

Critical Corporate Social Responsibility, and
International Corporate Governance

Session 4: Citizenship, Reporting and Leadership

Neil Fletcher FCA, FHEA
Sheffield Business School
Sheffield Hallam University
United Kingdom

Why companies engage in CSR activities

Activity: bringing your poster to a conclusion

Style and tone of reporting

Global Reporting Initiative: G4i reporting principles

Activity: review of Outokumpu Integrated Report

Ethical reflections

Ethical leadership

Conclusion....wisdom

Why companies engage in CSR activities



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Director's Blog

By Katherine V. Smith
Executive Director



Achieving corporate citizenship progress together

"Coming together is a beginning; keeping together is progress; working together is success." - Henry Ford Spring is a

Latest Reports



The State of Corporate Citizenship 2014

Our newly published research report



New Release: The Corporate Citizen Magazine



Corporate Citizenship Conference

Our 2015 International Corporate

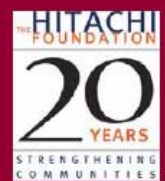


The State of Corporate Citizenship in the U.S.

Business Perspectives in 2005



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http://www.hitachifoundation.org/storage/documents/socc_report_2005.pdf

Figure 5:

Drivers of corporate citizenship

Question asked: "To what extent do each of the following factors motivate or drive your company's efforts to be a good corporate citizen?" The 5-point scale ranged from "not at all" to "very great."

| | Year | Large | Very Great | Total* | Small | Medium | Large |
|---|--------------|------------|------------|------------|-------|--------|-------|
| It fits our company traditions and values | 2005 2003 | 45% 27% | 27% 19% | 73% 75% | 68% | 79% | 91% |
| It improves our reputation/image | 2005 2003 | 38% 19% | 19% 13% | 56% 52% | 54% | 57% | 76% |
| It's part of our business strategy | 2005 2003 | 31% 9% | 13% 7% | 44% 38% | 41% | 45% | 64% |
| It's important to our customers/consumers | 2005 2003 | 27% 6% | 9% 4% | 36% 30% | 33% | 36% | 53% |
| It helps to recruit and retain employees | 2005 2003 | 22% 6% | 7% 4% | 30% 24% | 25% | 34% | 55% |
| It's expected in our community | 2005 2003 | 19% 4% | 6% 4% | 24% 24% | 20% | 24% | 50% |
| It responds to laws and political pressures | 2005 2003 | 10% 4% | 4% 4% | 14% 24% | 14% | 12% | 18% |

■ Large for 2005 ■ Very Great for 2005 ■ Large and Very Great for 2003

Small, medium, large columns represent "agree" and "strongly agree" responses for each category of company

* Total may not equal sum exactly due to rounding.



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KNOW MORE · DO MORE · ACHIEVE MORE

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CORPORATE CITIZENSHIP

A NECESSARY INVESTMENT FOR SUCCESS

For the first time in more than a decade, executives predict that investment will increase in the next three years on every dimension of corporate citizenship.

THE MAJORITY OF BUSINESS EXECUTIVES BELIEVE CORPORATE CITIZENSHIP:



contributes to company success



returns value to shareholders



merits additional investment

...AND REPORT THAT CORPORATE CITIZENSHIP ACTIVITIES CONTRIBUTE TO COMPANY SUCCESS.

HOW DOES THIS HAPPEN?

Employee volunteer programs

Reporting on social performance

Sustainability

Philanthropy/corporate giving



s commit to programs more than a year
 sharpest gains, though commitments of
 rs continue to see steady increases.

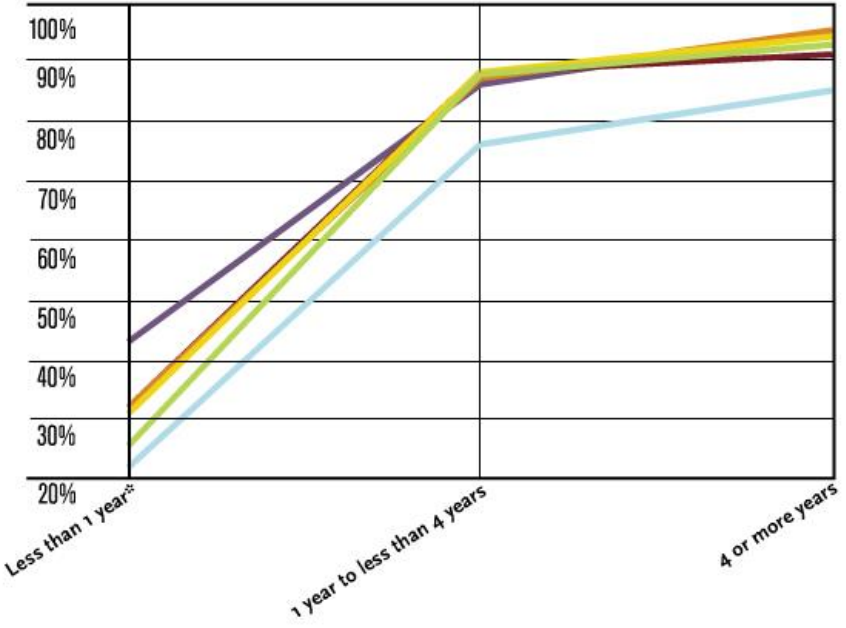
nature of corporate citizenship programs—efforts that the
 majority of executive respondents believe are helped by

report success in achieving business goal
 citizenship efforts are supported for four

Long term "success" of citizenship strategies

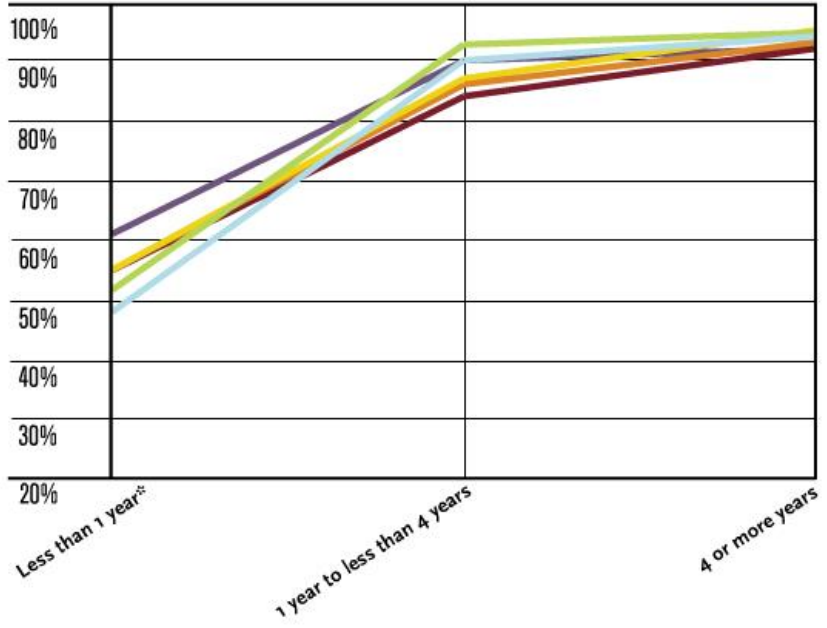
Typical duration of commitment to a specific corporate citizenship effort compared with percentages of reported success with business goals

- Attract new customers
- Improve customer retention
- Enhance reputation
- Develop innovative new products and services
- Improve access to new markets
- Improve risk management



Typical duration of commitment to a specific corporate citizenship effort compared with percentages of reported success with business goals

- Reduce waste in business operations
- Improve ability to retain employees
- Improve ability to recruit employees
- Reduce employee health costs
- Secure a sustainable supply chain
- Attract new investors



Fair use for education
 The State of Corporate Citizenship: 2014 cc.bc.edu
<https://bc-ccc.uberflip.com/i/428342-state-of-corporate-citizenship-2014-executive-summary>

Companies where corporate citizenship is integrated are more likely to achieve important business objectives:

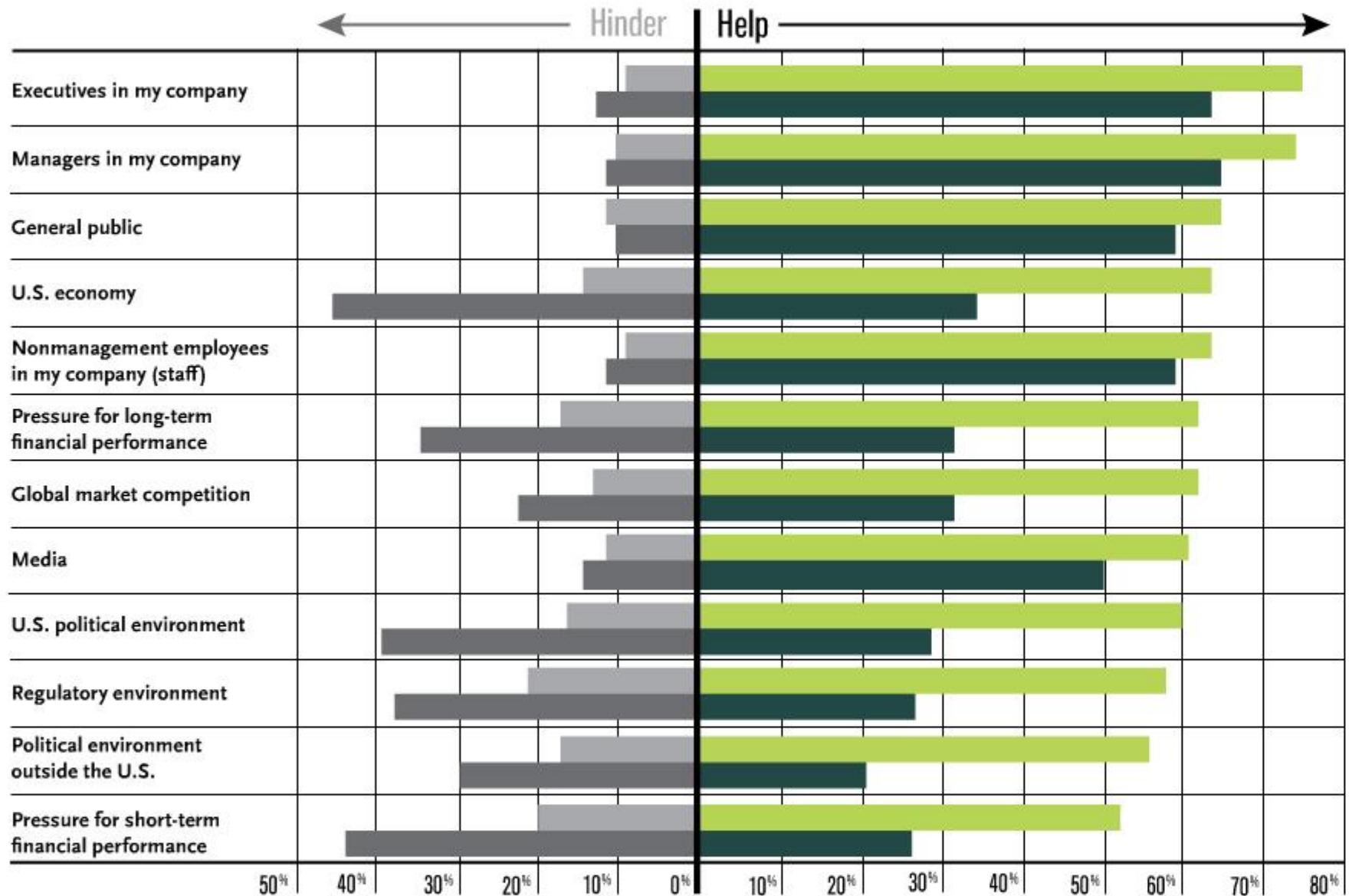


Companies dedicated to at least 4 years of corporate citizenship are more likely to:



The US in 2014

Factors that help or hinder success of corporate citizenship ■ 2014 Hinder ■ 2012 Hinder ■ 2014 Help ■ 2012 Help



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The State of Corporate Citizenship: 2014 cc.bc.edu

<https://bc-ccc.uberflip.com/i/428342-state-of-corporate-citizenship-2014-executive-summary>

A tool for summarising the
corporate citizenship of a large
corporation

Activity: bringing your poster to a
conclusion



Stages of Corporate Citizenship: A Developmental Framework

by Philip Mirvis, Ph.D. and Bradley K. Googins, Ph.D.

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<http://ccc.bc.edu/>

STAGES OF CORPORATE CITIZENSHIP

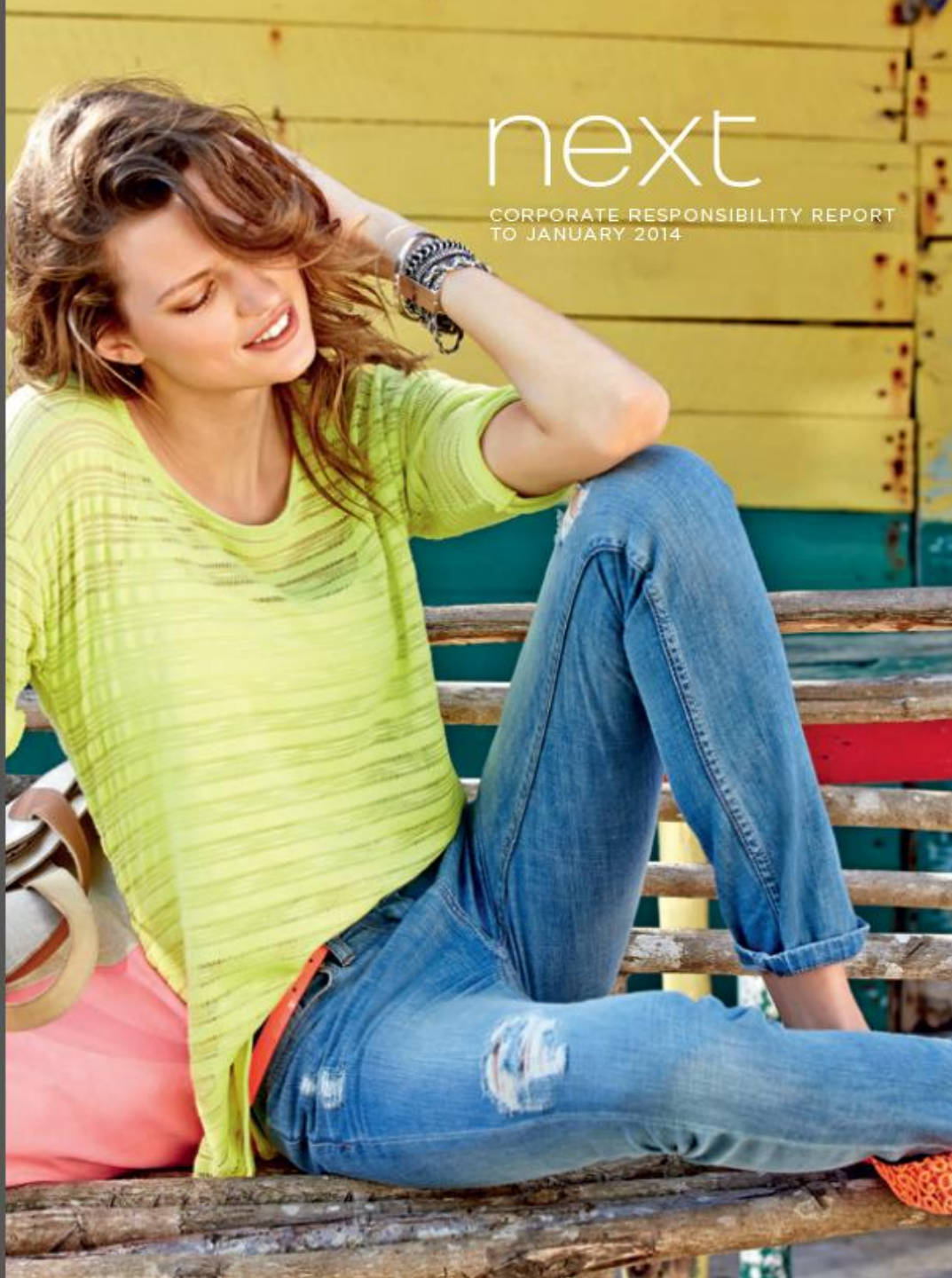


**THE CENTER
FOR CORPORATE
CITIZENSHIP**
AT BOSTON COLLEGE

| | Stage 1: Elementary | Stage 2: Engaged | Stage 3: Innovative | Stage 4: Integrated | Stage 5: Transforming |
|----------------------------------|---------------------------|--|----------------------------------|--------------------------------------|----------------------------------|
| Citizenship Concept | Jobs, Profits & Taxes | Philanthropy, Environmental Protection | Stakeholder Management | Sustainability or Triple Bottom Line | Change the Game |
| Strategic Intent | Legal Compliance | License to Operate | Business Case | Value Proposition | Market Creation or Social Change |
| Leadership | Lip Service, Out of Touch | Supporter, In the Loop | Steward, On Top of It | Champion, In Front of It | Visionary, Ahead of the Pack |
| Structure | Marginal: Staff Driven | Functional Ownership | Cross-Functional Coordination | Organizational Alignment | Mainstream: Business Driven |
| Issues Management | Defensive | Reactive, Policies | Responsive, Pro-Active, Programs | Systems | Defining |
| Stakeholder Relationships | Unilateral | Interactive | Mutual Partnership Influence | Alliance | Multi-Organization |
| Transparency | Flank Protection | Public Relations | Public Reporting | Assurance | Full Disclosure |

Dimensions

Style and tone of reporting



If a picture can speak a 1,000 words, the cover of the Next CSR Report conveys, perhaps, the core values of the NEXT brand.

Copyright
on this
and show it
fair use
es.



It is thought provoking to see how Next first introduce the issue of "children" in their CSR Report...

↑ Dividends per share 12.0p (+2.0%)

↑ Total trading space 651,065m² (+4%)

Our Annual Report and Accounts can be viewed at www.nextplc.co.uk

FTSE4GOOD

- NEXT continues to be listed in the FTSE4Good Index. The index is designed to measure the performance of companies that meet prescribed standards of corporate responsibility and facilitate investment in those companies



FTSE4Good

OUR SUPPLIERS

The products we sold were manufactured in 40 countries (-9%)

We worked with 512 suppliers during the year (-10%)

We carried out 1,554 audits at our suppliers' factories (-6%)

OUR CUSTOMERS

↑ There is an average of 345,000 transactions per day across NEXT Retail and Directory (+2%)

↑ NEXT have 4.0 million active global Directory customers (+8%)

↑ 90% of NEXT Directory orders by value are placed online (+3%)



Child clothed in Next.

CARRIER BAGS

NEXT continues to support and encourage our customers to reduce use of single-use carrier bags where appropriate by using the most appropriate size of bag for their purchase or placing the purchase in the customer's own bag if requested.

In 2011, NEXT implemented local arrangements in line with regulatory charging requirements for single-use carrier bags in Wales – read more on www.next.co.uk. The monies raised from this charge are equally distributed between two Welsh charities - World Wildlife Fund-Cymru, who are working to protect the marine wildlife around the Welsh coastline, and Tŷ Hafan, who offer comfort, care and support for life-limited children and young people and their families.

NEXT'S CARRIER BAG CHARGE IN WALES: SPOTLIGHT ON OUR FUNDING TO Tŷ HAFAN

Half of all the fees charged for our carrier bags in Wales since 2011 have been donated to Tŷ Hafan, who is the only children's hospice in South Wales, to provide specialist palliative care services to meet the needs of life-limited children and their families since 1999.



COMMUNITY CONTINUED...

With life-limited children and young people, care is often given over a number of years and Tŷ Hafan offers short break care to give families desperately needed time-out, which can include accommodation for any family member who wants to stay over. They also provide comfort, support and relief outside the hospice, at home and in the community to ensure each child has a comprehensive care programme.



The support offered isn't just centred on managing the physical realities of a child's condition. Tŷ Hafan recognises that caring for a child with a life-limiting

co
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Children supported by the 5 pence that Next now charge on each carrier bag used in Wales.

Sc
ou
our
work with life-limited children, young people and their families from across Wales."

- Diane Stringer
Tŷ Hafan Strategic Relationships Coordinator

A tool to help you discuss disclosures in a critical manner

Note: this tool only helps you to discuss the disclosures...not the issues themselves. However, the distinction between the "issues" and the "reporting" of such issues is nuanced.

Copyright

The Global Reporting Initiative ('GRI') values [our] help in spreading the word about sustainability reporting by referencing GRI and GRI's materials. The next slides use a framework developed by the Global Reporting Initiative.

See G4 Sustainability Reporting Guidelines:
<https://www.globalreporting.org/resourcelibrary/GRIG4-Part1-Reporting-Principles-and-Standard-Disclosures.pdf>

Warning about the G4 GRI Tool

This tool is designed to be used to analyse very long CSR Reports - it is not designed to be used upon the shorter CSR disclosures found in The Annual Report and Accounts!

However, the "module assumes" that CSR Reporting in The Annual Reports and Accounts is important - and that the principles of the G4 GRI tool can be a useful way of analysing the disclosures in The Annual Report and Accounts.

Stakeholder Inclusiveness Principle - G4 GRI

The organization should identify its stakeholders, and explain how it has responded to their reasonable expectations and interests.

Key comments

In The Annual Report and Accounts the Directors do not have to do this - however a critical analysis of The AR&A would discuss how the "interests" of all key stakeholders have been discussed.

Identifying who (in your opinion) the stakeholders are, and discussing what you consider to be a "reasonable" expectation is could to lead to a mature critical discussion about the economic, social and political location of the company.

Sustainability Context - G4 GRI

The report[ing] should present the organization's performance in the wider context of sustainability.

The Annual Report and Accounts

Again - this is beyond the scope of the standard AR&A disclosures - but you could discuss how the issue of sustainability is handled in The AR&A.

Comment about Context

To do this will require you to familiarise yourself with

- Comparable companies
- Academic literature
- Media articles

The next three ideas are all closely linked. If the definitions confuse you, rather than help you, just remember...

Materiality: Did the reporter cover all the key issues?

Completeness: Did the reporter cover the impacts of all the key issues?

Balance: Did the reporter cover both the positive and the negative aspects of the impacts of key issues?

Materiality Principle - G4 GRI

aspect = issue See:
page 9 of the GRI Report

The report[ing] should cover Aspects that:

Reflect the organisation's significant economic, environmental and social impacts; or

Substantively influence the assessments and decisions of stakeholders.

The key question

What key issues have they not talked about?.

Completeness Principle - G4 GRI

Paraphrased definition

The Report[ing] should cover all material issues (ie. aspects) and a discussion of the impact of such issues (ie. boundaries).

Linked to "Balance" see next slide...

Key question: look for incompleteness

An easy way to create powerful criticality is to demonstrate that a company has not talked thoroughly about all the impacts of an important issue.

Impacts

Page 92 of the GRI report defines "impacts" as being either: positive, negative, actual, potential, direct, indirect, short term, long term, intended, unintended.

Balance Principle - G4 GRI

The report should reflect positive and negative aspects of the organization's performance to enable a reasoned assessment of overall performance.

The easiest way to achieve criticality

If you are able to sustain a cogent discussion about what has not been said - you are likely to be able to achieve a high mark.

Balance is linked to completeness - don't worry about getting the ideas a bit muddled up - as many of these ideas are all interlinked.

Materiality: Did the reporter cover all the key issues?

Completeness: Did the reporter cover the impacts of all the key issues?

Balance: Did the reporter cover both the positive and the negative aspects of the impacts of key issues?

Comparability Principle - G4 GRI

The organization should select, compile and report information consistently. The reported information should be presented in a manner that enables stakeholders to analyse changes in the organization's performance over time, and that could support analysis relative to other organizations.

You will probably not have the word count to achieve this.

Activity: review of Outokumpu
Integrated Report

What ethical theories look at

The consequences of an action (eg. utilitarianism)

The actions themselves (eg. deontological ethics)

The motive or virtue behind the action (ie. virtue ethics)

Directors

<http://events.ethicalcorp.com/reporting/2013/>

Something academic theory can look at

Angus-Leppan, T., Metcalf, L., & Benn, S. (2010). Leadership styles and CSR practice: An examination of sensemaking, institutional drivers and CSR leadership. *Journal of Business Ethics*, 93(2), 189-213.

Some leadership styles: Angus-Leppan et al. (2010)

Ethical: a sense of right and wrong, concern for others, concern for consequences, judging their own behaviours. De Hoogh and Den Hartog (2008) are cited.

Authentic: not hypocritical (or where the leaders behaviour behaviour keeps its integrity with their personal values). Walumbwa et al. (2008) is cited.

Transformational: charismatic, they inspire and stimulate through idealised visions

A weakness of academic theory

The consequences of an action

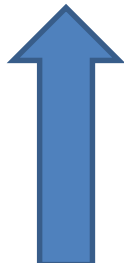
(eg. utilitarianism)

The actions themselves

(eg. deontological ethics)

The motive or virtue behind the action

(eg. virtue ethics)



Academic theory cannot
(easily) access this!

Some leadership styles: Angus-Leppan et al. (2010)

Autocratic: coercion and a distinct lack of democratic process

Walumbwa et al. (2008) is cited.

My mum?

Angus-Leppan et al. (2010) page 194

"Ethical leadership and authentic leadership share an emphasis on honesty, openness and integrity as well as a desire to do what is right."

Angus-Leppan et al. (2010) page 194

*"**However**, ethical leaders have been found to use punishment to hold people accountable for ethical conduct.*

(Brown and Trevino (2006) are cited).

....a glimpse of a man who justifies man himself....an instance of a man who makes up for and redeems man....

Nietzsche: the philosopher who announced the death of god

On the Genealogy of Morality

pages 293 and 294 in Ethics: The Essential Writings, Ed. Gordon Marino, Modern Library: New York.

....grant me just one glimpse of something perfect, completely finished, happy, powerful, triumphant, which leaves something to fear!

Nietzsche: the philosopher who announced the death of god

On the Genealogy of Morality

page 293 in Ethics: The Essential Writings, Ed. Gordon Marino, Modern Library: New York.

"Wisdom" personified

Ethical: a sense of right and wrong, concern for others, concern for consequences, judging their own behaviours. De Hoogh and Den Hartog (2008) are cited.

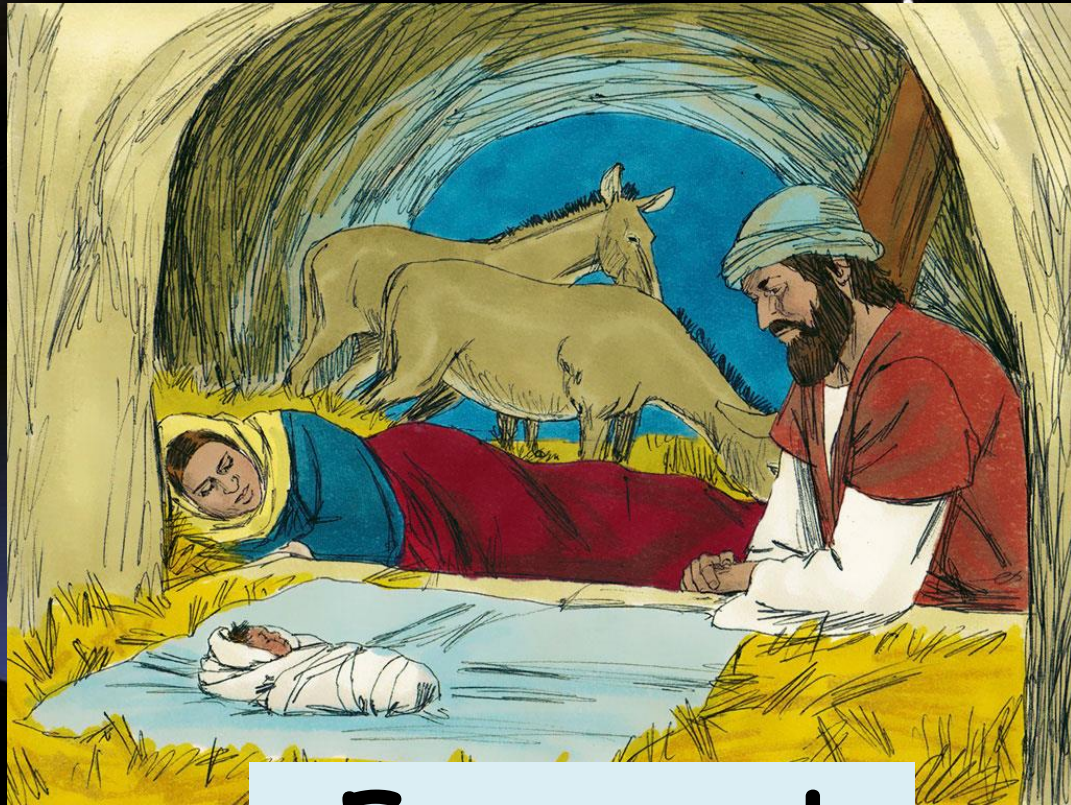
Authentic: not hypocritical (or where the leaders behaviour behaviour keeps its integrity with their personal values). Walumbwa et al. (2008) is cited.

Transformational: charismatic, they inspire and stimulate through idealised visions

Righteous with regard to **punishment**



Philosophically: no one can prove that God did not make the stars.



Emmanuel









I condemn no one.

Neil Fletcher FCA, FHEA

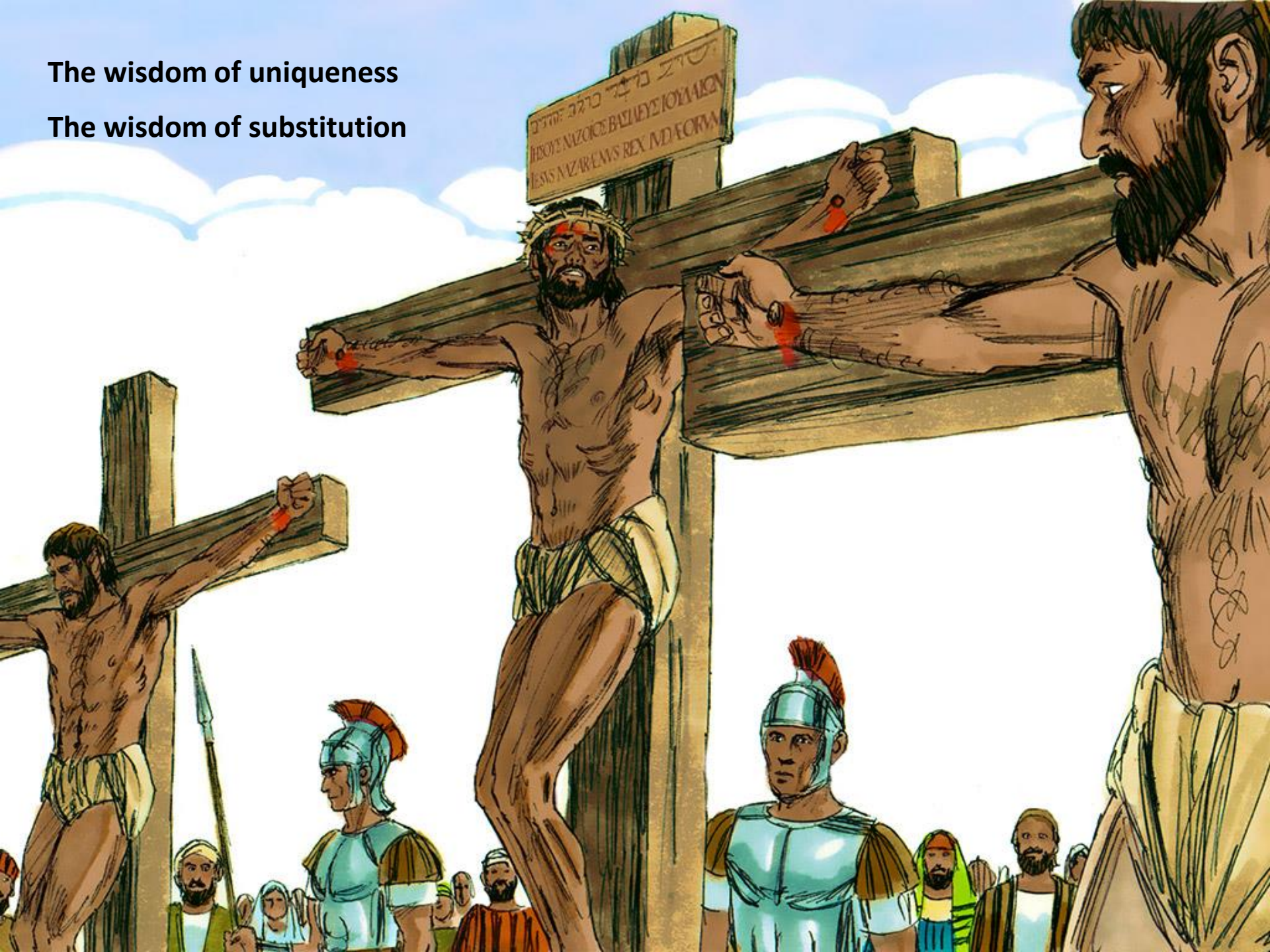
What ethical theories look at

- | | |
|--|----------------------------|
| The consequences of an action | (eg. utilitarianism) |
| The actions themselves | (eg. deontological ethics) |
| The motive or virtue behind the action | (eg. virtue ethics) |

"Do not murder"

"Do not commit adultery"

The wisdom of uniqueness
The wisdom of substitution





Conclusion

National Law

Local Regulations: and regulatory bodies

Local "capitalism"

Globalization and
"capitalism"

Shareholders

Directors

Listed company

Employees

Suppliers

Employee families
and communities

Members of the
supply chain, and
communities
impacted by the
supply chain

Customers

Those impacted by
the products and
services

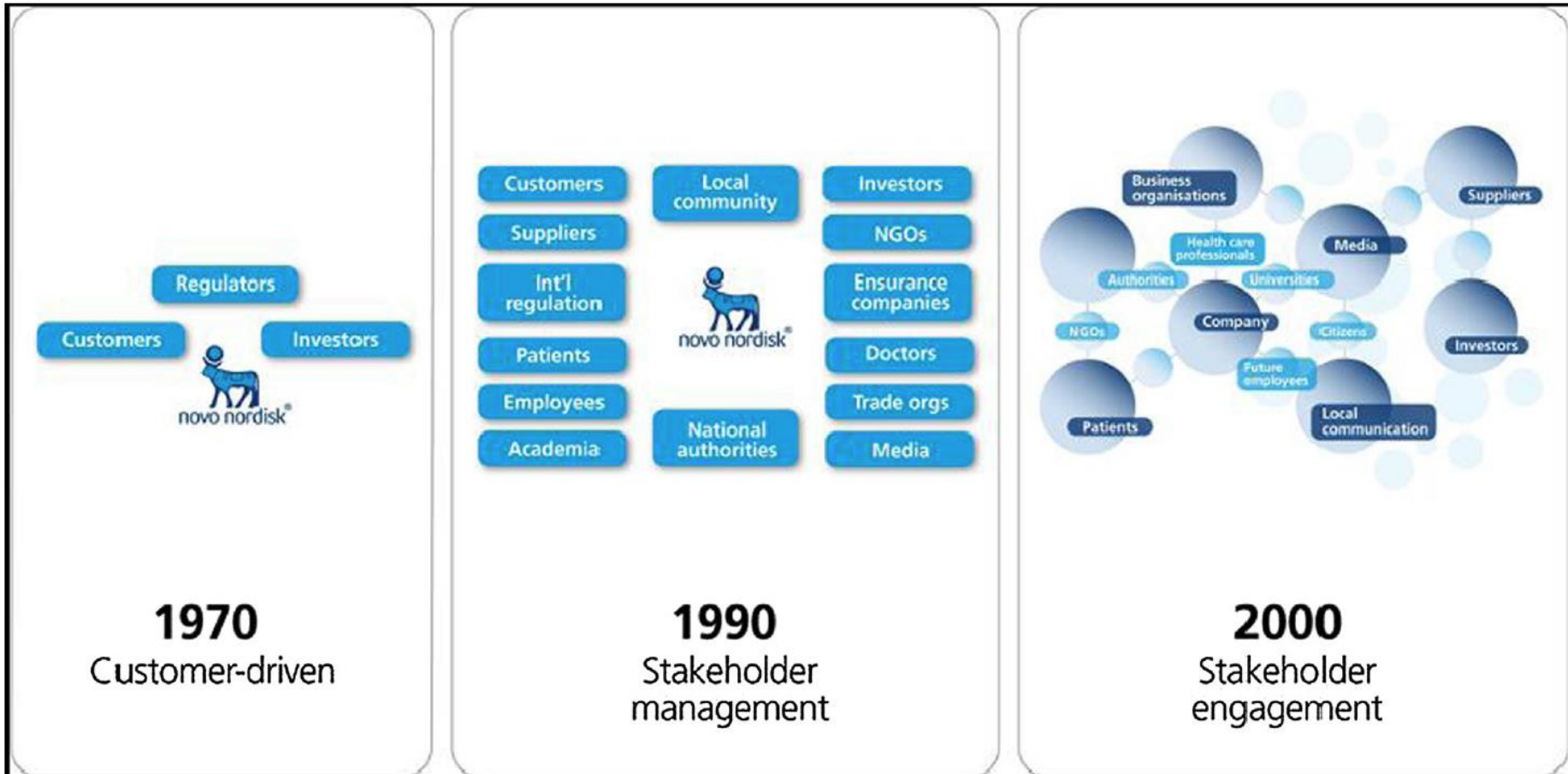
Media

Public Opinion

The "economy"

The "markets"
eg. capital,
product, labour

A Socio Political view of Corporate Governance - an expanded version of Aguilera, R. V., Williams, C. A., Conley, J. M., & Rupp, D. E. (2006). Corporate Governance and Social Responsibility: a comparative analysis of the UK and the US*. *Corporate Governance: An International Review*, 14(3), 147-158.



Session 1: Critical Corporate Social Responsibility and International Corporate Governance

Wisdom, righteousness, justice and equity

Key sources

A brief introduction to Corporate Social Responsibility ('CSR')

A brief introduction to Corporate Governance ('CG')

Corporate Citizenship: linking CSR and CG

The power and pervasiveness of large corporations/companies

Session 2: International Corporate Governance

Activity: Veil of ignorance

A brief over view of Capitalism (possibly)

Stakeholder Capitalism

Activity: a first view of Amer 2014 and stakeholder contributions

Basic Corporate Governance

Activity: a second view of Amer 2014 and Directors

Technical Corporate Governance

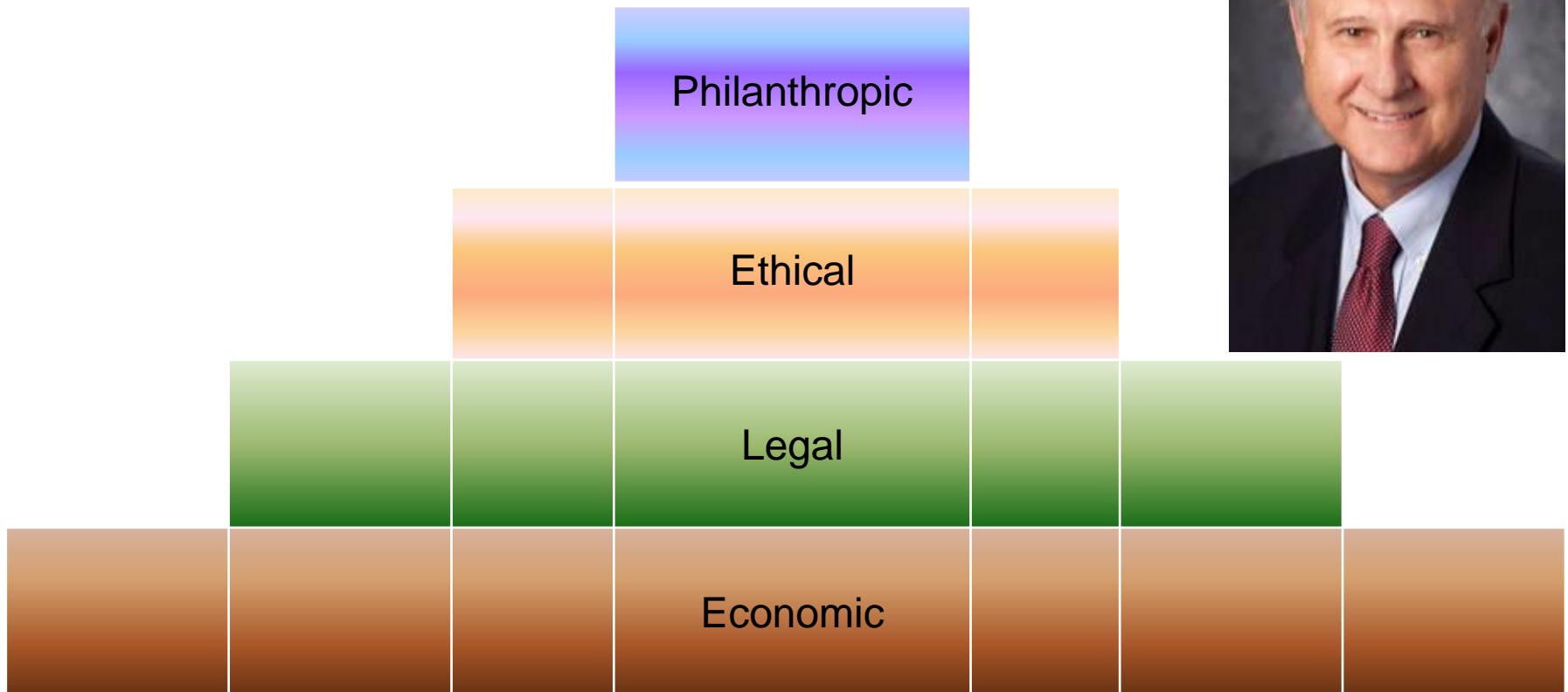
Key sources of information

Activity: Finnish Corporate Governance Code 2010

Activity: UK Corporate Governance Code 2014

Corporate Governance theories

Session 3 Carroll: pyramid of levels of responsibility



Carroll, A. B. (1991). The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders. *Business horizons*, 34(4), 39-48.

Session 4: Citizenship, Reporting and Leadership

Why companies engage in CSR activities

Activity: bringing your poster to a conclusion

Style and tone of reporting

Global Reporting Initiative: G4i reporting principles

Activity: review of Outokumpu Integrated Report

Ethical reflections

Ethical leadership

Conclusion