

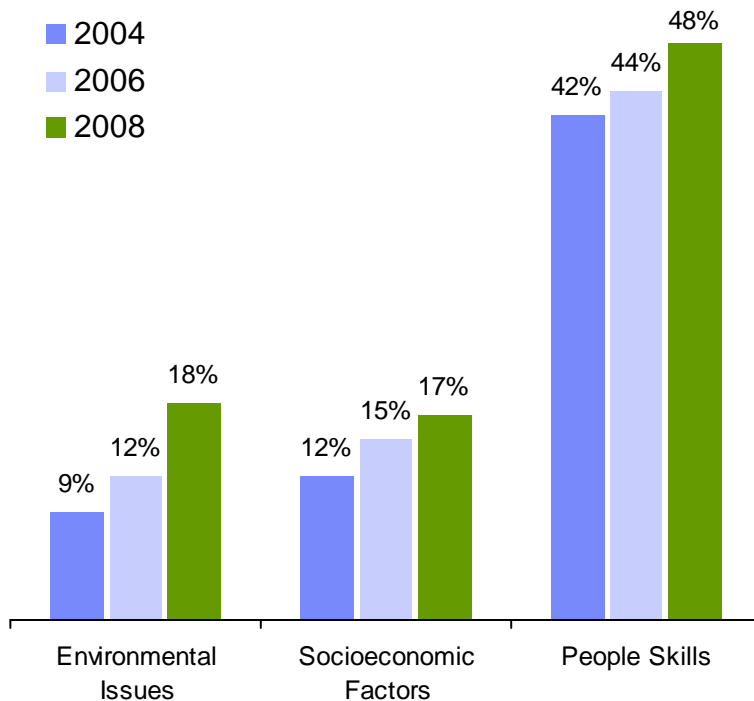


# Attaining Sustainable Growth through Corporate Social Responsibility

***Jeff Hittner***  
***Corporate Social Responsibility Leader***  
***IBM Global Business Services***

## Six year span shows CSR to be an enduring force

### External Forces Impacting the Organization (% respondents)



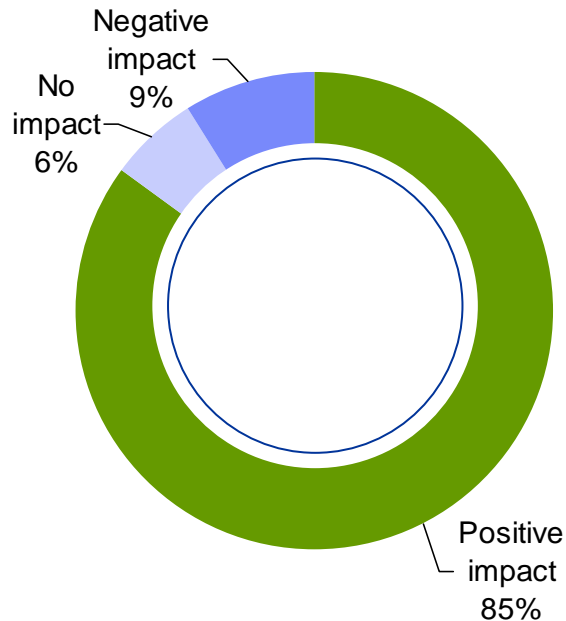
In 3 CEO studies, the only external forces consistently rising on CEO agenda are all linked to Corporate Social Responsibility (CSR)

*“Our company is investing extensively in corporate social responsibility. We need to be a reference in this domain. As the leader of the luxury industry, we have to stay ahead.”*

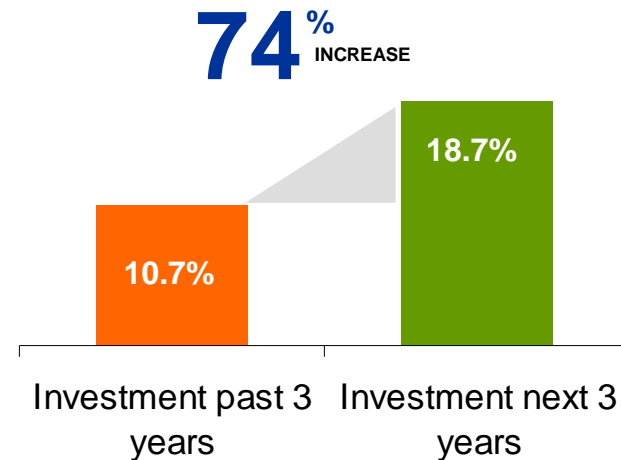
*Yves Carcelle, Chairman and CEO, Louis Vuitton*

# ANZ investment in social responsibility has 74% growth rate

***CEO's perception of increasing customer expectations of corporate social responsibility***



***Investment in customers' focused on corporate social responsibility***



# Constituents are driving the CSR agenda



## **Consumers**

25% of consumers would switch brands if given an ethical alternative.<sup>1</sup>

## **Workforce**

41% of companies worldwide are having difficulty filling positions due to lack of suitable talent.<sup>2</sup>

## **Investors**

Over 50% of shareholder proposals in 2006 were sustainability related.<sup>3</sup>

## **Business Partners**

Half of businesses are being forced to adopt ethical labor or procurement standards by their partners\*

## **NGOs**

Aided by the Internet, more than 100,000 new citizen groups have been created around social and political issues since 1990.<sup>4</sup>

## **Community & Government**

Impending legislation worldwide on carbon and other environmental issues

\* Source: IBM CSR Study 2008, n = 250

<sup>1</sup>Harvard Business Review, "20 counter-culture breakthrough ideas," K. Fraser, 2007;

<sup>2</sup>2007 Manpower study of 37,000 employers in 27 countries; <sup>3</sup>Interfaith Center for Corporate Responsibility [www.iccr.org/ethvest.php](http://www.iccr.org/ethvest.php)

<sup>4</sup>"When Social Issues Become Strategic," The McKinsey Quarterly, 2006 Number 2

## Why business leaders are adopting the CSR agenda

Businesses are discovering that doing good earns great returns:

- Permission to operate and enter new markets
- Competitive differentiation
- Attraction and loyalty of talent



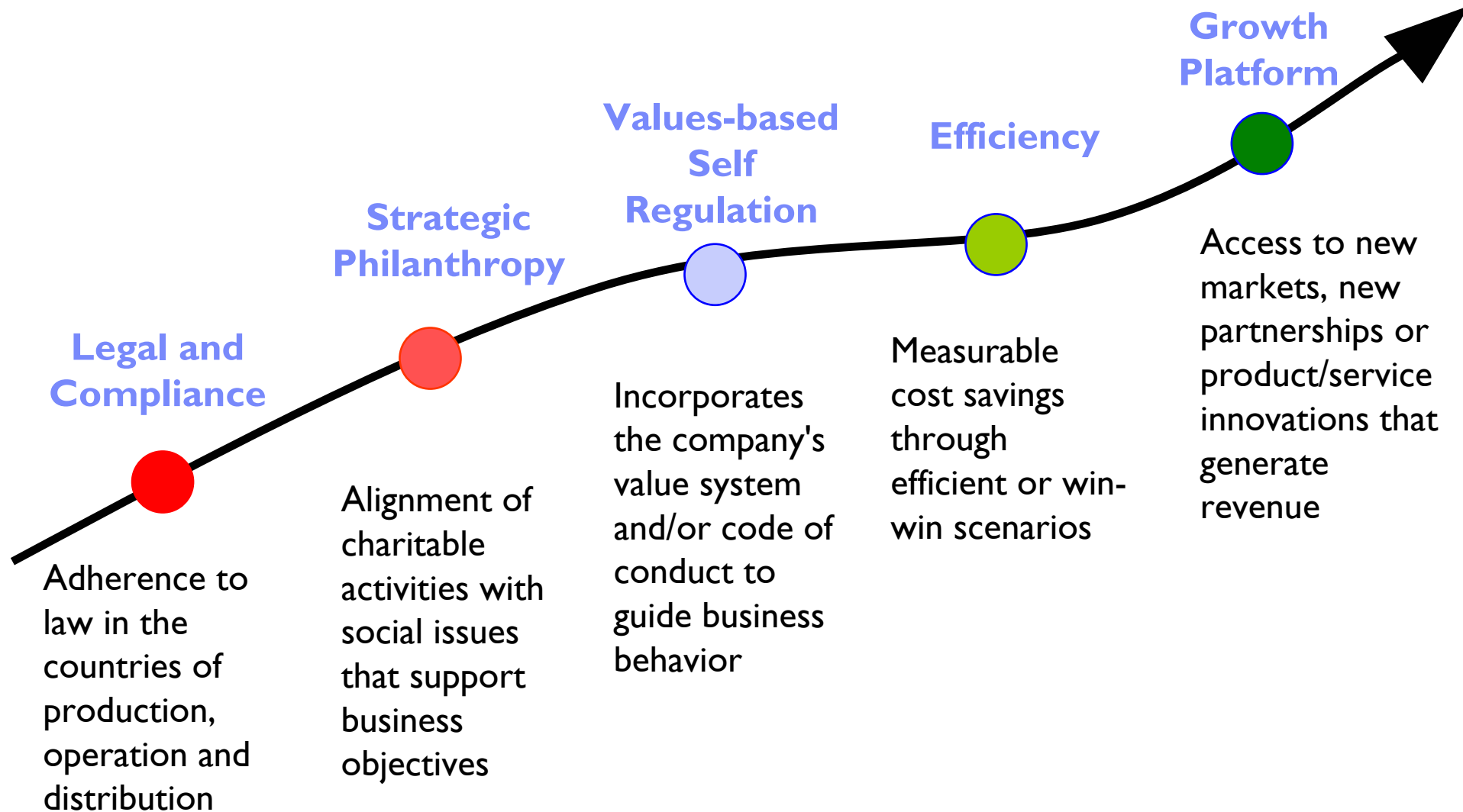
Sustainable growth



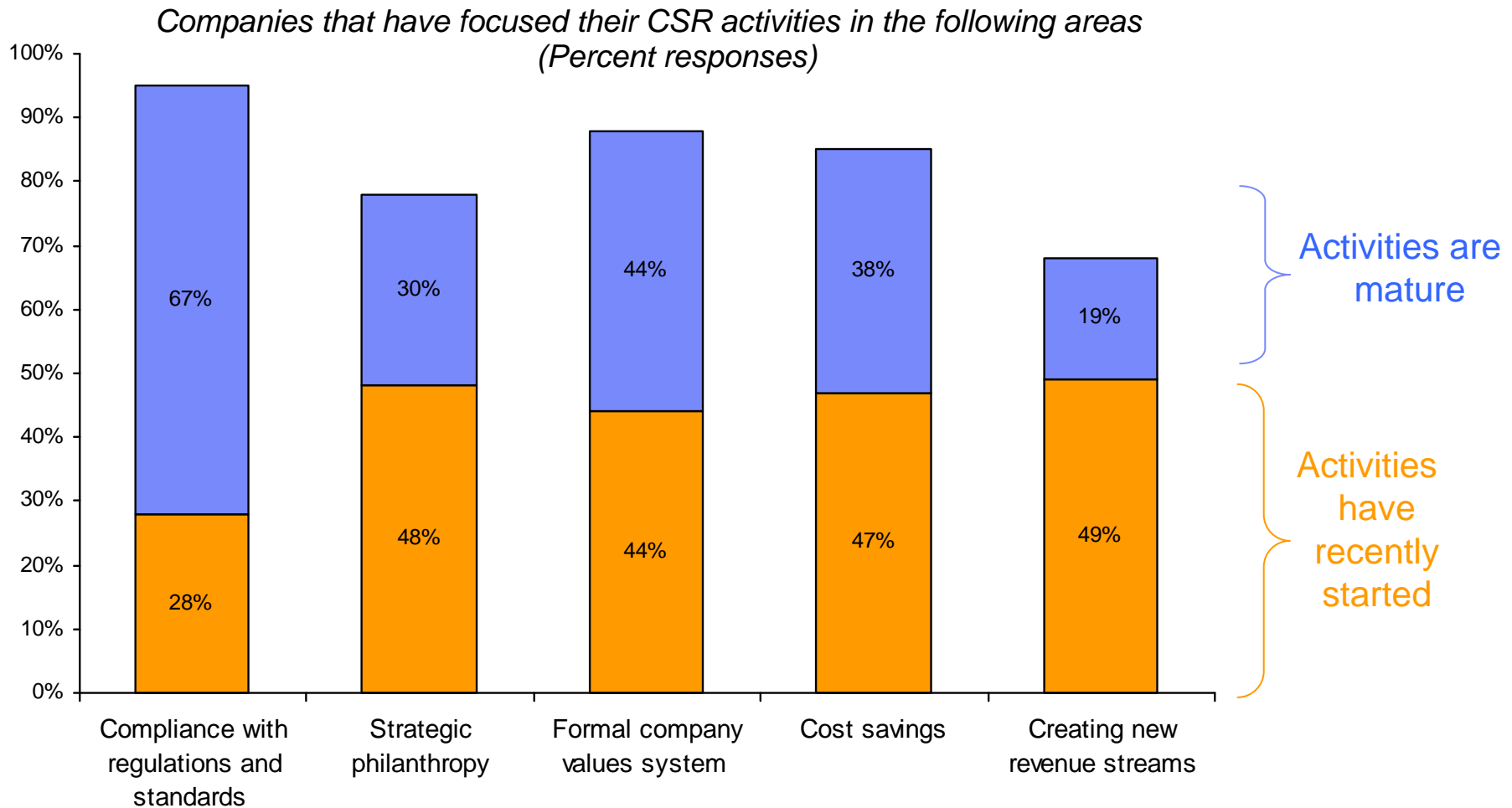
## IBM's CSR study reveals three major dynamics

- **Impact for business: from cost to growth**
- Information: from visibility to transparency
- Relationships: from containment to engagement

## The CSR Value Curve: a shift from cost to returns



## CSR activities gain momentum



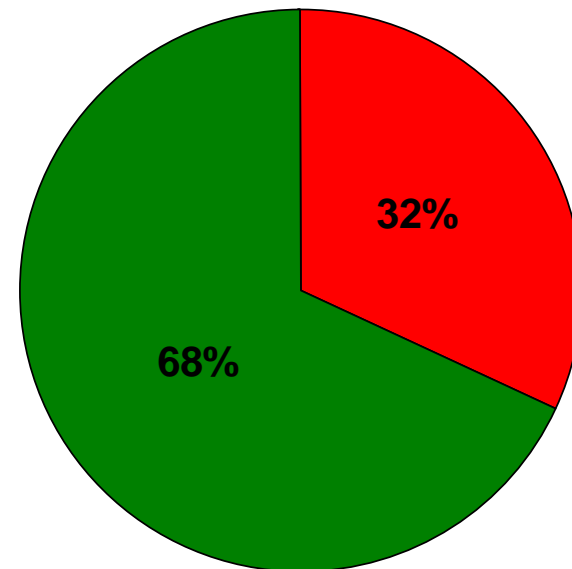
Source: IBM CSR Study 2008, n = 250

# Firms seek growth from CSR, yet don't understand their customers' CSR expectations

- 68% of companies are focusing their CSR activities to create new revenue streams
- 76% admit they don't understand their customers CSR concerns well

*Companies that have focused CSR activities to create new revenue streams*

*(Percent responses)*



■ CSR focused new revenue streams

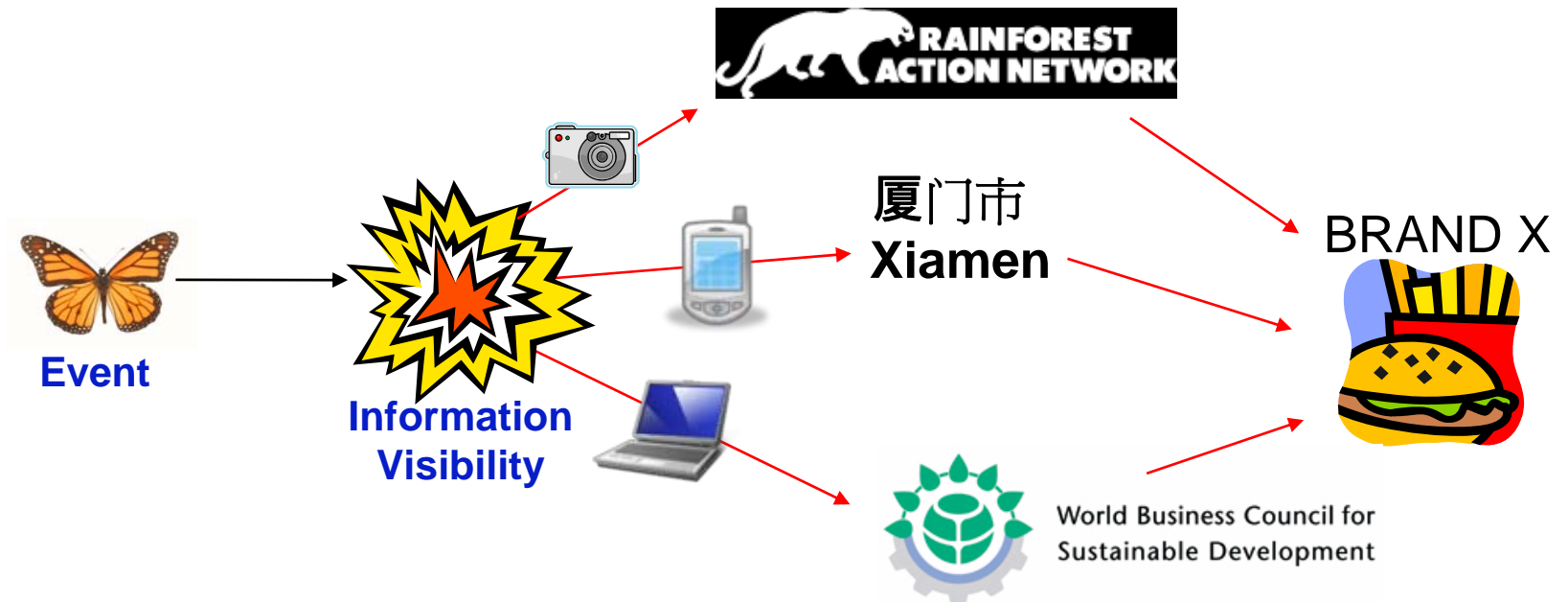
■ No activities in this area

Source: IBM CSR Study 2008, n=250

## IBM's CSR study reveals three major dynamics

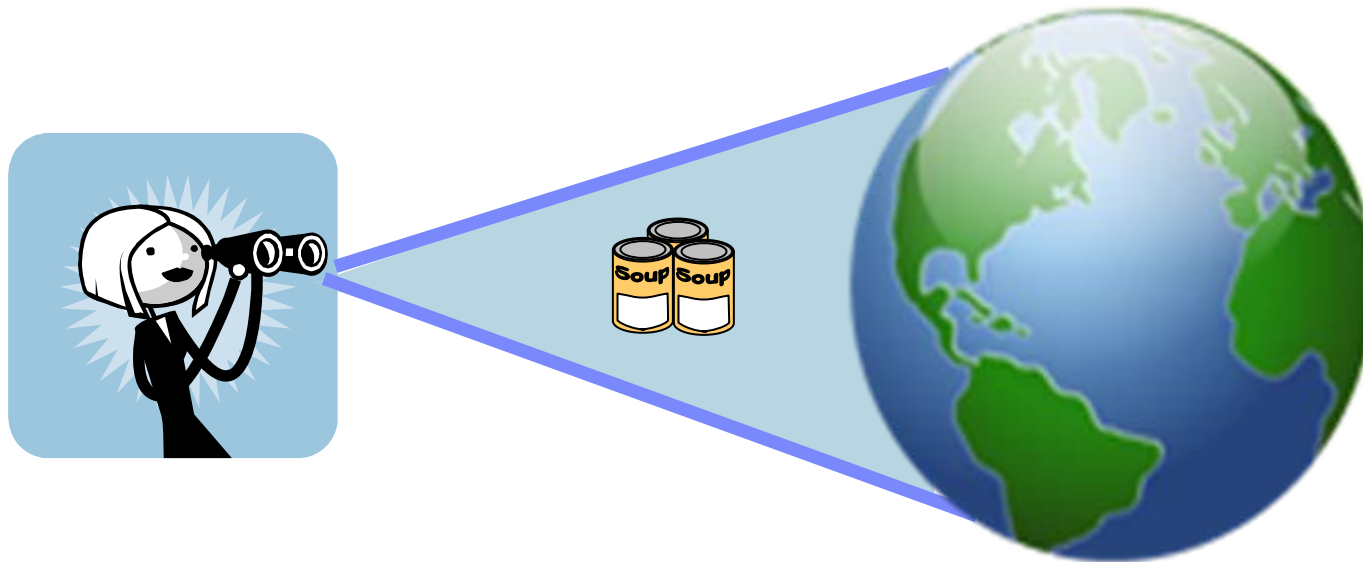
- Impact for business: from cost to growth
- **Information: from visibility to transparency**
- Relationships: from containment to engagement

# Stakeholders are your new brand managers



## The Omni Consumer: informed and empowered

While customer focus has shifted from the product to the full-value chain...



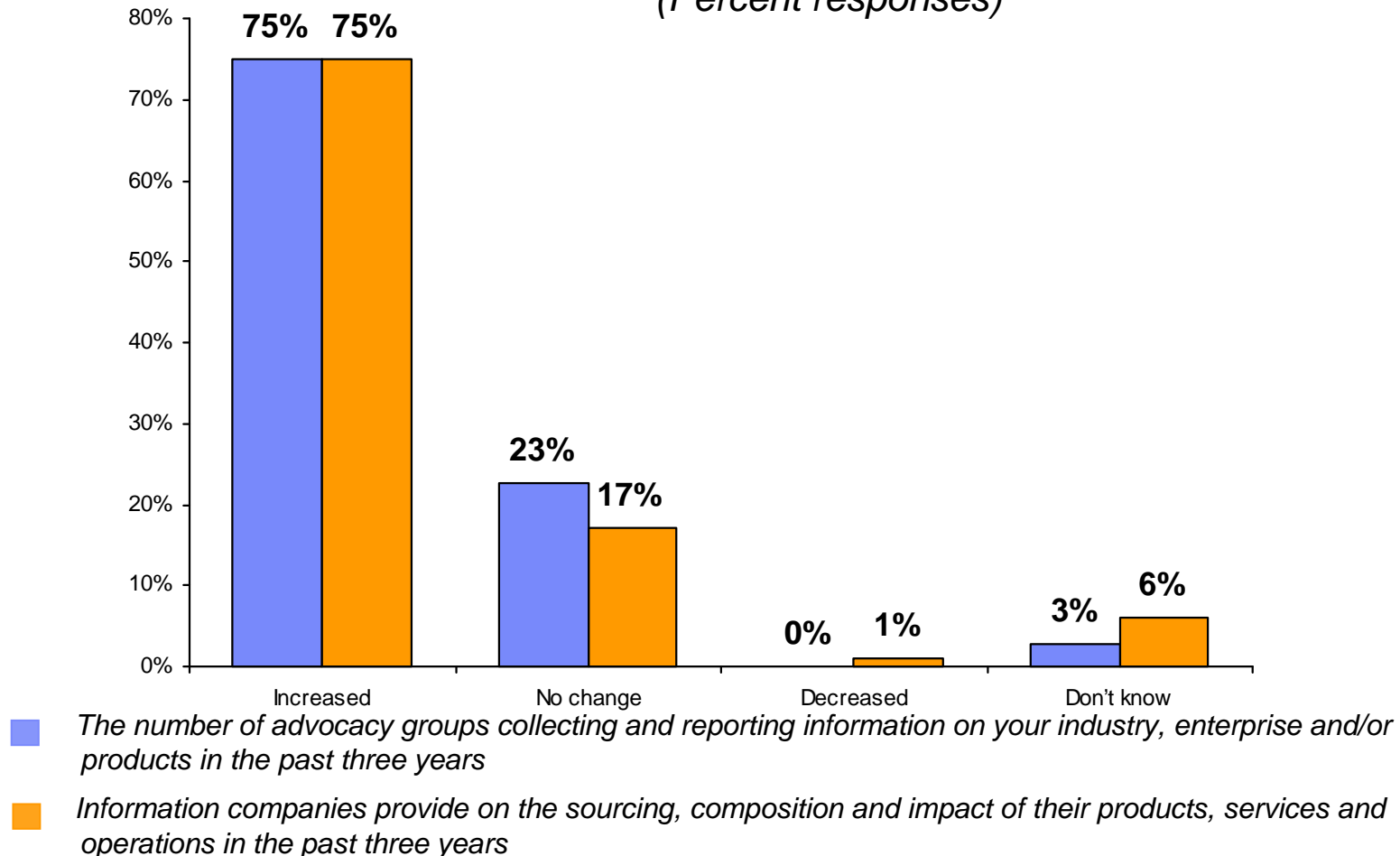
... businesses have not kept pace

57% of UK and 59% of US consumers say the knowledge about the contents of the food they buy has increased over the last 2 years\*

\* Source: IBM Online Traceability Survey, 2007

## Exposure is being met by transparency

*Increase in exposure and transparency in the past 3 years  
(Percent responses)*



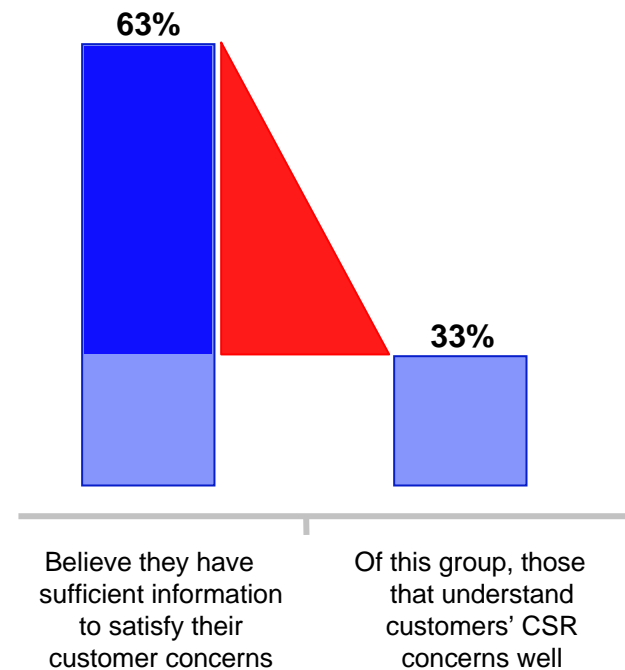
Source: IBM CSR Study 2008, n = 250

## Too often relevance is overlooked

- **Even those who feel prepared to meet customer concerns may be missing the mark**
  - 63% believe they have sufficient information about the sources (including labor) behind their products & services to satisfy customer concerns
  - But two-thirds of those leaders admit they don't understand their customers' CSR expectations well

*How do companies bridge this gap?*

**Customer Knowledge Gap**  
(Percent responses)

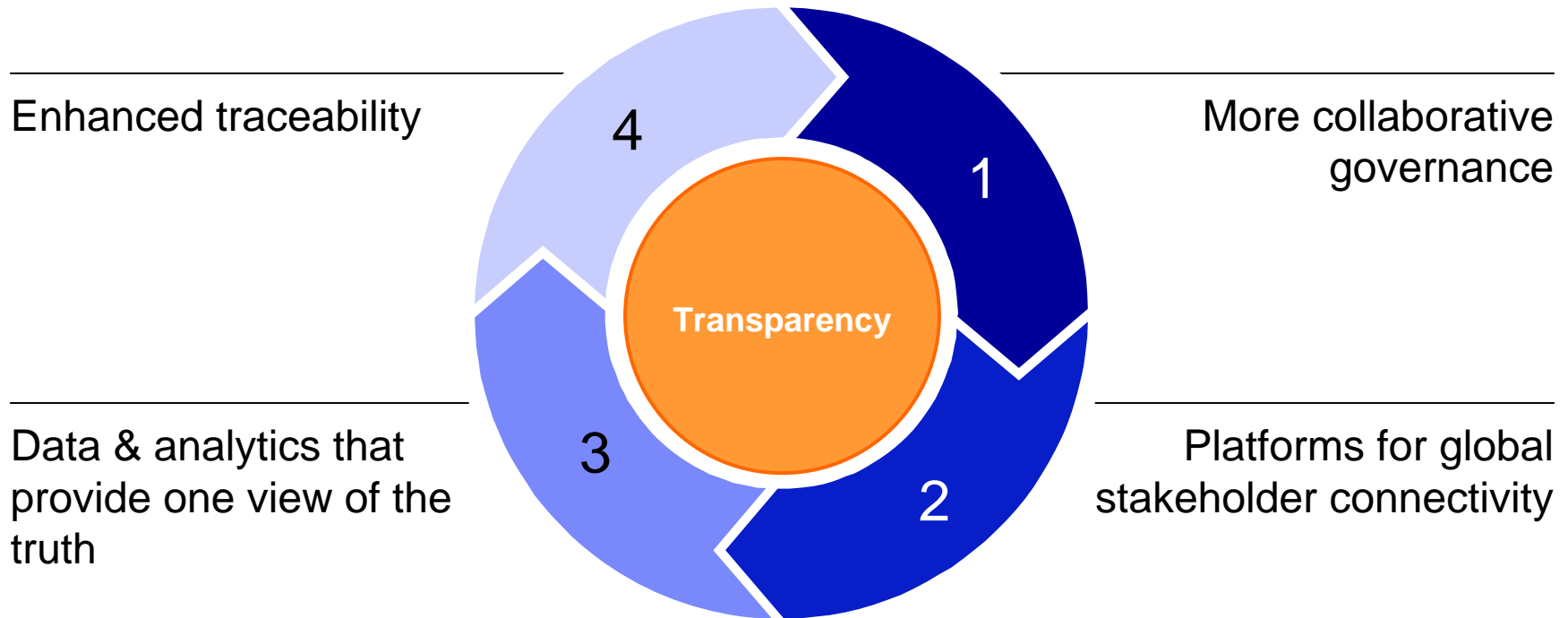


Source: IBM CSR Study 2008, n = 250

## It's better to be open than pried open



Enterprises are adopting “transparency” strategies



Enhanced traceability

More collaborative  
governance

Data & analytics that  
provide one view of the  
truth

Platforms for global  
stakeholder connectivity

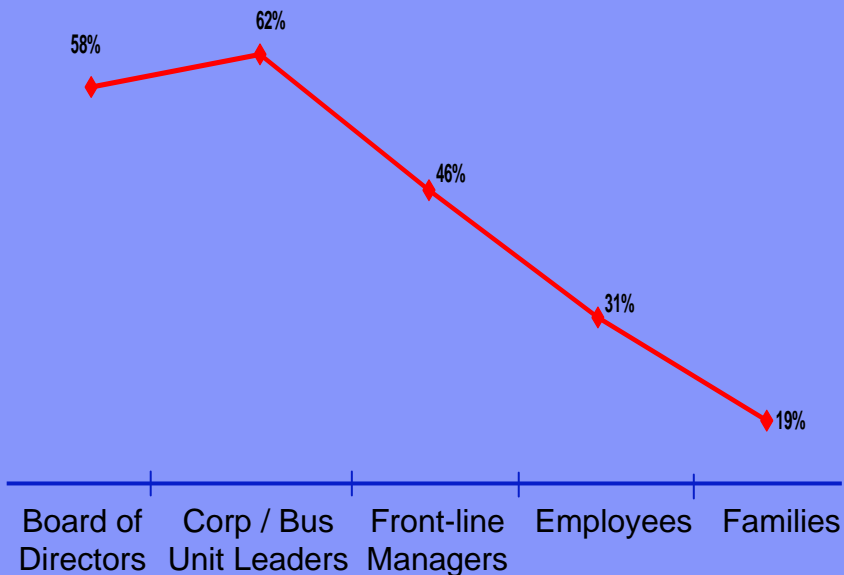
## IBM's CSR study reveals three major dynamics

- Impact for business: from cost to growth
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- **Relationships: from containment to engagement**

# Turn on the loyalty and passion of your talent

## Most firms still take a top-down approach to employee engagement in CSR objectives

*Collaborate Significantly with Internal Groups  
(Percent responses)*



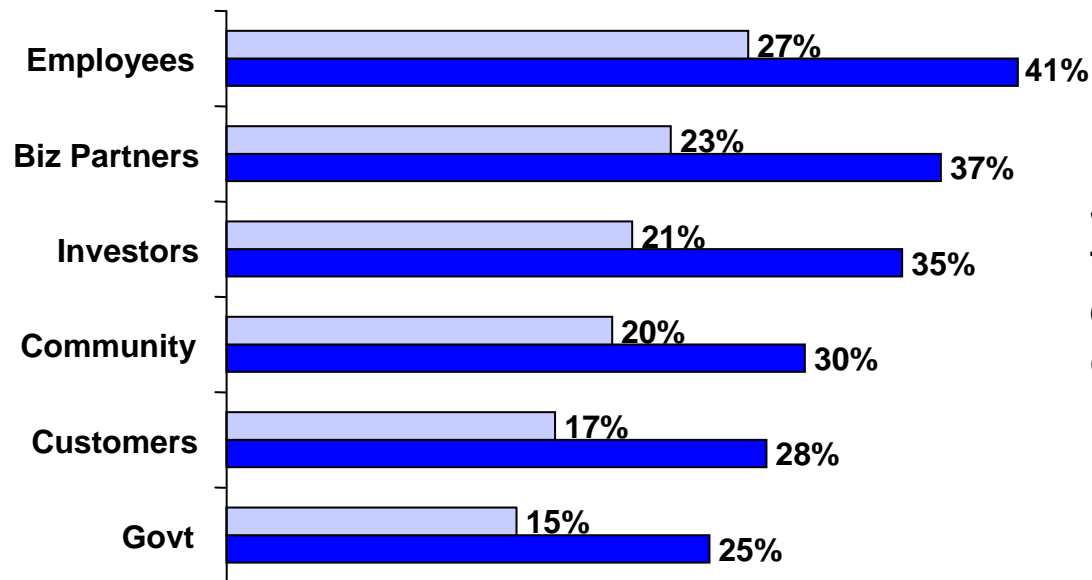
Source: IBM CSR Study 2008, n = 250

## Don't leave it to the experts

- CSR leadership attracts and retains talent
- Employee involvement in CSR strategy leads to more & better solutions
- Employees involved in CSR strategy are best able to capture emerging customer expectations

# Collaboration and engagement with stakeholders is rare

*Collaborate Significantly with Stakeholders  
(Percent responses)*



**Just 17% of companies say they collaborate and really engage with their customers on CSR**

■ All Companies

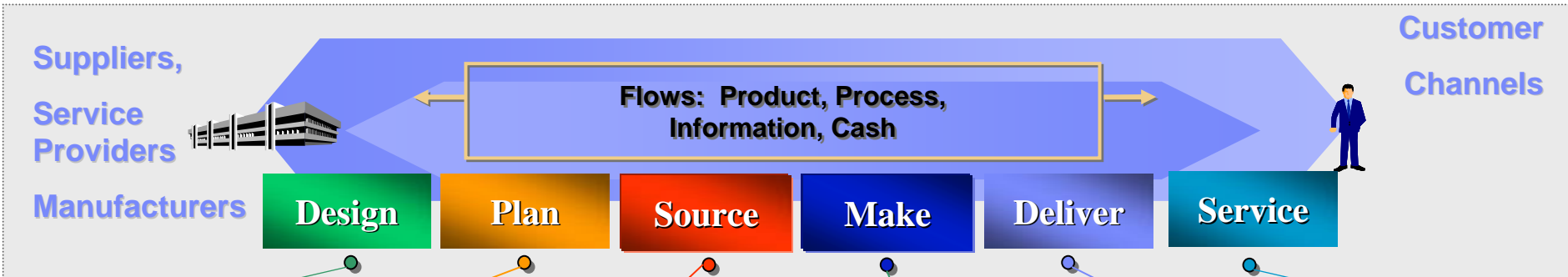
■ Companies that understand customers' CSR concerns well

## Keys to CSR success

- **Impact for business: from cost to growth**
  - **Align and incorporate CSR with your business strategy and apply it across business functions**
- **Information: from visibility to transparency**
  - **Implement an information and operational strategy to create more transparent information sharing with multiple stakeholders**
- **Relationships: from containment to engagement**
  - **Increase the level of engagement with your employees and then customers and key constituents**

# Appendix

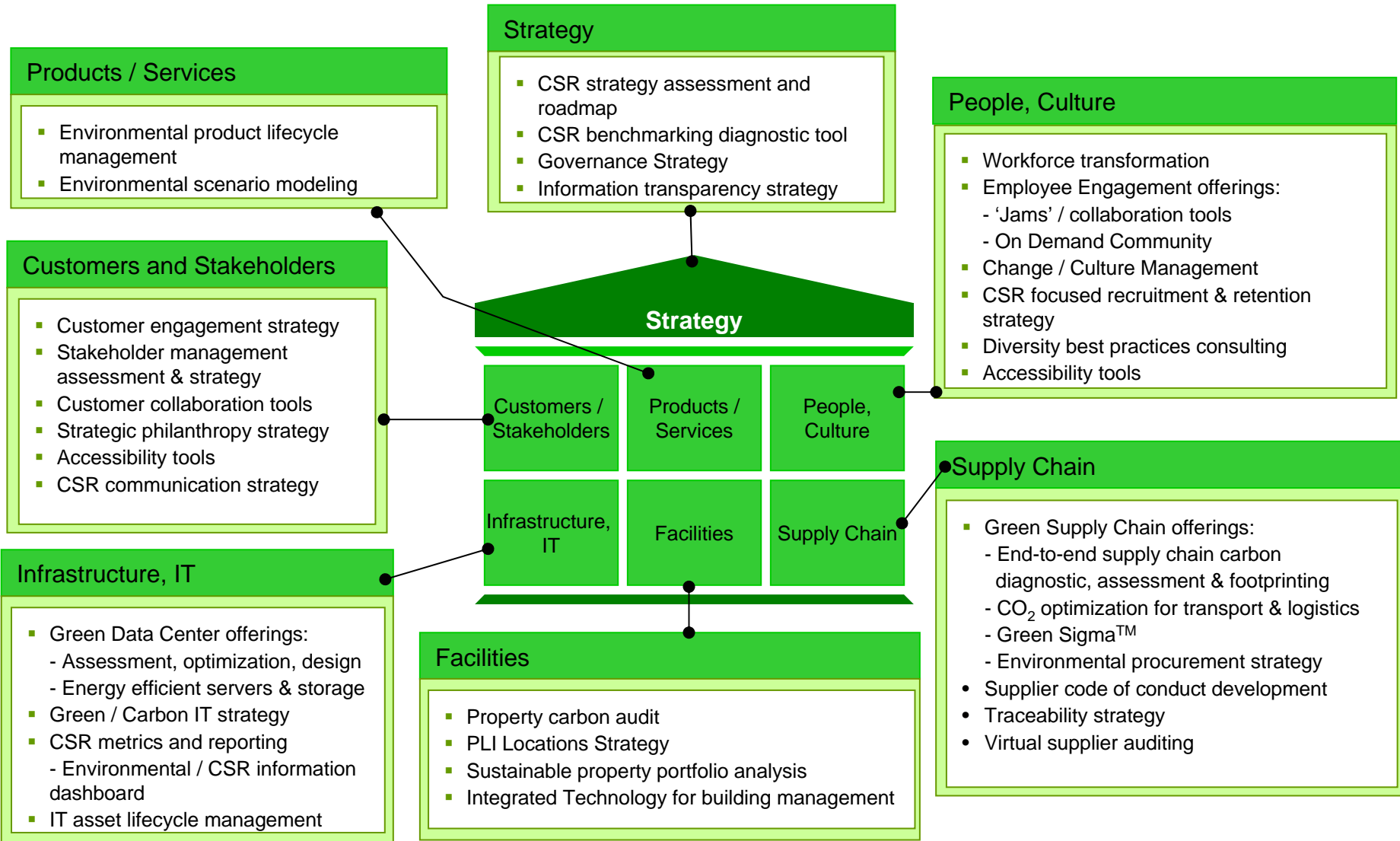
# Supply chain opportunities to address CSR concerns



- Design for environment; disassembly
  - Virtual product development visualization, simulation & prototyping
  - Product-embedded technology for energy optimization
  - Hazardous substance reductions
  - Smart packaging
- Total network optimization, considering service, cost, "green" trade-offs
  - CO2 friendly inventory concepts & planning methodologies
  - Compliance considerations
- Supplier compliance & integration
  - Alternative energy & carbon offsets
  - EICC & other consortiums
  - Packaging & materials selection
- Carbon emissions reductions
  - Water consumption reductions
  - Lean manufacturing
  - Smart packaging
  - Operations improvement
- Low carbon transportation
  - Reduction in transport miles
  - Distribution network optimization
  - Mode/service trade-offs
  - Logistics optimizing track & trace technology
- Responsible disposal
  - Reuse and refurbishing
  - Recycling

*Product Lifecycle Management and End-to-End Supply Chain Strategies*

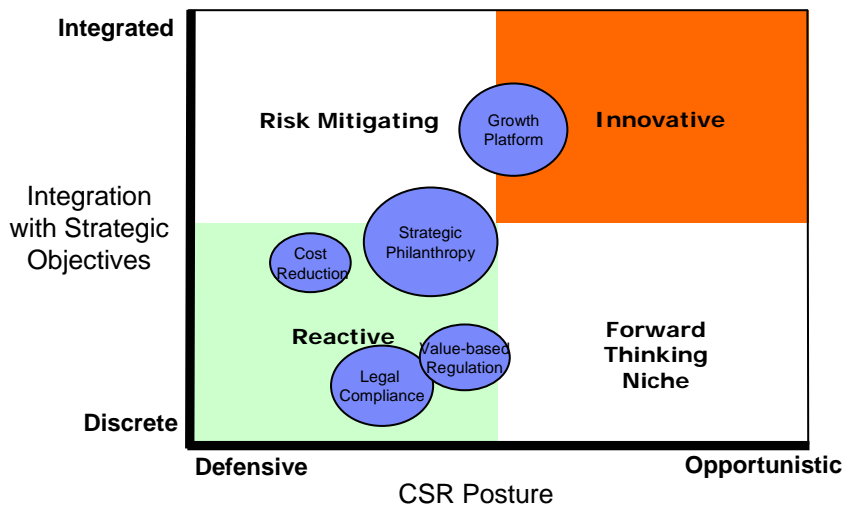
# IBM's portfolio of offerings in CSR



# The CSR framework and benchmarking tool identifies gaps in companies' CSR strategy and aligns it to drive core business strategy

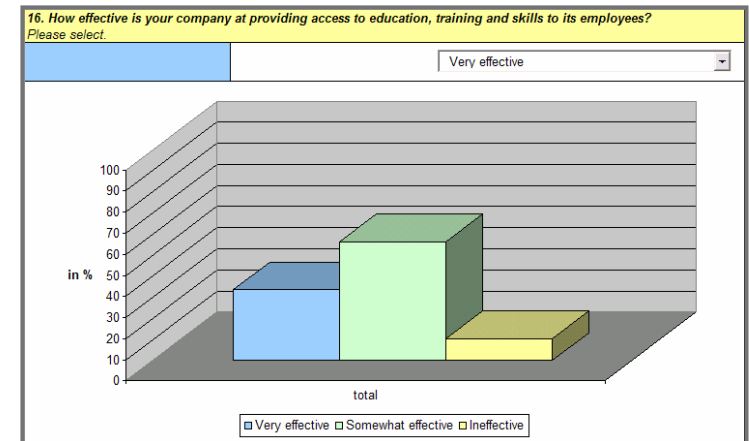
## CSR Strategy Assessment & Roadmap

- Assessment of global CSR activities
- Mapping cost and impact of key drivers to stakeholders and company's CSR initiatives.
- Portfolio mapping of company's CSR approach to determine overall CSR profile.
- Roadmap to strategically align company's CSR objectives to core business strategy

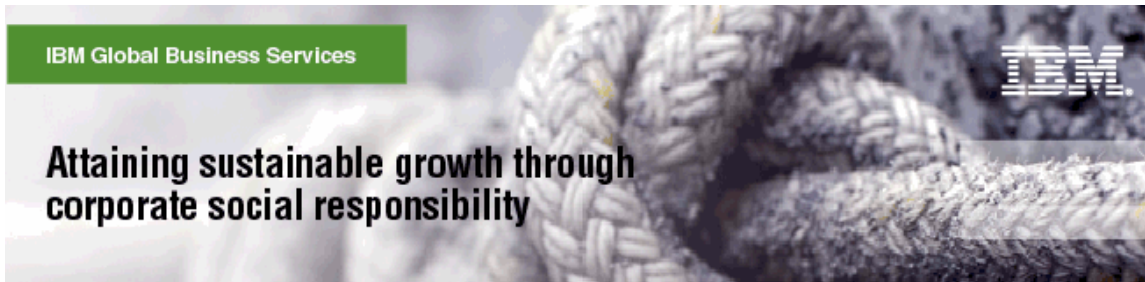


## The CSR Benchmarking Diagnostic Tool

- aligned to the IBM CSR Study 2008
- to define your state compared to your industry, country or revenue and
- to identify gaps in order to invest or divest and focus your activities



## Current IBV thought leadership on CSR



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