

Step 1

Identifying the triggers

Focus

In this chapter, we look at how a combination of changes in the external environment and heightened expectations from stakeholders cause triggers that impact business. We also look at how these triggers can pave the way for a revision of business strategies and operational practices.

Applying Step 1

In Part II — the worked example of the seven steps — the completed process forms show how, by applying appropriate tools and techniques selected from Step 1, the following outputs are produced (pages 272ff.)

- Identification of potential triggers caused by CSR factors in the external environment
- Identification of potential triggers prompted by stakeholders
- An assessment of the likely impact of these triggers on the business

NIKE NOW HAS STRINGENT REQUIREMENTS ABOUT PAY AND working conditions in its suppliers' third-world factories. It has invested heavily in verification systems to ensure that these conditions are being met. This came about because of highly publicised NGO (non-governmental organisation) and media campaigns about the poor conditions in suppliers' factories. Shell is now committed to sustainable development and to triple-bottom-line reporting against environmental and social as well as business performance. These are now integral to Shell's business principles and strategy. Shell's commitments were the result of an intense, worldwide examination, led by top management, of the changing expectations that stakeholders had of a global business such as Shell. This examination was prompted by the Greenpeace-led campaign against the company's plans to dispose of the Brent Spar platform in the North Sea which generated media and political pressure, as well as criticism of a perceived low-level response to the execution of Nigerian activist Ken Sara-Wiwa; and — probably most significantly — to Shell employees consequently expressing concerns about the company's values and behaviour. The world-famous De Beers diamond house supported an industry-wide 'mine to finger' certification system — now known as the Kimberley Process — to answer a media and NGO campaign against 'blood diamonds', which alleged that income from diamond mining was being siphoned off to finance bloody civil wars in Africa: allegations which, if allowed to fester, might have threatened consumer demand for diamonds (see Step 2, page 99).

► Understanding triggers

All of these high-profile and significant changes of corporate strategy were *triggered* by political, economic, social, technological and environmental changes — what we call 'global forces for change'; and by the resulting heightened expectations of stakeholders about corporate behaviour. For every high-profile example, there are many more unpublicised changes in the strategies of individual businesses — such as the discovery by a small website design business of a new market niche in designing websites that would be accessible to blind and partially sighted users, which was *triggered* by one customer specifying that his new website had to be more widely accessible.

A trigger can act as a much-needed catalyst for stimulating internal discussion and debate about threats and opportunities in the market. More than that, a trigger can be the device whereby the win-win seven-step model kick-starts a company's journey from corporate social responsibility to corporate social opportunity.

Through the examples and evidence presented in this chapter we hope to:

- Encourage companies to take a wide-angle view of the forces at work in the external environment and concurrent changing stakeholder expectations
- Help business leaders to identify the resulting CSR-related factors in their industry and company

- Ask companies to consider the potential triggers in their company and industry and to estimate the impact these triggers may have on current and future business strategies

Before we look in more detail at the causes of triggers, the stakeholders involved and the impact of triggers, it is first useful to look at the various forms that triggers can take.

► Types of triggers

A trigger can take many forms. A trigger may be a threatened or actual consumer boycott, as in the Nike case. It could be an NGO or media campaign as with Greenpeace's campaign against Shell over Brent Spar; or De Beers and 'blood diamonds'. It might be pressure from a government such as a recent UK government request to the tobacco giant BAT to withdraw from operations in Burma (Myanmar) because of that country's abusive human rights record — a request that contributed to BAT's decision to eventually disinvest. A trigger may be prompted by the loss of key staff or customers — or, more positively, the result of proposals put forward by staff. Equally, a trigger may be a root-and-branch review instigated by a new CEO. It may be information gleaned from the process of due diligence during a merger or acquisition. For a new enterprise, it may be a very basic question about 'what's the way that we want to do business?' What are the values that the founders want to inculcate from the outset? Pohjoisranta is a small Finnish PR company we met at a Danish business conference. Pohjoisranta's founders were committed from the outset to an open-books policy; to a strong learning ethos for all staff; and to putting something back into the community through *pro bono* assignments. Other triggers might be a pollution or a health and safety incident; queries from investors; lawsuits from disgruntled employees over allegations of discrimination; a badly handled product recall; or the stimulus of another company's problems with poor environmental or social performance.

In the hurly burly of everyday business life, it is not surprising that these triggers are usually regarded as bad news. They expose problems, often require intensive and extensive management time to respond to and often cost money to rectify. But the price of ignoring triggers can be much higher. All of the examples given below can lead to one or more of the following: fines, boycotts, critical media coverage, disaffected staff and wary potential recruits, difficult questions from institutional investors, damaged reputation amongst consumers, loss of clients, more expensive insurance and capital, and damaged share price.

We suggest that rather than seeing triggers as risks to be managed in a climate of fear, they should be seen as timely early warning signs of potential systemic problems or issues that are or will be material to the performance of the business, which require thoughtful analysis rather than a knee-jerk reaction. As David Varney, chairman of mmO₂, told us, 'one of the skills of leadership is how quickly you can

pick up on the weak signals'. In this chapter, we hope to help the reader to learn how to do just that.

We can see that a complex array of forces causes triggers to happen. Developments in communications and technology, the ongoing globalisation of markets, shifts in demographics and shifts in values held by different publics — our 'global forces for change' — act both independently and interdependently to influence the business operating environment. One of many outcomes for business from these forces is a set of social, ethical and environmental factors that have repercussions for business — we call them 'CSR factors'.

These CSR factors may take many forms, such as an increase in the prominence of particular issues: how a business handles pollution and waste or how it treats its staff; whether diversity is not just accepted but expected; how a company interacts with the local community where it has a significant presence. Previously, some of these issues were referred to dismissively as 'soft management issues', but are rapidly becoming today's 'hard management issues' — hard to predict, hard to control and hard for the business to deal with when they go wrong.

CSR factors may also take the form of particular businesses processes that previously were regarded as marginal to effective management but that now have gained recognition as being fundamental to business performance. Here, we are referring to processes that ensure sound ethical business practice and good corporate governance systems and that embrace accountability and transparency.

The recent string of corporate scandals in the USA and Europe, where companies such as Enron WorldCom, Parmalat and Ahold have become associated with a culture of executive greed and poor management oversight, has caused a growing deficit of trust and have spurred a general climate of increased scrutiny, tighter rules and legislation. Whether emerging management issues or business processes, these CSR factors impact companies through events or incidents — what we call triggers.

In addition, a concurrent set of forces in the form of changing stakeholder expectations also lead to trigger events or incidents, ranging from boycott campaigns to investors voting on CSR-related issues at corporate annual general meetings. The interaction between a company and its stakeholders is now so critical to a business being able to fulfil its purpose and to achieve its corporate goals that the consideration of triggers specifically from the perspective of stakeholder expectations is a crucial additional filter for businesses.

In summary, triggers are a combination of events and incidents that impact business as a result of global forces for change and changing stakeholder expectations. Decisions taken in response to triggers can be tactical and short-term sticking plasters, or they can lay the foundations for a forward-thinking systemic change in operational behaviour or corporate strategy.

A positive approach in assessing the impact of triggers is necessary if a company wishes to turn the burden and obligation of managing corporate responsibilities into the benefits that typify the management of corporate social opportunities. What we are describing in this chapter, therefore, is what *could*, if used creatively, be triggers for systemic transformation — causing what we call a 'Brent Spar moment', the moment when a company reacts positively to a trigger.

► The ‘Brent Spar moment’

The ‘Brent Spar moment’ will vary from company to company and from sector to sector and may arrive at a different point for different people even in the same company. Take, for instance, the case of Shell International, from which we take our phrase the ‘Brent Spar moment’. In Shell, this moment may have occurred for some when they first saw pictures live on television of the Greenpeace protesters on the Brent Spar platform. For others, it may have occurred when the then German Chancellor, Helmut Kohl, entered the debate, criticising Shell and spurring a consumer boycott of Shell’s service stations; or when children of Shell employees in Germany were criticised at school because their parents worked for the company. For a few, the moment may have arrived only some 18 months later when they read the results of a global multi-stakeholder dialogue on the role of business which demonstrated heightened societal expectations of business behaviour.¹

What is unarguable is that at any given moment, somewhere on our planet, some shareholders will be asking critical questions of a company; some NGOs will be calling for a boycott of a company’s products or services; some consumers will be rewarding or punishing corporate behaviour of which they particularly approve or disapprove; some talented young graduates will be choosing which company to work for on the basis that they can identify more with the values of one business over another. Indeed, *all* of those things may be happening to *each* of the world’s largest companies somewhere every day.

Why do businesses respond to some of these triggers and not to others? Sometimes there is no choice: the investor, the customer, the newspaper or the politician raising the concerns may be just too powerful to ignore; the sheer volume of concerned voices cumulatively cannot be silenced; or the issue may be so high-profile and the potential fallout so great that there is no option but to respond. But those are the ‘no brainers’.

More often it is serendipity: the trigger is the result of a number of seemingly unconnected inputs. A manager reads some consumer reports, does a field-visit with one of the sales force, spots a couple of magazine articles in the trade press and then — all of a sudden — a pattern emerges, when he or she has a chance conversation with a stranger in the next seat on an aeroplane.

In his book, *The Tipping Point* — about how ideas and fashions take off — Malcolm Gladwell draws analogies with how viruses and diseases spread.² A key conclusion from the book is that ideas and fashions spread thanks to the existence of people whom Gladwell calls connectors, mavens and salespeople. Connectors naturally put people together all the time — it is second nature to them; *maven* is a Yiddish word for collectors and assemblers of information — people who able to make sense of it; and ‘salespeople’ are able to communicate that sense to others. Essentially, in this

- 1 For an insider’s account, see the then Chairman of Shell’s Committee of Managing Directors, Cor Herkströter’s speech, ‘Dealing with Contradictory Expectations: The Dilemmas Facing Multinationals’ (The Hague, 11 October 1996).
- 2 Malcolm Gladwell, *The Tipping Point: How Little Things Can Make a Big Difference, How Ideas and Fashions Spread* (Boston, MA: Little, Brown, 2000).

book we are inviting you to be 'connectors', 'mavens' and 'salespeople', to view triggers more systematically.

Jeremy Pelczer, President and CEO of American Water, describes his personal trigger as follows:³

The trigger for me in understanding the need for a planned approach to CSR came from a combination of events and information. I went on a visit to Jakarta where our local managers took me to see some poor communities desperate for a supply of clean water. I attended a meeting organised by IBLF [International Business Leaders Forum] and UNDP [United Nations Development Programme] where I noticed that there was common ground between business and NGOs; it wasn't adversarial: there was a desire for partnership and collaboration. And I came to the conclusion that as one of the largest water companies in the world, we needed to think through the role we were going to play in addressing the fundamental issue of access to water. That's when we initiated a search for a professional CSR manager.

► Triggers and their causes: global forces for change

In this section we focus on the causes of triggers. First, we look at triggers in the context of the external environment and global forces for change.

There may be a tendency for managers wishing to take the path towards CSO to 'cut corners' at this stage, but the broad and expansive approach described in the following section creates the chance to spot links and synergies previously regarded as unconnected. To make these connections, we look at changes in the external operating environment through a fairly wide-angle lens in order to take in a broad range of those CSR factors that may have material consequences and implications for business.

Everything about our world is changing: its economy, its technology, its culture, its way of living. If the twentieth century scripted our conventional way of thinking, the twenty-first century is unconventional in almost every respect.

Prime Minister Tony Blair, 2004⁴

- 3 Jeremy Pelczer, now President and CEO of American Water, part of the RWE Group, in an interview with the authors, October 2003. At the time of interview he was COO of the sister international water company, RWE Thames Water.
- 4 Website of 10 Downing Street (www.number-10.gov.uk), Prime Minister's speech on Global Security, 5 March 2004.

Business does not operate in a vacuum. Business opportunities have always been the result of a complex interaction of advances in technology and science, of political, economic and social developments and of innovation, inspiration and risk-taking. In this section, to make this dynamic, multi-dimensional interplay 'digestible', we organise these forces for change into four categories:

- The revolution of technology and communications
- The revolution of markets
- The revolution of demographics and development
- The revolution of values

There are many aspects of each of these forces which impact and are impacted by business in different ways. Below (pages 24–34), we give a sample of the types of impacts and, in Boxes 2–13, show how they create CSR factors which in turn lead to triggers. We use the example of a hypothetical food and beverage company, in keeping with the sector of the hypothetical company described in Part II.

For the reader interested in seeing further data and examples of how global forces for change are impacting business and producing CSR factors and their associated triggers, we direct the reader to our book *Everybody's Business*, particularly to Section 1 of that book.⁵

The revolution of technology and communications

All of the communications that we saw in the entirety of 2000 will be delivered in no more than a few seconds in 2025. Annually, we now generate as much knowledge about science as has been created throughout human history to around 1950. The entire output of the world in 1900 is matched by two weeks' production in 2000 and, on trend, will be surpassed by the product of a single working week in 2015 and that of a few days in 2025.

*Dr Oliver Sparrow, 2003*⁶

A revolution of communications and technology permits automation, customisation, subcontracting, global supply chains, homeworking, manufacturing and extraction in remote areas and back offices across the world. Companies can move operations to lower-wage economies — often countries with less advanced environmental, health and safety and labour standards and regulation. More businesses will find themselves involved in remote locations impacting sensitive environments and/or indigenous people. But the communications revolution also means easier global access to information about companies and no hiding places. It is harder to keep secrets nowadays than it was in the Cold War era. Via the Internet and other

5 D. Grayson and A. Hodges, *Everybody's Business* (London: Dorling Kindersley, 2001).

6 O. Sparrow, 'Challenge! Forum Scenarios to 2025', www.chforum.org.uk (2003).

Internet is a global conveyor of unfiltered, unedited, untreated information. It is not only the greatest tool we have for making people smarter quicker. It's also the greatest tool we have for making people dumber faster. Rumours published on the Internet now have a way of immediately becoming facts. This is particularly true among less well-educated people who might not themselves have access to the Internet but hear a piece of news or gossip from one of the elites around them who [does] have access.⁹

The implications of the revolution of technology and communication for our hypothetical company are listed in Box 2.

The revolution of markets

We have to see that we have a life in other people's imagination, quite beyond our control. Globalisation means that we are involved in dramas we never thought of, cast in roles we never chose.

Rowan Williams, 2002¹⁰

Since the collapse of Communism at the end of the 1980s, in a revolution in markets three billion consumers have joined the global market economy and we have seen a relentless process of liberalisation, privatisation and globalisation. In turn, this has meant that privatised organisations have had to create new corporate cultures and employee loyalty. More firms are 'going international' and are having to operate in culturally diverse markets. For example:

- In Cote d'Ivoire, farmers check cocoa prices directly on the Chicago commodities exchange through village cell phones, no longer being dependent on the biased price indications of local traders.
- In Ethiopia, a farmer uses the Internet to sell goats to Ethiopian taxi drivers in New York eager to make a present to their families back home for traditional celebrations.

Welcome to the new world economy!

Contrary to the views of anti-globalisation campaigners, such as Naomi Klein in her book *No Logo*,¹¹ the dramatic growth in the reach and value of brands makes them more vulnerable to media attacks and consumer boycotts. In part, this is because business is a larger part of society and a greater proportion of the economy in liberalised and privatised economies. In turn, this means that business is more in the public eye. It also results in more businesses wanting to raise funds on international financial markets where funders will assess risks to the value of their

9 Thomas L. Friedman, *Longitudes and Attitudes: Exploring the World after September 11* (New York: Farrar, Straus & Giroux, 2003).

10 Rowan Williams, Archbishop of Canterbury, reflecting on being in New York on 9/11, in *Writing in the Dust: Reflections on 11th September and its Aftermath* (London: Hodder & Stoughton, 2002).

11 N. Klein, *No Logo, No Space, No Choice, No Jobs* (London: Flamingo, 2000).

Technology and communication: potential triggers

External forces

- Increased quantity and quality of Internet connectivity
- Availability of more powerful and cheaper computer power, including to consumers
- Growth in 'e-commerce'
- Increased outsourcing of functions
- Developments in agriculture, food technology and genetics (e.g. in terms of added nutrition or use of genetically modified organisms [GMOs])
- Improvements in production and mass manufacturing processes and packaging (e.g. the availability of technology to allow the production of small batches)
- Improvements in transportation (e.g. leading to fewer damaged goods and giving better refrigeration)
- Consolidation of media ownership, with the fragmentation of alternative media outlets with poor editorial oversight

CSR factors

- The '24/7' world (active 24 hours a day, 7 days a week) intensifies the culture of overwork, increases pressure on staff and contributes to a loss of traditional, day-to-day family occasions, such as meal times together
- Retailers' stock control systems are more accurate and are able to predict order requirements and to anticipate the need for just-in-time (JIT) deliveries, leading to impacts on delivery schedules, on traffic congestion and on pollution and emissions
- Internet ordering and direct sales have an impact on the volume of local deliveries
- 'Online brands' (those sold via the Internet) are vulnerable to attack
- The use of outsourcing firms and subcontractors means that authorities have less direct control over hygiene and the possible exploitation of workers
- A greater use of outsourcing may create concerns over job losses for existing in-house employees

Potential triggers

- There may be increased employee absenteeism because of stress
- Companies may not be able to market products to the whole family at what used to be traditional family meal times, increasing advertising spend
- Business logistics may be blamed for traffic congestion or accidents, causing bad press
- Legal action or industrial action may be taken by workers at outsource or supplier firms, producing bad press
- Product withdrawals or recalls may be necessary because of contamination during production
- Employees in domestic production plants may take industrial action over possible future loss of jobs to locations abroad
- Lawsuits may be filed on behalf of workers in the developing world, alleging company liability for the use of dangerous chemicals and pesticides by those workers
- There may be an increase in the level of customer enquiries regarding genetically modified products

Box 2 The revolution of technology and communication: forces, factors and triggers impacting a hypothetical company in the food and beverage sector (continued over)

Technology and communication: potential triggers

(continued)

CSR factors (cont.)

- Intensive farming techniques put pressure on water resources, and use of pesticides can endanger workers who do not wear the necessary protective clothing or who are not made aware of and encouraged to follow safety procedures
- Customers may be unwilling to accept food produced with use of new technology, such as products containing or derived from GMOs
- Producers are able to produce larger portions of food at marginal extra cost
- Mass-produced goods receive 'mixed reviews' from consumers
- There is the possibility for less waste of material in packages and for more sophisticated recycling of materials
- The ability to source produce and materials from further afield and to maintain production 365 days a year stretches companies' ability to manage their supply chains
- Companies face risk to their reputation because there is 'no place to hide' as news and views (sometimes unsubstantiated) travels fast

Potential triggers (cont.)

- Activists may target companies that market large portions of food and drink to children, or that market to children food and drink that is regarded as unhealthy (e.g. foods high in sugar, salt and fat, and drinks high in sugar), claiming irresponsible marketing
- Recycling of waste produces positive press for the company

investment or loan on a range of factors, which increasingly include environmental and social issues.

J.F. Rischard characterises four features of the new world economy:¹²

- It is bent on speed (Bill Gates calls it 'velocity'), so you have to be agile.
- It flows across national boundaries, so you must be 'plugged in' and good at networking internationally.
- It is highly knowledge intensive, so you must be good at constantly learning. If you stand still, you fall back.
- It is hyper-competitive, so you must be 100% reliable or business will shift to someone else.

The implications of the revolution in markets for our hypothetical company in the food and soft drinks industry are listed in Box 3.

The revolution of demographics and development

The developed world's interest in global poverty is 'near a low point', according to James Wolfensohn, president of the World Bank.¹³

The revolutions in communications and technology and in the markets have been happening alongside a revolution in demographics and development. Europeans are living longer and having fewer children: without immigration, the population of the now 25 member-states of the European Union will drop from about 450 million now to fewer than 400 million in 2050.¹⁴ Also, ageing populations in the West mean changes in company personnel practices and assumptions about what staff can achieve at different ages, physically and mentally. In addition, after the terrorist attacks on the USA on 11 September 2001 (9/11) and the US-led war on Iraq, the increasing Muslim population in many industrialised countries heightens the need to manage cultural diversity — and the population of the 49 least developed countries is expected to grow from today's 668 million people to 1.7 billion by 2050.¹⁵ According to *The Economist*, AIDS (acquired immunodeficiency syndrome) has become 'arguably the biggest threat to life and prosperity in the developing world':¹⁶ 40 million people are now infected with HIV (human immunodeficiency virus) worldwide, 2.5 million of whom are children.¹⁷ In a global, connected society pandemics will threaten business stability and capacity to operate if businesses are

12 J.F. Rischard, *High Noon: 20 Global Problems; 20 Years to Solve Them* (New York: Basic Books, 2002).

13 Richard McGregor in *Financial Times* (www.FT.com), 25 May 2004, quoting Wolfensohn speaking ahead of the opening of a conference in Shanghai to look at new approaches to the problem.

14 These figures were quoted by UN Secretary-General, Kofi Annan, *Financial Times*, 29 January 2004.

15 Syed Mohamed Ali, *Daily Times*, Pakistan, 4 June 2004.

16 *The Economist*, 'AIDS: A Mixed Prognosis', 29 November 2003.

17 Figures are reported in the 2003 annual report of UNAIDS, 'AIDS Epidemic Update 2003', www.unaids.org/Unaids/EN/Resources/publications.asp.

Markets: potential triggers

External forces

- Increasing numbers of overseas suppliers vying for business, including from greater numbers of emerging markets with lower cost bases
- Increase in opportunities in overseas markets, either directly or via joint ventures
- Need for an adequate supply base for overseas manufacturing and processing
- Increase in competition in the home market as a result of low-cost-base competitors
- An increasingly higher brand visibility overseas
- Increasing opportunities for business-to-business (B2B) markets as a result of privatisation of services (such as in the provision of school and hospital meals)

CSR factors

- A lower cost base may also mean poor workplace conditions and may prove difficult to monitor
- Operating in new markets requires sensitivities to local cultural and social norms, behaviour and consumer tastes
- Joint ventures share costs and risks but weaken direct control over how products are distributed and the conditions in which they are sold
- Capacity-building (such as raising standards and the transfer of technology) in the local supply base carries costs
- There is increased vulnerability to pressure for 'facilitation payments and bribes' at customs and so on
- Increased brand visibility could lead to association with anti-Western or anti-globalisation causes and thus to security risks
- The privatised provision of meals in institutions may lead to the introduction of canteen-like services, with wide 'popular' menu choice

Potential triggers

- The company may be the subject of exposés of poor labour conditions or poor hygiene in supplier factories in less-developed countries
- A lack of appreciation of local cultural sensitivities could lead to inappropriate advertising, causing offence
- 'Sharp' (illegal) local selling practices may give a brand a bad name
- The pressure to make 'facilitation' payments may lead to employees being accused of paying bribes against OECD guidelines
- There may be a threat of or an actual attack on the workforce or on physical assets
- Parents at schools may complain about the menu on offer in a canteen-style service

Box 3 The revolution of markets: forces, factors and triggers impacting a hypothetical company in the food and beverage sector

in danger of losing core staff. Likewise, visible, global inequalities — more visible still because of 24 hour satellite TV and the Internet — threatens business stability and operations.

The implications of the revolution of demographics and development for our hypothetical company are listed in Box 4.

The revolution of values

Campaigns against corporations have led them to take greater care that their goods are not produced under unacceptable working conditions for starvation wages. All of us, by the decisions we make about how we live and work and travel and consume help to shape an environment. To think and act morally, to do what is right because it is right, influences others; it begins to create a climate of opinion; good, like evil, is infectious. We do not have to accept the unacceptable. The only thing that makes social or economic trends inevitable is the belief that they are. The unfolding drama of the Twenty-First Century is one of which we are the co-writers of the script.

*Chief Rabbi Jonathan Sacks*¹⁸

Last, but not least, we are in the midst of a revolution in values (for the implications of this revolution on our hypothetical company, see Box 5). Significant increases in wealth, choice and education mean that for the first time in history large numbers of people across the globe are free to express their own values and often do so in unstructured, unpredictable and spontaneous ways. This flowering of diversity undercuts authoritarianism and conformity — we see a decline of deference. In such a world, trust has to be earned and constantly re-earned. A range of studies have confirmed a growing reluctance to defer to so-called experts whether on childhood vaccinations or food safety.

This has particular consequences for businesses, especially after the well-publicised corporate scandals of the past couple of years, and brings with it broader concerns over the remuneration of top executives, particularly in cases where remuneration is seen as 'reward for failure'. The meeting of the World Economic Forum (WEF) in Davos, Switzerland, held in January 2004, explored this loss of trust. Research produced for this gathering by the international PR firm Edelman found that US multinationals were trusted far less by the public in Europe than by the US public. Attitudes were most negative in Britain, where only 28% said they trusted US companies. Edelman concluded that foreign affiliates of companies from countries with a poor image abroad were likely to face problems when hiring local staff and dealing with governments on issues such as regulation. Also, although the survey found that public trust in governments and companies had recently begun to

18 J. Sacks, *The Dignity of Difference: How to Avoid the Clash of Civilizations* (London: Continuum), page 86.

Demographics and development: potential triggers

External forces

- Ageing population in industrialised world
- Food consumption patterns and associated issues (i.e. there are differences within the developed markets and between the developed markets and the developing world regarding the incidence of obesity, diabetes and malnutrition)
- Trends in adherence to faiths, with different dietary requirements
- Geopolitical issues and their impact on disparate sourcing, as well as on transportation routes and costs
- Pressure on scarce water resources for use in agriculture
- Access to adequate physical infrastructure and pool of educated employees for overseas operations
- Use of migrant labour in agriculture
- Quality of the regulatory regime (e.g. regarding environment, health and safety, and food safety) overseas

CSR factors

- There is a trend toward greater use of shopping via the Internet and home delivery
- There is an increase in the number of people in care, with a corresponding increased role for care providers and care institutions with regard to shopping and choice of foods consumed
- There is a need for packaging that is easy to open and reseal
- Food companies are held responsible for the endemic of obesity in Western markets and, increasingly, in emerging markets; they are also being criticised for high levels of salt and sugar in products, for increased portion sizes and for marketing such products to children
- New product developments allow the addition of vitamins and extra nutritional quality
- The cost of water is increasing
- There are costs to providing roads and other infrastructure directly and for establishing remedial training
- The legal status of migrant workers and the quality of workplace conditions have to be considered in overseas operations
- There may be a risk of a poor-quality product or health and safety dangers as a result of poor regulatory oversight

Potential triggers

- Complaints may be raised about traffic and pollution
- Institutional purchasers can join together to negotiate discounts
- Consumer groups may criticise the company for the poor accessibility of packaging
- Research reports by consumer groups may be reported in the media, blaming food companies for obese children
- Health services say the cost of treating obesity is high, and make links to the food sector
- Funding agency may offer to support the development of foods that have added nutrition
- Business may find itself in the middle of local 'water wars' regarding the use of this scarce resource
- Use of illegal migrant workers may be exposed and poor company employment practices revealed
- An outbreak of food poisoning may be traced to a company product

Box 4. **The revolution of demographics and development: forces, factors and triggers impacting a hypothetical company in the food and beverage sector**

Values: potential triggers

External forces

- Loss of trust in both private-sector and public-sector authorities over issues such as BSE (bovine spongiform encephalopathy) and foot and mouth
- The rising importance of NGOs and civil society worldwide
- Rising concerns over healthy eating and diets
- Pressure on business to actively contribute to alleviating poverty and hunger
- Rise in standards and codes of conduct in business behaviour
- Anti-Western and anti-globalisation sentiment
- Planning-gain requirements

CSR factors

- Informing consumers and others of facts and opinions is difficult for food companies as there is an inherent lack of trust
- The requirement to know and monitor views of relevant NGOs is greater
- There is a need to consider whether product formulations and marketing messages are contributing to unhealthy eating
- There is a need to be responsive to calls for product donations and to implement social investment programmes
- Signing up to appropriate codes of conduct may require changes in policies and practices and capacity-building of staff
- Added security measures may be necessary for overseas staff and plant
- There may be a need to accept that the ability to expand plant may require additional investment in local social or recreational facilities

Potential triggers

- The benefits of new products require high marketing costs in order for the product to penetrate the market
- Business may be caught off guard by a critical campaign launched by an NGO
- A consumer group may identify a company product as being high in salt and having poor labelling
- The plant manager may refuse to make a donation to a good cause, which leads to bad press
- Adherence to external code of conduct in overseas plant may be shown by an NGO investigation to be poor
- Campaigners may target the company as a symbol of Western capitalism

Box 5 The revolution of values: forces, factors and triggers impacting a hypothetical company in the food and beverage sector

recover in the USA and Europe after a steep decline, still only about 20% of those questioned expressed confidence in the credibility of corporate CEOs.¹⁹

In the United Kingdom, a MORI poll commissioned by the *Financial Times* revealed a deep distrust of business leaders, with 80% of UK adults saying that top company directors cannot be trusted to tell the truth. On 30 June 2003 MORI chairman Robert Worcester was quoted as saying that 'these findings strike at the heart of corporate Britain, and are a measure of the scepticism, even cynicism, of the public toward business leaders'. In *The Observer*, on 6 July 2003, Mike Emmott, head of employee relations at the Chartered Institute of Personnel and Development, argued that there is a deep irony in the fact that while companies make ever-more high-flown claims of environmental and corporate responsibility, at a much more basic level their employees and customers do not trust them.

Two major surveys provide evidence of the state of and decline in trust. According to Environics International (now Globescan)'s 2002 survey of 47,000 adults across 47 countries (titled 'Voice of the People'):²⁰

- 48% of the global public have little or no trust in large companies, with only 39% with some trust of global companies. The only group less trusted globally than business is politicians. The most trusted are the armed forces and NGOs.
- The public are most trusting of business in Indonesia, Nigeria, India and Sweden and least trusting in Argentina, Spain, South Korea and Britain.

In the 2003 MORI Trust Monitor, carried out on behalf of the BMA (British Medical Association), it was found that:

- 60% of British adults do not trust business leaders to tell the truth.
- Only 25% trusted that the profits of large companies help to make things better for everyone who uses their products and services, compared with 52% in 1983.
- About 50% of those that had heard about the case of Enron or WorldCom in 2002 said that it had had a negative impact on their trust in large companies, with 24% that had heard of the case saying that they trust companies much less as a result, and a further 24% saying that they trust companies a little less as a result, showing that recent corporate scandals have undermined trust in business even further.

Business is clearly facing a trust crisis.

19 Details of this report, 'The Fifth Annual Edelman Trust Barometer', may be found in *Financial Times*, 12 January 2004, and in an Edelman press release, 'Trust in Business on the Rise in Europe, According to Edelman', www.edelman.be/published_news/Trust_in_Business_on_the_Rise_in_Europe.pdf.

20 Quoted in the Business in the Community (BITC) Research Review, Number 1 (March 2004); see www.bitc.org.uk.

Synthesis

A few weeks ago, one of us was sitting in a video-conference suite just off Trafalgar Square in central London. We were lecturing live to an audience of several hundred managers in a hotel in Rio de Janeiro, 6,000 miles away, about the global forces for change and what these might mean for the managers in the Rio hotel — who all worked for CVRD — one of Brazil's largest companies.

The event itself was a microcosm of the global forces for change that we have outlined above:

- The revolution of communications and technology made possible high-quality interactivity, with the Powerpoint slides accompanying the live lecture having been e-mailed overnight from London to ensure maximum topicality and the video cameras showing individual questioners in the audience when they spoke.
- The audience from CVRD illustrated the revolution of markets. CVRD was privatised in 1997 and is now operating in several other countries, including Norway, France and China. One of the drivers for its interest in sustainability and corporate responsibility concerns the requirements of the international financial markets in which it is raising funds.
- The revolution in demographics and development was reflected in some of the topics under discussion, such as CVRD's response to Brazil's anti-poverty and education drives.
- Finally, as the debate from the floor showed, the CVRD managers were already experiencing the revolution in values in the form of heightened demands from a range of different stakeholders.

In sum, the impact on business, and on other parts of society, of these global forces is immense and complex. We are concerned here with focusing only on the social, ethical and environmental factors that arise. Some factors are generic to all businesses and some are peculiar to particular industry sectors. Some factors impact *what* the business does — what is technically, physically and commercially feasible. Some factors affect *how* the business goes about doing what it does — hence the inclusion of issues such as sourcing, labour practices and environmental impacts. Some factors concern the way in which business is expected to govern itself and measure and report on what it does and how it does so. Finally, some factors are generated by the concerns of stakeholders — what is permissible, desired or valued by (often conflicting) expectations of different constituencies.

► Triggers and their causes: stakeholders

The external forces described above are both impacted by and influence the social, ethical and environmental concerns of a company's stakeholders, either reinforcing the external environmental triggers identified above or leading to additional triggers.

Stakeholders are those who have an interest or 'stake' of some sort in the company and, traditionally, they include primary stakeholders, such as customers, employees and investors, and secondary stakeholders, such as government and the wider community — though each business needs to determine which is which depending on the nature of the business and the level of 'stake' in the company.²¹

In considering potential stakeholder-related triggers, it is helpful to consider stakeholders' needs and motivations, the expectations they have traditionally had of business and then the more contemporary expectations within a CSR agenda. It is these contemporary expectations that prompt potential triggers.

Such stakeholder expectations, and how they are expressed, will depend on the business sector, the history and success or otherwise of the company and so on. To help the reader make a start in considering how they affect their business we have mapped generic corporate responsibility concerns, likely stakeholder expectations and possible triggers that might emerge.

We have mapped out stakeholder triggers under the following headings:

- Employees
- Investors
- Consumers
- Business partners and suppliers
- Non-governmental organisations and media campaigns
- Governmental, intergovernmental organisation and regulatory pressures
- Community and society

In Part II of this book we will be applying the seven-step model to a hypothetical food and beverage manufacturer. The International Business Leaders Forum, in its publication *Food for Thought: Corporate Social Responsibility for Food and Beverage Manufacturers* (2002), has produced a summary diagram of the influence of various stakeholders for the food and beverage sector (see Figure 3), including, in addition to the above-named stakeholders, competitors, rural producers, trade unions, executives and retailers.

Employee concerns

There is a growing body of evidence showing that prospective and current employees are concerned not only about pay, conditions, the level of interest of the work and opportunities for advancement but also about reputation, the social and environmental impacts of their employer and the way the company helps or hinders employees in balancing life–work considerations. Companies with a poor track

21 The AA1000 Standard for stakeholder engagement defines stakeholders as 'People (individuals or categories) who: Can influence or are affected by the activities of the organisation; Have an explicit or implied contract with the organisation; Possess information, resources and expertise needed for strategy formulation and implementation' (www.accountability.org.uk).

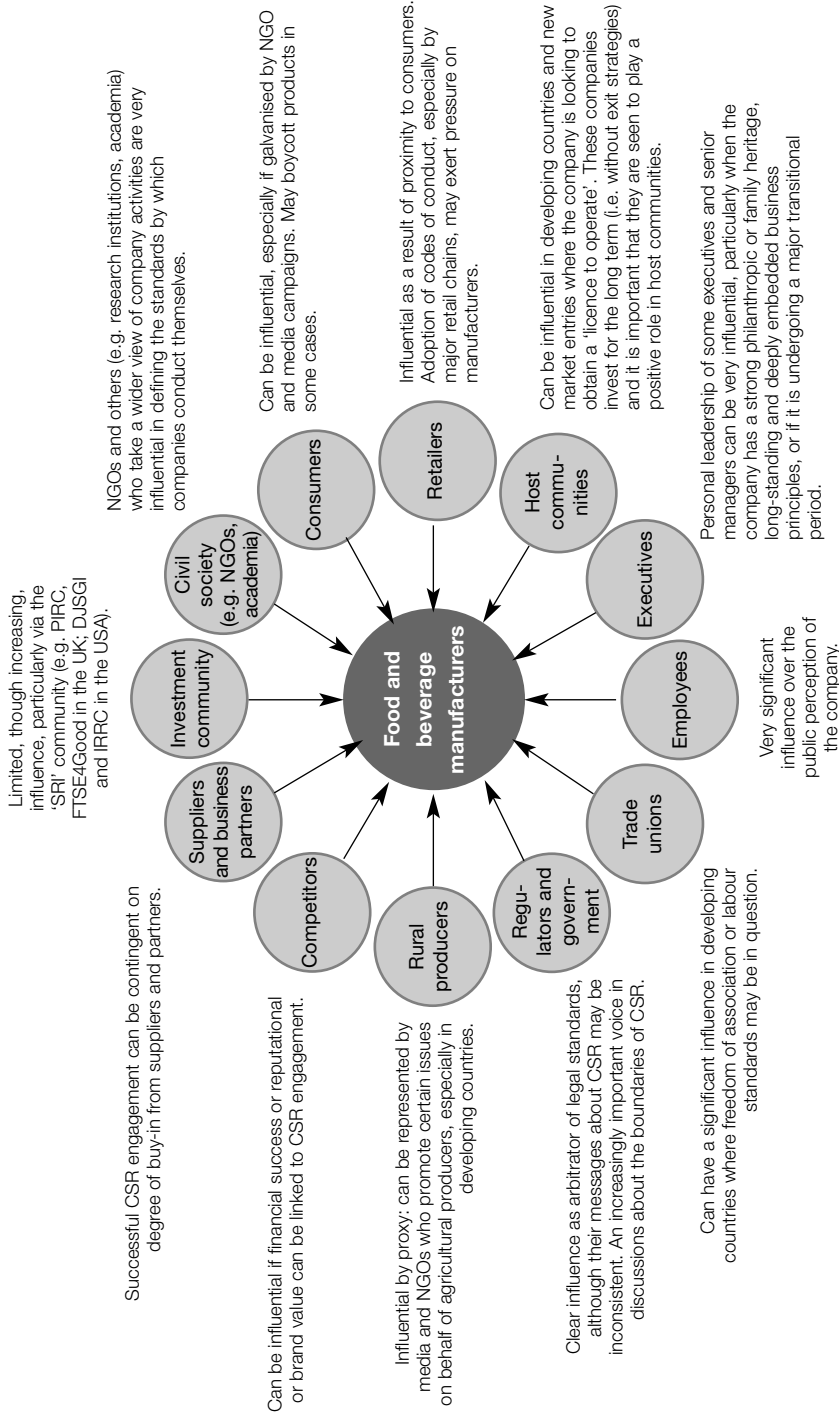


Figure 3 Stakeholder corporate social responsibility (CSR) pressures in the food and beverage sector

Source: International Business Leaders Forum, *Food for Thought: Corporate Social Responsibility for Food and Beverage Manufacturers* (2002)

record in these areas will have difficulty recruiting employees compared with their more advanced counterparts and, in the 'war for talent', a growing number of those joining the company will ask searching questions of its attitudes and CSR-related performance.

Potential triggers relating to employees are described in Box 6.

Employees: potential triggers			
Expectations of business	Traditional expectations	Contemporary CSR expectations	Potential triggers
<ul style="list-style-type: none"> ● To provide labour, knowledge and services ● To provide jobs, reward and recognition 	<ul style="list-style-type: none"> ● Fair remuneration ● Fair working conditions ● Job security ● Job satisfaction ● Pension 	<ul style="list-style-type: none"> ● Employees expect to work for an employer they can trust and with values that mirror their own ● Employees expect to receive respect for family responsibilities and help with their work-life balance ● Employees expect to receive adequate contributions to health, well-being and pension needs ● Employees expect to be given opportunities for life-long learning and opportunities to invest in future employability ● Employees expect to work for a socially and environmentally responsible employer that puts 'back' into the communities from which it collects its profits ● Employees expect to work for a company that shares their own social interests ● Employees expect to work for a company that respects the right to privacy at work and home 	<ul style="list-style-type: none"> ● High turnover could indicate employees do not value the company they work for, and vice versa ● Low demand for job places may suggest a bad company reputation ● Employees may look to their employers to support volunteering and charitable fund-raising activities ● Pay negotiations may break down because of 'bad blood' caused by the inflated pay levels of senior management ● Unions may threaten industrial action if job losses arising from outsourcing continues at some current rate

Box 6 **Employee concerns: expectations for the business and potential trigger events**

Investor concerns

Pressure from investors over corporate approaches to CSR-related issues is leading to trigger incidents for publicly listed companies. For example, pharmaceutical company GlaxoSmithKline received a letter from Sean Harrigan, President of CalPERS (California Public Employees' Retirement System), the world's largest pension fund, on the issue of how it and other companies in the sector were responding to pressure over licensing arrangements for HIV/AIDS drugs in emerging and developing markets. In the letter, Harrigan wrote, 'We [at CalPERS] feel that the pharmaceutical industry faces very specific risks with regard to reputation, and this is particularly true with regard to AIDS.' He went on to say, 'How the company handles this risk is important to long-term shareholders.'

Concern expressed by CalPERS echoed that of various European-based investment institutions as outlined in a so-called 'framework of good practice' for the pharmaceutical sector in response to the public health crises in emerging markets. As at CalPERS, those institutions also believe that the sector's response to the crisis 'could impact on shareholder value in the long-term'.²³

With pressure like this — CalPERS alone has an approximately 1% stake in the company — GSK was bound to listen. The letter and the report are examples of potential triggers from the investment community, as they put pressure on a number of industry sectors over issues that they regard as potentially being 'material' to corporate performance.

Potential triggers relating to investors are described in Box 7.

Consumer concerns

The loss of trust in corporations is acute among consumers, as shown clearly by the findings of various surveys, as highlighted above in the section on changing values (see pages 31, 33–34). Paradoxically, this trend is taking place when there is evidence that consumers are demonstrating a growing desire to be reassured by companies on a range of CSR issues. The US-based organisation Business for Social Responsibility (BSR) identifies a number of key issues that consumers are concerned with:²⁴

- The integrity of product manufacturing and quality, covering, for example:
 - The use of genetically modified organisms (GMOs)
 - Food health and safety
 - Workplace practices, including, for instance, issues of sweatshop conditions

22 Harrigan, in a letter to GSK, quoted in G. Dyer, 'GSK urged to evaluate AIDS drug licensing', *Financial Times*, 16 April 2003.

23 This framework, titled 'Investor Statement on Pharmaceutical Companies in the Public Health Crisis in Emerging Markets', and produced in March 2003 by ISIS Asset Management and Universities Superannuation Scheme, was supported by, among others, Legal & General Investment Management and Schroders & Morley Fund Management.

24 Authors' example. For more details, see BSR (Business for Social Responsibility) 'Overview of Business and Marketplace', BSR White Papers, www.bsr.org (2003).

Investors: potential triggers

Expectations of business

- To provide capital
- To provide a return on investment

Traditional expectations

- Maximisation of return
- Provision of financial information that is material to the performance of the business
- To show financial due diligence in entering into mergers and acquisitions

Contemporary CSR expectations

- The niche market of socially responsible investment (SRI) is looking for a balance between return and the social and environmental impact of company operations and, further, is seeking to 'engage' with the company over areas of concern
- The mainstream investment community is concerned with minimising social, ethical and environmental risks, including risks to reputation and operational risks, through the redefinition of 'materiality'; there are new expectations for public reporting of analysis and risk-mitigation processes
- The broader concept of due diligence is expected to include CSR issues
- Evidence of adequate corporate governance compliance, to the letter and spirit of law and codes, is expected

Potential triggers

- A decision to invest or divest may trigger protests from those adversely affected
- People may write or call the company to express their concerns or wishing to discuss issues
- Difficult questions may be asked at analyst briefings
- Shareholder resolutions to alter company practice or policy may be tabled by activist shareholders
- Difficult questions may be asked at the annual general meeting
- The investment community may indicate its support for changes to governance, reporting requirements and the disclosure of wider social, ethical and environmental associated risk-management criteria and processes

Box 7 Investor concerns: expectations for the business and potential trigger events

Consumers: potential triggers

Expectations of business	Traditional expectations	Contemporary CSR expectations	Potential triggers
<ul style="list-style-type: none"> ● To purchase goods and services ● To provide safe, reliable and affordable products 	<ul style="list-style-type: none"> ● Honest marketing ● The provision of basic information on the performance of products ● A system of refund or repair if necessary 	<ul style="list-style-type: none"> ● A growing number of consumer niches profess purchasing decisions based partially on the social, ethical and environmental 'pedigree' of a product or on the performance of a company behind a product or brand ● As a consequence of the above, more detailed information is required on the 'CSR pedigree' of products and brands ● Consumers expect privacy rights to be respected regarding data held on their purchasing ● Consumers wish (and will respond to) 'cause-related marketing' schemes actively linking money raised from product purchases to contributions to social causes 	<ul style="list-style-type: none"> ● Consumers may boycott a product or brand ● There may be an increased number of enquiries about the pedigree of a product ● Consumers may look for external third-party endorsements or eco-labels on products and displays

Box 8 Consumer concerns: expectations for the business and potential trigger events

42 Corporate Social Opportunity!

- Ethical or fair trade
- Animal testing
- Disclosure, labelling and packaging, covering, for example:
 - Health claims
 - Product contents
 - Product origins
 - Waste and recycling
- Marketing and advertising, covering, for example:
 - Marketing aimed at children
 - Privacy issues over use of sales and marketing data
 - Use of stereotyped images in advertisements
- Selling practices, covering, for example:
 - Predatory lending
 - Mis-selling of products and services
- Distribution and access, covering, for example:
 - Access to and differential pricing of medicines
 - Access for the disabled
 - Access to insurance in light of developments in genetic screening

Consumers' views may be expressed either individually or collectively through a variety of trigger mechanisms. For example, they may make their views known through product or company boycotts, by letter or e-mail campaigns directed at the company, the company's suppliers or other customers, or by letters or e-mails to politicians and regulators (for examples of triggers related to consumers, see Box 8). Major NGOs often take up, lead or claim to lead consumer campaigns on particular issues (the role of NGO and media campaigns is discussed in more detail below).

Business partner and supplier concerns

Business partners — whether joint-venture partners or business-to-business (B2B) customers — are increasingly vetting their suppliers against various social, ethical and environmental criteria because they are concerned about the threat of damage to their own reputation through an extended supply chain (for examples relating to business partners and suppliers, see Box 9). Corporate reputation can be badly damaged by the actions of suppliers (examples in the apparel industry, such as Nike, are perhaps the most well known),²⁵ and, as a result of extended supply chains, companies will face increasing pressures to become more responsible for the stewardship of their products and services over the life-cycle of the product or service.

It is now common practice for procurement conditions to be laid down by large corporations to all company suppliers — large or small — specifying adherence to a

25 A brief description of the case of Nike is given above in the section on negative publicity from NGOs and the media (see page 19).

B2B: potential triggers

Expectations of business	Traditional expectations	Contemporary CSR expectations	Potential triggers
<ul style="list-style-type: none"> ● To purchase goods and services ● To provide service and components 	<ul style="list-style-type: none"> ● To provide products and services on time at the agreed quality and price 	<ul style="list-style-type: none"> ● Business customers expect guarantees that goods purchased and services provided do not damage their reputation 'by association'; such a 'guarantee' sometimes requires compliance to specific standards and measures of corporate performance before contracts can be agreed ● Other businesses may wish to 'know their customers' before doing substantial business with them 	<ul style="list-style-type: none"> ● Questionnaires may be sent from the business customer requesting information about social, ethical and environmental practices ● An independent monitoring company may be sent to undertake an audit and to verify compliance to stipulated standards ● Tender documents may stipulate the need for evidence of compliance to standards

Box 9 Business-to-business concerns: expectations for the business and potential trigger events

Suppliers: potential triggers

Expectations of business	Traditional expectations	Contemporary CSR expectations	Potential triggers
<ul style="list-style-type: none"> ● To provide goods and services ● To fulfil orders 	<ul style="list-style-type: none"> ● To pay fair prices and to make prompt payment 	<ul style="list-style-type: none"> ● Suppliers expect to receive technical support to help them meet new contractual social, ethical and environmental criteria 	<ul style="list-style-type: none"> ● The supplier may be unable to meet an order to new specifications and will lose the customer's business ● Loss of profit margins as supplier has additional costs to meet new specifications

Box 10 Supplier concerns: expectations for the business and potential trigger events

particular set of standards (e.g. in environmental or workplace practices) in many industry sectors (for examples, see Box 10). Some purchasers may require independent verification of compliance, especially if they are pitching the finished goods at the niche market segment for 'ethical consumers'. For example, suppliers to General Motors are required to be certified to the standard of the International Organisation for Standardisation (ISO) regarding environmental management systems (EMSs), ISO 14001, or to an equivalent standard for EMS. The company website explains:

In July 1998, we [at General Motors] advised our top 600 vehicle parts suppliers (based on sales volume) that we required them to become certified to an environmental management system equivalent to ISO 14001 by the end of 2002. This requirement applies to all supplier facilities that provide parts to [General Motors] and that have a significant environmental impact and to suppliers whose current or future contracts extend, or might extend, beyond 2002.²⁶

Chiquita provides a further example.

Chiquita

Chiquita, an international marketer, producer and distributor of fresh fruit, processed fruit and vegetable products, purchases over 50% of its bananas in Latin America from independent growers. The company is working to encourage those growers to achieve certification under the Rainforest Alliance's Better Banana Project, which measures adherence to environmental standards. According to Chiquita's Corporate Responsibility Report, all of Chiquita's growers are now certified to this scheme.

Non-governmental organisations and media campaigns

A while ago, when one of us suggested to the newly appointed CEO of one of the world's largest international companies that NGOs were going increasingly to impinge on the business of business, his response was: 'What is an NGO?' We doubt very much whether we would get a similar response today.

Business has learned the hard way that NGOs are a force to reckon with. NGOs exert an influence on individual companies and groups of companies by acting as self-appointed corporate watchdogs, catalysing consumer boycotts and instigating critical and highly professional media campaigns. They can be protagonists in many of the triggers we have identified. The revolution of information and communications technologies makes NGO and media triggers even more powerful, as NGOs can use e-mail and other Internet tools to co-ordinate global campaigns against business. Maria Eitel, Vice-President for Corporate Responsibility at Nike, speaking at the 2002 Conference Board Corporate Citizenship Conference in New York, expressed

NGOs and media: potential triggers

Expectations of business	Traditional expectations	Contemporary CSR expectations	Potential triggers
<ul style="list-style-type: none"> ● To represent communities of interest ● To provide social services ● To 'do no harm' 	<ul style="list-style-type: none"> ● Companies are expected to donate money and provide in-kind goods and services to charities and community groups and projects ● Companies are expected to ensure their business actions cause minimal harm to people, other creatures and the environment 	<ul style="list-style-type: none"> ● Companies are expected to make changes to business behaviour and to take action to mitigate any social and environmental impacts ● Companies are expected to be transparent and to seek independent verification of any reporting of impacts ● Companies are expected to participate in ongoing dialogue and consultation with stakeholders ● Companies are expected to enter into partnerships with stakeholders to address social, economic and environmental challenges ● Companies are expected to pay penalties for breaking the spirit and letter of the law 	<ul style="list-style-type: none"> ● NGOs and consumer groups may run media campaigns to expose alleged harmful behaviour or business impacts ● Targeting of companies for boycotts ● Stakeholder activists may purchase shares and table shareholder resolutions ● Stakeholder activists may demonstrate at outlets and premises ● Civil lawsuits may be taken out against the company

Box 11 Non-governmental organisation (NGO) and media campaigns: expectations for the business and potential trigger events

vividly the impact of such campaigns: 'We were attacked! It got people's attention real quick!'

However, it would be wrong to categorise the engagement of all NGOs under the one heading. Some NGOs may choose 'constructive engagement' rather than a confrontational approach, whereas other NGOs do not stop at peaceful protest in their preferred method of influence on corporations. Contrast, for example, the constructive engagement tactics of an NGO such as People for the Ethical Treatment of Animals (PETA) with that of some of the militant anti-vivisection campaigners who have used violence and physical intimidation to attack companies such as

Huntingdon Life Sciences in the United Kingdom (general examples are given in Box 11).

Governmental, intergovernmental organisation and regulatory pressures

Governments exert pressures on business in response to a variety of internal and external pressures (for examples, see Box 12). First, governments are increasingly becoming stakeholders in business not so much because they have a legal share in them but, ironically, because they do not! In many countries, rounds of privatisation have left governments owning fewer businesses, making them increasingly reliant on business performance. This is the case for governments in most countries where many previously state-owned businesses have been privatised (e.g. electricity and gas suppliers, the railways, and telecommunications) and where many services previously run by the public sector have been contracted out (e.g. catering and cleaning in hospitals). As business now provides a higher proportion of all jobs and economic activity than in the past, its success affects the potential tax yield and the demand for government-provided welfare.

Second, governments may respond to external influences, such as outside events or pressure from lobbyists:

- The US and UK governments responded quickly to the events surrounding the case of malpractice at Enron and WorldCom, leading to the Sarbanes–Oxley Act in the USA and to the Modernising Company Law Bill in the United Kingdom.²⁷
- The amendment to the 1995 UK Pensions Act, ‘The SRI Pensions Disclosure Regulation’, which came into force in July 2000, and which requires pension-fund trustees to state their attitude to social, ethical and environmental risk assessment, arose from pressure from campaigning NGOs.
- In Japan, nine laws, covering packaging, household appliances, construction materials, food and cars, have been passed since 2000 as a result of pressure from environmentalists.²⁸
- Governments may have to act as national signatories to international law (such as the European Human Rights Act) or to multilateral agreements (such as the Kyoto Protocol).

In addition, as a result of pressures from a variety of stakeholders, mandatory requirements for business action in CSR areas are increasing, covering, for example:

- Employment anti-discrimination (e.g. in the European Union)
- Recycling (such as through the EU Environmental Liability Directive)

27 More details on the White Paper on ‘Modernising Company Law’ can be found in Step 2, page 56.

28 Reported in V. Houlder, ‘Industry faces heavy costs of recycling’, *Financial Times*, 27 May 2003.

Government: potential triggers

Expectations of business	Traditional expectations	Contemporary CSR expectations	Potential triggers
<ul style="list-style-type: none"> ● To be responsible for national security ● To contribute to social welfare ● To respect the rule of law ● To work within the regulatory framework ● To develop infrastructure ● To provide public goods ● To be part of a thriving private sector 	<ul style="list-style-type: none"> ● The company should pay taxes ● The company is expected to provide employment ● The company is expected to provide goods and services ● The company is expected to obey laws ● The company is expected to engage in corporate philanthropy ● The company is encouraged to contribute to political parties 	<ul style="list-style-type: none"> ● The company is expected to adhere to an increasing range of mandatory and voluntary regulation governing social, ethical and environmental behaviour — at the local, national and supra-national levels ● The company is expected to play an active role in economic development ● The company is expected to engage in public policy formulation ● The company is expected to support improvements to public-sector delivery ● The company is expected to engage in public-private partnerships 	<ul style="list-style-type: none"> ● Companies may be fined for breaking the law ● Companies need to keep up to date with and adhere to new legislation, which may be costly if the legislation requires substantial capital investment ● The company may be 'named and shamed' for failure to meet social, environmental or ethical standards ● The company may be subject to 'informal', behind-doors persuasion ● The government may give awards for 'good practice' ● The government may provide tax and other financial incentives for improved standards ● The company may enjoy reduced regulatory oversight if it can demonstrate a good compliance record ● Challenge funding may be available to support mutually beneficial development projects

Box 12 **Governmental, intergovernmental organisation and regulatory pressures: expectations for the business and potential trigger events**

- Product safety (such as the EU Registration, Evaluation and Authorisation of Chemicals [REACH] regulations)
- Product content (as in the case of trans fatty acids in food in the USA)

On these and a wide range of other CSR and governance issues, government exerts pressure on companies through the due process of law, through changes in the regulatory regime, through naming and shaming, through the encouragement of adherence to supposed 'voluntary' norms and as purchasers.

Community and society concerns

Local communities based close to company premises or physically affected by the operations of company sites are increasingly vocal in encouraging 'neighbours of choice' and in fighting 'dangerous intruders'. Airports wishing to expand, logistics companies wanting to build new freight terminals and interchanges, and companies with physical activities deemed dangerous or socially unattractive have all fallen foul

Community: potential triggers

Expectations of business

- To serve the local geographical community
- To provide employment for local people
- To pay local taxes

Traditional expectations

- People expect the company to provide jobs and training
- The company is expected to support local sports, arts and community groups
- The company is expected to create minimal environmental damage and pollution

Contemporary CSR expectations

- The company is expected to enter into consultation with the local community on downsizing or upsizing
- On building new premises, the company is expected to provide infrastructure or buildings that benefit the local community (to provide 'planning gain')
- The company is expected to treat indigenous people fairly
- The company is expected to have a positive impact socially and on the community, including in terms of local business development

Potential triggers

- There may be local boycotts of company products and services
- Local people may protest to planning authorities over expansion plans

Box 13 Community and society concern: implications for a hypothetical company in the food and beverage sector in terms of the role of the business, expectations for the business and potential trigger events

of increasingly activist and well-organised local communities. We call these communities of geography.

We may equally define the word 'communities' as 'communities of interest' or 'communities of identity':

- Communities of interest may be campaigners for animal welfare or for the relief of third-world debt; they may be informal groups of a few people, or international NGOs with thousands or even millions of members.
- Communities of identity may be African American or Hispanic American employees; and often a business will have to deal with conflicting communities of identity: for example, Disney has gay Americans pushing for 'Gay Disney Days' in its theme parks, while evangelical Christian Americans are opposing.

For examples of community pressures, see Box 13.

Stakeholder mapping

Stakeholder mapping is increasingly being used by companies as a way of understanding the interface between a company's products, services and operations and

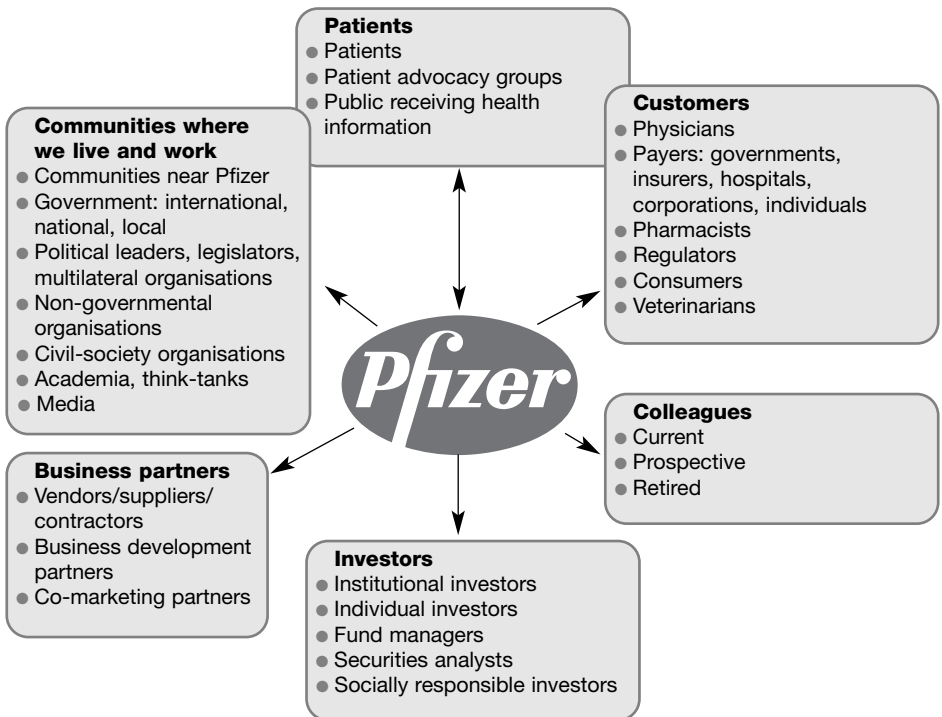


Figure 4 Pfizer's stakeholder map

Source: Pfizer

stakeholders. Pharmaceutical company Pfizer has mapped its key stakeholders and divided them into six broad categories (see Figure 4). The company has then articulated what it believes are the 'needs' of those stakeholders from Pfizer, and also the influence they have over Pfizer's 'value' as a business (see Table 1). The process of stakeholder identification and needs analysis is further explored in Step 2. Pfizer goes on to make it clear that expectations of the company and its products and services vary from within the same stakeholder group. These differences can be caused by the precise nature of the relationship and level of contact for those within a group; by differing cultural and personal values; by different socioeconomic characteristics; by sources of information and authority that are accessed or relied on; and by different relationships experienced with other companies apart from Pfizer.

Stakeholder needs and influences

Stakeholders	Their needs from Pfizer	How they determine Pfizer's value
Patients	<ul style="list-style-type: none"> ● Access to medicine ● Efficacy of medicines ● Affordable medicines 	They decide whether to take Pfizer medicines
Customers	<ul style="list-style-type: none"> ● Efficacy of medicines ● Quality of service ● Access, affordability of medicines 	Doctors decide whether to prescribe; government decides whether to reimburse
Colleagues	<ul style="list-style-type: none"> ● Employment ● Job satisfaction ● Pride in company 	They decide whether to work at Pfizer and how productive to be
Business partners	<ul style="list-style-type: none"> ● Code of ethics, integrity ● Fair business deals ● Timely payments 	They decide whether to make Pfizer a partner of choice
Investors	<ul style="list-style-type: none"> ● Good rate of return on investment ● Good pharmaceutical 'pipeline' 	They decide whether and how much to invest in Pfizer
Communities	<ul style="list-style-type: none"> ● To add value as a good neighbour 	Where Pfizer operates, they shape the living and working environment

Table 1 **Pfizer's stakeholders: their needs and the influence they have on the company's value**

► **Triggers and their impacts**

Having identified potential triggers, the next stage is to consider their potential impact on current business strategies or operational practices. The objective is to

begin to rank triggers from those that are of no impact, to those of marginal impact, to those that have or may have material and long-term impact on the business. At this stage, such a process is likely to be subjective, but the task is, nevertheless, to make a judgement. If possible, its significance should be expressed in financial terms – and the time-period over which its effects may be felt should be considered. The primary aim is:

- To make quantifiable estimates in terms of degree of loss of revenue, increase in cost of materials etc.
- To differentiate between low-intensity short-term impacts and high-intensity long-term impacts

At a minimum, the aim should be to express impact in broad terms such as low, medium or high.

Because of commercial confidentiality, it is difficult to get accurate examples of the effect that particular triggers have had on specific companies from firms themselves. We referred to some examples at the beginning of this chapter – Nike, Shell and De Beers. However, it is possible to illustrate the nature of potential impacts for some companies by extrapolating from published sources and records (see Table 2); alternatively, it may be possible to determine the industry-wide impacts of a specific trigger (e.g. of legislation; see Table 3).

Trigger impacts on specific companies

Company	Trigger	Business impact	Time-scale of impact
Mattel	Threat of boycott of products ^a	Boycott represented a potential loss of sales	Within 12 months
Eli Lilly	Accident rates at the research laboratories ^b	Health and safety risk led to higher costs because of loss of trained personnel, increased healthcare costs and lower productivity	Now and ongoing

a Analysis based on a reading of 'Sweatshop Wars', *The Economist*, 27 February 1999

b Analysis based on a reading of GEMI (Global Environmental Management Initiative), 'New Paths to Value Creation', March 2001

Table 2 **Illustrations of analyses of trigger impacts on specific companies: the case of the toy company Mattel and the case of the Eli Lilly research laboratories**

Cost impacts of regulatory triggers

Legislation	Estimated cost	Time-scale of impact
EU REACH Directive	The EU estimates a cost of £22 billion to industry (the trade-body estimate is higher)	Present to 2020
Nine Japanese recycling laws	Costs of recycling are set at ¥53.9 billion (£280 million) for recycling containers and packaging in 2001, up from ¥1.7 billion in 1997	Ongoing

Table 3 **Illustrations of analyses of trigger events on industry-wide costs: the case of the EU REACH (Registration, Evaluation and Authorisation of Chemicals) Directive on the testing of chemicals and the case of nine Japanese laws, passed since 2000, on the recycling of packaging, household appliances, construction materials and cars**

► Synthesis of Step 1

The themes and issues described in Step 1 can be seen in the following examples, the first of which describes how changes in the external environment and pressures from stakeholders impacted one particular company — the US-based retailer Staples; and, for contrast, this is followed by a second example of how they are impacting a very different sector —telecommunications.

Triggers at Staples

Staples, the office-supplies giant, faced two years of stakeholder pressure from shareholders, community groups and environmental NGOs involving more than 600 demonstrations at Staples stores across the USA. In addition, tens of thousands of e-mails, letters and calls were made to the CEO. Staples eventually agreed to achieve an average of 30% post-consumer recycled content in all the paper products it sells, to phase out purchases of paper products from endangered forests, to create an environmental affairs division and to report annually on its environmental results.*

* Reported in Ethical Corporation and Nima Hunter Inc., 'The Business of Business: Managing Corporate Social Responsibility: What Business Leaders are Saying and Doing, 2002–2007', www.ethicalcorp.com (2003).

Triggers in the telecommunications sector

Several processes are evident in this sector. Technological advances make it possible to transmit pictures and video clips to mobile phones, and marketplace changes mean that mobile-phone usage is now widespread throughout the population, including among children. In addition, shifts in values in Western societies mean that material containing adult content is now more readily available and more socially acceptable. These factors in combination mean that children may be able to access pornographic or otherwise explicit images via their mobile phones.

A possible trigger event might therefore come in the form of an increasing stream of complaints from consumers (especially parents), directly to company customer services departments as well as via regulatory bodies covering the telecommunications sector, parliamentarians and the media. Some employees of mobile telecommunications companies might also be uncomfortable with the knowledge that their company is complicit in making such images accessible to children. Societal views may differ between different national markets where the same mobile telephony business has a presence.

Mobile telecommunications companies may identify the trigger of consumer complaints about adult (albeit legal) content as being likely to have a significant impact on the business. On the one hand, a complete ban on the transmission of such material would alienate other customers and lead to a loss of potentially substantial revenues — particularly if other providers did not follow suit. It might also undermine a marketing strategy designed to project a funky, liberated image to the rapidly growing youth market. On the other hand, failure to respond at all to the trigger could harm the marketing strategy to build up 'family package' deals for multi-phone use by a family. It might also lead to regulatory intervention that might restrict the transmission of adult content or ban it entirely.

► Moving from Step 1 to Step 2

In this chapter we looked at Step 1 of the seven-step process: identification of potential triggers and their causes, and their likely impact on business. In Step 2 we go on to examine in more detail the causes behind the triggers, whether they present significant commercial or operational risks or create the conditions for corporate social opportunities.