

Centre for Legal Research

Working Paper No. 3

Business and Society Partnership Roundtable on 'Leadership and Values'

8 June 2012

"What is left in the concept of corporate social responsibility is responsibility".

Catherine Correia (Burgess Salmon)

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EXECUTIVE SUMMARY:

Within the world of CSR, increasing importance is attached not only to the areas within which good, socially responsible governance is to take place but attention is also paid to those who are at the front of proposing and / or implementing initiatives that promote socially responsible behaviour. Visionary leadership, however, requires a credible basis from which to start; thus, the values on which leadership builds need to be clear, accessible and transparent.

This roundtable determined that **LEADERSHIP** revolves around three key aspects: **style**, the **ability to influence** and leadership that is **value-based**. As a skilful **strategist** a leader is visible, has the necessary integrity to **walk the talk** and thus **acts from the front**. In order to effect change, a leader must **create a set of standards** that he/she/it is able to implement by using his/her/its **communication skills**. But a leader also needs to show that his/her/its belief in the standards is strong enough to withstand criticism to the point where he/she/it accepts **accountability** for their implementation. In order to foster the standards, a leader is aware of his/her/its position within the wider society and gives back by way of **philanthropy**. Finally, **values** underpin a leader's path. Thus, his/her/its values are **credible**, set in a clear and consistent **framework** that unambiguously communicates the **big idea**.

VALUES, too, were identified around three key factors, **dynamism**, **compromise** and **enforceability**. They are harder to define as the link between the **vision** and the **values of the leader** can be a very personal and **subjective** one. It became clear, however, that values need to be **independent from commercial or financial targets**. While there is certainly a set of core values, on the whole values are, indeed need to be, **dynamic** while being supported by **mechanisms** that continuously review and improve these. No progress is possible without **compromise** and a clear line is to be drawn between **negotiable and non-negotiable values**. The goals to be achieved, especially in times of increasing **financial pressure**, need to be **realistic**. To nonetheless provide values with 'teeth' there are some measures of **enforceability** where values have become **legally binding norms**. However, there are other means by which values can be communicated and enforced. The **media** have a strong role to play as does **competition between companies**. Finally, **investor power** must never be underestimated.

Clearly, neither leadership nor values are easy to define or, indeed, measure. Nonetheless, while leadership and values do not exist in isolation and are not mutually exclusive concepts, there is room for compromise where the achievement of *some* rather than *all* goals is seen as acceptable.

INTRODUCTION:

The [Business and Society Partnership](#) (BSP) was launched in November 2011 as part of an initiative to provide stakeholders located mainly in the South-West with a platform for deliberation and exchange. Through events set up by the BSP and subsequent reports it is hoped that matters affecting and of concern to stakeholders in the area of what is commonly termed ‘Corporate Social Responsibility’ will not only be disseminated but will also be brought to the attention of policy makers. Participating stakeholders have the opportunity to learn from each other and thus make known good practice, suggest changes to policy and matters of implementation.

On 21 November 2011, more than fifty members of the BSP took part in initial meeting to set the agenda for the roundtable series at the University of the West of England. It was agreed upon that two roundtables, one on ‘Leadership and Values’ and another on ‘Governance and Impact’ would be held in June and September of 2012 respectively.

The BSP held its first roundtable on ‘Leadership and Values’ on 8 June 2012. In preparation, the roundtable’s 12 participants (Annex I) were sent some introductory material (Annex II), including a summary of MEP Richard Howitt’s [Parliamentary report on CSR](#) (Annex III).

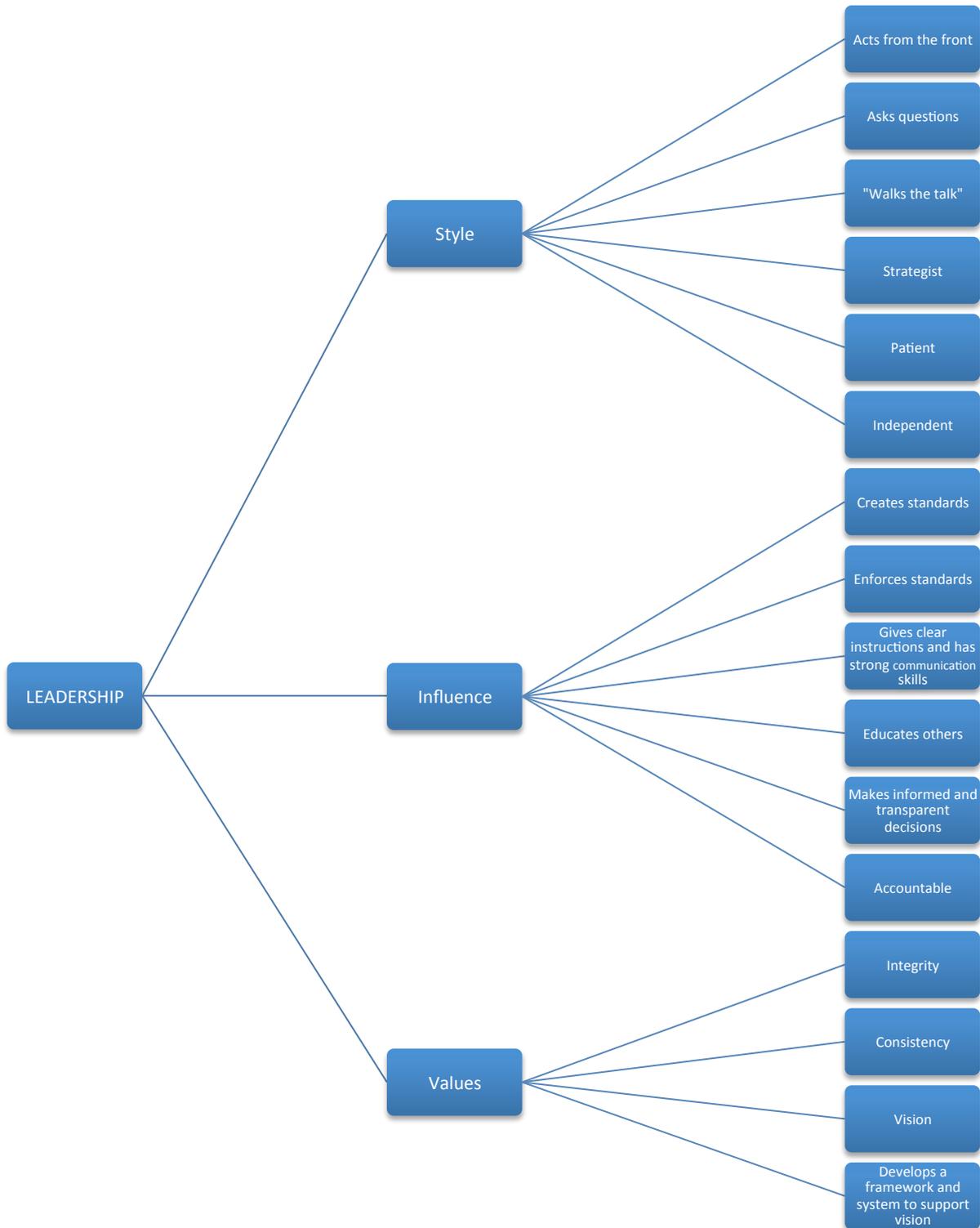
Duncan Hames, the invited guest speaker and MP for Chippenham, started off by emphasising that CSR requires concerted action and an integrative as opposed to a compartmentalised approach. Thus, personal values can, and should, translate into professional life to ensure that a leader’s fiduciary role is infused with the necessary integrity. Where only ‘corporate’ values are communicated, a sense of alienation sets in. More recently, the discussion in the corporate context has thus focused on the ‘shareholder spring’. While possession is an entitlement, ownership comes with responsibilities. Hence, the right-to-request model to develop involvement and enable shareholders to take more control finds increasing support; although the question needs to be asked: Do shareholders want the responsibility that comes with ownership? So far, the decoupling of responsibility from ownership has led to laziness that asks others to realise ‘our’ values. A good leader surely has the ability to encourage participation by empowering others to contribute, although this needs to be examined in the light of whether or in how far it affects leadership as a multitude of views might lead to the adoption of the lowest common denominator.

The discussion which this report records, rather than providing an exact transcript of the proceedings, has been structured to reflect the key aspects raised and discussed at the roundtable.

It should be noted that the examples referred to by participants throughout this report are purely for illustrative purposes and are not meant to endorse, either in their individual or their professional capacities, these unequivocally.

LEADERSHIP:

On the question of who a leader is or, indeed, what a leader is meant to represent, the roundtable identified that a leader can be both a person (e.g. Richard Branson) or a corporation. While the discussions relating to leadership were wide-ranging, the diagram below illustrates the key aspects addressed at the roundtable, which may be divided into three main themes: style, influence and values.



Style

From the perspective of style, leadership is defined as a series of acts that must come **from the front** (Corinne Thomas). For example, as big corporations have a range and number of clients and suppliers, such corporations ought to ask questions about what those businesses are doing in relation to corporate social responsibility (Corinne Thomas).

In particular the willingness to “**walk the talk**” is underlined as one of the main attributes of a leader. The leader is willing to stand up and be counted (Kirsty Mann) and to make a difference (Karen Cook). To fulfil this role, the leader needs to exhibit patience and the ability to listen to others. Yet, the decisions he/she/it takes are not necessarily based on what is wanted; a leader does not necessarily follow the public opinion (Duncan Hames).

Moreover, a leader is a **strategist** who is able to understand the various stakeholders (e.g. shareholders, the Government, other companies) and analyse the context and the system, which allows him/her to reach an informed decision. It is this specific ability and responsibility to take decisions that distinguishes the leader from others. In some instances, leaders have to compromise, be brave and maybe make a tough decision. For example, Karen Cook referred to the difficult choices to be made when considering the allocation of public funds. Thus, those in leadership positions face decisions whether to spend public money on buying disposable instruments that would significantly reduce the number of people contracting contagious diseases in hospitals whilst fully aware that this money could likewise finance three years of cancer research and perhaps save lives.

“Leadership is an art,
not a science.”

Ian Roderick
(Schumacher Institute)

Yet, leaders are not born ready-made. Rather, a leader has to develop the “art of leadership”. After all, leadership is not a science (Ian Roderick). In the specific context of leadership in corporations, the fiduciary role of the leader is of paramount importance as this role constrains the way a person

can lead a company, similar to the way in which democracy constrains an elected representative (Duncan Hames).

Ability to influence

One of the key elements of leadership is undoubtedly the ability to influence others, be they employees, shareholders, suppliers, Government, other companies, etc. (Catherine Correia). For example, big corporations wield the power to create opportunities for smaller businesses and thus influence them (Christine Lloyd). The leader **creates a set of standards** which he/she/it aims at enforcing and is able to enforce. Indeed, the leader has the ability to change the mindset (Catherine Correia). Leading companies can encourage and ultimately force others to follow suit. At the same time, it must be acknowledged that a leader may wish to proceed but is constrained by circumstances beyond his control. Simon Barfoot used the

example of existing contracts with larger organisations, which increase the difficulty of small and medium-sized enterprises entering a new market and thus hamper, in the short term, the overall implementation of more progressive systems and procedures.

In Bristol, as elsewhere, companies put pressure on other companies to make changes (Christine Lloyd). This ability to influence is made possible by the fact that companies like to compare to each other and thus join groups that are launched by leading companies. For example Burges Salmon, as a major law firm, was keen on joining an initiative on fair access to work (Catherine Correia).

“Cascading values.”
Karen Cook
(Lloyds TSB Commercial)

What is more, the leader is able to educate others and, following a transparent decision-making process (Karen Lloyd), gives clear instructions that can be easily understood and adhered to (Simon Barfoot). His/her/its **communication skills** are excellent.

Yet, the leader is also **accountable** and knows that his/her/its power to influence certain challenges. To what extent, e.g., do employees apply the values espoused? (Charlotte Challis) After all a leader needs followers who “buy into” his/her/its ideas, initiatives, etc. (Ruth Merrett). The more responsibility is shared the higher the satisfaction rate. Thus, examples like employee-owned businesses (John Lewis model) often have higher staff retention, less absenteeism and overall better motivation, which fosters resilience, stability and security (Duncan Hames). Yet, this change to employee-ownership can present its own difficulties, such as affecting the change in a business’s mandate. Also, if the followers are pushed too far, they might reassess their position and the leader might lose his/her/its leadership (Duncan Hames). Indeed, followers have their own momentum and might stray away at some stage (Ian Roderick).

Keeping a leadership position is sometimes difficult. For example, it was stressed that grass root businesses launched niche initiatives based on ethical ideas, especially relating to the

“Hopping on the bandwagon to join the green-washing momentum.”

protection of the environment and the concept of sustainability, thereby leading a green movement that has now become mainstream. Presently, these businesses that had a cutting edge are being pushed out by mainstream competition as big companies are selling themselves as “green leaders” keen on joining the “green-washing” momentum (Christine

Lloyd, Simon Barfoot and Karen Cook), and are able to do so usually thanks to good public relations departments that expertly communicate the “green” element of their policies (Ruth Merrett). To avoid a situation where smaller enterprises that spread ethical ideas are pushed aside by bigger companies once a niche issue becomes mainstream, smaller businesses need

to brand themselves as providers of expert advice in the field and thereby continue their leadership (Duncan Hames).

It was highlighted that sometimes individuals and companies use their powers to do charitable **philanthropy** work with the Bill and Melinda Gates Foundation being an example of the former (Christine Lloyd). Whilst corporate social responsibility is not a goal for businesses – after all, it not possible to give 100% to charity (Simon Barfoot) – some of the money made by the business is invested in corporate social responsibility initiatives. The perceived dangers addressed were firstly the creation of dependency on ‘hand-outs’ and second increased cynicism as to the motive of such initiatives such as the Fairtrade logo.

Value-based leadership

The participants clearly favoured a value-based leadership. Integrity and consistency are the two main characteristics of a good leader. Indeed the leader’s values should transpire his/her/its entire life, be it personal or professional. Thanks to these two features the leader is **credible** and thus attracts followers.

An example that was mentioned is Danone’s vision of “delivering health through nutrition to as many people as possible”. Whilst this was perceived to be credible, a similar message spread by Coca Cola would unlikely be taken seriously (Karen Cook). Thus, if the mission statement is not credible, the customers will not buy into the product and the related values (Karen Cook).

“Leadership needs to be systemic.”
Corinne Thomas
(Business Unusual)

The leader’s values form a **framework**, a system which the leader not only creates but which also guides him/her/it in achieving his/her/its vision (Christine Lloyd). It is crucial that the leader has a vision, projects this vision, is able to hold this vision against adversary, (Christine Lloyd) and is aware of the multifaceted ways to achieve his/her/its vision (Karen Lloyd) while knowing and showing humility.

The participants debated at great length what the **big idea**, the wider remit, of a leader is. Suggestions included: providing opportunities such as apprenticeships at a time of massive youth unemployment (Christine Lloyd), sustainable life (Christine Lloyd), values that are linked to one’s country such as the idea of “Englishness” or the “American dream” (Christine Lloyd), happiness (Ruth Merrett; Charlotte Challis), the responsibility to continue life (Corinne Thomas), etc. Although these are aspects that are beyond precise measurement and thus their impact is hard to establish, their relevance should not be underestimated. Reference was made to the charity sector where aims are clearly set and the particular values are measured against the change achieved (Corinne Thomas). Inroads are being made

nonetheless with the use of ‘balanced scorecards’ or the ‘agile triangle’ being examples (Karen Cook).

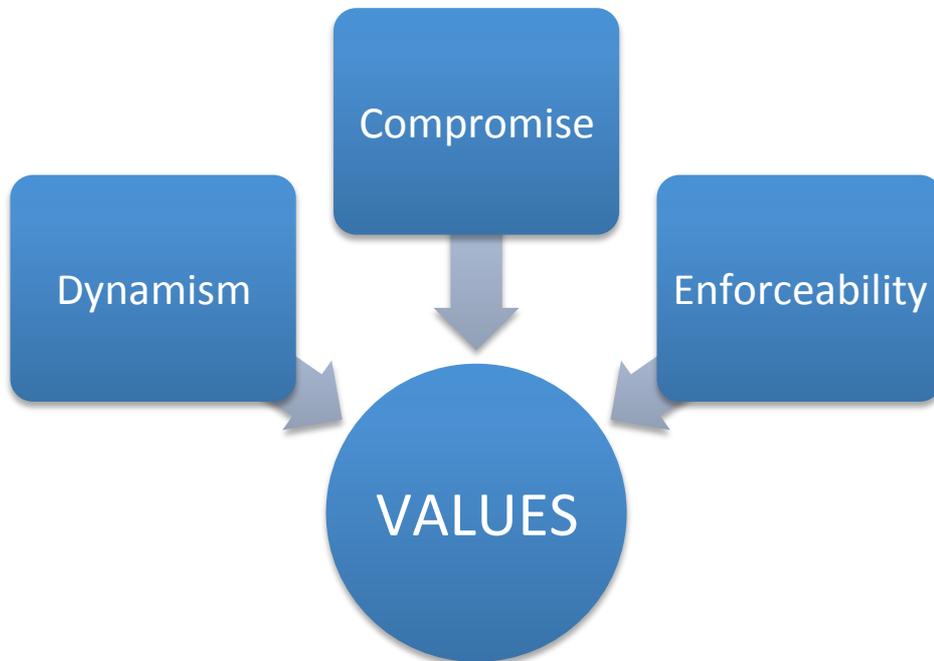
“We are at a tipping point.”

A number of participants stressed that we might be at a tipping point where value-based leadership is being appreciated and rewarded. For example, it appears that some States in the US have passed new legislation to allow business to be founded on goals that are not commercial but social in outlook (Monique

Bianchi). It is also reported that values-led banks are generally doing better despite the economic recession, for example the Triodos Bank (Corinne Thomas). Do these positive examples mean that legislation is needed for accountability purposes (Catherine Correia)? Most likely the answer is no as this might lead to an agreement that merely reflects the lowest common denominator (Karen Cook).

VALUES:

The discussion on values centred upon the definition of values, the fact that values are dynamic and flexible, the need for compromise and the way values are enforced.



Definition

The definition of values is undoubtedly problematic. Often, it is said that companies have to do the “right” thing but who is to say what values are the *right* values? Whether there is a need to create an overarching moral code, a code that suits and potentially fits all, was discussed. Most participants agreed that human rights are universal values and thus constitute this moral code. It was also pointed out that many values find their basis in religion (Catherine Correia). The right to food, to health, to life and the principle of equality were mentioned as the main rights we could agree on (Monique Bianchi), although it was emphasised that all these rights can be limited, notably by a process of balancing competing rights (Karen Lloyd).

“Values have to serve a higher purpose.”

Karen Cook
(Lloyds TSB Commercial)

The link between the **vision** and the **values of the leader** must be stressed. The values indeed serve a higher purpose (Karen Cook). Thus it is important to bear in mind the nature and purpose of a company (Simon Barfoot). Values can be linked to a specific person (e.g.

Richard Branson) or be embedded in the company via a written code or within the corporate culture (Christine Lloyd).

Values need to be voluntary because if they are forced upon they are too constrained and thus

“Values are drivers of behavioural change.”

rejected. After all, a company that sells values besides goods and services brings an added value to the community at large. This may explain why the call to action has mostly centred on voluntary initiatives. In this regard, interested parties find a quick way to register their positive participation in society. More than that: they can show that they go beyond

what is mandated. Yet, there is more than pure altruism to this as positive action may lead to rewards. Although the voluntary aspect has been criticised for allowing members to sign up and then ‘forget about it’, these initiatives are a good place to start.

Discussants also agreed that values are **independent from commercial or financial targets** and thus the work of staff members in corporate social responsibility departments should not be linked to such targets (Ruth Merrett). Yet, it is difficult to dissociate the two goals, that of acting responsibly and that of hitting commercial and financial targets as the end game is the same: ensuring growth (Charlotte Challis) and making the business profitable (Ruth Merrett and Karen Cook). As highlighted by a participant (Kirsty Mann) the difference relates to the time scale given to show that the targets have been reached. Whereas values are those that go beyond what is mandated, standards are usually enshrined in codes of conduct.

Dynamism

Values are highly **dynamic** and to a certain extent **subjective**, as they shift in time (Ian Roderick) and place, as well as vary from person to person. A commonly accepted set of values may even find itself challenged in extraordinary circumstances, e.g. in the event of a natural disaster (Ian Roderick).

“Fundamental values are challenged when you think of natural disasters.”

Ian Roderick
(Schumacher Institute)

Moreover, values are found at various levels of application: local, regional, national and international. Applied to business-related activities, it is clear that values are also different at governmental level (e.g. in relation to procurement contracts), business level (e.g. the values of the employees of the company) and individual level (the values of the customers). Therefore values do not always coincide. In fact there is an on-going competition between values and ideas. The ultimate test for the values to be legitimised is the public acceptance test (Duncan Hames). Clearly not all values

are exclusive and there is some merit in being able to pull values together in a coherent framework (Duncan Hames).

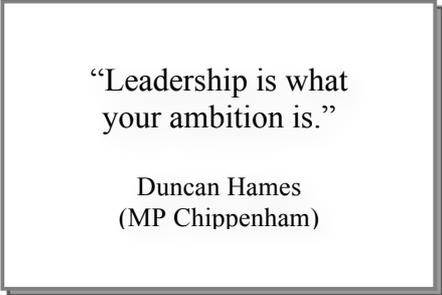
Values are constantly redefined but they also redefine business: they **create dynamism** (Ian Roderick). Companies are thus encouraged to redefine their goals, often to draft them in a language that refers to them providing well-being to the general population and making others feel better (Ian Roderick). For example, Lloyds TSB has undergone major changes in the past few years, integrating now different values besides the more classical values of e.g. employability. It now fully embraces the principles of sustainable development and community involvement (Karen Cook).

Due to these dynamics it is imperative that there are **mechanisms** that continuously review and improve values (accountability mechanisms and debate) and principles that help to do so (the principle of transparency) (Ian Roderick). Transparency in relation to the visibility of such values is specifically necessary to ensure that a continuous debate is held and values are thus revised. Transparency is demanded by law from government-related companies and it should also be from other companies. Accountability mechanisms further assist in reviewing the validity of values. For example, the NGO *Transparency International* is enormously involved in these processes of safeguarding transparency, debating values and ensuring accountability (Ian Roderick).

Compromise

As it seems a difficult task to always follow one's values, a part of the discussion focused on the issue of compromise. Following a process of selection, there appears to be **negotiable and non-negotiable values**. Whereas it is possible to compromise on the former it is not on the latter (Karen Cook). Most participants agreed that it is not possible to act against one's core values. However, some participants identified circumstances, especially personal circumstances, when one's core values might be pushed aside (Kirsty Mann).

What is important is that when compromising, one needs to be **realistic** as to what he/she can achieve, though bearing in mind that it is important to add value (especially in a business context). A good leader knows that he/she/it has to compromise to reach his/her/its vision (Ian Roderick) although this can present a moral dilemma when faced with the question whether one would sacrifice one's values to attain a position of leadership (Christine Lloyd). While there is certainly a potential for 'moral corruption', leadership and values are not mutually exclusive and there is no need to sacrifice one for the other. Being mindful of ulterior motives, a leader will realise that whatever compromise is made, it is not to be made for self-serving purposes but with a higher (public) purpose in mind (Duncan Hames). It may thus be acceptable to achieve *some* rather than *all* goals. The



“Leadership is what
your ambition is.”

Duncan Hames
(MP Chippenham)

analogy to a game of football was drawn in which only collaboration and the subsuming of one's personal ambitions to the greater goal can lead to a score.

Presently, it is also a fair concern to ask whether the **financial pressure** is working against values (Duncan Hames). Doing the “right” thing costs money. It is very difficult to “do corporate social responsibility without profit” as profit always comes first. Indeed in this period of economic recession and budget constraints, many participants acknowledge that a number of companies and councils (especially when granting procurement contracts) are cutting corners when it comes to values. Moreover, customers may not be able to afford buying products that are ethically traded. The customer thus wonders whether he/she can afford to care (Simon Barfoot).

Enforceability

While some values have become standards, and in some instances **legally binding norms**, other values have not attained this level of enforceability yet. The example of procurement contracts was widely used by the participants to illustrate this situation.

Sustainability and the protection of the environment (environment efficiency and carbon footprint) are already criteria taken into account when the Government spends its money. Further, it should be noted that whilst some standards are mandatory for some categories, other groups are only encouraged to abide by such standards and, yet, despite being only encouraged they go, in some instances, even beyond such standards. An example of such good practice is the application of the food standards at the Great Western Hospital in Swindon (Duncan Hames). Whilst it was agreed that some procurement criteria should include certain values (e.g. where the work forces are drawn from, the impact on the population that is going to be served, gender balance in the boardroom), the issue of how values can be best embedded in procurement decisions was also raised. Thus, besides judicial mechanisms – which are available when values are transformed into legal norms – there is a range of accountability mechanisms.

“There is a wide range of accountability mechanisms, not just judicial ones.”

“The question is: can I afford to care?”

Simon Barfoot
(Blackmore Computers Ltd)

For example, the **media** plays the role of a watchdog. The example of the BBC's *Panorama* programme was used to illustrate how the media can raise corporate social responsibility issues (e.g. Primark) (Ruth Merrett) and thus increase the power of the customers when deciding whether or not to buy certain products, thereby indirectly leading to corporate changes (Catherine Correia). The

customer has the choice to buy (or not) a specific product; yet, again his/her power is constraint by his/her budget (Simon Barfoot) especially as corporate social responsibility

compliant products are often more expensive. However, it was pointed out that the media sometimes sensationalises certain issues as not all the information is disclosed. Thus, media information needs to be taken with a pinch of salt (Karen Cook).

Another powerful accountability or, more precisely, pressure mechanism to enforce values is the **competition between companies** that wish to be seen to “do good”. There is an increasing pressure on companies to be part of a club, i.e. to join various corporate social responsibility initiatives. Thus businesses as a group play a major role in enforcing values (Ian Roderick). After all, these initiatives often include accountability and reporting mechanisms and those companies that do not meet the requirements can be excluded from the group. Whilst the Government is supporting such voluntary initiatives (e.g. [“going forward with good governance”](#), [“women on board”](#)), some participants raised the issue whether the Government should not go a step further and promulgate legislation to

“Do we need legislation to ensure accountability?”
Catherine Correia
(Burgess Salmon)

oblige corporations to abide by certain standards (Corinne Thomas). It was argued that owing to the flexibility of and speed at which such voluntary mechanisms are established they seem to be the starting point of a wider and deeper integration of corporate social responsibility issues in corporate behaviour. These initiatives set the basis for maybe more rigid mechanisms. Moreover, they may develop their own momentum in the sense that companies are likely to acknowledge that corporate social responsibility is part of doing good business and eventually, if such an approach does not work then the government can adopt another method to embed values into business activities (Duncan Hames).

The power of the pound in the pocket should not be dismissed either (Duncan Hames). Whilst the customers might, as previously mentioned, be a force, potential investors and shareholders are also in a position to monitor corporations. For example, individuals and groups might wish not to **invest** in certain business and as the word spreads other individuals may either withdraw their shares from some businesses or refuse to invest in certain businesses (Duncan Hames). The power of investors should not be underestimated.

Clearly, this first roundtable has given much food for thought. There is certainly no need to reinvent the wheel but with these findings, and the second report following the roundtable in September on ‘Governance and Impact’, it is hoped that the idea behind the BSP to provide a common framework of principles to work within and to create a ‘good practice’ guide can be fulfilled.

ANNEX I

PARTICIPANTS:

Mr Simon Barfoot (Blackmore Computers Ltd)

Ms Monique Bianchi (TwentyFifty)

Ms Charlotte Challis (Verco Global)

Ms Kay Clark (Forest Fuels)

Ms Karen Cook (Lloyds TSB Commercial)

Ms Catherine Correia (Burgess Salmon)

Ms Christine Lloyd (Urbane Eco Ltd)

Ms Karen Lloyd (Independent Consultant)

Ms Kirsty Mann (Imperial Tobacco)

Ms Ruth Merrett (Intel)

Mr Ian Roderick (Schumacher Institute)

Ms Corinne Thomas (Business Unusual)

Guest speaker:

Mr Duncan Hames, MP for Chippenham (Liberal Democrats)

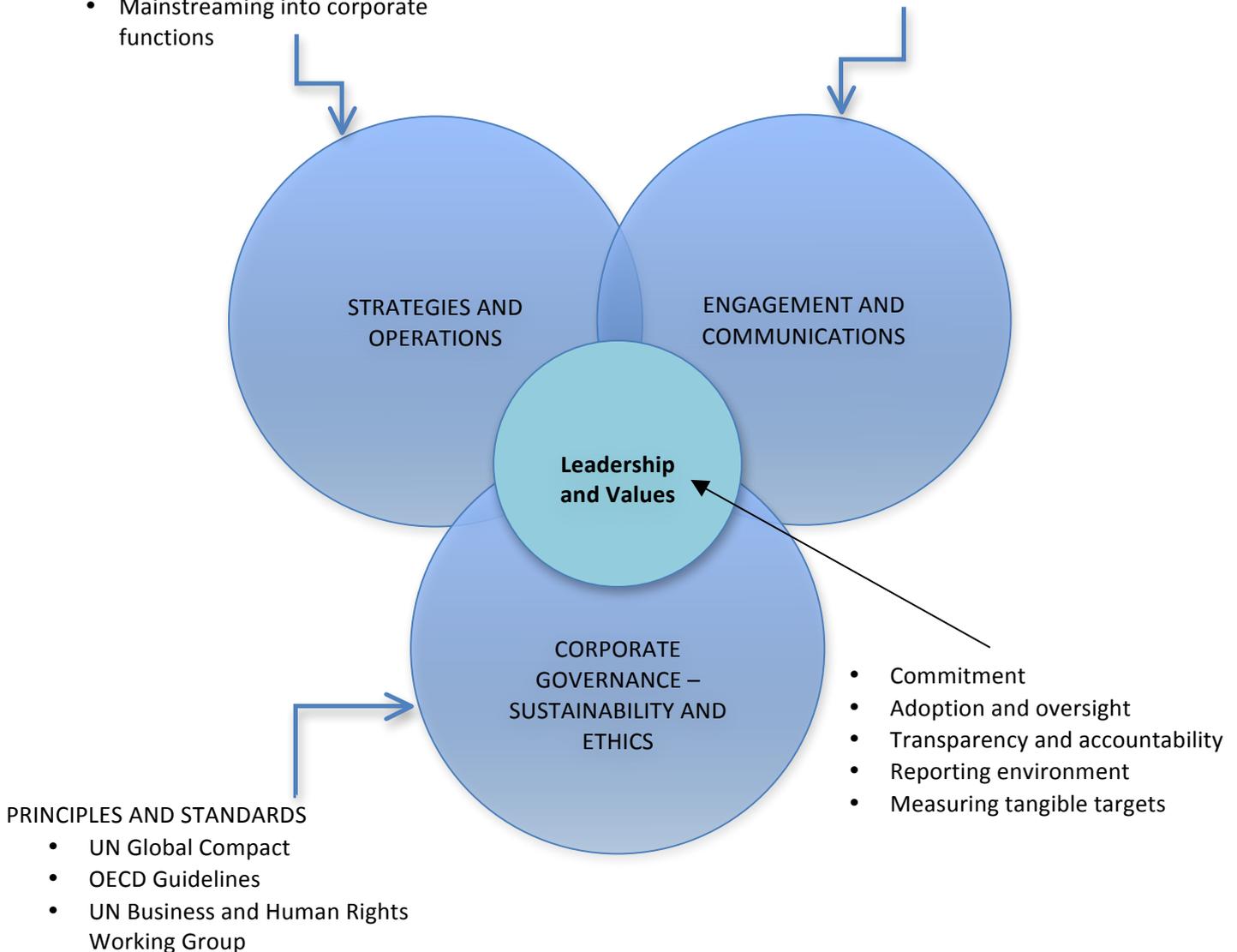
ANNEX II

IMPLEMENTATION

- Supply chains
- Company policies/mission statements
- Management policies, procedures and systems
- Mainstreaming into corporate functions

CONVEYING A MESSAGE

- Social investments and philanthropy
- Advocacy and public policy engagement
- Partnerships and collective action



UK Perspectives on CSR – Leadership and Values

Introduction

The UK Government, local authorities and stakeholders have questioned what role businesses should play in communities. This was a question, which led to the appointment of the Council for Excellence in Management and Leadership in April 2000 by the Secretary for Education and Employment in conjunction with the Secretary of State for Trade and Industry.

The objective of the Council was to enhance and promote better management and leadership in the British economy.

The Council published a number of reports on leadership and related values. The summary of the UK-based reports in relation to leadership and values (the topic of Roundtable 1) can be found below.

Leadership and Values in the UK

In the reports, it is emphasised that leadership is distinct from management, although the two are not mutually exclusive concepts. Leaders can be managers and vice versa, but on the other hand not all managers are leaders.

While managers tend to “manage” and “react” to issues that may arise or respond, fix and respond to problems, leaders are seen to be visionaries, with strong morals and sense of integrity, who challenge the “status quo”. It is often cited that leaders are the ones who can generate value for an organisation, due to their ability to engage employees, consumers and investors. In that regard, effective leadership can optimise organisational performance and ensure that values are both implemented and respected within the corporate culture.

Strategic imperatives needed for leadership and value development:

- Drive and commitment – If management are not involved and dedicated to the values, then it is unlikely to be successfully completed and therefore not worthwhile starting
- Values and leadership support the strategy and operations of the organisation
- Alignment to the culture of the organisation
- Explicit and shared approach to evaluation

Implementation

- Responsible decision-making
- Operational planning
- Information management
- Resource management
- Project management
- Continuous process improvement

Potential outcomes of effective leadership and values:

- Increased productivity
- Enhanced motivation
- Improved innovation
- Customer satisfaction
- Shareholder value
- Employee satisfaction

It should be noted, however, that reviewing outcomes and strategy implementation is not always possible, as changes can be made to aspects of an organisation without being tangibly measurable. Such factors include motivation, innovation and ideas, willingness for staff to come forward to ideas, reaction to feedback (internal and external). These factors may potentially be reviewed via in-house surveys and questionnaires.

Alternatively, external initiatives and awards, such as “Investors in People” also involve such surveys to evaluate performance and corporate culture. These awards also serve to highlight the company’s good practice (through publicity and displays on websites, letterheads and other means). Displaying the awards may have the potential to attract new talent and attention to the organisation, however, there have been few studies and statistics on the topic.

ANNEX III

Richard Howitt – Parliamentary Report on CSR (extracts)

Introduction

Corporate social responsibility (CSR) has long been recognised as a central theme to the development and strategy of the European Union (EU), in which the EU aims to mitigate the negative societal impacts that companies may have. At the same time, the positive initiatives that businesses are engaged in should be supported and enhanced in order to create “shared value” for investors, consumers and other stakeholders.

The European Parliament appointed Richard Howitt as the Rapporteur on CSR. Accordingly he advises and provides feedback on reports (including green and white papers) and related initiatives.

In 2002, Howitt submitted a report evaluating the European Commission’s ‘Green Paper on Promoting a European Framework for Corporate Social Responsibility’. In 2006, the ‘Report on CSR: A New Partnership’ and ‘Briefing Paper on the Commission Communication on CSR’ were submitted.

[Green Paper on Promoting a European Framework for Corporate Social Responsibility \(2002\)](#)

For the European Union to be a “leader” in the field of CSR, coherence and harmony between stakeholder groups – government, businesses and stakeholders is imperative. In the report, it is emphasised that:

- CSR goes beyond voluntarism owing to the existence of international law on the subject. Companies *have* to contribute to “a better society and cleaner environment”, not that companies *should* contribute.
- CSR applies to *all* companies. This includes listed, public, private, multinational, small and medium-sized organisations.
- CSR is not an “extra add-on” but should form the core “mainstream” facet of business operations.
- While having a code of conduct is encouraged, implementation through effective leadership and management is equally important, so that the organisation’s actions matches its values.
- Social dialogue with civil society should be fostered to promote interaction between the corporate, public and non-profit sectors.

[Report on CSR: A New Partnership \(2006\)](#)

Given the heightened scrutiny companies have faced in recent years due to increased negative media attention, the risk of reputational damage is a reality for all organisations – large, medium or small. Richard Howitt asserted that businesses have a direct responsibility to manage their social and environmental impacts in order increase accountability, not only to their own employees but also to “investors, consumers, local communities and other interests groups”.

Key points are:

- There is no “one size fits all” approach to CSR.

- CSR should be comprehensive. Corporate accountability and governance, as well as sustainability are complementary facets of CSR. There should be no distinction or division between these issues.
- CSR can add value by enhancing competitive advantage or “responsible competitiveness”. It is an important business driver because it may be used as a means to attract potential investors and consumers, as well as retain and recruit talented employees.
- CSR can be used as an additional tool to manage industrial and organisational change. It is suggested that value can be added by:
 - Respect for equality and social inclusion
 - Sustainable development
 - Improving working conditions and workers’ rights
 - Developing and implementing social policies
 - Compliance with law (national – UK, EU and international standards).

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