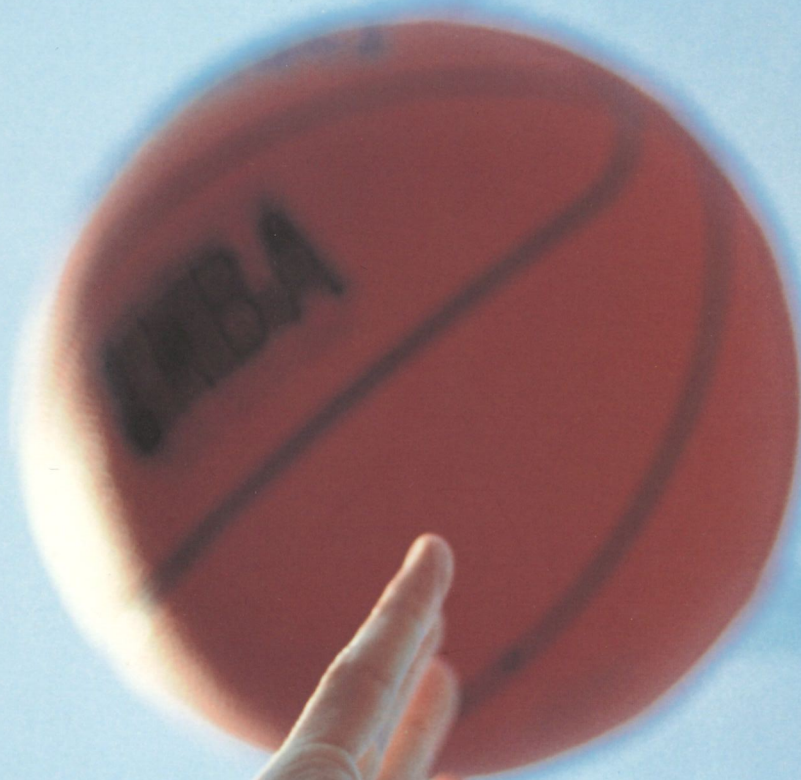


Winning with integrity

Summary




BusinessImpact
-helping competitiveness

BUSINESS in the

COMMUNITY

The driving force

The Business Impact Task Force was established in 1998 by His Royal Highness The Prince of Wales. Chaired by Bill Cockburn, Group Managing Director of BT, its brief was to produce material and resources on how companies should measure and report their impact on society.

There has been much positive work done on how businesses should manage parts of this agenda. Business in the Community, for example, has pioneered quality of management measures over the last few years in areas as diverse as environment, equal opportunities, cause related marketing and corporate community investment. However, never before has a group of senior companies and other leading organisations come together to identify not only quality of management measures but also core measurement of impact across the whole spectrum of issues.

What a business produces, how it buys and sells, how it affects the environment, how it recruits, trains and develops its own people, how it invests in the community and respects the rights of people – all these add together to form the impact of that business on society.

This handbook is the first attempt in the UK to not only represent that agenda but also to refine it to its essential core in such a way that makes its management both practicable and beneficial for every size of business.

The report, along with its associated website and other materials, represents a significant milestone in establishing how companies can manage all areas of their impact on society consistently and effectively.

Mark our words

Throughout this report we have done our utmost to use consistent, understandable language. We have aimed to avoid unfamiliar or complex terms. However, businesses of all sizes are already integrating social responsibility into day-to-day policies and procedures.

As a result, it is inevitably beginning to acquire a business vocabulary of its own.

For example, social responsibility in business is widely known in larger organisations as 'Corporate Social Responsibility' or CSR. This includes environmental issues and is connected in turn with the goal of sustainable development.

Another possibly unfamiliar and vague word is 'stakeholder'. There is no single word to replace this; our definition is "those contributing to the success of a business including shareholders, employees and those affected by its operations such as local communities and customers".

Other chapters in this report include:

- Purpose & Values
- Workforce
- Environment
- Marketplace
- Community
- Human Rights
- Guiding Principles

This material aims to provide practical, business like advice to help organisations of all sizes gain the benefits of good citizenship. It has also been presented as input to the work of the British Quality Foundation and the European Foundation for Quality Management in the further development of the Business Excellence Model; to Investors in People; as a contribution to the UK Company Law Review; and to the European Commission, as a contribution to their work on the development and reporting of corporate social responsibility.

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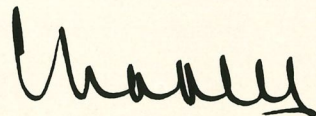


ST. JAMES'S PALACE

As President of Business in the Community, I am heartened by the increasing recognition by companies that they must continually improve their positive impact on society. However, as expectations rise, business is grappling with a multiplicity of measures and indicators which result in a variety and complexity of reporting. In 1998 I announced that Business in the Community would convene a Business Impact Task Force led by Bill Cockburn of BT - to whom I extend my heartfelt thanks - to develop a practical framework which would suggest how companies might measure and report on their Impact on Society.

I hope that the recommendations in this report provide the opportunity for companies to respond to the growing expectation and debate about business performance in the environment, the workplace, the market place and the community. Good intentions are not enough. Customers, investors, employees and stakeholders want demonstrable proof of action and improvement.

Companies who are members of Business in the Community are committed to improving continually their impact on society. I hope that this comprehensive report will provide, for the first time, the framework against which they can measure progress.



Principles of Good Business

The aim of the work of the Business Impact Task Force has been to identify company best practices that maximise competitive as well as social benefits, and to encourage organisations to measure their impact on society and communicate what they do.

This is still a developing subject, but the same basic principles of social engagement, coupled with sound practices, emerge again and again.

We, the undersigned, believe that for business as well as for social reasons, all organisations should commit to carry out their business in a socially responsible way and uphold the following key principles:

- To treat employees fairly and equitably
- To operate ethically and with integrity
- To respect basic human rights
- To sustain the environment for future generations
- To be a caring neighbour in their communities



Sir Peter Davis
Chairman,
Business in the Community



Digby Jones
Director General,
Confederation of British Industry



Joe Goasdoué
Chief Executive,
British Quality Foundation



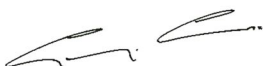
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Stuart Etherington
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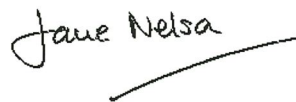
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Winning with integrity

What's it all about?

How is doing good in fact good for your business? How can companies benefit from being more socially responsible? Is it really possible to combine this with business efficiency and competitiveness?

Social responsibility can help your business to succeed in three ways. It can help:

- Build business sales
- Build the workforce
- Build trust in the company as a whole

This report covers seven areas of social responsibilities that you can consider. Each volume explains how the area can affect business results and gives practical advice on how to tackle the subject – and how to measure how well you are doing.

The seven areas are:

- Purpose & Values
- Workforce
- Marketplace
- Environment
- Community
- Human Rights
- Guiding Principles

These are areas where your organisation can get an extra business edge if you do things right – or lose out, if you do things wrong.

Not all of the areas will be applicable to all companies – for example, human rights might be less important for a smaller UK service company than for a large multi-national. However, it's important to recognise that a company's standing can be underlined – or undermined – by what it does in any of these seven areas.

It's vital to appreciate that this is all about delivering benefits to both business and society. It's a win-win, creating value for everybody. This will always involve setting priorities among competing demands. There will be trade-offs and dilemmas. But the key point is that behaving in a socially responsible way is not only the right thing to do but makes good business sense, for both large and small businesses.

For companies to be successful in these activities, they also need to communicate and share the social and environmental impact of business. This means deciding what a company should report and how.

What's the benefit?

Does it matter to you if:

- Your company has a poor reputation for honesty and trustworthiness?
- Your customers have a bad opinion of your impact on the environment?
- Future employees don't have the skills you need?
- It's difficult to attract and retain good people?
- The marketplace in which you sell isn't prospering?
- Your organisation is unattractive to business partners?
- The negative views of local authorities are making planning business expansion difficult?
- Ethical investment funds choose not to hold your shares?

Companies can't afford to ignore these questions. They are central to success. Socially responsible businesses have additional tools at their disposal which help them score more highly on all these fronts.

Social responsibility is about sustaining positive relations not just with customers but all round – not just pleasing some people while allowing others to become alienated. This means being alert to ways of improving your company's impact on society and the environment. A balanced approach to this will improve, not impede popularity.

There are considerable benefits to be obtained from getting it right. In a recent Financial Times/PricewaterhouseCoopers "Most Respected Companies Survey", 750 chief executives across Europe were asked their views on the most important business challenges for companies in 2000. Of those challenges listed, increasing pressure for social responsibility was ranked second only to the recruitment of skilled staff.

Social responsibility is not just for large companies. In early 2000, DTI, BT and KPMG commissioned MORI to conduct interviews with the managing directors of 200 UK small and medium companies:

- 38% strongly agreed that "social responsibility will become increasingly important to businesses, such as mine, over the next five years"
- 45% tended to agree that "social responsibility will become increasingly important to businesses, such as mine, over the next five years"

The three ways social responsibility can help your business to succeed

1. Building business

Consumers want products and services that are fit for purpose and good value. But they do not want companies to behave irresponsibly.

In May 1999 the Millennium Poll on Corporate Social Responsibility interviewed over 25,000 citizens across 23 countries on 6 continents revealing that:

- Half the populations in countries surveyed are paying attention to the social behaviour of companies
- All around the world, impressions of individual companies are more shaped by corporate citizenship (56%) than either brand quality/reputation (40%) or business fundamentals (34%)

In the United Kingdom, polls show there is a very high correlation between companies being publicly perceived as socially responsible and being viewed favourably overall.

This interest in social responsibility also now has an effect on consumer purchasing, with good companies being rewarded and poor companies being penalised.

For example, MORI research in 1998 among British adults found that:

- 17% had boycotted a company's product on ethical grounds
- 19% had chosen a product/service because of a company's ethical reputation
- 28% had done both

Another MORI poll conducted in 1999 showed that 86% of adults consider the environment to be a very or extremely important part of corporate responsibility.

As a result, companies are also finding that linking up with charitable organisations can also provide a competitive advantage. Not only can it build a good reputation, products can be directly linked with charitable causes through cause-related marketing, which has been successfully used by small as well as large companies to achieve greatly increased sales.

In 1998 MORI found cause-related marketing is having a major impact on consumer purchasing with nearly a third of the public (30%) having bought a product or service because of a link to a charitable organisation.

Social responsibility is also figuring more and more as a factor in investment. One aspect of this is the healthy ethical investment sector where there are now a number of ratings agencies at work, assessing the social and environmental performance of companies. The growing importance of all this is shown in the emergence of the Dow Jones Group Sustainability Index and the interest in the use of this or equivalent indexes in Europe.

While increased competitiveness is one benefit, companies can also make substantial cost savings from socially responsible ways of working.

The Government's "Best Practice" programme has found that businesses, both large and small, can cut expenditure on energy and waste by up to 10 per cent a year with little or no cost to the company.

Of course socially responsible behaviour can also relate to fundamental issues of risk management, including legal compliance. No company can afford to be found wanting in its legal obligations on health and safety, human rights, or on race, gender, or disability discrimination.

These issues are not just affecting companies that sell to the public. Many large companies are now building socially responsible performance into the criteria they use for selecting suppliers.

Some big companies now expect suppliers and sub-contractors to perform to their own high standards – particularly in the area of environmental performance and on the issue of human rights such as the use of child labour. Because of the potential damage to the reputations of large companies that get it wrong, this trend is likely to become ever more widespread.

2. Building people

Companies need to attract the best people to come and work for them – and they need to retain them once they have joined.

A study conducted by McKinsey, "The War for Talent", published in 1998 found that only 3% of companies responding believed they had enough talent reach their objectives in five years.

Social responsibility matters here since people want to work for responsible businesses. MORI research throughout the 1990s consistently found that the vast majority of people believed that a company that supports society and the community is a good company to work for.

"Between a quarter and a half of graduates say they will not consider working for companies that they believe to be unethical – such as tobacco and defence firms and some FMCG (fast-moving consumer goods) companies they perceive as exploiting cheap labour abroad."¹ **Andy Pasley, head of research and planning at Bernard Hodes, a recruitment consultancy**

The benefits are not just restricted to recruitment. Social responsibility is helping companies retain, develop and enhance the performance of employees.

Many companies have found a direct correlation between the improvement of the company's environmental performance and policies and its business results and staff retention.

Not only is good staff retention important in itself, the work of management consultants Bain & Co found that those companies that have the highest employee retention also have the greatest customer retention. And those with the best customer retention also have the highest profitability.

The FI Group, the information technology services company, encourages and supports its employees to get involved in the community through volunteering.

In 1997 FI commissioned an independent survey on employee attitudes. Of the 21% of employees that had been involved:

- 74% had an improved perception of the company
- 58% believed they had developed personally
- 35% believed they had developed professionally

3. Building trust

'Licence to operate' is a term that describes the support a company needs to conduct its business successfully. For some companies, Government or regulatory bodies literally grant this licence. But licence to operate also covers issues that impact all businesses on matters such as getting planning permission to expand or change operations.

For the majority of businesses, a licence to operate is an unwritten treaty between the company, its employees, customers and the broader community.

Central to this notion of licence to operate is the notion of trust. Trust is an increasingly important element in influencing the way in which employees, customers, suppliers and the broader public judge a company.

As such, creating a licence to operate, building trust and credibility, is central to what leading-edge companies are doing. It is about creating trust among:

- Employees that yours is a good company to work for
- Customers and suppliers that yours' is a reputable organisation to do business with
- Investors and financiers that yours is a company worth backing
- The community that yours is a company that cares about and responds to local issues

How do you get business benefit?

Being socially responsible only gives business benefits if you do it effectively. It does not mean wasting resource or making bad investments just for the sake of political correctness. It does mean identifying the actions that will have most impact on your particular company, managing them in a professional way – and communicating what you are doing.

Without communication, no-one will be aware of your work. Without awareness, there's no benefit to your business standing or reputation.

No business, large or small, is divorced from society. The success and failure of each is dependent upon the other. People are genuinely interested in how your company is involved. However, they're suspicious of empty words. You need to demonstrate that your involvement is real and produces real results.

The other chapters in this report suggest a number of practical ways of measuring and reporting social responsibility; but they all share some common principles, and a similar approach to action.

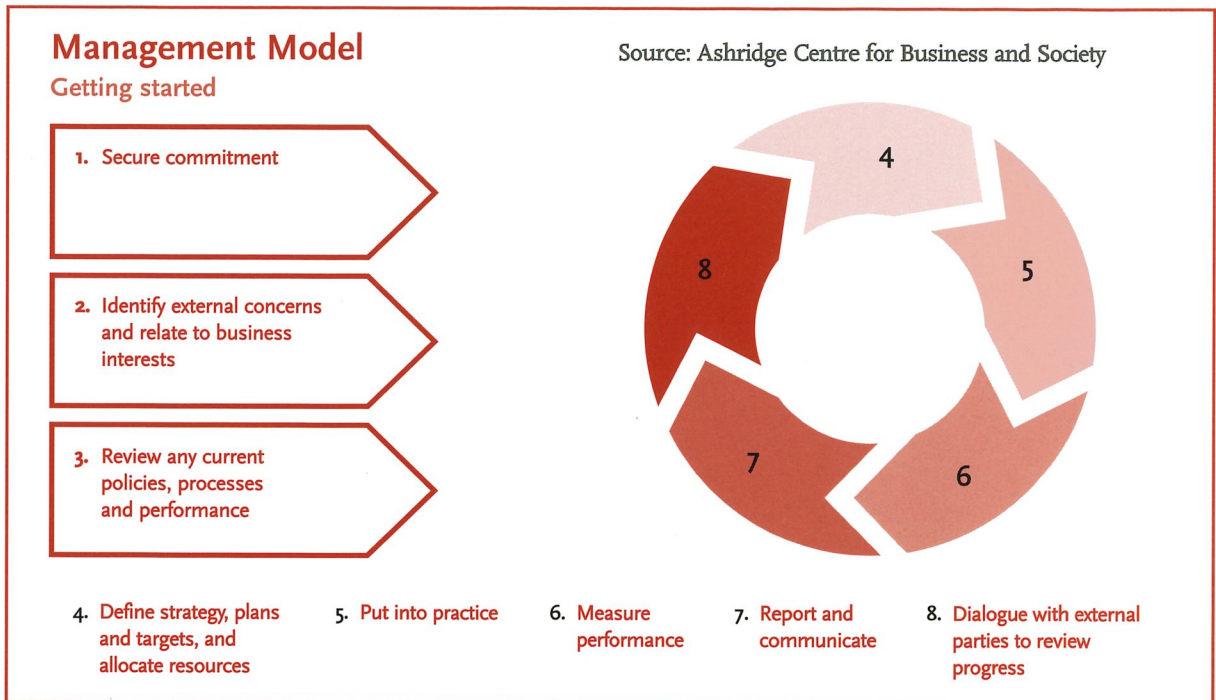


How do you put it into action?

Managing corporate social responsibility is just like managing any other aspect of the business. Whether a company employs 50 people or is a multinational conglomerate, there are a number of key principles that apply. These all turn on ensuring you have the right policies, the right processes, and that you get the right performance.

Common Principles

There is a set of simple steps for turning all this into action.



Getting Started

1. Secure commitment – to make any progress at all it's necessary for senior management to make a commitment and to allocate resources
2. Identify external concerns – the topics covered in this report may provide an initial guide. The aim is to ensure you address the issues that are most relevant for your own company
3. Review current policies, processes and performance – for what areas do you have policies and where are the gaps? What performance measures, if any, do you have in place?

Once past this initial phase, the process should involve continuous improvement – so it becomes a loop. The remaining steps are as for any management process:

Getting Results

4. Define strategy, plans and targets – and allocate resource – create the plans and provide the means to turn ideas into reality. These must align with both business interest and stakeholder concerns
5. Put into practice – the implementation
6. Measure performance – actions are of little value without measures and an interest in continuous improvement
7. Report and communicate – effective communication is essential for success. Make sure people know about what you have done and can understand and assess your strategies, actions and impacts; and
8. Interact with external parties – some form of external consultation is essential to any meaningful review progress

The sequence continues around the loop in a process of steady refinement.

A part, not apart

It is important to remember that managing socially responsible activity means working with others rather than in isolation:

- Consulting with external bodies in order to understand their concerns (for example, talking to local authorities, employees and customers about what is important to them)
- Measuring their assessment of business performance in priority areas
- Involving them in action planning
- Communicating business performance to them
- Developing the company's priorities as their views and concerns change

Recognising your starting level

The ideal is to embed social responsibility into the way your company conducts its business. But it cannot be done all at once on every front.

The other chapters in this book, therefore, set out recommended actions for seven different areas of social responsibility. They use a graded approach based on three possible levels of involvement. These range from Level 1 for first time adopters through to Level 3 for those who wish to set new standards as leaders.

For each subject, the steps are few and simple for companies who are first time adopters or who aim to achieve the basic level of social responsibility (Level 1).

Companies wishing to move on to a more sophisticated approach will want to consider Level 2 actions.

Businesses who are very much in the public eye or who aim to be leaders in this subject should adopt the stronger – but much more demanding – actions at Level 3.

In general, the progression through these levels entails a shift

- From simple first steps to demanding, leadership activities
- From the elimination of negative impacts to delivery of positive ones
- From in-company efforts to influencing your business partners
- From an internal focus to an external one
- From simple indicators to perception measures
- From informal self-assessments to formal standards, external evaluations, benchmarked comparisons and awards

The levels of performance measurement could also be seen successive repeats of the Management Model set out in the previous section. First time around, a company should be aiming for Level 1 indicators. By the time it's going around the loop for the third time, it should be up to Level 3 indicators.

Specific impact performance indicators and benchmarks

Policy and processes

Every company needs to decide for itself which are the most important social issues for it to address. Most businesses give greatest weight to workforce and marketplace issues. Some will need to give priority to environment, or community or human rights issues. The separate chapters suggest steps for addressing each subject area.

The following table summarises the key policy and process actions recommended for each impact area, also showing how they map out against the “three level” approach. These recommendations provide a detailed interpretation for each area of the general processes for action shown in Management Model earlier.

Summary of policy & processes

Level	Purpose & Values	Workforce	Marketplace
01	Ensure top level commitment of senior management to		
	<ul style="list-style-type: none"> ■ Establish common purpose and values among the core leadership team and set out a clear company vision for the long term, with clear answers to: <ul style="list-style-type: none"> ■ what are we here to do? ■ what do we stand for? ■ what would we like to see ourselves become? 	<ul style="list-style-type: none"> ■ Review the company's employment policies for: <ul style="list-style-type: none"> ■ legislation ■ workplace diversity ■ work/life balance ■ health and safety ■ training and staff development ■ Appoint senior manager to take responsibility for driving programme forward in this area 	<ul style="list-style-type: none"> ■ Ensure top level commitment from senior management to manage the impact on society in terms of the company's core products and services ■ Undertake a formal review of marketplace impacts to include: <ul style="list-style-type: none"> ■ legislation ■ the positive/negative impacts on society of goods and services ■ safety and pricing ■ advertising and consumer rights ■ vulnerable or disadvantaged consumer groups ■ Ensure an adequate process for dealing with customer and supplier complaints
Level	Purpose & Values	Workforce	Marketplace
02	<ul style="list-style-type: none"> ■ Progress to involve employees in order to secure their understanding of what success looks like and their part in achieving it 	<ul style="list-style-type: none"> ■ Ensure the company's core value statement and/or codes of practice include non-discrimination in staff recruitment, development and promotion on the basis of race, gender, age, religion etc. including codes of practices on: <ul style="list-style-type: none"> ■ harassment and bullying ■ a fair complaints system ■ practices to promote healthy work/life balance ■ rights to free assembly and collective bargaining ■ Priorities and objectives for progress, including training and development, equal opportunities and work/life balance ■ Support programmes for employees, covering pension schemes as well as special areas such as bereavement, divorce or drug and alcohol abuse 	<ul style="list-style-type: none"> ■ Produce policies governing company response to key marketplace issues to cover: <ul style="list-style-type: none"> ■ the company's approach to dealing with impact on society issues through the company's product/service development process ■ approach to dealing with diverse customer base, including customers with special needs ■ potential for misuse of company products ■ commitment to provide full and accurate product information ■ Establish priorities and set objectives and targets for improvement ■ Conduct relevant training for staff to raise awareness of marketplace issues affecting the business
Level	Purpose & Values	Workforce	Marketplace
03	<ul style="list-style-type: none"> ■ Move on to inspire the entire organisations (including major suppliers and other key partners) with the same purpose, vision and values and enable them to see where they can play their part ■ Measure how far each stakeholder group shares the vision ■ Test how professional your handling of each relationship is, by measuring against relevant standards, such as investors in People, and/or external assessment ■ Measure the enterprise's performance in each relationship using benchmarking to compare with others ■ Measure what stakeholders in each relationship feel about it ■ Use all the above to stimulate improvement in every relationship 	<ul style="list-style-type: none"> ■ Use professional benchmarking or diagnostic tools to evaluate company performance on diversity and commit to continuous improvement ■ Seek external validation for company practices through standards such as IIP and through awards ■ Measure and report on the outcomes of company impact in the workplace – including employee perception measures ■ Implement proper employee protection/development programmes in the event of mergers or restructuring, resulting in downsizing ■ Engage in effective two-way consultation with staff ■ Share best practice with others and act as a leader and an advocate for business engagement in this area 	<ul style="list-style-type: none"> ■ Use professional benchmarking or diagnostic tools to evaluate impact on society of core products or services ■ Ensure that all consumer rights are protected and management capacity is in place to service customer complaints, replacements, recall and provide full information ■ Measure and report on the impact of the company in the marketplace – including stakeholder perception measures ■ Monitor promotions at target groups and pricing policies to maximise access to consumers, including those from minorities and diverse cultures. ■ Engage in effective two way consultation with stakeholders ■ Communicate the company's position on marketplace behaviour and extend business principles on marketplace behaviour to associates and suppliers

Environment	Community	Human Rights	Guiding Principles
measure and manage impact on society within this impact area			
<ul style="list-style-type: none"> ■ Conduct an initial environmental review of: <ul style="list-style-type: none"> ■ legislation ■ main environmental impacts ■ information needed to draft an initial environmental strategy ■ Ensure a senior manager is charged with taking responsibility for driving progress in this area 	<ul style="list-style-type: none"> ■ Review the company's current activity in community investment activity, identifying: <ul style="list-style-type: none"> ■ existing activity ■ business objectives ■ community needs ■ Decide what resources (budget and personnel) will be appropriate for the programme ■ Nominate a project champion and project manager for the community activity 	<ul style="list-style-type: none"> ■ Conduct an initial review of: <ul style="list-style-type: none"> ■ legislation ■ human rights in mainstream company decision-making ■ human rights issues for the company within its sphere of operations ■ Establish confidential grievance procedures for workers to raise concerns about working conditions ■ Ensure a senior manager is charged with taking responsibility for driving progress in this area 	<ul style="list-style-type: none"> ■ Examine and formally describe the values of the company, identifying: <ul style="list-style-type: none"> ■ the extent to which principles are an ongoing part of the company's way of doing business ■ the values and aspirations of employees in relation to the business ■ Define the roles and responsibilities of the senior management for issues about principles
Environment	Community	Human Rights	Guiding Principles
<ul style="list-style-type: none"> ■ Write an environmental policy and publicise it, particularly to staff. This should cover: <ul style="list-style-type: none"> ■ overview of company activities and scope of the policy, plus legal compliance ■ commitment to environmental protection with reference to the business' main impacts ■ the resources required to introduce change and improvement ■ commitment to train and develop staff for the new tasks ■ Establish priorities and set objectives and targets for improvement ■ Ensure the sufficient allocation of resources to this area to meet objectives and targets ■ Set up an employee programme to raise general awareness and provide support for staff ■ Start to communicate with other social and community bodies, keeping them informed and involved 	<ul style="list-style-type: none"> ■ Develop a community policy and strategy statement including: <ul style="list-style-type: none"> ■ an action plan, with objectives and targets ■ allocation of resources ■ involvement with community partners ■ Monitor achievements and measure the value ■ Provide training and support for staff involved with community activity 	<ul style="list-style-type: none"> ■ Draw up a human rights policy, incorporating an explicit commitment to support the UDHR and core ILO standards in the company's business principles and/or code of conduct. The commitment should apply to all the company's core operations and to its relations with business partners ■ Draw up a human rights policy and implementation plan, including the setting of relevant objectives and targets ■ Communicate the policy and plan widely within the business and to partners, eg suppliers, sub-contractors ■ Conduct training for staff to raise awareness of human rights 	<ul style="list-style-type: none"> ■ Incorporate best principles practice in a code of practice covering: <ul style="list-style-type: none"> ■ how values are incorporated into strategic planning, budgeting and investment planning ■ how values are incorporated into employee hiring, reviews, training, reward and sanction procedures ■ Develop mechanisms to allow employees to address conflicts of interest or dilemmas about principles ■ Set targets and develop systems for monitoring performance against values
Environment	Community	Human Rights	Guiding Principles
<ul style="list-style-type: none"> ■ Commit to continuous improvement and systematic evaluation of data accuracy and process effectiveness. Benchmark against industry sector best practice ■ Ensure environmental impacts are properly considered in the development of your products/services as well as in strategic investment decisions ■ Formalise the management system's documentation and seek external verification from a reputable third party, using standards and awards as appropriate ■ Develop a supplier programme to make improvements in all parts of your production process ■ Communicate your achievements to all relevant stakeholders and develop two-way dialogue ■ Share best practice with others and act as a leader and an advocate for business engagement in this area 	<ul style="list-style-type: none"> ■ Commit to continuous improvement and learning through systematic evaluation and benchmarking ■ Seek external validation for company community investment through standards and awards ■ Assess, evaluate and report achievements and long term impact of the programme. Include perception measures of involved parties ■ Measure and report on the outcomes of community investment ■ Systematically and regularly involve stakeholders in programme development and improvement ■ Share best practice with others and act as a leader and an advocate for business engagement in this area 	<ul style="list-style-type: none"> ■ Set benchmarks relating to the human rights strategy against which the company in general, and managers and employees in particular, can be measured ■ Measure and report against stated objectives and performance indicators. Use credible third-party auditors ■ Build human rights criteria into social impact assessments from the pre-investment risk analysis phase onwards ■ Review human rights practices of business partners and be prepared to terminate contracts where necessary ■ Engage in effective two way consultation and dialogue with interested parties including critics ■ Be prepared to enter into dialogue with government to raise human rights concerns either unilaterally or collectively with other companies who share similar concerns 	<ul style="list-style-type: none"> ■ Use feedback from others to help develop policies and targets ■ Consider externally audited standards and mechanisms to enhance credibility ■ Ensure that performance measures include ethical concerns while remaining tied in to the overall strategic management of the company ■ Train employees in the management of ethical issues ■ Share best practice with others and act as a leader and an advocate for business engagement in this area

Performance

Processes are one thing: results are another. To get any real results, you need to measure and report performance against stated aims.

You can only make meaningful measures of things that are under your control. To get business benefit, the same measures should also relate to your business targets. The measures must be relevant to internal and external audiences and be more than a measure of legal compliance.

Ideally they should also be able to be benchmarked so that everyone can see how your performance compares with others. People will respect you more if the measurers are also verifiable, and not just unproven assertions.

The second table below summarises the impact performance measures from all seven subject chapters, again for companies at various levels of advancement:

Summary of impact performance indicators

Level	Purpose & Values	Workforce	Marketplace
01	Ensure top level commitment of senior management to		
	PROCESS MEASURES ONLY	<ul style="list-style-type: none"> ■ Workforce profile (race, gender, disability, age etc) ■ Staff absenteeism ■ Number of legal non-compliances on Health and Safety, Equal Opportunities and other legislation ■ Number of staff grievances ■ Upheld cases of corrupt or unprofessional behaviour 	<ul style="list-style-type: none"> ■ Customer complaints about products and services ■ Advertising complaints upheld ■ Complaints about late payment of bills ■ Upheld cases of anti-competitive behaviour
Level	Purpose & Values	Workforce	Marketplace
02	PROCESS MEASURES ONLY	<ul style="list-style-type: none"> ■ Staff turnover ■ Value of training and development provided to staff ■ Pay and conditions compared against local equivalent averages ■ Workforce profile compared to the community profile for travel to work area 	<ul style="list-style-type: none"> ■ Customer satisfaction levels ■ Customer retention ■ Provision for customers with special needs ■ Average time to pay bills to suppliers
Level	Purpose & Values	Workforce	Marketplace
03	PROCESS MEASURES ONLY	<ul style="list-style-type: none"> ■ Impact evaluations of the effects of downsizing, re-skilling etc. ■ Perception measures of the company (e.g. equal opportunities, work/life balance) 	<ul style="list-style-type: none"> ■ Extra sales gained attributable to social policy/cause related marketing ■ Customer loyalty measures ■ Recognising and catering for diversity in advertising and product labelling ■ Perception of company as a desirable commercial partner ■ Social impact, cost of benefits of products/services

How do you tell everyone what you've done?

Why report ?

Reporting and communicating your enterprise's impact on society helps to demonstrate openness and transparency about your operations. It also highlights seriousness of intent, besides rewarding staff and partners for their investment in your social responsibility activity.

To date, there are few legislative reporting requirements concerning social responsibility in business issues.

However, companies who do report on social and environmental issues tend to be better perceived.

For larger companies, the current independent review of UK Company Law has put forward proposals for a new mandatory Operating and Financial Review (OFR) to be included in the company Annual Report, which would include:

- a review of the company's business
- the company's purpose and values, strategy and drivers of performance
- an account of the company's key relationships
- the company's approach to corporate governance – values and structures
- a picture of the company's intellectual capital – how it applies and develops it
- the company's principles, policy and performance on social and environmental issues and on those affecting the community in general

The first two items would be mandatory for all companies required to produce an OFR. The remaining items would have to be included where the directors concluded that they were material to the business.

Similar suggestions have been made in the EC and there's a trend towards fuller reporting worldwide.

Environment	Community	Human Rights	Guiding Principles
measure and manage impact on society within this impact area			
<ul style="list-style-type: none"> ■ Overall energy consumption ■ Water usage ■ Quantity of solid waste produced (weight/volume) ■ Upheld cases of prosecution for environmental offences 	<ul style="list-style-type: none"> ■ Cash value of community support as % of pre-tax profit ■ Estimated combined value of staff company time, gifts in kind and management costs 	<ul style="list-style-type: none"> ■ Compliance with the UK Human Rights Act and international human rights standards with regard to employees and other stakeholders and absence of upheld cases against the company ■ Existence of confidential grievance procedures for workers ■ Wage rates and other employment conditions 	PROCESS MEASURES ONLY
Environment	Community	Human Rights	Guiding Principles
<ul style="list-style-type: none"> ■ CO₂/greenhouse gas emissions ■ Other emissions (e.g. Ozone, radiation) ■ Use of recycled material ■ Positive and negative media comment about environmental activities 	<ul style="list-style-type: none"> ■ Individual value of staff time, gifts in kind and management costs ■ Positive and negative media comment on community activities ■ Project progress and achievement measures ■ Leverage of other resources 	<ul style="list-style-type: none"> ■ Progress measures against adherence to stated business principles on human rights as stated by UK Law and International human rights standards ■ Proportion of suppliers and partners screened for human rights compliance 	PROCESS MEASURES ONLY
Environment	Community	Human Rights	Guiding Principles
<ul style="list-style-type: none"> ■ What level of waste is recyclable ■ Net CO₂/greenhouse gas measures and offsetting effect ■ Environmental impact over the supply chain ■ Environmental impact, benefits or costs of products/services against best in class 	<ul style="list-style-type: none"> ■ Impact evaluations carried out on community programmes including: improved educational attainment, number of jobs created, professional support for community organisations, environment enhancement or conservation ■ Perception measures: of the company as a good neighbour 	<ul style="list-style-type: none"> ■ Proportions of suppliers and partners meeting the company's expected standards on human rights standards ■ Proportion of company's managers meeting the company's standards on human rights within their area of operation ■ Perception of the company's performance on human rights by employees, the local community and other stakeholders 	PROCESS MEASURES ONLY

Reporting principles

A key test of leadership is the consistency with which the company's different forms of communication reflect the same message.

For many companies, the formal Annual Report can act as a spine, containing core messages and articulating central purpose, values and principles. Numerous larger companies already make a point of connecting this with their other communications on social and environmental issues. They thus make it clear that there is a genuine company approach to overall social impact rather than just a set of ad-hoc initiatives.

This integration of reporting to cover not only financial but also social and environmental issues can permit a "triple bottom line" form of accounting or a development into "sustainability reporting" – that is, reporting on all the company's activities in a way that demonstrates its commitment to meeting long term as well as short term responsibilities and goals.

Separate reports on environmental or social impact are therefore valuable, but they need very clear links back to the underlying logic of your business purpose.

However, it's important not to over-claim. This can create the impression that your work is just a publicity front. Commercial sponsorships, for example, should not be presented as community investments.

Companies should also avoid the temptation to advertise themselves as having solved all their problems. It is far better for a company to commit to continuous improvement in this arena.

It is also important to distinguish what activities are truly voluntary and what are not. For example, there are legal requirements on some industries (notably the telephone, water, gas and electrical sectors) on providing easy access to services for disabled customers. Despite excellent work, it would not be appropriate to claim this as part of a voluntary programme covering social responsibility in business.

How to go about it

To make their reporting effective, companies need to:

- Identify and prioritise the key audiences for their communications
- Decide on the key messages
- Establish the appropriate communications channels for the target audience
- Give all relevant contacts for people involved in programmes
- Report on the impact achievements of their social responsibility in business or CSR programme, short and long term
- Over time, ensure communications develop as a two-way dialogue with key stakeholders with a real flow of information and ideas running both ways.

Ways of reporting

Good reporting practice by leading companies is reflected in how they target information and how they provide access to more information if needed. Within most business situations there are a range of communication methods which can be used; extending from internal team briefings to external reports and websites. Each company needs to choose what works best for its audience.

Principles to bear in mind

When deciding which methods are most suitable for your audience, it may help to bear in mind the following principles to structure your reporting process:

- Reflect the aspirations and needs of all interested groups
- Include all the appropriate areas of your company's activities
- Include all significant information
- Make your reporting regular, systematic and timely
- Use quality assurance audit methods to build credibility in your reporting
- Communicate appropriately and effectively to each stakeholder group
- Make your information comparable, reliable, relevant and understandable
- Integrate your reporting into systems, policy-making and operations
- Focus on steps to improve performance

All types of report should link back very clearly to the underlying logic of your business purpose and values. Remember – reporting is not an end in itself. It's a means to build trust with your employees, customers, suppliers and other stakeholders by demonstrating your company's openness and willingness to be accountable for its actions and impact on society.

What does the future hold?

The Business Impact Task Force found convincing evidence that companies can enhance their competitiveness by measuring and managing their impact on society.

Business as a whole will also benefit by making the principles behind the report more widespread. The Task Force has set out to support this in six ways.

1. Support Resources – on paper and on-line, for companies of all sizes

Companies need practical support and resource material to turn all this into results. More detailed, pragmatic advice is contained in the other chapters of this report.

More information, including a “Starter Pack” full of ideas, as well as a database of hundreds of case studies, can be found on the website at www.business-impact.org, plus the related core Business in the Community website and those of the partner organisations who made this output possible – a list is provided at the end of this chapter.

This material is specifically intended to assist smaller and medium sized companies as well as very large ones. This is an immensely important area. The Task Force’s own survey into smaller and medium sized companies showed not only that up to 50% of them are involved in some form of citizenship but also that their overall contribution nationally might be as much as £3 billion a year – ten times more than the contribution of large enterprises.

More still needs to be done

Specifically the Task Force recommends that:

- Companies and other organisations should be encouraged to provide and promote further case studies of best practice.
- Intermediary organisations, such as Business in the Community (BITC) and other public bodies should aim to provide more material geared to the needs of smaller and medium sized enterprises. The disciplines of good citizenship are well documented for large corporations, but much of this material is irrelevant or unsuitable for smaller and medium sized enterprises.
- There should be more collaboration between the various expert bodies who advise on this subject, to harmonise guidance on best practice and reduce the apparent complexity of the subject. The Task Force is itself immensely indebted to the collaborative engagement of all the bodies who made this output possible.

2. Measuring results: a self-assessment tool

To be effective, companies need to measure and communicate what they do. This report has recommended pragmatic measures that companies can use across a whole range of impact areas.

These measures have been summarised in the Business Impact Self-Assessment Tool, which uses the report parameters to give a quick overview of where any business is in relation to its impact on society, using the same three level approach.

The tool is available on-line at www.business-impact.org/review/

It can be used by companies at any stage of development, and requires only a short time to complete.

To encourage widespread use of this tool, Business in the Community will work with its member companies to encourage its adoption. The tool is recommended to business, also to Government, business representatives, standards agencies and others, as a simple starting point for assessing performance and identifying areas for improvement.

3. Communication and recognition

To give further recognition to those who commit themselves to social responsibility and to encourage public commitment to action in this area, the Task Force encourages companies to sign a “statement of intent” – the signatories of which will be published in a special listing on the world-wide web.

Signatories can then also add hotlinks to key social or environmental pages on their own websites. This is one means of broadening communication of what they do since the site is also a portal for anyone who wants a list of responsible UK companies and to see what they have to say for themselves. This facility is at www.business-impact.org/intent/. It is searchable by issue, as well as by company. There is also a link to a similar, international listing.

At the launch of this report, some senior companies will also be taking this commitment one stage further, in undertaking to measure and report against the criteria proposed in the report and to provide this information to be published on a connected web portal which will be part of the Business in the Community site. These companies will trial and test the conclusions of this report, and feedback over the course of a two year period how effective they have proved to be.

4. Standards, kitemarks, and awards

Awards schemes can provide powerful recognition for good performance; and so can the attainment of standards, such as Investors in People or ISO9001, which can also impart a valued "kitemark". A number of standards and other initiatives are referenced throughout the main body of this report and in the Other Key Initiatives chapter – they are recommended to companies for consideration. However, it is for each company to decide what awards or standards to pursue since they do require significant effort.

Accordingly, this Report does not advocate the creation of any new standard or award scheme beyond those which already exist or are in preparation elsewhere.

However, the Task Force appeals to the owners of existing standards, such as Investors in People and the British Quality Foundation, to incorporate relevant principles and measures from this report in their own future thinking.

In this way, social responsibility can be incorporated into the standards of general management, instead of treating it as if it were somehow a separate subject.

To help take this forward, the annual Awards for Excellence sponsored by BITC and the DTI will from 2001 reflect the principles set out by the Task Force. In particular, the overall Impact on Society Award will look for excellence across the full range of responsibility areas, processes and measures covered by this Report.

As participants in the Task Force, the British Quality Foundation and European Foundation for Quality Management are also considering this report's definitions and measures of social responsibility as part of their review of the "Impact on Society" section of the Business Excellence Model.

Business in the Community (BITC) is reviewing its Community Mark concept, which has proved successful in Brighton, with a view to its extension both in scope and in geographical coverage.

5. A Social Responsibility Index

The Task Force also recognises the great power of published ratings, such as Business in the Community's Business in the Environment Index published annually with the Financial Times, which has helped to improve the awareness of the need for environmental measurement.

The Task Force believes that the measures and principles recommended in these texts should be used as the basis for a new Index of corporate social responsibility. It encourages the main bodies which have supported the Business in the Environment Index in the past to support the development of a broad benchmarking approach.

The corporate social responsibility Index is to be developed by Business in the Community, using the experience gained by its business leadership teams in its previous work on benchmarking company performance on corporate social responsibility issues.

6. Tomorrow's Managers

This report has covered a range of issues that are becoming increasingly important for business. Correctly managed, social responsibility can add to an enterprise's success and provide an extra edge to business leadership. Mismanaged, it can undermine a company's standing and place it at a real disadvantage.

The Task Force has consequently also aimed to provide the sort of practical guidance that provides a framework for leadership as well as ideas that can be built into management training and codes of practice.

Training and development materials for business people and students are needed on these issues as part of standard guidelines on good management. Social impact should also become a core part of the curriculum in all business schools and management programmes.

The Task Force encourages all organisations involved in such educational courses to begin to build the principles of this report into their programmes.

A database of courses which already cover these issues in Europe can be accessed via

www.business-impact.org/courses/

The Task Force has also arranged for the very extensive resources of resources of Ashridge Centre for Business and Society to be made available online as an additional source of information. This will take place during 2001, and will be accessible via www.business-impact.org/data/, as well as from the main Ashridge website.

7. Reporting

Finally, the Task Force believes that all companies could benefit from considering how they can communicate their social impact. There is also an increasing case for larger companies to provide some form of actual reporting.

Whilst the development of a full Social Responsibility Index is taking place, the first question that can be asked immediately is – do you or don't you report on social impact?

Such reporting can benefit from using the framework provided here. However the key thing is to begin a discussion which extends outside the company, and to provide information through whatever communications media are appropriate.

Communications on social responsibility need to be clear and convincing. An enormous amount of work has been done on this by the Global Reporting Initiative (GRI), which has especially engaged multinationals and continues to develop reporting principles.

For smaller and medium-sized organisations a web-based facility is under development which will permit a simple social report to be very easily created (and if desired published) on-line. This should be available via www.business-impact.org/reporting/ from January 2001.

The Task Force has aimed to draw together the most practical guidance on how companies can take effective action on social issues, and how they can measure the results. A further major piece of work by CSR Europe (formerly European Business Network for Social Cohesion/EBNSC) has analysed the current communication and reporting practices of 45 companies operating across many countries.

CSR Europe's Report "Communicating Corporate Social Responsibility" developed with the support of the European Commission – Directorate General for Employment and Social Affairs, confirms that the Task Force's recommendations closely reflect the most common measures used by these companies. The conclusions of the CSR Europe Report also share the same categorisation of subjects, and advocate the same basic principles and processes for measures, as the Task Force.

These complementary outputs provide a fresh contribution to discussions on global benchmarking for large companies, as well as a basis for further work to support the needs of smaller and medium-sized enterprises.

Where do you go from here?

The seven areas of social responsibilities are covered in the chapters enclosed in this folder:

- Purpose and values
- Workforce
- Marketplace
- Environment
- Community
- Human rights
- Guiding Principles

An action plan to help you on your way can be found at each chapter, based on three levels of involvement.

You can find further information on the websites listed or learn about related initiatives in the Other Key Initiatives chapter.

The Business Impact Task Force hopes that you find the contents of the chapters relevant and inspiring. No matter what the size of your organisation or the level of your involvement with social responsibility to date, we also hope that you will have a fuller picture of how doing good is good for both society and your business and consequently will intensify your commitment. We wish you continued success in the future.

Suggested Site-seeing

This report includes the key information you need to get started on your own social responsibility programme.

For more information, visit www.business-impact.org web or talk to Business in the Community (BITC). They will be able to refer you to a growing list of organisations with experience in this area.

The Business Impact Task Force was initiated by Business in the Community, with the chapters on specific subjects being provided by:

Ashridge Centre for Business and Society
www.ashridge.com

Business in the Community www.bitc.org.uk
the Centre for Tomorrow's Company
www.tomorrowcompany.com

The Institute of Social and Ethical AccountAbility
www.AccountAbility.org.uk

The Prince of Wales Business Leaders Forum
www.pwblf.org

The on-line facility for the company listings, and for the simple reporting tool, were developed in collaboration with CSR Europe www.csreurope.org, with BT support. The database of courses was developed jointly by CSR Europe and The Copenhagen Centre.

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Business Impact Task Force

Business in the Community's Business Impact Task Force, led by Bill Cockburn, Group Managing Director BT, was set up two years ago when HRH The Prince of Wales challenged business to establish a framework to measure and report its impact on society.

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Business in the Community is a unique movement of companies across the UK committed to continually improving their positive impact on society, with a core membership of 650 companies, including 75% of the FTSE 100.

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