

CORPORATE SOCIAL RESPONSIBILITY

AN IOE APPROACH

INTERNATIONAL ORGANISATION OF EMPLOYERS

***Adopted by the Management Board
on 21 March 2003***

FOREWORD

Corporate Social Responsibility (CSR) is a term that has in recent years increasingly entered into the language of business. It is a term that means many different things to different people, be they businessmen themselves, civil society, academia or public in general. It is a term that is itself subject to variation. To some it is corporate responsibility, to others private voluntary initiatives, to yet others corporate social opportunity. However, no matter what it is called the fundamentals remain the same: they are voluntary positive initiatives by business that look to go beyond legal compliance in a diverse range of social, economic and environmental areas.

Corporate social responsibility is not new. Business has long recognized its role alongside others in contributing to the development of the communities in which it operates. This Position Paper, developed through a process of consultation with the 137 national employers' federations in 133 countries throughout both the developed and developing world that make up the membership of the International Organisation of Employers, reflects a consensus view of the most representative organizations of the private sector on what CSR is, what it means to business and why it is, and will remain, an important feature for business going forward.

CSR is not just an issue for large multinational corporations and this paper recognizes that its voluntariness, diversity and flexibility are vital to allowing all businesses, regardless of size or location, to consider how best they can respond to the realities of their marketplace.

It is our hope that this paper will help clarify some of the confusion that has appeared in the debate both with regard to language and approach and provide a guide to our members' companies in this evolving area of modern business reality.



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Introduction: The role of business in a changing society

Business has always recognized that it has an important role along side other actors in contributing to the development of the communities in which it operates. This understanding has become part of a developing debate on the role of business in a globalizing world. Globalization has made the global network of modern business and the efforts of business to address the economic, environmental and social development more visible. Corporate Social Responsibility (CSR) is the name now most commonly applied to the multitude of innovative and positive initiatives by business in both the marketplace and the wider community.

The International Organisation of Employers supports voluntary initiatives by business that look to go beyond legal compliance in a diverse range of social, economic and environmental areas.

In the developing debate on CSR, the IOE believes the following points to be important:

The essential components of CSR initiatives - an employers' perspective

- **Business is the primary source of wealth creation, innovation and employment.** Business is an integral part of society and is committed to operating in a responsible and sustainable manner, alongside other actors.
- **CSR is a positive business-driven response to the business environment of today.** CSR is not an add-on for business; it is increasingly being integrated into business operations, governance, management systems and thinking. It must therefore be seen within the context of the totality of a business today.
- **CSR is a multi-dimensional concept covering social, economic and environmental concerns, and is continually evolving within the diversity of the market.** This diversity of the marketplace makes innovation a critical aspect in the development and implementation of the varied CSR initiatives. Efforts to regulate or standardize such an inherently dynamic process of voluntary action would stifle this very fundamental characteristic.
- **CSR is not an alternative to regulation.** Governments must be responsible for the implementation and enforcement of national laws.

CSR initiatives are not a substitute for social legislation

Developing a common view on CSR

- **Any debate on social responsibility needs to also include a consideration of the responsibilities of other actors in society.** The appropriate role of each actor needs to be understood and respected along with the limitations to their fields of action.

Clarifying the issue

The number of existing definitions of CSR shows both the diversity and variety of perceptions on this topic. In the IOE's view the following definition is helpful: "*initiatives by companies voluntarily integrating social and environmental concerns in their business operations and in their interaction with their stakeholders*". Firstly, this definition recognizes that CSR is a voluntary action by a company and therefore is an "action" that goes beyond simple legal compliance. Secondly, it sees CSR as being a core aspect of business activities throughout a company and recognizes CSR as a means of engagement with stakeholders in the various markets in which a company operates.

Outlining the different CSR responses

CSR is driven as much by competitiveness as it is by philanthropy and encompasses general principles of ethical behaviour as well as environmental, economic and social responsibilities. Whilst CSR is the all-embracing term applied, the elements themselves need to be distinguished and treated differently. For example, the methods used for dealing with environmental issues - i.e. standards, certification, etc. - are not the same as those that can be used for dealing with social issues. There is no one approach.

CSR can be of particular use in situations where national law is weak. Here CSR, underpinned by internationally endorsed principles elaborated by the Declaration on Fundamental Principles and Rights at Work, Universal Declaration of Human Rights and the Rio Declaration on Environment and Development, can allow a company to respond correctly and act appropriately.

Voluntarism as its strength

Its voluntary nature

Perhaps the most commonly stressed aspect of CSR is its voluntary nature, and the case for maintaining this voluntary characteristic is very strong. The real benefits of CSR come from companies looking to go beyond their requirements under law. Activities and initiatives to promote CSR are unique to each company. They are not uniform

Freedom to develop innovative approaches

nor can they be made uniform, as each company's experience in the marketplace is different. These differences are magnified by factors such as the locality of the business, its size, type of corporation, financial resources, markets and business sector. The voluntary nature of CSR emerges from the practical reality that it is difficult to identify commonality between and among all companies and business sectors.

Progress through innovation

CSR is not static; it is a dynamic and multi-dimensional concept which is constantly evolving to adapt to variable economic, political, social and environmental circumstances. Innovation lies at the heart of modern CSR initiatives. The plurality of these innovative responses needs to be supported. It gives companies the ability to respond to rapidly changing markets, delivering real benefits to their societies. CSR must be able to be supported by the company. Each company needs the freedom to engage in CSR initiatives as its interests and ability allows. This innovative, flexible and voluntary nature of CSR encourages this engagement in different ways and at different levels, allowing CSR to be pursued by all business – large and small – throughout the world.

The different roles of Governments and Companies

As the notion of CSR grows, it is necessary to draw a clear distinction between the role of companies and that of governments. In the public debate expectations currently falling on business are in many cases neither realistic nor legitimate.

Outlining what a company's basic role in society is

The basic role of companies is to generate wealth. Fulfilling this role is crucial to economic and social development in any society. Having said this, the IOE also acknowledges that the ways in which that wealth is created are equally important. Thus, companies take into account the environmental and social implications of their operations.

The role of governments

The role of governments is to establish and enforce law and to create and maintain stable and predictable political and legal systems alongside a climate conducive to economic and social progress. It is government's responsibility to invest in the education and social well-being of its citizens so as to be able to create the appropriate conditions for business growth and competitiveness.

*Working with
partners*

Companies can have a supportive effect by implementing and demonstrating appropriate social standards in their own operations and encouraging their local networks to do the same. This is particularly true where, for what ever reason, that necessary government initiative is lacking.

Implementation

As CSR is a business initiative, implementation lies with the management of each company. In giving effect to its CSR programme, the company may choose to do it alone or look to work in partnership with other actors. Whatever path is chosen, the “how” is not as important as the “outcome” and the continual innovation and growth process.

In looking to initiate CSR activities companies have a range of points of reference and guidance. They can be broadly categorized into:

- (a) Business initiated (e.g. Caux Principles for Business, Global Sullivan Principles, ICC Business Charter for Sustainable Development, etc.).
- (b) UN and Inter-governmental (e.g. ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, OECD Guidelines for Multinational Enterprises, Global Compact, etc.).
- (c) NGO led (e.g. Amnesty International Human Rights Guidelines for companies, CERES Principles, ICFTU/ITS Basic Code of Labour Practice, Social Venture Networks, Global Reporting Initiative, etc.).
- (d) Government led (e.g. US Model Business Principles, European Commission White Paper, UK-US Voluntary Principles on Security and Human Rights).
- (e) Commercial initiatives (e.g. AccountAbility 1000, SA 8000, KPMG, etc.).
- (f) Company initiatives (e.g. various individual company codes of conduct, reporting mechanisms, etc).

There is no one-size-fits-all

Companies know how best to engage supply chains in CSR initiatives

CSR promotional and verification efforts are a voluntary act

CSR is business's response to a changing world

Getting it right

Again, whatever approach is used – and none of them are perfect or attract unanimous support - there is no one-size-fits-all. It is for the company itself to freely decide on the one that for it best suits its business reality, the circumstances and is most likely to deliver the desired objective. The number of CSR initiatives and products available to companies is evidence of the need for plurality in response. This flexibility and choice helps business to seek the right means of action for the right circumstance.

Companies are exploring if or how best to engage their supply chains in CSR initiatives. Some question to what extent a company can be made responsible for the action or inaction of another company with which it does business. There are practical limits to a company's influence over supply chain operations due to the size of the supply chain, type of supply chain, and place in the supply chain. However, many companies see value in engaging their supply chains in the exchange of good practices and the promotion of their own values and CSR initiatives. In doing so, they contribute to developing their suppliers' CSR awareness while at the same time helping them remain competitive in an ever-more demanding marketplace.

Many companies see real value in promoting their CSR initiative and the results of their actions through various reports and public information. Many now see value in enhanced transparency and seek verification of the impact of their CSR actions, either through internal processes or through the use of external sources. Such CSR promotional and verification efforts are, like CSR itself, a voluntary act and companies should be encouraged to find the best approach to suit their specific needs. Using this transparency and reporting, ethical investment funds seek to identify for private investors those companies that are, in the view of the fund managers, acting responsibly. However, there are companies that choose not to externally verify or publicly communicate their CSR activities and are no less socially responsible than those who do.

The Way Forward

CSR does not exist in isolation from the society in which companies operate. It is the response of business conscious of the fact that it needs to operate in different societies with different expectations and legislation. CSR requires not only a socially responsible

***That response
must be led by
business***

business strategy, with the corresponding willingness of management to deliver it, but also people who are prepared to accept CSR in their personal sphere of action and to behave accordingly. To do this, in an age of increasing individualism, requires an investment in public-spiritedness. Similarly, CSR requires a willingness to communicate and engage and a constant readiness to learn amongst all segments of society, including forming partnerships as appropriate with others to pursue the objectives. These are skills that need to be learnt and made a part of the way in which we all think and act.

CSR is a business-led response to the business environment. Given the speed of change and uncertainties that exist in the marketplace, business needs the flexibility to respond quickly to market shifts. The voluntary nature of CSR and the vast range of often very innovative responses available to business mean that that responsiveness can be retained and that the social progress to which CSR contributes can continue to develop.

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