

BUSINESS *in the*

COMMUNITY

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# the perfect storm

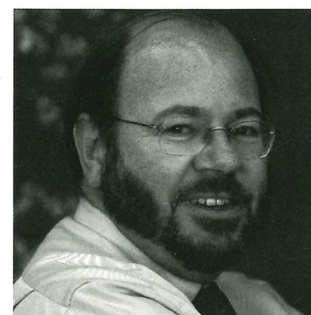
a vision for  
business in the community

In partnership with

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David Varney is Chairman of Business in the Community. He is also Chairman of the mobile communications company mm02 (formerly BT Wireless) where he and the Board of Directors have ultimate responsibility for the management of the Group's operations, focusing on Corporate Governance, Strategy and Development and Growing Shareholder Value.



David joined Business in the Community in January 2002 at the start of a year of consultation, reflection and dialogue, which would define the future direction of the organisation.

Speaking at his first Annual General Meeting as Chairman of Business in the Community in December 2002, David announced his vision for the future and launched a new five-year strategy for Business in the Community. The new strategy asks all members to make a commitment to action to:

- Integrate responsible business practice throughout their business
- Impact through collaborative action to tackle disadvantage
- Inspire, innovate and lead by sharing best practice

Business in the Community is a unique movement in the UK of 700 member companies. Its purpose is to inspire, challenge, engage and support business in continually improving its positive impact on society.

Together its member companies employ over 15.7 million people across 200 countries. In the UK, its members employ over 1 in 5 of the private sector workforce.

This publication includes David's speech in full, outlining the challenges facing corporate Britain in the current business climate. Challenges that he describes as the 'Perfect Storm'.

For more information on Business in the Community visit [www.bitc.org.uk](http://www.bitc.org.uk).



Two decades ago, Business in the Community emerged out of a crisis in Britain. Social deprivation was undermining the stability of our inner cities. There were riots in the streets. Corporate managers knew something had to be done, but the earliest efforts were largely philanthropic – essentially, they were throwing cash at communities. No one knew what to do.

Today, we celebrate a profound shift in attitude. We know that money alone is not the answer to enduring social problems. Corporations are assuming responsibility for the communities they serve in ways never dreamed of twenty years ago.

Business in the Community can claim a great deal of the credit. We have been in the vanguard of this shift, and we are grateful that others have followed us. We have much to be proud of.

Eleven months ago, I took over as chairman of Business in the Community. It has been a rewarding year, and a challenging one. I feel it's important that we take a realistic, unvarnished look at where we are today.

#### Converging Factors

We all recognise the difficulties of the current business climate. In bad times, companies draw inward, marshal resources, look for ways to trim excess. Commitment to corporate social responsibility, or responsible business practice, becomes vulnerable. We know this.

A number of developments over the last year have made our task even harder. First is the depth of public disapproval over corporate behaviour. Insider deals, misconduct and scandals have taken their toll. Public cynicism about corporate power has reached new levels.

Businesses are too often seen as part of the problem, when we should be part of the solution.

Yet we must place these trends in context and recognise why it is that corporate abuses attract so much attention today. Two decades ago, business activities had a much lower profile than they do today.

In recent years, the institutional importance of business has risen dramatically. Today, it is corporations that define a nation's standing among its peers. Corporate logos, brands, international credibility, global competitiveness – all these affect the well being of a nation's citizens. The corporate sector has become the dominant institution in society.

With influence comes increased vulnerability. Corporate behaviour is scrutinised like never before.

And now there is a new weapon in the public arsenal: social sanctions. Whenever there are lapses in the corporate sphere, the press, shareholder activists, environmentalists, politicians, even angry consumers are on hand to dispense opprobrium with astonishing speed. Social controls effect change far more rapidly than regulatory reforms or litigation.

Not so long ago, Enron and Arthur Andersen seemed relatively insulated from the general public. But within the past year, both firms perished through the exercise of social sanctions – long before the plaintiffs were found guilty in the courtroom.

Credibility matters more than ever.

The third factor at work today is our highly connected, networked world. Information, sometimes misinformation, ricochets around the globe in seconds. Abuses and oversights are much harder to contain. Isolated incidents can trigger an avalanche of outrage.

These three factors – the centrality of business, the erosion of public trust, and the dynamics of a networked society – have come together with powerful effect, just in the past year.

You may remember a recent Hollywood movie about a shipwreck off the eastern seaboard of America. The meteorologists watched with horror as three dangerous weather systems, churning separately on the high seas, converged at one potentially fatal point. The Perfect Storm.

#### Reputational Risk

Amidst all this, a new consideration has found its way into many corporate boardrooms and executive offices and that is reputational risk – the risk of failing to manage your reputation consistent with the goals and values of your enterprise.

Loss of reputation is the greatest threat to any organisation. Enron, Tyco, WorldCom, Adelphia, Vivendi in France, and Marconi and Equitable Life in Britain – all these demonstrate how quickly – and how devastatingly – things can go wrong. Reputational risk is the eye of the Perfect Storm.

For the members of Business in the Community, it is not a welcome sight. In some ways, it has made our job much harder over the past year. But I believe it has also done us a great deal of good.

Reputational risk brings our role at Business in the Community into sharper focus. It clarifies the need for businesses to look beyond their narrow, commercial goals and incorporate a broader societal perspective.

I am not asserting that acts of philanthropy or community activism can offset the misdeeds of an Anderson or an Enron. But authentic involvement by companies in the communities they serve does alter the institutional mindset. It deepens our social conscience. It heightens our social commitment.

This awareness informs our choices, alters our policies, and mitigates against abuse. It goes deep into the corporate bloodstream.

Business in the Community was founded on the premise that commercial enterprises are inescapably linked not just to their employees and shareholders, but to their broader communities. Our aim is to inspire, challenge, engage and support businesses to improve their positive impact on society.

Even in these stormy times. Especially in these stormy times.

Over the years, our most powerful tool for recruitment at Business in the Community has been the 'Seeing is Believing' tours, under the auspices of HRH The Prince of Wales. Business leaders are invited to visit community projects first hand, to see – with their own eyes – the conditions of the socially disadvantaged and to witness the impact of involvement. After the visit, they are asked to make a personal commitment, to enlist their companies in the campaign to address social problems in their own communities.

I myself was drawn into Business in the Community after a 'Seeing is Believing' trip to Gloucestershire, and I can testify that it works. I saw remarkable results being achieved under very challenging circumstances and I was compelled to join the effort.

'Seeing is Believing' has been a remarkably effective tool for attracting business leaders and their organisations. Because of its success, we have drawn 700 senior executives and 35,000 foot soldiers to Business in the Community. We will continue to support and expand these tours because we know they work.

But we must be honest about our shortcomings. At times, having successfully made the conversion, we have left the converts to find their own way. We need to develop a leadership network that engages, challenges and supports these converts to deepen their commitment to social change. To refresh their skills, and revitalise their morale and sense of mission. That is our challenge.

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A few words about Business in the Community's programmes. They encompass an astonishingly broad range of efforts: supporting literacy initiatives; reducing the recidivism of young offenders; environmental cleanups. The scope of these initiatives speaks both to the diverse nature of our community needs and to the differing passions of those who serve them.

Our challenge is to expand and strengthen our repertoire of successful community initiatives, while remaining clear that we are brokers and catalysts, not a mass provider of community work. That is not our role.

My predecessor, Sir Peter Davies, oversaw a massive process of sharpening the tools we use to quantify the benefits of corporate social responsibility. It was pioneering work and it underpins all that we've learned about benchmarking.

In September, we launched the Corporate Responsibility Index. This is a groundbreaking tool that provides companies with a straightforward, clear and systematic means to compare their management structures and performance with others in their sector. Going forward, the Corporate Responsibility Index will serve as the key mechanism by which we benchmark achievement.

Then there is the Business in the Community brand itself. Unfortunately, this is something we tend to take for granted. It needs to be continually reinvigorated and reinforced. Our members have asked for stronger brand management and for coherence among all the different 'sub brands' and we will respond.

#### **From Commitment to Action: the Five I's**

We realise there's no way to remove ourselves from the eye of the storm.

If external standards are tougher and more exacting than ever, then our own standards must rise accordingly. At Business in the Community, we must meet the threat of the Perfect Storm by requiring and demanding more from our members.

We are raising the standard of excellence.

Under my chairmanship, Business in the Community will not only expand its membership, but we will ask more of our members. We are radically altering the requirements of membership. Companies will be asked to make a commitment to action. Passive membership will no longer be acceptable.

We are moving from enlarging the membership of the organisation to enlarging the meaning of membership.

**Our challenge is to expand and strengthen our repertoire of successful community initiatives, while remaining clear that we are brokers and catalysts, not a mass provider of community work. That is not our role.**

We have developed five key principles that inform all our actions. We call them the Five I's. They are as follows: Integrity. Inspiration. Integration. Innovation. Impact.

Integrity is the bedrock foundation of our operations. It underlies everything we do, and everything we expect from our members. Without it nothing else is possible.

Inspiration propels the organisation forward, from individual to individual. We inspire business leaders to inspire action in others. It is a chain of ongoing, renewable commitment and engagement.

Integration is the means by which the programmes and tools we've developed are put to use. We work with businesses to develop practical, meaningful ways to integrate measurement and reporting into their mainstream practices.

Innovation is the process by which we reinvigorate our creative energies. We remain open ourselves to non-traditional approaches and invite constant examination of our practices. And lastly, Impact is the reward. We witness it every day, in the people we meet, in the communities that experience the benefits.

**Integrity. Inspiration. Integration. Innovation. Impact. (...and one P, for perspiration!)**

Over the past two decades, the social responsibility agenda has become a fashionable part of the landscape. Government, the voluntary sector, politicians, suddenly everybody's doing it, or talking about it. We welcome that.

But it is critical that the corporate sector remain in the driver's seat. We are uniquely qualified because we thrive on innovation, risk-taking, and challenging the conventional.

For you, the leaders and supporters of Business and the Community, the Perfect Storm is the Perfect Challenge.



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