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## Defining Your CSR Platform: Aligning Strategy with Business Performance

by Stuart L. Canton, Hayley Jean Farr, and Jane E. Obbagy

As companies embrace corporate social responsibility (CSR), their orientation towards environmental and social issues reflects three fundamental strategies that have clear business implications. This article describes these strategies and how they can be used to support company growth and performance.

### CSR Strategic Platforms

Benchmarking data reveal that a broad range of CSR activities are undertaken by companies in different industry sectors. Some companies focus their CSR efforts on issues such as climate change, setting goals to limit and mitigate their carbon footprint. Other companies focus their CSR programs on visible social initiatives and charitable giving, highlighting their involvement in local and global communities. The approaches used to address CSR issues are diverse as is the style in which they are communicated in

annual reports, press releases, and websites.

At the company level, the selection of issues and implementation schemes form a composite strategy that signals the value and role CSR plays in positioning the company in the marketplace and enhancing business performance. CSR strategies can be characterized as *operations-driven*, *compliance-driven*, or *customer-driven*, as depicted in Figure 1.

Companies that have accelerated the alignment of CSR initiatives with business objectives recognize the link between CSR and financial performance, and these same companies clearly communicate a story to stakeholders about how CSR initiatives help reduce costs, minimize risks, create new business opportunities, and enhance relationships with customers and suppliers.

### Operations-Driven CSR Strategy

Companies implementing an operations-driven CSR strategic platform take leadership positions on issues that directly influence the competitive nature of the goods and services they deliver to the marketplace. **Table 1** lists some CSR issues that could impact financial and operational performance or create reputational risks.

Additionally, companies following this strategy may actively engage in strategic and innovative actions to enhance the performance and reputation of their partners, which they see as a critical part of their own success.

For example, some electric utilities recognize the impact climate change will have on their core business function—generating electricity. Accordingly, they have focused their CSR activities on pursuing new “greener” supply options and introducing climate-related goals to reduce greenhouse gas (GHG) emissions while still providing reliable service at competitive prices. Leaders in this area value CSR-related investments such as energy efficiency and alternative energy sources as much as they value investments in a physical asset.

On the manufacturing and product side, there are companies that espouse the goal of manufacturing

**Table 1: Examples of  
CSR Strategy Issues**

- Charitable Giving
- Community Investments
- Compliance
- Fair Labor Practices
- Greenhouse Gases
- Governance
- Green Manufacturing
- Human Rights
- Natural Resource Use
- Product Integrity
- Stakeholder Outreach
- Supply Chain Management
- Waste Management
- Water Management
- Workplace Safety

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low-cost products in a socially responsible way that minimizes impacts on the environment. From a CSR perspective, this business vision has been translated into a suite of initiatives from raw material sourcing to the retail and customer level, including resource efficiency, product stewardship, energy reduction, material consumption, and environmental and social responsibility across supply chains. For instance, to minimize the impact on the environment, one company requires the sourcing of wood cultivated exclusively from responsibly managed forests, as well as incorporating recycled wood waste and other innovative low-impact materials.

Companies that implement an operations-driven strategy also urge suppliers to employ sustainable manufacturing techniques, practice minimum labor standards, and comply with human rights and environmental protection requirements. At the facility level, these companies focus on internal energy conservation and waste reduction, which includes recycling spent products such as discarded packaging, batteries, and lights. In short, they have a clear strategy to produce more value with less stuff and to systematically reduce energy and material consumption.

Companies that follow an operations-driven CSR strategy will typically

track CSR performance and progress through associated business metrics, which are often linked to financial metrics and cost savings (see **Table 2**).

### Compliance-Driven CSR Strategy

A compliance-driven CSR strategic platform focuses on achieving high levels of compliance with a broad range of requirements, including environment, health, and safety (EHS); product integrity; product safety; and equipment certifications.

Typically, companies that gravitate towards this type of CSR strategy do so because it reinforces an organizational culture that is focused on regulatory compliance and the development and manufacturing of products and services that require approval throughout the product lifecycle.

This CSR strategy provides a framework for managing risks, manufacturing safe products, and establishing a record of compliance for stakeholders to use in evaluating the safety and quality of goods and services that underlie product positioning.

For example, one company focuses on achieving high standards for EHS performance along with conservation of energy and resources, waste reduction, and recycling. It promotes forward-thinking programs to ensure

environmental compliance and integrates EHS into its business strategy to create a healthy and safe workplace, comply with laws and regulations, prevent pollution, manage emissions and waste, and enhance performance through audits and reviews.

Similarly, another company identifies EHS compliance as a component of its social responsibility strategy. This company also embraces a safety culture that ties safety achievements to operational excellence programs by actively managing hazardous conditions, incident reporting, auditing, and environmental compliance.

A third company implements an extensive set of business principles and codes in its operations to meet its goals of reliability, safety, and sustainability. Commitment to EHS is integral in its management system, which includes a corporate management framework, internal procedures/rules/requirements, training, communications, risk management, responsibility and accountability, emergency preparedness, jobsite protection, and EHS information and data. This management system also has metrics to track and verify safety performance to promote the safety culture.

In terms of transparency and accountability, companies implementing a compliance-driven CSR strategy adopt a robust set of CSR-related metrics (see **Table 2**) and tend to report CSR performance quantitatively through the use of audit data.

### Customer-Driven CSR Strategy

In this model, the CSR initiatives are prominently directed towards and driven by customer and community attitudes and perspectives. Typically,

**Figure 1:** The three CSR strategies differ in orientation and design, presenting a distinct context and framework.



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companies that adopt this platform sell products directly to consumers or have a significant footprint in communities or in society as a whole.

Companies that follow a customer-driven CSR strategy put considerable emphasis on philanthropy and community involvement as a demonstration to customers and employees of their commitment to the ongoing health and strength of the communities in which they operate.

For example, the CSR strategy of a large retail chain focuses on commitment to customers and the community through directed philanthropy,

localized economic support, and volunteerism.

Moreover, the firm actively communicates this commitment through a strong internal and external marketing effort that includes public reporting of the percentage of its annual income directed to community-giving initiatives, as well as the primary focus of the charitable giving (e.g., education, arts, or social services). This company's strategy also promotes environmental and social initiatives such as green building, eco-friendly product selection, and economic progress, all of which are geared towards sustaining the community.

A company, however, need not sell directly to consumers to embrace a customer-driven CSR platform.

For instance, a pharmaceutical company aspires to act as a responsible corporate citizen by focusing its CSR strategy on four pillars—customers, ethical conduct, people and communities, and the environment—based upon the attributes of innovation, management quality, people management, quality of products and services, commitment to CSR, and financial soundness.

Alternatively, a chemical company that targets its CSR activities on a commitment to enhance humanity worldwide focuses its CSR strategy on using chemistry to produce products for improved living. By promoting green or sustainable chemistry, the company seeks to use resources effectively and minimize its footprint, all the while delivering solutions for customer needs and enhancing the customers' quality of life.

One company has even set a goal of developing and producing product breakthroughs to meet the basic needs for affordable and adequate food supplies and housing, sustainable water supplies, and improved personal health and safety throughout the world, all of which is articulated in the company's strategy for growth and profitability.

Companies implementing the customer-driven CSR strategy closely link the communication of CSR performance to their branding and marketing initiatives. CSR performance is measured through metrics that track charitable giving, community activities, and customer and other stakeholder satisfaction (see **Table 2**).

### **Creating Competitive Advantage**

Historically, CSR has been treated as a collection of unrelated, often non-strategic initiatives in various functional areas such as human resources, environmental, public affairs, and finance.

Increasingly, however, it is becoming a fundamental and integrated management action, cutting across functions and business processes.

When CSR is embedded in a company's business strategy, the company expands its ability to create a competitive advantage. It does so by implementing a set of initiatives that is aligned with core business values and reinforces the qualities of product or company services.

◆ **Jane E. Obbagy** is a Vice President with the Cadmus Group, based in the Watertown, Massachusetts, office ([jobbagy@cadmusgroup.com](mailto:jobbagy@cadmusgroup.com));

◆ **Stuart Canton** is an attorney and consultant ([scanton@cadmusgroup.com](mailto:scanton@cadmusgroup.com)); *and*

**Table 2: Examples of CSR Metrics**

#### **Operations-Driven Strategy**

- Time to Market
- Revenues from Asset Management Activities
- Operational/Facility Efficiency
- Stakeholder Involvement
- Reduced Environmental Footprint
- Green Supply Chain

#### **Compliance-Driven Strategy**

- Number of Violations
- Waste Generation
- Energy Consumption
- Greenhouse Gas Emissions
- Number of Product Recalls
- Supply Chain Audits

#### **Customer-Driven Strategy**

- Customer Loyalty
- Number of Partnerships with NGOs
- Zero Human Rights Violations
- Customer Satisfaction Ratings
- Dollars Invested Per Total Revenue
- Supply Chain Certification

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