Rangan et al. pointed out that corporate social responsibility (“CSR”) had been subject to criticism from both sides of the ideological spectrum.¹ On the left, advocates from civil society have often questioned the fundamental motivations of corporations’ actions under the umbrella of CSR, arguing that in most cases corporate support for environmental and social programs were nothing more than public relations campaigns designed primarily, if not solely, to boost brand reputations as another means for achieving the primary corporate objective of maximizing profits. At the other end of the spectrum CSR has been denounced as inappropriate and unnecessary in a capitalist society where the responsibility of business is to create financial returns for its shareholders and the larger economy and environmental and social issues should be left to the government and civil society. Both sides have also complained about the lack of metrics to evaluate the efficacy of CSR programs, a situation that is all the more problematic given that businesses are generally driven and managed through precise tools designed to track and analyze the performance of every investment decision.²

Rangan et al. noted that efforts to bridge the ideological gap regarding CSR and develop a new paradigm that would be widely accepted had become centered on the idea of creating “shared value”, meaning that the role of business in society should be re-imagined as continuing to create private value for its shareholders but doing so in a way that the corporation also creates public value for society.³ Rangan et al. used Cisco’s establishment of educational and training programs for networking personnel, so-called “Cisco Academies”, to ensure that there was a sufficient pool of skilled labor in each of the communities where the company operated as just one highly publicized example of shared value in action. However, they were skeptical that shared value would complete resolve the tensions between economic and social/environmental goals that businesses and their leaders must confront. For example, given that creating substantive public value requires investing corporate resources for a payoff that is both distant and uncertain, the decision to take that path can only be taken at the top of the organizational hierarchy (i.e., the CEO and the members of the board of directors). Businesses typically staff their CSR activities with specialist managers, few of whom are willing or able to make “bet the company” decisions. As for the CEO’s, only a few are inclined to ignore the pressures to meet their “numbers” and champion long-term environmental and social investing; however, new expectations from institutional investors looking for companies

and CEOs to embrace sustainability are beginning to change the thought processes in the boardroom and corner offices.\textsuperscript{4}

Another practical barrier to the large-scale impact of shared value promised by its proponents is that it appears to only make sense for a small group of firms that already have a dominant position in their sectors. These companies already have a relatively large treasury of financial resources, meaning that a large bet on a relatively risky environmental or social project is not as problematic, and their size makes it likely that they will harvest a disproportionate share of the benefits that ultimately come out of a project and thus further strengthen their competitive position. Smaller companies not only have resource constraints but also are unlikely to make substantial public investments only to see their competitors “free-ride” on those investments and appropriate much of the private value that might be created. As such, it can be expected that most companies will invest in environmental or social projects that are narrower and more self-directed and that the public value of those projects, while noticeable and appreciated, will be limited to third parties in the company’s proprietary networks such as supply chain and distribution partners.\textsuperscript{5}

If “shared value” is not the complete answer to the search for a definitive paradigm to justify CSR does that mean that CSR will ultimately fade away as just another fad? Rangan et al. were among many who have responded to this question with a resounding “no”. Among large global companies the percentage professing to practice some form of CSR has been steadily increasing for over a decade and sustainability reporting has become the norm. Businesses of all sizes are subject to CSR drivers such as the philanthropic motivations of their employees, the personal commitments of more and more corporate leaders to contribute to their communities and society in general and the role that CSR plays in generating goodwill in the communities in which the business operates. As such, Rangan et al. argued that “CSR is here to stay” and that the challenge for companies is to find a way to forge a coherent strategy that is can accommodate the broad range of CSR activities including corporate funding of community activities, grants for nonprofits/NGOs, environmental sustainability programs to reduce energy and resource use, “cause” marketing and comprehensive system-level efforts to remake a business’s entire value chain.\textsuperscript{6}

Rangan et al. began with the assumption that although CSR has been adopted by many companies, few of them are practicing it with any formal strategy, let alone the lofty shared value approach, and that the common situation was a portfolio of disparate CSR programs and initiatives some of which supported core strategy and others of which


\textsuperscript{6} Id. at 3.
Strategic planning for sustainability is far from easy or precise, if only because it requires that simultaneous consideration be given not only to economic performance and development, but also to environmental protection and the social wellbeing of employees and other persons and groups outside of the organization. Companies and their managers are struggling to find and deploy the tools and practices that are necessary for balancing
and reconciling the “triple bottom line” of profits, planet and people. Clearly a company cannot contribute to sustainable development on a long-term basis unless it remains “in business” and this often means taking actions thought necessary for financial survival at the expense of other actions that would be environmentally or socially preferable. Even when businesses clearly understand that respecting the environment and society are necessary it may take time for them to make the necessary changes in their operational activities and it is not always possible for companies to avoid actions that might cause short-term environmental or social harm. In those situations, however, companies need to take responsibility for their actions and remediate the damage, such as by committing to build new skills and find meaningful employment for workers laid off as part of a downsizing of operations in a specific community. Another challenge is that the empirical data that managers use to having for their financial analysis is not as readily available for environmental and societal issues and the information that does exist is continuously changing, often technically ambiguous and subject to competing interpretations that not only make internal decision making more difficult but also muddle the regulatory environment in which businesses must operate.

When organizing CSR and sustainability activities companies need to identify and reconcile several different types of work streams. In a 2015 report on the research into the competitive and financial advantages of corporate responsibility and sustainability, IO Sustainability, a research and advisory services firm, and the Lewis Institute for Social Innovation at Babson College argued that companies generally divide their CSR and sustainability practices among the following streams:

- **Compliance**, which includes technical assessment, auditing, reporting and improvement of regulatory and voluntary systems. Examples include emissions, legal and ethical conduct and safety.
- **Engagement**, which includes adoption of codes and standards, communications, stakeholder management, partnerships, program design and reporting. Examples include corporate giving and volunteering, engagement, reporting and ratings and standards.
- **Competitive Positioning**, which includes shared value programming, pilot products, social innovation, supplier development and green production. Examples include cost savings, pilot products, pilot research and development and cause campaigns.
- **Innovation and Transformation**, which includes strategic planning, research and development, product development and business process redesign. Examples include products that foster sustainability and creating a “net positive” footprint.

The researchers noted that one of the problems that must be faced and overcome during the planning phase is reconciling “compliance” and “engagement” on the one hand and “competitive positioning” and “innovation and transformation” on the other hand. Compliance and engagement have the advantage of being based on relatively clear structures, processes, procedures, policies and management cycles; however, while it is

---


Copyright © 2020 by Alan S. Gutterman. Information about the author, the Sustainable Entrepreneurship Project (seproject.org) and permitted uses of this Work appears at the end of this Work.
understood that companies need to comply with laws and regulations and implement codes and standards, it is hard to define specific business cases for projects and activities related to those streams and calculate a return on investment. In contrast, projects and activities that are associated with competitive positioning with customers or employees and innovation and transformation lend themselves to packaging and promotion in a business case format, but each of them will require structures, processes and management practices that may be unfamiliar to the company.

Frameworks for Developing CSR and Sustainability Strategy

The path for developing and pursuing a CSR or sustainability strategy will be different for each company and will depend on its unique characteristics and circumstances; however, it is generally recognized that an effective strategy must be based on accepting the need for organizational change, a commitment to continuous improvement and strong board-level vision and oversight. Companies can consult international instruments that provide guidance and ideas for designing and implementing an effective and comprehensive CSR initiative, and a growing body of empirical research has helped to build consensus on the elements of an effective framework for developing CSR and sustainability strategies including assessing current CSR norms, standards and practices by benchmarking against competitors and universal standards; engaging key stakeholders to raise awareness of CSR, solicit positive participation in the CSR strategy process and mobilize commitment for significant organizational change; defining the specific CSR commitments and goals and articulating a clear business case for sustainability; developing an integrated strategic plan to achieve the selected CSR goals and embed CSR into organizational strategy; implementing the plan and the initiatives linked with CSR; establishing internal and external communications regarding CSR commitments and performance; evaluating, verifying and reporting on CSR progress; and institutionalizing the strategies and policies by embedding CSR into corporate culture and values and aligning organizational systems to support CSR commitments.

CSR needs to be moved from theory and aspiration into practice through a proactive program of implementation and integration within the organization and throughout its stakeholder sphere of influence. The United Nations Global Compact, which has been described as the largest policy initiative for businesses that are committed to aligning their operations and strategies with universally accepted principles of CSR, has issued guidance on implementation and integration of CSR that noted that in many ways implementing CSR is like any other management task and called for defining CSR goals, taking into account the issues and ideas that should have been identified during stakeholder engagement; implementing programs with a view toward achieving the goals in a timely manner; checking to make sure that the goals are being achieved through some sort of assessment or auditing process; and dealing with problems and non-conformance to goals through quality management techniques (i.e., “Plan-Do-Check-
The UN Global Compact also referred to an alternative systems-based approach to continuous CSR improvement that included assessment, strategy, implementation and communication, arguing that such an approach was useful to ensuring that CSR was fully integrated into all aspects of the organizational strategy as opposed to simply being viewed as a “nice to do” add-on.\textsuperscript{12}

Companies proactively engaged in CSR are in many ways no different than any other business: their business model needs to generate sufficient profits for the company to survive and grow (i.e., to achieve the sustainability necessary for it to be around long enough to achieve its social and/or environmental goals as well as generate income for its investors, managers and employees). As such, sustainable companies still need to understand and apply traditional business planning techniques; however, they also need to integrate their CSR projects and initiatives into their strategic goals and business and operating plans. Hohnen and Potts noted that there is no “one-size-fits-all” framework or method for pursuing a CSR or sustainability strategy and that each company must consider its own unique characteristics and circumstances when implementing, expanding or modifying its CSR programs and policies.\textsuperscript{13} Among other things, these characteristics and circumstances include the company’s overall mission and purpose, organizational culture, external environment and risk profile, operating conditions and existing relationships with stakeholders.

Available resources for CSR activities are also an important constraint, although even when resources are scarce companies can take modest steps to integrate CSR concerns and principles into their core decision making, strategy, management processes and activities. However, notwithstanding the contextual contingencies of CSR, companies can take advantage of the extensive work that has gone into creating international instruments that provide a basic framework for designing and implementing an effective and comprehensive CSR initiative and which have been vetted and endorsed by governments and civil society alike. Among the sources for companies to choose from are the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises; the International Labour Organization Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and Core Labour Standards; the UN Global Compact Principles; the Global Reporting Initiative Sustainability Reporting Guidelines; the International Organization for Standardization standards; the AccountAbility AA1000 Series; and the Social Accountability International SA8000 standard.\textsuperscript{14}

\textsuperscript{11} UN Global Compact: Training of Trainers Course Guidance Manual (New York: UN Global Compact), 36.
\textsuperscript{12} Id. at 39.
\textsuperscript{13} P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 18.
\textsuperscript{14} Id. at vii. Companies can also refer to guidelines prepared by local and regional governments which presumably were prepared with reference to specific local conditions and societal values and generally benefit from participation by representatives of business, government and labor (e.g., the Singapore Compact; the Thailand Labour Standard; the 2006 CSR Beijing Declaration; and the Confederation of Indian Industries). Id.
Maon et al. suggested that CSR strategy development and implementation could be considered as an organizational change process (i.e., moving from a present to a future state), or as a new way of organizing and working, with the ultimate aim being to align the organization with the dynamic demands of the business and social environment through the identification and management of stakeholder expectations. Maon et al. also noted that, in addition to change, CSR involved learning over time and the ability to understand the specific context and confluence of stakeholder expectations.

Maon et al. conducted a survey of the literature regarding frameworks about CSR implementation and reported on finding of various researchers with respect to the conception of CSR, the CSR integration process and stakeholders’ role in the process. For example, Khoo and Tan argued that a company’s commitment to CSR should “envelop all employees (i.e., their health and wellbeing), the quality of products, the continuous improvement of processes and the company’s facilities and profit-making opportunities” and defined sustainable manufacturing and development as “the integration of processes, decision making and the environmental concerns of an active industrial system that seeks to achieve economic growth, without destroying precious resources of the environment”. The CSR integration process that they proposed was based on the Australian Business Excellence Framework and included four cyclic stages: preparation (involving leadership and strategic planning); transformation (involving people and information management); implementation (involving the embodiment of sustainability in the company’s processes); and sustainable business results (involving the review of the system’s performance). Interestingly, stakeholders’ concerns and roles were not integrated into the framework.

Werre referred to CSR as “the strategic choice to take responsibility for the impact of business with respect to economic, environmental and social dimensions” and suggested that the CSR implementation model should include four main phases: raising top management awareness, formulating a CSR vision and core corporate values, changing organizational behavior and anchoring the change. Werre emphasized the importance of

18 Id. (as described in F. Maon, V. Swaen and A. Lindgreen, Mainstreaming the Corporate Responsibility Agenda: A Change Model Grounded in Theory and Practice (IAG- Louvain School of Management Working Paper, 2008), 56).
internal communications and employee involvement; however, involvement of external stakeholders was not mentioned other than with respect to their role in raising awareness and sensitivity of top management and in pushing for external certification processes. Panapanaan et al. promoted an implementation framework that began with two preliminary steps (i.e., identification of the main CSR areas and identification of the relevant CSR parameters) and continued with five essential activities for CSR management (organization and structure, planning, implementation, monitoring and evaluation and communication and reporting). Social risk assessment through consideration of stakeholders’ concerns and opinions was an important element of the preliminary steps; however, relatively little attention was paid to stakeholders’ role in the management activities.

Maignan et al. suggested eight steps to properly implement CSR from a marketing perspective: discovering organizational values and norms; identifying stakeholders and their respective salience; identifying the main issues of concern to the identified stakeholders; assessing a meaning of CSR that fits the organization of interest; auditing current practices; prioritizing and implementing CSR changes and initiatives; promoting CSR by creating awareness and getting stakeholders involved; and gaining stakeholders’ feedback. Cramer laid out six main non-sequential activities for CSR implementation: listing the expectations and demands of the stakeholders; formulating a vision and a mission with regard to CSR and, if desired, a code of conduct; developing short- and longer-term strategies with regard to CSR and, using these, to draft a plan of action; setting up a monitoring and reporting system; embedding the process by rotting it in quality and management systems; and communicating internally and externally about the approach and the results obtained.

After reviewing the above-described suggestions on how CSR could be developed and implemented, Maon et al. created their own implementation and integrative framework that had been confronted and refined by multiple case study research with organizations.

---


such as IKEA, Philips, and Unilever.\textsuperscript{23} The results of all this work was a suggested series of nine steps\textsuperscript{24}:

- Raising CSR awareness inside the organization, which requires taking into account economic, social and political drivers and managers’ personal values
- Assessing corporate purpose in a societal context, which includes uncovering organizational systems, as well as corporate norms and value, and identifying key stakeholders and the CSR issues that are most crucial to them
- Establishing a working definition and vision for CSR
- Assessing current CSR status by auditing current CSR norms, standards and practices and benchmarking them against competitors and universal standards
- Developing an integrated CSR strategic plan and embedding CSR into organizational strategy
- Implementing the CSR integrated strategic plan and organizational initiatives and strategies linked with CSR
- Establishing and maintaining internal and external communications regarding CSR commitments and performance
- Evaluating CSR integrated strategies and communications and evaluating, verifying and reporting on CSR progress
- Institutionalizing CSR policy by anchoring changes into organizational systems and corporate culture and values

Maon et al. also provided a collection of critical success factors at each level within the company (i.e., corporate, organizational and managerial) for implementing integrated CSR policies\textsuperscript{25}:

**Corporate Level**

- At the planning stage, connecting CSR vision and initiatives with the organization’s core values and competencies and formalizing CSR vision through official documents
- At the assessment and improvement stage, considering mistakes as an opportunity to learn and improve programs and policies
- Throughout the process, getting the commitment of key people (e.g., directors, owners and senior managers) and engaging stakeholders in the entire process

**Organizational Level**

- At the planning stage, building upon existing organizational structures and processes

\textsuperscript{23} Id. at 11.

\textsuperscript{24} F. Maon, V. Swaen and A. Lindgreen, Mainstreaming the Corporate Responsibility Agenda: A Change Model Grounded in Theory and Practice (IAG- Louvain School of Management Working Paper, 2008), 39 (see also Figure 1: Proposed Integrative Framework at 62 of publication).

\textsuperscript{25} Id. at 61.
• At the implementation stage, ensuring that the company has the internal skills required to make the transformation at its disposal and that employees are trained in CSR
• At the assessment and improvement stage, considering mistakes as an opportunity to learn and improve programs and policies
• On a day-to-day basis, emphasizing relationships between new organizational behaviors and success
• Throughout the process, fostering the presence of moral/CSR champions and thinking in terms of engagement rather than “quick fix” solutions

Managerial Level

• At the implementation, assessment and improvement stages, creating enthusiasm and credibility around CSR by providing regular updates on progress
• On a day-to-day basis, rewarding people that create CSR successes
• Throughout the process, managers should take a leadership role

UN Global Compact

As discussed above, the UN Global Compact has issued guidance on implementation and integration of CSR. One alternative is a CSR management system based on four stages (i.e., “Plan-Do-Check-Act”) that included the following:

• Planning: Benchmarking; stakeholder engagement; legal requirements and standards; identification of risks and opportunities; identification of priorities and programs; development of policies and codes of conduct; and selection of indicators and targets
• Implementation: Preparation of a formal implementation plan; training, awareness and capacity building; staff involvement; internal communications; leadership buy-in; and supply chain integration
• Checking and Reviewing: Identification of problems; monitoring and measurement of progress; review of outputs and outcomes; and assessments and audits
• Action: Demonstrating leadership; management review; external communications and reporting and corrective actions

The second alternative focused more on ensuring that CSR was integrated into organizational strategy and also included four repeating stages:

• Assessment: Mapping, benchmarking and gap analysis; internal CSR surveys; non-financial risk assessment; stakeholder engagement; due diligence and international standards

---

27 Id. at 39-40.
Strategic Planning for Sustainability

- Strategy: Policy development; environment and climate change; community investment; supplier code of content; human resources and measurement and monitoring system
- Implementation: Senior management buy-in; staff involvement; staff training and capacity building; roll out policies; action plans; alignment with international standards; measurement and monitoring and supply chain integration
- Communications: Internal; external; targeted; reporting and disclosure; case studies and leadership

**ISO 26000’s Guidance on CSR Implementation and Integration**

While the ISO 26000 Guidance on Social Responsibility developed by the International Organization for Standardization (“ISO 26000”) devotes a significant amount of attention to identifying the principles, core subjects and issues of CSR and the actions that are relevant to organizations with respect to each of those subjects, it also provides guidance on integrating social responsibility throughout an organization and actually putting CSR into practice. ISO 26000 recognizes that organizations will start on their path toward CSR from different points. For example, some organizations will already have established processes and techniques for implementing significant organizational changes and may have a number of policies and processes in place that are relevant to the core CSR subjects (e.g., an organizational code of conduct and policies relating to the environment, human rights, labor conditions, bribery and corruption etc.). In other cases, particularly with newer and/or smaller enterprises, CSR needs to introduced and built from the ground up and systematically integrated into the organizational culture and the ways in which issues are considered and decisions are made.

The guidance offered by ISO 26000 relating to CSR implementation and integration focuses on the following issues and related organizational actions: the relationship of an organization’s characteristics to the core subjects of social responsibility; understanding the social responsibility of an organization and the specific issues and expectations applicable to the organization with respect to the organization’s contribution to sustainable development; practices for integrating social responsibility throughout an organization (i.e., strategies and action plans); communications on social responsibility; enhancing credibility regarding social responsibility through stakeholder engagement and reporting; and reviewing and improving an organization’s actions and practices related to social responsibility. In contrast to many of the other ISO standards, ISO 26000 is not designed for certification (i.e., an organization cannot claim to be “ISO 26000 certified”), instead it is intended to provide guidance and assistance to organizations in finding their own best path to CSR implementation and improving environmental and social performance. The principles of ISO 26000 have become a foundation for many of the other implementation frameworks discussed herein.

**Hohnen and Potts: Plan, Do, Check and Improve**

---

Hohnen and Potts proposed a CSR implementation framework that begins with “planning”, and the first step in this phase is conducting a CSR assessment by assembling a CSR leadership team; developing a working definition of CSR; identifying legal requirements; reviewing corporate documents, processes and activities and internal capacity; and identifying engaging key stakeholders. Once the assessment is completed attention turns to developing a CSR strategy, a process which includes building support with CEO, senior management and employees; researching what others are doing, and assessing the value of recognized CSR instruments; preparing a matrix of proposed CSR actions; developing ideas for proceeding and the business case for them; and deciding on direction, approach, boundaries and focus areas.

Once the CSR strategy has been completed it is time to move forward with developing and implementing CSR commitments. Developing CSR commitments involves doing a scan of CSR commitments; holding discussions with major stakeholders; creating a working group to develop the commitments; preparing a preliminary draft; and consulting with the affected stakeholders. In order to implement the CSR commitments steps must be taken to develop an integrated CSR decision-making structure; prepare and implement a CSR business plan; set measurable targets and identify performance measures; engage employees and others to whom CSR commitments apply; design and conduct CSR training; establish mechanisms for addressing problematic behavior; create internal and external communications plans; and make commitments public. Once the company is actively engaged in implementing the CSR strategy it is essential to measure and assure performance, engage stakeholders and report on performance, both internally and externally. The CSR leadership team must evaluate performance, identifying opportunities for improvement and engage with stakeholders on implementing changes and improvements.

Taken together, the steps described above—which Hohnen and Potts called “plan”, “do”, “check” and “improve”—should be seen as a “cycle” of implementation that should be mastered and improved and repeated in line with a reasonable and appropriate schedule. Hohnen and Potts emphasized that companies should approach CSR as a process of continual improvement, being constantly alert to new issues and considerations. Their implementation framework, which they noted was based on well-known initiatives such as the UN Global Compact (see above) and the quality and environmental management systems promulgated by the International Organization for Standardization, is intended to provide a path for companies to follow; however, flexibility should be exercised in order to be sure that the specific needs and circumstances of the firm are taken into account. The goal of the process is to create and maintain a CSR implementation framework that integrates economic, social and environmental decision making throughout the company, from the board of directors to front-line employees to supply chain partners, and thus enhances the overall corporate governance effectiveness of the company.

29 P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 19.
30 Id.
**Finnish Textile & Fashion’s Process for Getting Started with CSR**

Finnish Textile & Fashion ("FT&T"), the central organization for textile, clothing and fashion companies in Finland, recommended that companies follow a simple multi-step process to get started with CSR, beginning with reviewing and describing their current status, either on their own and/or with the help of external consultants. Companies begin their journeys with respect to formalized CSRs from different positions, depending on the size and operational focus of the business, how long the company has been operating and the prior actions of the founders and other members of the executive team. Any CSR work that has already been completed should be cataloged and research should be done in order to understand how the company stands in relation to other firms in the same industry sector, industry standards and legal and regulatory requirements. The information collected in order to compare the company’s situation can be used in later stages of the CSR launch process, such as when the company needs to make CSR commitments and set associated performance targets.

---

**Finnish Textile & Fashion Corporate Responsibility Milestones**

- Reviewing and describing the current status of the company’s programs and actions with respect to corporate responsibility
- Defining the corporate responsibility themes that are material to company’s success
- Defining the target level for corporate responsibility with respect to each of the company’s material corporate responsibility themes
- Formalizing the target levels into corporate responsibility commitments
- Establishing corporate responsibility principles and policies (e.g., code of conduct and detailed guidelines and principles on specific topics such as the environment, human resources and procurement)
- Target corporate responsibility program which lays out a three- to five-year program of actions to be taken on the material corporate responsibility themes with specific objectives and indicators and allocations of authority and accountability
- Measurement and monitoring of performance against the selected objectives and indicators and adjustment of strategies and objectives based on regularly reviews of performance (no less frequently than annually)
- Verified reporting on the results of the corporate responsibility program and communication of the results to stakeholders using multiple channels


---

Once an inventory and assessment of the current status of the company CSR’s efforts has been completed, the information should be used to identify and define the key CSR themes in terms of the company’s competitiveness and success. Examples provided by FT&T included collaboration with subcontractors, quality of raw materials and employer

---

image. The company should also examine which sub-areas of CSR it is currently or potentially able to have a major positive or negative effect on society, the environment or people, such as the employment effects in different phases of the purchasing and supply chain, using the opportunities offered by the circular economy or reducing the use of harmful chemicals. In addition, the company should identify the key sustainable development matters relating to the company and the industry in which the company operates, such as access to clean water or employees’ rights, and make a list of those sub-areas of CSR where the company could achieve major positive results in the short-term. Achieving some “wins” early in the evolution of the company’s CSR push is important to build momentum and morale, and support the business case for CSR. FT&T noted that companies should look to actions such as boosting the efficiency of transportation and making information flow more efficiently within the supply chain in order increase transparency and reinforce the company’s reputation as a “responsible operator”.

The next thing that the company should do, once it has assessed its current CSR status and identify the key issues it should address during the next stages of its CSR journey, is define the target level for its CSR performance. When setting the targets consideration should be given to both effectively managing material risks to the business and meeting expectations of key stakeholders. The initial target level depends on the then-current status of the company’s CSR activities and the company’s experience with implementing and practicing the processes and systems associated with CSR activities and companies should expect to periodically review and, as appropriate, reset the targets. At a minimum, companies need to comply with all laws and regulations applicable to their business operations; however, a serious CSR effort goes beyond minimum compliance to include both surpassing the requirements of laws and regulations and making and keeping voluntary sustainability commitments selected by the company that are related to the company’s key CSR matters. The next level is meeting the expectations of markets and stakeholders, which inevitably exceeds legal and regulatory compliance and can be understood only through a process of extensive engagement with investors and other key stakeholders. Finally, some companies may progress with the CSR to the point where they become recognized as being among the pioneers of CSR and create best practices.

Once the targets are established, companies need to formulate the commitments to actions that are required in order to meet the goals and objectives that have been set. Commitments are often memorialized in mission statements and/or CSR operating guidelines and should address CSR-related targets for each of the company’s key stakeholders and institutionalize associated processes such as stakeholder engagement, collaborations with value chain partners and sustainability reporting and communications. Examples of high-level commitments include offering employees the opportunity to work in a safe environment and develop their professional skills and reducing environmental impact of operational activities by enhancing the efficiency of the company’s resource usage and making maximum use of new technology. Statements regarding CSR commitments are accompanied by CSR principles and policies including a code of

---

32 Id. at 11.
33 Id.
corporate conduct that covers legal compliance, financial responsibility, fair competition, prohibitions on bribery and corruption, conflicts of interest, customer relationships, supply chain relationships, workplace conditions and employee wellbeing, environmental responsibility and community relations; environmental policies; human resources policies and principles of responsible purchasing.\textsuperscript{34}

It is recommended that the targets for each of the key CSR themes be defined for a period of three to five years and that the company should develop a schedule, timetable and budget for each of the actions necessary during that period and assign specific personnel to be accountable for seeing that the actions are completed. At this point the CSR plans should include all of the goals and objectives and the associated indicators. Once the initial plans have been laid, they should be reviewed and updated as necessary, no less frequently than annually. Most companies find it easiest to synchronize their reviews with process of reporting to stakeholders on their CSR activities since they can use the indicators that have been recommended by the sponsors of widely used reporting regimes such as the Global Reporting Initiative (“GRI”).\textsuperscript{35}

Finally, reporting and stakeholder communications need to be an integral part of a company’s CSR activities and commitments: companies need to be prepared to be transparent and open with their stakeholders regarding CSR successes and failures, and this means accepting risks of criticism from groups that feel that the company has not “done enough”. Reporting can be facilitated through the use of one of the frameworks for sustainability reporting that have emerged, such as the GRI, and companies should consider verifying their reporting through the use of external auditors in order to increase the credibility of the report and assure readers that the information is accurate. The final version of the report should be printed for distribution to stakeholders and also made available for viewing and downloading on the company’s website along with the company’s CSR principles and policies as outlined above.\textsuperscript{36}

Communications regarding CSR activities and the results of those activities should be conducted using a wide range of channels such as the company’s website and newsletters to the company’s customers. Companies should also collaborate with value chain partners and other stakeholders on communications planning and execution and should participate in events related to CSR as a means for gathering information and raising awareness of the company’s involvement. While much of the communication activity relates to disseminating the results of the CSR initiatives and programs, dialogue with stakeholders should begin early in the process so that stakeholders can provide inputs into the company’s decisions regarding CSR commitments and areas of focus.\textsuperscript{37}

\textit{Willard: Building the Business Case for Sustainability Initiatives}\

\textsuperscript{34} Id. at 12.\textsuperscript{35} Id. at 13.\textsuperscript{36} Id.\textsuperscript{37} Id.
Another implementation framework was suggested by Willard, who recommended that companies engage in a multi-step process for ensuring effective implementation of sustainability initiatives that includes “wake up and decide”, “inspire visions”, “assess current realities”, “develop strategies”, “build case(s) for change”, “mobilize commitment” and “embed and align”. He explained how this works as follows:

“A process that ensures a successful implementation of any significant sustainability change initiative] begins with sustainability champions deciding to make a difference on a pressing environmental or social issue that is relevant to the company. It could be reducing the company’s carbon footprint to avoid climate destabilization, mitigating the water or food crisis, or improving the wellbeing of the local community. With a few kindred spirits, they the sustainability champion crafts an inspiring shared vision of how great it would be if the company were a leader on that issue. Then they identify performance gaps between where the company is now on the chosen sustainability issue and where it could or should be. They engage appropriate internal and external stakeholders to map out strategies to close the performance gaps. The next "build case(s) for change" step is pivotal. Some progress can be made without senior management support, but to get real traction and mobilize sustained commitment to the desired sustainability initiative throughout the organization, the executive team needs to provide visible and active support. Only they have the position power to allocate appropriate resources and to make the necessary changes to the measurement, management, recognition, and reward systems to imbed any required new policies, processes, and behaviors into the company’s culture and DNA. It's time to craft a compelling business case.”

---

**Business Strategy for Sustainable Development**

The International Institute for Sustainable Development (www.iisd.org) (“IISD”) was established in 1990 as an independent non-profit organization dedicated to promoting human development and environmental sustainability through innovative research, communication and partnerships. The strategic plan for the IISD includes the following programs and core strategic goals:

- **Economic Law and Policy:** Reform economic policies to advance sustainable and equitable development.
- **Energy:** Shift energy systems and policies to support universal access to clean, low-carbon energy.
- **Water:** Advance science-based solutions for universal access to water and healthy ecosystems.
- **Resilience:** Strengthen capacities to manage climate- and conflict-related risks.
- **Knowledge:** Transform data and information into knowledge that supports sustainable development.
- **Reporting Services:** Provide accurate, neutral, high-quality analysis that informs decision making about multilateral environmental negotiations.

---

Content available on the IISD website includes materials on Business and Sustainable Development collected and presented on their own site (https://www.iisd.org/business/) which includes six sections covering the following:

- **Key Issues:** Briefings on specific sustainable development topics from a business perspective including corporate social responsibility, corporate reporting, integrated product policy, climate change and trade.
- **Strategies and Tools:** How to incorporate the principle of sustainability into everyday business activities, illustrated by real-life examples
- **Markets:** Business opportunities arising from sustainable development
- **Banking and Investment:** Spotlight on how sustainable development is being approached by the financial services industry
- **Working with NGOs:** How businesses are forging working partnerships with lobby groups
- **Training Opportunities:** How universities and professional training providers can help industry leaders incorporate sustainability into their business strategies

Among the strategies and tools are guiding principles (i.e., the CERES principles, the International Chamber of Commerce Business Charter, the GoodCorporation accreditation scheme, IISD’s checklist of sustainable business practices, “factor four” and the “triple bottom line”); business tools (i.e., by-product synergy and industrial ecology, cleaner production, design for environment, eco-efficiency, energy efficiency, environmentally-conscious manufacturing, the “four R’s”, green procurement, performance contracting, pollution prevention and zero-emission processes); and systems and standards (i.e., environmental management systems, ISO 14001, EMAS, EH&S programs, SA 8000, life-cycle assessment, reporting, total cost assessment and total quality environment).

The IISD, in collaboration with Deloitte & Touche and the World Business Council for Sustainable Development, published “Business Strategy for Sustainable Development: Leadership and Accountability for the 90s” in 1992, and that publication included a number of steps for managing an enterprise according to sustainable development principles:

- **Perform a stakeholder analysis** to identify all the parties that are directly or indirectly affected by the enterprise’s operations and set out the issues, concerns and information needs of the stakeholders with respect to the organization’s sustainable development activities.
- **Assess the current position** to determine the degree to which the company’s activities line up with sustainable development principles, a process that requires evaluating the company’s overall strategy, the performance of specific operations, and the effect of particular activities. This process should compare the company’s current performance with the expectations of the stakeholders, review management philosophies and systems, analyze the scope of public disclosures on sustainability topics, and evaluate the ability of current information systems to produce the required data should be evaluated.
- **Set sustainable development policies and objectives** including articulating the basic values that the enterprise expects its employees to follow with respect to sustainable development, incorporating sustainable development objectives as an additional dimension of business strategy, setting targets for operating performance and establishing an effective external monitoring system that gathers information on new and proposed legislation; industry practices and standards, competitors’ strategies, community and special interest group policies and activities, trade union concerns and technical developments (e.g., new process technologies).
- **Establish a social responsibility committee** of the board of directors with responsibility for setting corporate policies on sustainable development and monitoring their implementation and for dealing with issues such as health and safety, personnel policies, environmental protection, and codes of business conduct.
- **Decide on a strategy** taking into account the performance of other comparable organizations and with a focus on narrowing the gap between the current state of the corporation’s performance and its objectives for the future. The strategy should be supported by a plan that describes how and when
management expects to achieve the stated goals and the various milestones that must be reached along the way. Once the strategy and the general plan have been approved, detailed plans should be prepared indicating how the new strategy will affect operations, management systems, information systems and reporting. Plans should be reviewed and approved by senior management following consultation with employees throughout the organization.

- Design and execute an implementation plan for the management system changes that are needed in order to achieve sustainable development objectives, a process that normally includes changing the corporate culture and employee attitudes, defining responsibilities and accountability, and establishing organizational structures, information reporting systems and operational practices.
- Develop a supportive corporate culture to ensure that the organization and its people give their backing to the sustainable development policies. In most cases, managers will need to be retrained to change attitudes that have traditionally emphasized wealth management for the owners of the enterprise. An effort should also be made to develop a culture that emphasizes employee participation, continuous learning and improvement.
- Develop appropriate measures and standards of performance taking into account the company’s sustainable development objectives and standards that have been established by government and other public agencies.
- Develop meaningful reports for internal management and stakeholders, outlining the enterprise’s sustainable development objectives and comparing performance against them. Directors and senior executives use internal reports to measure performance, make decisions and monitor the implementation of their policies and strategies. Shareholders, creditors, employees and customers, as well as the public at large, use external corporate reports to evaluate the performance of a corporation, and to hold the directors and senior executives accountable for achieving financial, social and environmental objectives.
- Enhance internal monitoring processes to help directors and senior managers ensure that the sustainable development policies are being implemented. Monitoring can take many forms, such as reviewing reports submitted by middle managers, touring operating sites and observing employees performing their duties, holding regular meetings with subordinates to review reports and to seek input on how the procedures and reporting systems might be improved, and implementing an environmental auditing program.

Other resources and references relating to sustainable business are available from the Sustainable Business and Entrepreneurship Platform (http://www.susent.org/), which is a research group from the International Business School and the Centre of Applied Research of Economics and Management at the Amsterdam University of Applied Science. The Platform was developed as a resource for professionals, primarily in the fashion, apparel and textile industries, to learn more about sustainability in practice and includes case studies and tools that can be used for assessment of sustainability and development and implementation of strategies for achieving sustainability change.

**Suggested Steps for Implementing and Integrating CSR**

There is no universal standard for CSR implementation and integration and there are obviously differences among the frameworks for implementation of CSR discussed above; however, there does appear to be convergence around a number of common steps that organizations should follow. For example, there is consensus that organizations should begin the process with a full-scale assessment, relying on both internal resources and external assistance, and then use the information collected during the assessment process to identify and prioritize key CSR subject areas and issues. Subsequent steps would typically include selection of appropriate voluntary CSR initiatives to serve as guides in the implementation process; developing a CSR strategy with CSR commitments and performance targets; launching various actions to integrate CSR throughout the
organization and monitor and measure progress toward the performance targets; setting up processes for reporting on CSR activities and performance and other communications to stakeholders relating to CSR; and ensuring that the CSR initiatives are regularly reviewed and that changes are made to continuously improve the organization’s CSR performance and the methods used to implement CSR. While each of the frameworks suggested above are organized and described as an orderly continuum of steps (and the sections that follow are organized in a similar way), the reality is that developing and implementing a CSR initiative requires that a number of activities be carried out at once. For example, stakeholder engagement should begin early in the assessment process and should be continued during each of the steps.

**Guiding Principles for Driving Sustainable Business Practices**

While each of the frameworks suggested above are organized and described as an orderly continuum of steps, the reality is that developing and implementing a CSR initiative requires that a number of activities be carried out at once. One of the first things that should be done is to get a good idea about what the company stands for and how it operates, a process which includes document review, interviews and observation. Concerns of internal stakeholders, such as employees, need to be identified and analyzed. At the same time, it is essential to determine who the company’s most important external stakeholders are and collect information on how those stakeholders have interacted with the company and what their expectations might be with respect to the company’s CSR programs. Community concerns are particularly noteworthy even though the company’s relationships with other stakeholders, such as investors, customers, lenders and supply chain partners, have a more direct impact on economic performance. Companies need to reach out to members of their communities through publications, open houses and workshops to develop and implement ideas about how the company can be a better community member. Finally, the interests and concerns of society-in-general and regulators should be monitored on a continuous basis and companies should establish and maintain contacts with NGOs, advocates for civil society, legislators and representatives of regulatory agencies with influence over topics that are relevant to the company.

Some commentators providing guidance on strategic planning for sustainability have eschewed staging and pathways in favor of a collection of principles to be applied by sustainability leaders. For example, in 2017 the MIT Sloan Management Review, in collaboration with The Boston Consulting Group, published a report compiling their observations on the then-current state of corporate sustainability based on extensive surveys and interviews conducted over the previous eight years with managers, executives and thought leaders in order to increase knowledge about business adoption of sustainable practices and to support the integration of sustainability into business
The researchers identified eight evidence-based factors that they believed drove sustainable business practices, regardless of industry or region:\(^{39}\):

- Articulate a practical sustainability vision and ambition that lays the foundation for new business practices. 90% of executives see sustainability as important; however, only 60% of companies have a formal sustainability strategy (and even less have a clear business case for sustainability).
- Identify and prioritize material issues to focus resources. Companies that focus on material issues report up to 50% added profit from sustainability, but those that do not focus on their material issues struggle to add value from their sustainability activities.
- Embed sustainability organizationally through cross-functional teams, clear targets, and key performance indicators. Building sustainability into business units doubles an organization’s chance of profiting from its sustainability activities.
- Innovate on multiple dimensions of your business model. Nearly 50% of companies have changed their business models as a result of sustainability opportunities.
- Develop a clear business case for sustainability. While 60% of companies have a sustainability strategy, only 25% have developed a clear business case for their sustainability efforts.
- Get the board of directors on board. 86% of companies agree that boards should play a strong role in their company’s sustainability efforts, but only 48% say their CEOs are engaged, and fewer (30%) agree that their sustainability efforts had strong board-level oversight.
- Develop and communicate a compelling sustainability value-creation story to shareholders. 75% of executives in investment companies think sustainability performance should be considered in investment decisions, but only 60% of corporate executives think investors care about sustainability performance.
- Collaborate with a variety of stakeholders to drive strategic change. 90% of executives believe collaboration is essential to sustainability success, but only 47% say their companies collaborate strategically.

The report included an acknowledgement that proactive action from the private sector and tapping into its ability to innovate had become recognized as fundamental to realization of a sustainable future and that significant progress had been made relating to the levels of commitment to corporate sustainability and that a handful of standout companies were demonstrating that sustainability could be driver of innovation, efficiency and lasting business value\(^{41}\); however, the report also raised concerns about the


\(^{40}\) Id. at 1-2.

\(^{41}\) Id. at 3. Indicators of progress relating to corporate sustainability included broad commitments to sustainability principles such as the UN Global Compact; more and more companies reporting on their sustainability performance; emergence of a vast network of tool makers (e.g., investors, consumer groups, organizations, coalitions, certifiers and platforms) to spur and aid sustainable business practices; increased transparency about sustainability-related activities (including activities by value chain partners); development of social media and other technology platforms leading to heightened awareness of crises and
continuing path forward, noting that corporate leaders in sustainability remained a minority and that populist political movements around the world threatened to set back global diplomatic progress on issues like climate change and reverse recent regulatory trends. In addition, the researchers wondered how many companies would be willing to undertake the substantial organizational changes necessary to embed sustainability in the business model (e.g., looking at the business in different ways, erecting new organizational structures, developing new expertise and processes and shifting mindsets) and how many more business leaders would have the courage to refocus their planning efforts around long-term goals that often will take decades to achieve.

Ceres, a non-profit organization advocating for sustainability leadership (www.ceres.org), has developed and disseminated its Ceres Roadmap as a resource to help companies re-engineer themselves to confront and overcome environmental and social challenges and as a guide toward corporate sustainability leadership. The Roadmap was first released in 2010 and has been subsequently revised to take into account rapidly emerging changes such as the following:

- Businesses had come to realize that ecological and social threats were becoming an increasingly bigger part of the environments in which they are operating and that they must be better prepared to confront climate change and a global water crisis.
- The international community, often under the auspices of global organizations such as the United Nations, had come together to develop sustainable development goals and negotiate multi-national agreements on important environmental and social issues such as reducing carbon emissions and reliance on fossil fuels and providing decent work and economic growth for all segments of the population.
- The roles and responsibilities of companies to protect human rights had been defined in instruments such as the Guiding Principles on Business and Human Rights and guidance for companies on how to report on human rights had become widely available.
- Interest in sustainable companies was increasing among investors and data indicated substantial increases in the use of environmental, social and governance (“ESG”) metrics among mutual fund managers.
- Promising, albeit incremental, improvements were being made with respect to how companies were integrating sustainability into their decision-making processes, particularly in areas such as board oversight of material sustainability issues, proactive corporate engagement of investors on ESG risks and opportunities, and heightened focus on the environmental and social performance of their suppliers.
- Companies have become more and more aware of the opportunities associated with engaging and overcoming sustainability challenges included improving corporate misbehavior; recognition of the importance of sustainability to institutional investors and launch of environmental, social and governance reporting platforms such as the Principles for Responsible Investment, the Sustainability Accounting Standards Board and the Sustainable Stock Exchange Initiative; and the launch of new initiatives among groups of companies and nations to forge new standards and goals for sustainable business practices. Id.

Ceres, The Ceres Roadmap for Sustainability (www.ceres.org/keresroadmap)
competitiveness, achieving savings through energy productivity initiatives, accessing and retaining top talent, strengthening values chains and realizing benefits from investments in clean technology and energy.

The revision of the Roadmap announced during the mid-point of the 2010’s laid out 20 expectations in the areas of governance for sustainability, stakeholder engagement, disclosure and performance that Ceres believed that companies should seek to meet by 2020 in order to transform into truly sustainable enterprises. The first three areas fell under the general principal of “accountability”, which Ceres explained as follows: “In order to realize meaningful and long-lasting sustainability performance improvements, companies must institute accountability mechanisms that integrate sustainability considerations into core business systems and decision making.” Ceres noted that the expectations in those areas are focused on companies establishing and formalizing accountability for sustainability across the entire enterprise. As for performance, Ceres explained that it was “about achieving on-the-ground results, reducing carbon emissions, conserving water and other natural resources, protecting human rights, building a supply chain that meets high environmental and social standards, designing products that not only minimize sustainability impacts throughout their lifecycle, but also serve as solutions to key sustainability challenges, and proactively engaging a diverse workforce”. The performance-related expectations focused on building systems across the company’s value chain to enable ongoing performance improvements in key areas including climate change, natural resources and fair, safe and equitable workplaces.

Challenges to Incorporating CSR and Sustainability into Strategic Planning

**Becoming a sustainable business, or improving a company’s current performance with respect to acting in an environmentally and socially responsible manner, requires the same sort of strategic approach as any other major corporate initiative. However, while strategic planning for sustainability has become a recognized discipline, companies and their directors and senior executives must acknowledge and seek to overcome various specific challenges the fluidity of the concepts of CSR and sustainable development, ongoing debate about the allocation of responsibilities for sustainable development between governments and business, understanding and adopting new performance measures that go beyond financial results to include environmental and social dimensions, reconciling the difficult tradeoffs that often must be resolved when implementing sustainable business practices, effectively communicating with stakeholders to explain the long-term approach that is necessary for implementing CSR and the need to adopt new processes for decision making in the boardroom and implement internal controls that track sustainability and facilitate CSR reporting.**

While there appears to be convergence on the steps that companies should take to develop and implement CSR and sustainability strategies, the reality is that businesses...
will still need to overcome a number of practical challenges to implementation, such as the following:

- Both CSR and sustainable development are concepts that are not amenable to simple and universal definitions, rather they are fluid and subject to changes over time in response to increased information and society’s evolving priorities. There are so many issues that can reasonably be placed under the umbrellas of environmental and social responsibility and the apparent importance of any one of those issues can change almost overnight in light of political events and acts of nature. The challenge for any single business is to select an issue or cause that will resonate over a long period of time, which is one reason why it is frequently recommended that the mission or purpose of a sustainability-focused business be broadly defined, as opposed to a niche.

- While there is a growing consensus that businesses need to be involved in sustainable development and embrace CSR in order for the entire movement to have an impact, the precise role of business in contributing to sustainable development remains indefinite. Moreover, the form and size of contribution that a particular business can make will vary depending on the sector in which the organization is operating and the size of the organization. Each business needs to assess its own core competencies and determine how they can best be deployed through CSR initiatives in order to make an impact on a sustainable development problem.

- While most business leaders know how to steer a business when profitability is the sole objective, there is no consensus among those leaders as to best balance between narrow self-interest (i.e., increasing shareholder value, regardless of the impact on other stakeholders) and acting in ways that are for the good of society as a whole. Being a sustainable business and a socially responsible enterprise does not mean abandoning the profit motive, since profits are needed in order for the business itself to survive and provide the goods and job opportunities expected from its customers and workers, but it does mean that the leaders of the business will need to adopt different approaches to financial profitability and accept and measure additional “bottom line” objectives (i.e., the environmental and social dimensions of the so-called “triple bottom line” used to measure sustainability).

- Businesses must confront and overcome difficult tradeoffs as they implement CSR and sustainable business practices. For example, an existing business may decide that it wants to invest in manufacturing technologies and processes that will ultimately result in drastic improvements in energy use efficiency and significant reductions in pollution; however, since it may take several years for a new plant using these technologies and processes to be built the question for the company is whether to shut down its existing plant immediately, and risk losing market share and displacing hundreds of workers, or continue to operate the plant using technology and processes that cause substantial harm to the environment.

- One of the advantages of focusing on the financial performance of a business is that there are a wide array of quantitative and objective measures that can be used to

---

determine if the business in the right track; however, when it comes to environmental and social issues business leaders are often confronted with a dizzying and technically ambiguous array of terms that make it difficult to settle on the approach course of action. For example, while “sustainable forest management” sounds like a worthy objective, many critics argue that simply replacing trees that have been used for commerce is not sufficient since it does not make up for the harm to the biodiversity of the forest caused by the original harvesting. Additional research on these issues is necessary and the result will influence how businesses act in the future; however, businesses seeking to engage in CSR can take advantage of a number of tools for measuring and reporting performance.

- The path toward become sustainable development is a long one and businesses need to set reasonable expectations for any given point in time along the journey. For example, improving environmental performance is generally a reasonable way to start the process as opposed to ambitious and costly investments to achieve full sustainability development within a short period of time. In order to fend off criticism about the speed of the process, businesses need to be transparent about their CSR plans and communicate regularly with stakeholders regarding the impact of current initiatives and planning for new projects that will be implemented in the future. Stakeholder engagement of this type is also a good opportunity to proactively explain the tradeoffs that the company is making, such as a decision on the issue described above to keep an older and less eco-efficient plant open to maintain employment in the community while at the same time working on the new facility that will be operated with advanced technology that drastically reduces damage to the environment and the community surrounding the facility and enhances the wellbeing of the company’s employees.

Strategy planning for CSR and sustainability is also complicated by the need to integrate the values and expectations of external and internal stakeholders into the overall strategic management process. Digman et al. pointed that strategic management is “inseparable from the strategic management of relationships” and Masuku advised: “A strategy should be in place for each stakeholder group their key issues and willingness to expend resources helping or hurting the organization on those issues must be understood. For each major stakeholder, managers responsible for that stakeholder relationship must identify the strategic issues that affect the stakeholder and must understand how to formulate, implement and monitor strategies for dealing with that group.” All of this places new demands on the time and skill sets of a company’s directors and senior executives. For example, board members can no longer limit the criteria used in their decision making to what is best for enhancing shareholder value, but must now wrestle with emerging and yet to be fully defined duties to multiple stakeholders.

---

In the report described above, the researchers from MIT and BCG explained their view that corporate sustainability had reached a critical “crossroads” by arguing that they had found a reluctance of most companies to undertake the substantial organizational changes necessary to embed sustainability in the business model (e.g., looking at the business in different ways, erecting new organizational structures, developing new expertise and processes and shifting mindsets); a lingering belief among some business leaders that major sustainability issues, such as reducing climate change, wealth inequality and poverty levels, should be addressed by governments and not private sector actors such as businesses; the reluctance of business leaders to refocus their planning efforts around long-term goals that often will take decades to achieve; and the rise of elected officials in the US and elsewhere who are pushing for deregulation, thus creating new temptations for CEOs to seek short-term profits in areas where rules have lapsed as opposed to staying the course with environmental and social practices that would ultimately contribute to a more sustainable future.45

A “Top 10” List of CSR Mistakes

Blok et al., who have consulted a wide range of companies on strategy and sustainability, argued that while growing numbers of companies appeared to be taking social and environmental responsibility more seriously and announcing grand plans for corporate social responsibility (“CSR”) initiatives, most of those companies were undertaking CSR projects without a firm idea of what corporate responsibility really meant for their businesses. As a result, they believed that many companies would ultimately need to unlearn the practices and activities that they believed to be socially responsible when it becomes clear that their CSR initiatives were not living up to the expectations of stakeholders and were actually eroding the value of their businesses. In an effort to get companies on the right path from the beginning of their journey toward social responsibility, Blok et al. outlined what they believed to be the ten most frequent areas where companies make CSR mistakes:

- **Lack of vision**: Most companies place too much emphasis on the past when developing their CSR strategy. The recommended approach is to first ask “What does this company want to be in ten years’ time?”. This encourages the creative development of a vision for the company and its long-term role in the world. Once that question is answered, the company can return to “Where are we now?” and bridge the gap between the answers to the first two questions by brainstorming on “What and how do we need to change to bring about our vision?”.

- **Poor understanding of the scope of required change**: Most companies fail to realize and appreciate that effective implementation of CSR will require an enormous amount of organizational change and development based on completely new managerial perspectives. It is not sufficient for companies to selectively modify existing business practices, but rather they must be committed to finding and executing new, more responsible and smarter ways to create wealth.

- **Managing CSR at the sub-strategic level**: In many cases, CSR is managed as a staff function, at a sub-strategic level, meaning that there is at best a loose connection to the overall strategy of the business, its core technologies and management know-how. While this approach can create an appearance of CSR commitment, it generally fails to adequately address the emerging social and environmental pressures that companies are facing. CSR needs to be recognized as a strategic imperative to be managed at the highest levels of the organization by board members and senior

executives who are in a position to implement sweeping changes to incentive systems, the focus of decision-making, and management systems.

- **Unsophisticated view of CSR:** Companies fail to recognize and adopt a strategic view of CSR and its role in protecting the value of current assets and creating new value. The preferred approach is selecting and implementing more responsible practices to protect the value of existing assets (i.e., management systems, performance indicators, reporting, adherence to codes and standards) and selecting and implementing activities where CSR plays a role in innovation and change that leads to creation of new value.

- **Inability to hear outside voices:** While stakeholder engagement is a central premise for developing and implementing a CSR strategy, many companies fail to take the best advantage of stakeholder input because they are unable to engage stakeholders in appropriate ways, to ask them appropriate questions and to listen and understand their suggestions. For example, when seeking stakeholder input on a sustainability report companies need to pose focused questions so that stakeholders know what is expected of them (e.g., providing ideas for improving the report, suggesting ways to improve the relationship between the company and the stakeholder or identifying opportunities for innovation).

- **Sticking with old managerial competencies:** Many companies cling to the traditional focus on “hard” analytical skills when selecting and training their managers; however, these skills, while still valuable, are not sufficient to effectively manage CSR initiatives that will require interactions with various stakeholders in product development and strategic planning. Companies pursuing CSR will need to modify their recruiting and training practices, as well as their organizational culture, to develop the managerial competencies appropriate for CSR initiatives.

- **One worldwide approach:** Companies typically rush to adopt a single uniform worldwide approach to CSR, generally pursuing an agenda that is based on priorities and practices in their home countries. While this may be efficient and make it easier to launch a CSR initiative, it fails to take into account real differences among the CSR agendas across countries. For example, while Germans believe that environmental sustainability and good community relations should be prioritized, the Nordic countries are more concerned about how companies operate in developing economies.

- **Uneven approach:** A number of companies make grand pronouncements about broad CSR initiatives; however, when it comes to implementation they focus their action on a limited set of divisions, localities and functional areas while continuing to ignore other problems, an approach that eventually brings the integrity and value of the entire program into question. For example, while it has become popular for companies to announce carbon-neutrality pledges to generate good publicity, many of them drag their feet in engaging in the hard work necessary to clean up the unsafe working conditions and use of child labor in their supply chains.

- **Non-participative management:** While the board of directors and members of the senior management team need to be actively involved in CSR initiatives by setting the proper “tone at the top” and proactively developing a comprehensive CSR strategy and accompanying CSR commitments, the process should not be entirely top-down directives. Companies need to involve employees at all levels to make CSR part of company culture and procedures and identify internal “change champions”. Ideas drawn from employees and put into practice build commitment to the initiative which can be leveraged in communications and other dealings with external stakeholders.

- **Failure to see corporate responsibility as innovation:** Blok et al. felt that many of the mistakes mentioned above were part of a larger and more fundamental problem they observed at many companies: failure to see that adopting and practicing CSR is best based on a continuous innovation process that links corporate responsibility to the company’s business model. They noted that while companies do recognize innovation as being important to creating and maintaining competitive advantage, they have been slow to acknowledge that CSR initiatives can and should be framed as innovative methods for protecting existing assets and value and creating new value that will make the company as a whole more sustainable.

**Source:** Adapted from M. Blok, V. Jennings, D. Leipziger and N. Roome, “A how-not-to guide: top ten corporate responsibility mistakes”, Ethical Corporation (December 2006), 40.
Companies can overcome these challenges if they understand and follow certain best practices when determining and implementing their sustainability strategies and making investments in sustainability-related projects. First of all, companies need to align their sustainability investment activities with an overriding business mission and vision and focus those activities on projects that are both a natural fit for the company and which are perceived by the intended beneficiaries as valuable to them. In addition, companies need to set aside adequate resources to support sustainability initiatives on a long-term basis. This means integrating sustainability into the regular strategic planning and budgetary processes, rather than treating the topic as a discretionary matter that is addressed in an ad hoc fashion, and maintaining sufficient funding to ensure meaningful impact. Provision should also be made for hiring and supporting a professional, dedicated management function for the sustainability initiatives, and resources planning should be flexible enough to involve employees beyond volunteerism including allowing them to participate in sustainability initiatives as part of their regular day-to-day roles. Finally, strategies, goals and performance should also be continuously and clearly communicated throughout the company so that everyone knows the direction that has been selected and the steps that have been planned.\(^{46}\)

**Small Businesses**

While a good deal of the commentary regarding corporate sustainable development and CSR has focused on larger companies, CSR is also relevant to smaller businesses, either businesses that have been in existence for a long period of time and are looking to transition toward more sustainability or entirely new businesses launched by sustainable entrepreneurs looking to integrate profitability and environmental and social responsibility into the business models in a balanced manner from the very beginning. Smaller businesses, particular those that are in their early stages, face a variety of challenges when trying to establish a CSR framework that includes all or most of the elements suggested for larger organizations. For example, small businesses lack the financial and other resources generally required for many CSR initiatives, operate with less formal management structures and do not have in-house expertise for important activities such as reporting and external monitoring. However, small businesses can create partnerships with other companies and tap into the resources available from outside groups offering advice on standards, monitoring and relevant technologies. In addition, size and informality can actually make it easier for the sustainable entrepreneur to secure the support of everyone in the organization and monitor how the initial CSR objectives are progressing.

\(^{46}\) Adapted from “Best Practice in Corporate Social Investment” (https://nextgeneration.co.za/best-practice-in-corporate-social-investment-csi/).
About the Author

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

About the Project

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

Copyright Matters and Permitted Uses of Work

Copyright © 2020 by Alan S. Gutterman. All the rights of a copyright owner in this Work are reserved and retained by Alan S. Gutterman; however, the copyright owner grants the public the non-exclusive right to copy, distribute, or display the Work under a Creative Commons Attribution-NonCommercial-ShareAlike (CC BY-NC-SA) 4.0 License, as more fully described at http://creativecommons.org/licenses/by-nc-sa/4.0/legalcode.