BUSINESS *in the*
COMMUNITY

# the **lambert** challenge

A Summary of the 20th Anniversary Consultation

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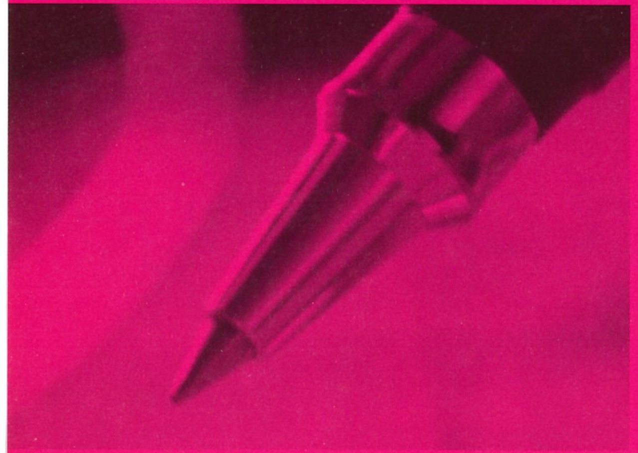
# introduction



*This year has been one of the most significant for Business in the Community as we celebrate the twentieth anniversary of the founding of the organisation. We have used the year to reflect on where we have come from, review what has been learnt, and identify best practice to try and understand what critical features have underpinned success. It has also been a time to review and learn from where we have not achieved the impact or success we had hoped for.*

*At a time when global change and the resulting implications on business have prompted a major review and re-examination of the role and responsibilities of business, it has been critical for us to undertake such a review to see if we are fit for purpose, and to identify what we need to do to become more effective in the future in order to achieve the greatest impact with our members.*

*We have been energised and challenged by the widespread consultation and dialogue we have engaged in with over 500 businesses, including 300 CEOs, many of whom hosted their own Dialogue enabling us to 'Rewind' our history, 'Pause' on our present and 'Fast Forward' to shape our future strategy.*

*Vital to the success of the consultation has been Richard Lambert who has, over the last ten years as the Editor of the FT got to know us well and who offered to write the opening Commentary which we used to form the basis of the discussions and debate.*

*His leadership and insights have always helped shape our thinking. It was Richard who in 1996 first told me that until Business in the Community 'could kick the tyres' on the environmental and social impact of our member companies, neither we nor they would be taken seriously. His encouragement of an integrated measurement framework and his interest in the new Corporate Responsibility Index have been powerful spurs to action. It was also he who as Chairman of the Awards for Excellence judging panel reminded us we needed to find and recognise the smaller companies which has led to our development of the new Community Mark.*

*This new summary demonstrates, as did his masterly summing up at our Anniversary Conference that whether questioning the impact of Enron or providing us with his reflections on the challenges Business in the Community now face, why he is such a worthy and witty HRH The Prince of Wales's Ambassador.*

*We are extremely grateful to him for helping generate such a valuable consultative debate and for setting out so clearly the challenges we now need to address.*

*I would also like to extend our thanks to all of our members, voluntary sector partners, peers and parliamentarians and staff who have taken part in what has become one of the largest consultation exercises of its kind. I look forward now, with our new Chairman David Varney and the board of Business in the Community, to the challenge of taking the organisation forward now to build on all we have learnt.*

**JULIA CLEVERDON**
CHIEF EXECUTIVE, BUSINESS IN THE COMMUNITY

Business in the Community wanted to use its 20th anniversary as a time for reflection and for thinking about the challenges it faces in the future. The organisation has come a long way from its launch in the aftermath of the Toxteth riots. What started off at least in part as an exercise in philanthropy is now being accepted as a central business practice: responsible business practice is justified today on the tangible benefits it brings for the company.

But there is a strong sense at Business in the Community that the process has a lot further to go, and that both the organisation and the idea of corporate responsibility itself are still at an early stage of their development. So as part of its birthday celebrations, Business in the Community undertook a substantial consultation exercise. It organised public opinion polls, and asked its members to assess their own effectiveness. And it arranged a whole series of dialogues with business leaders, various practioner groups, representatives of government and the voluntary sector and other interested parties. By the end of the summer, something like 1,500 people had been asked to share their views about Business in the Community and its challenges for the future.

The dialogues took various forms, but always included the opportunity for those present to comment as frankly as they liked about the strengths and weaknesses of the organisation. The notes that follow are not a minute of the meetings. But they are intended to catch the mood, and to highlight some of the themes that recurred during these sessions.

The dialogues took place against a somber background. The terrible events of September 11 had already cast a long shadow. And as the year progressed, a series of financial scandals – mainly in the US – served to undermine public trust in the corporate sector and to raise big questions about the business models that had appeared to be so successful during the previous decade.

After Enron, Worldcom and the rest, business leaders everywhere were looking for ways to re-establish confidence and regain trust among a range of different communities, including employees, customers and politicians as well as shareholders. In a sense, they had to renew their licence to do business.

But the scandals also had an impact on their freedom of manoeuvre. Audit committees quite properly began to ask tougher questions about all kinds of corporate spending, whether that took the form of homes in Bermuda, tickets for the races – or the chief executive's favourite charity.

Another big issue, much discussed in the Business in the Community dialogues, was the growing backlash around the world against globalisation. Protests on the streets were given new credibility by intellectuals like the economist Joseph Stiglitz, who argued that too many poor people had missed out on the economic benefits of the growth in world trade. An increasing number of companies found themselves on the wrong side of public opinion when it came to their activities in the developing world, whether it was the pricing of pharmaceutical products in sub-Saharan Africa or providing HIV/Aids medication to their workforce.

The thinking behind corporate social responsibility had something to offer in all these areas. If you accept the business case for integrating social and environmental considerations into all areas of company activity, you can start to develop a framework for dealing with such challenges.

But as the months passed, an increasingly disappointing performance in all the major economies of the world started to push the argument in the opposite direction. With profits and budgets under pressure just about everywhere, the question was how far companies would be able to sustain, let alone increase, efforts to support their different communities. Those who argued the business case for corporate social responsibility were facing one of their biggest tests.

Three broad themes emerged from all this discussion. One was about the role of companies. The second was about the part, if any, to be played by government. And the third concerned the future direction of Business in the Community itself.

## Companies

A number of issues kept recurring under this heading.

**Reporting and measurement.** Growing numbers of companies are now issuing environmental, social or sustainability reports. Although the practice is still mainly confined to big companies, it is no longer limited to those sectors which have a high environmental impact. Instead, it is spreading out to commercial and service businesses right across Europe, and is becoming widely accepted as best practice.

However, there are questions about the comparability and the verification of these reports. Many business leaders accept the need for this information, but are anxious about the cost and bureaucratic burdens of producing it. And after a year in which audited financial accounts have too often been shown to be worthless, they worry about the degree of credibility which can be attached to the measurement of environmental and social performance which is even harder to pin down than financial numbers.

They are also concerned about the number of different requests they get from all kinds of sources for this information. What they want is a simple and generally accepted standard of disclosure, which is what Business in the Community is hoping to provide through its new Corporate Responsibility index, introduced in September 2002. The idea is to provide companies with a systematic process through which they can compare their management structures and performance with those of others in their sector. If it succeeds in producing an accepted standard for measuring performance in this way, it should make life a lot simpler for many companies.

**Investors and investment indices.** Investment analysts have shown little interest in companies' responsible business practices in the past, and most executives do not expect this indifference to change any time soon. However, there are a few straws in the wind. One was the guide published by the Association of British Insurers at the end of last year, suggesting what its members should be looking for in terms of responsible business practice from companies in which they hold shares. Another came from the continuing development of equity indices like the Dow Jones Sustainability Indices or the FTSE4GOOD series. Companies which found themselves excluded from these indices often felt the need to complain.

**Relationships with the voluntary sector.** The dialogues suggested that there was a lot of work to be done here. People from the private sector complained about the complex political relationships within the voluntary sector: there were too many agencies doing roughly the same thing, and there was a need for consolidation and takeovers. Their counterparts in the voluntary sector tended to regard business people as innocents abroad, who spent their time trying to reinvent the wheel. To this observer, at least, it seemed that both sides were missing a number of opportunities by going down their separate tracks.

**The media.** In a year when so many company news headlines were about profit setbacks or worse, it is no surprise that most business people feel aggrieved that journalists seem much more interested in bad news about companies than in their good works. But a dialogue among media leaders did produce some more positive ideas about the ways in which media companies could use their resources to turn the spotlight on their different communities. Some are already using the skills which they use to capture viewers or readers to act as a catalyst for new initiatives in their localities.

**Non-Governmental Organisations.** Business people tend to be at least as suspicious of the NGOs as they are of the media. But this year they have been starting to talk about ideas for working alongside them in various forms of partnership. The mining industry was one often-quoted example: by working with the NGOs to develop an industry code of practice, the miners have been able to add to the credibility of the process.

**Where does it all end?** The more companies take their social responsibilities seriously, the more is expected of them. This is especially true when it comes to business activities in the developing world, where social networks are weak and often fraying.

A stark example of this trend came in the autumn, when Coca-Cola announced plans to spend up to $5m a year on HIV/AIDS treatment of its employees in Sub Saharan Africa, only to find itself facing a day of global protest for not going far enough to tackle the pandemic.

There is no answer to the question about the limits to responsible business practice, but the dialogues did throw up two suggestions about how best to approach the problem. One was to improve the flow of information between companies, so that they would have a better idea of what constitutes best practices and could learn from each other's mistakes. The other was the need for improved dialogue with governments, especially in the developing world, so that business and political leaders can focus on the practical steps which companies can reasonably be expected to make to support their various stakeholders.

There is also a need for fresh thinking about the voluntary codes of conduct and business practice which multinationals are being asked to sign up to in increasing numbers. Such codes now exist in many business sectors, ranging all the way from mining through to footwear: a recent OECD survey noted 246 of them, although the total number is unknown. This form of proliferation is confusing for the public and inefficient for companies: a little rationalisation is surely in order.

## Government

Politicians in the UK and elsewhere in Europe are showing an increasing interest in these issues. Earlier this year, members of parliament tried and failed to introduce a private bill that would have imposed extensive environmental and social duties on company directors, as well as introducing a new regulatory body to set guidelines in these areas.

The UK government, which was the first in the world to appoint a minister with specific responsibilities for Corporate Social Responsibility, would not support any such blunt instrument. Its approach is that while responsible business practice cannot sensibly be imposed through regulation, the general regulatory and market framework should be designed to support business engagement in a responsible approach to the wider community.

That was the thinking behind the amendments to the 1995 Pensions Act, which required pension fund trustees to say how far they took social, environmental and ethical considerations into account when making investments.

It also lies behind some of the changes to the UK's outdated and over-complicated company law structure that are now being considered by way of a government White Paper. This proposes greater integration of social, environmental and ethical issues into mainstream business practices.

People taking part in the dialogues were uneasy about these trends. Since they were by definition more sympathetic than most to the idea of responsible business practice, it is a safe bet that business as a whole would be even less comfortable with any strong form of government intervention. Concern was expressed about the way that initiatives to set in place so called "soft" legislation – such as the pension fund amendments – could translate into "hard" law somewhere in the future. For example, instead of being asked simply to consider a company's social practices, trustees might one day in theory be forced to exclude certain types of business from their portfolios.

Concern was also expressed about developments in Brussels, where the European Commission's Green Paper on corporate social responsibility was followed by proposals for "hard" legislation from the European parliament – an idea that the Commission has rejected. Governments are pushing themselves into the act in other parts of Europe. In France, for instance, listed companies will be required to report extensively on their environmental and social impact with effect from this year.

An important role for Business in the Community for the future, many people argued, would be to keep a close eye on the political agenda in the UK and elsewhere, and to be ready to work closely with business in order to help shape this debate.

## Business in the Community

Business in the Community, it was generally agreed, had succeeded in making itself the voice of responsible business practice in the UK. It had built up a strong record over the years as a cheerleader and a catalyst for change, and it had developed into a mature organisation with an important and clearly understood mission.

But the dialogues were seen as a welcome and needed opportunity to rethink the role with a view to refocusing the strategy. There was much discussion about Business in the Community's relationship with its members, about the clarity and positioning of its brands, and about the need to scale up its influence without vastly increasing the size of the organisation.

And what kind of role should Business in the Community be seeking to develop over the next twenty years? There was a wide range of different and sometimes conflicting views.

One broad subject for discussion was about membership. What should it mean, and what should the benefits be? Some argued that Business in the Community was too much like a friendly club – one that people were invited to join without much in the way of commitment on their part. Should Business in the Community exclude companies that didn't pull their weight, or perhaps develop a kind of tiered membership with the most committed getting the most prominence and the most benefits?

The possibility of opening Business in the Community to individual as well as corporate members was also discussed. It would probably be an administrative nightmare, but it might help to spread the ideas of responsible business practices across businesses and it would be a constructive way of capturing the enthusiasm of individuals at all levels in a business.

Everyone agreed that the Seeing is Believing programme was the most consistently successful way of bringing new executives and their companies into the network. But the process needed to be extended more broadly. It seemed that Business in the Community had been good at catching the attention of business leaders, but less effective at reaching out to potential champions further down in the company. Ways needed to be found to push the message down into day-to-day business practices in order to achieve the most positive impact.

In addition, Business in the Community often depended too much on the support of one or two individuals within a company. These people could move on, thereby threatening the relationship. And even if they didn't, Business in the Community needed to develop ideas for reaching beyond such gatekeepers in order to catch the attention of the whole company. Integration was a word that came up at just about every meeting, meaning the crucial process of locking responsible practices into every part of the business organisation.

People also talked about what the Business in the Community brand stood for. Some argued that more clarity was required: perhaps there were too many different initiatives under the heading of various sub-brands. There was even some suggestion that the name Business in the Community was itself inappropriate. It implied that the only issue was about how companies should behave with their external communities, whereas in reality many of them had much to do to improve their internal practices when it came to policies for women, ethnic minorities and so on.

That seemed too big a question for most of us, especially since the dialogues usually took place at breakfast time.

The importance of communications was emphasised time and again. The awards programmes were widely admired as a way of spreading best practice, but some felt that Business in the Community could do a better job of talking to its members. There was general agreement that the need to find new and broader channels to communicate consistent messages was a vital priority for the future.

## Challenges

Almost as many challenges were set for developing responsible business practice in the next twenty years as there were people at the dialogues. But to this observer, at least, a few broad themes emerged.

**Challenges for the government.** Government has a clear interest in helping to encourage notions of social responsibility among companies. It could kill the process through heavy-handed intervention. On the other hand, supportive policies could help to nudge companies and investors in the right direction, to encourage the spread of best practices, and to provide a sound framework for social and environmental reporting.

It is also important that notions of responsible business practice should be incorporated into public as well as private sector activities, and developed as part of the efforts being made to improve the effectiveness of public services.

At the moment, Government activities in this area appear to be too fragmented. An obvious task for the minister responsible for CSR would be to coordinate these activities across the whole range of government.

In addition, there is work to be done to line up government, business and the voluntary sector in their approach to corporate social responsibility initiatives. The recent Demos pamphlet *Getting down to business: An agenda for corporate social innovation* argued that "the space between the private, public and voluntary sectors offers important opportunities for innovation, and could inform public policy-making." This again would require consistent government leadership.

The Government also needs to follow up the ideas developed in its company law White Paper, and work with business in order to develop social, environmental and ethical values in day-to-day business activities.

**Challenges for companies.** Although the business case for responsible business practice appears to be generally accepted, the message of these dialogues was that in many cases the idea had not been embedded into the core objectives and culture of the company. Its acceptance was shallow and fragmented. It was said that some chief executives who had signed up for particular Business in the Community initiatives had not fully taken on board the thought that membership implied acceptance of corporate responsibility throughout their company. The biggest single challenge for most organisations is to find ways of integrating these processes at all levels of the business.

Another challenge is to find ways of working in partnership with government and other interested players in order to deliver results that each would be incapable of delivering on its own. Such coordination is likely to be of increasing importance in the future, especially in the developing world.

Companies need to get better at collaborating with each other either on particular issues or on a sector basis in order to produce results that each would be incapable of achieving on its own. For example, the dialogue among media leaders suggested that this sector could do more to develop projects collectively, and to use its skills to produce social benefits. Similarly, the financial services sector could have real influence if it tried to engage the investment community in considering the impact of social and environmental issues on business performance.

Private sector business is where you look to find dynamic innovation. The fact that this can produce great results in social and environmental terms is already demonstrated every year at Business in the Community's annual awards. But much more could be done to direct the creativity of business down social and environmental paths.

**Challenges for Business in the Community.** Business in the community chairman David Varney wrote in his introduction to the Demos pamphlet that:

**"The major challenges... are how to scale up the best ideas so that we can make the required transformation in social outcomes and community life for so many in our nation. This will require a skill in widespread, joined-up execution, which has so far not been developed. The political will is there. What is lacking is the managerial expertise and the incentive frameworks to encourage innovation."**

This sounds like a clarion call for Business in the Community itself, as well as for companies, government and the voluntary sectors. The organisation has come a long way over the past twenty years, and the dialogues identified a big agenda for the future. The new Corporate Responsibility Index needs to be bedded in across the whole business sector and developed as a powerful tool for sharing best practices and changing corporate behaviour across all levels of the business. New ways need to be developed of communicating with members and the public and of championing the core principles on which Business in the Community is built.

Perhaps the main challenge for Business in the Community, though, is to attract more members and to ask more of them. It needs to ensure that the commitment of its members really means something, and to make it clear that there is no room for passive participation. Companies that sign up must do so in the knowledge that Business in the Community membership will have an impact throughout their organisation, and will require them to accept and implement its values. It implies changed business practices in many areas, both in their own activities and through their supply chain.

In addition, Business in the Community will have to find new ways of working with partners and affiliates in order to reach parts of the business sector that it can't get to on its own. The challenge here is to spread the values much more widely than today without itself becoming a much bigger organisation. That means it will need to be ready to delegate authority and share best practices with allies all around the country. It can't do everything by itself.

But if Business in the Community can find ways of identifying and scaling up the best ideas of its members, and can itself remain a dynamic and lively force for change in business practice, it must have a good chance of developing into the global centre of excellence for responsible business practice.

Business in the Community is in an incredibly privileged position. It has the active support and sympathy of hundreds of business leaders right across the UK. It now needs to leverage that commitment in order to make a much larger impact on society as a whole.




## In particular, we would like to thank the Chief Executives and practitioners from each of these organisations:

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