakelse

Delegates – Norway (may vary):

- Government: Jacob Boman-Larsen, BLD
- NGOs: Victoria Thoresen, HiH
- Business: Einar Flydal, Telenor GBDR, (chair)
- Consultants, research, standards institutes:
Eli Bleie-Munkelien, DnV,
Elisabet Bøe, consultant,
Anne Kristoffersen,
Standard Norge (secretary)

www.standardnorge.no/ISO26000

The Norwegian Mirror Committee for ISO 26000 (short list)

- Arbeidstilsynet
- Barne- og likestillingsdepartementet, BLD
- Bedriftsøkonomisk institutt, BI
- Finansnæringens hovedorganisasjon, FNH
- Forbrukerombudet
- Forbrukerrådet
- Fringilla AS
- Handels- og serviceorganisasjonenes hovedorganisasjon, HSH
- Hydro
- Høgskolen i Hedmark
- Initiativ for etisk handel
- Iris Research
- KPMG
- KS bedrift
- NORAD
- Næringslivets hovedorganisasjon, NHO
- Peterson AS
- Roll-Royce Marine
- Universitetet i Stavanger, UiS
- Statens Institutt for forbruksforskning, SIFO
- StatoilHydro
- Storebrand
- Telenor ASA
- Utenriksdepartementet, UD
- UNIL
- Det Norske Veritas
- some personal members (consultants)

