

Globalisation, Corporate Social Responsibility and Sustainable Development: and the need now for Sustainable Management and Leadership

Entrepreneurs today are potentially one of the most important forces for good on the planet, when the future prosperity and quality of life for all, and in everything, hangs in the balance. You are uniquely positioned to make a particular, probably quite critical contribution to a sustainable future for your, and our, children. And you can do this through your business knowledge, skills and acumen and natural qualities as an entrepreneur.

However, to see this clearly and strategically, there's a journey of understanding to make. There will come a time when all this is will be so obvious that it will go without saying, but that is not yet. So please bear with me if some or much of what follows is familiar; there will be some new material and possibilities.

While Globalisation, Corporate Social Responsibility (CSR) and Sustainable Development (SD) are three of the principle global conversations of this decade, they take some understanding and fitting together – but they do fit. And when this is done and understood, doors are opened and possibilities are present for a safer, more stable and prosperous future.

Conversations about 'Globalisation', CSR and SD, usually take place in the media and rarely in social or business settings – and more rarely are they spoken of all together. For most of us, however managerially or socially aware, without some preparation or direct engagement with the subject, they are not really well understood and are a bit of a blur.

Sustainable Development:

Of these three terms, Sustainable Development is by far and away the most intrinsically significant – including to business – and in a shorter term than is commonly understood. The most generally accepted definition of Sustainable Development is by the World Commission on Environment and Development, 1987, 'Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.' Put colloquially, there are no more spaces into which we may dump our rubbish! When I throw it over my back fence, it lands in your back garden. When you do the same it lands in my back garden. From here on, we have to think and act differently than at any time in human history. Whether or not we like it, we now need to be as responsible with our environment as we are with our homes and gardens. There is a nice recent sticker, 'Save the Earth, it's the only one that has chocolate!'

Sustainable Development is a subtending change in our reality. This includes the reality of business. Throughout human history, there has always been a frontier, 'spare land and sea'. Technically, there were adequate 'sinks' for emissions and waste; now they are overflowing and in dispersion seriously affecting our land, water and air. And the 'sources' of re-usable materials (forests, oceans, arable lands and water) are depleted and in crisis. Throughout all commercial history, all that mattered until recent times was the cash nexus. Since the Second World War, management has taken employees into account (finding congenially that this can cost less than the gain in value). Now it says it is taking responsibility for our environment.

Nevertheless, society continues to give mixed messages, continuing to give business a licence to act in any way to make a profit, as long as it didn't get caught for breaking the law. It has generally given business a kind of immunity – as a place where those who can't be professionals can go and make good by making money. A very recent University of California at Berkeley study sharpens this, finding significant similarity in the behaviour between most admired business people and psychopaths. This approach by society is increasingly untenable when unaware managers are a potential danger to the environment and the business. Something new must emerge – rapidly.

Sustainability is, fortunately, quite clear. You are either sustainable or you are not, like pregnancy. Unlike pregnancy society cannot terminate it – without terminating ourselves. Timing is critical; we need to reverse the slither towards further irreversible, critical damage to life support systems now.

Sustainability means the sustainability of our planet's life-support services – air cleaning, oxygen, water cleaning, clean food. Whereas we wouldn't dream of interfering with the life support systems when we are flying, or if we were flying through space in a space-craft, we are not applying this logic to our present position. We are tracking through space at 17,000 mph in a man-managed, despoiled, fragile capsule, with no back-up systems or emergency services to call out.

There has been strong evidence for more than a decade that environmental impacts are now beyond the natural limits (MIT Model 1992). This applies to almost all major measures, including emissions to air and water, usage of drinking water, arable land, forests, seas and pollution. The UK Royal Commission on Environmental Pollution, June 2000, suggests further ecological disasters may arise within 50 years.

Global air temperature averages about 15 degrees Centigrade, and is expected to rise between 2 and 6 degrees in the next sixty years (UN Inter-Governmental Panel on Climate Change). It only needs first school arithmetic to work out what that may mean in percentage terms – and what this might feel like to anyone in a continental climate in summer. In a similar period ahead, we are in for the largest cull of species, perhaps eighty percent, since the end of the dinosaurs. All this and more will happen unless there is remedial action, beginning now. We simply do not know if Gaia's life support services will continue to meet the needs of 8-9 billion people in these circumstances.

It is not too late. The Kyoto Protocol provides a framework and a market mechanism to deal with global warming, even if it takes decades. For almost every issue, the means exist for remediation and restoration. In most cases, in the scale of things, very little is needed to turn each element of the situation around.

The biggest issue is to lift the footprint of industry and our larger organisations, which are the primary source of the problem. The impacts are many and various and only really known by the organisations concerned. Only these organisations can really sort their impacts out – the route of detailed regulation is a non-starter.

Another fruitful way of looking at it is to say that all of mankind's impacts these days are mediated through organisations, with leaders and managers. If business management can be extended to facilitate sustainability at the level of the organisation, and business motivated, then business can be the solution.

Since the late 80's, management developers have grasped the possibility - responding to the corporate sustainability agenda by developing Environmental Management. Prior to 1990, there was no such subject, there was no management training, and there were no textbooks. The intention was to develop this new aspect of management to facilitate sustainable development.

The achievement by the mid-1990s was worthwhile, if less than we wanted. By then we had developed theory and practice to enable systematic environmental performance improvement. Significantly, we had learnt that conservative business concern and dogma, which was that for a business, environmental improvement = cost, was simply wrong. On the contrary, practicing managers constantly showed a seemingly unending stream of improvements and projects good for business and the environment – at either no net cost or showing bottom-line advantage.

Unfortunately, this discovery has taken place at seminars and on-site, and most managers and leaders in senior corporate positions still think environment means cost, and oppose, go unconscious or avoid.

Governments and benighted economists have not helped! Both see environmental improvement as a cost. Government, advised by economists who are also distant from the action, regularly ask industry to send in

returns stating how much they are spending on the environment! They then claim success when larger figures obediently appear. No wonder the idea persists that environment = cost...

Sustainable Development and the limits of contemporary Environmental Management:

We have shown that development is either sustainable ecologically or it is not. Unfortunately, Environmental Management, as currently taught and practiced, is now very nearly part of the problem. It often satisfies itself with management of compliance and continual improvement, which may amount to planting some trees.

It is also confused, tied in knots and blighted by identification with and involvement with the ISO standard for Environmental Management Systems – and the flotilla of ‘certifier’ protection vessels that surround it.

To understand where current Environmental Management falls down, we need to look at how it has developed and what it is.

It started off as a small number of modest managerial training initiatives at the beginning of the 1990s, mainly in the UK for historical reasons. They were outside almost any of the business schools or MBA programs around the world, which were in denial, antipathetic, powerful and defended and generally remain (Www search: ‘Beyond the Grey Pinstripe’). There initially appeared to be two possible lines of development:

- Systematic rethinking of the main management areas, e.g. strategic management, finance management, operations management, product management, or
- Development of the capabilities of the nominated environmental manager.

In 1990, the foreseeable dangers of the latter were ‘gettoisation’, isolation, low status and ‘business as usual’ carrying on in the rest of the business. Within the Brunel Management Programme and CSEM as it was then, we chose the former harder path, but which offered the opportunity of developing the subject for each aspect of management – and doing much-needed work.

I admit we didn’t see it coming, since BMP had been focused on leading edge management training for many years, but the British Standards Institute latched on to the possibility of a Standard for environmental management systems, by adjusting the Standard for Quality Management Systems.

In just the same way that no one would identify management theory and practice with ISO 9000, no one should have identified environmental management with BS7750 and then ISO 14000.

But it happened, partly because this development came from outside management education, driven by BSI, the muscular Certification companies and environmental consultancies, who saw a new product and by environmental compliance managers excited at a larger space. And it went like a bomb.

Any number of Master of Science Environmental Management courses sprang up (because MBA programmes wouldn’t let them use the term MBA), in University departments other than management, including for example, geography, engineering, pollution science and chemistry. The tide moved on, through the pathways it could find, taking on their colouration.

Unfortunately, the management part of Environmental Management generally came to be identified with ISO 14001, the ISO Standard, for whom the high priests were the Certification businesses and the Certification authorities.

To make matters worse, whereas the ISO Environmental Management Systems Standard could have been a vehicle for significant steps towards sustainability at the level of the organisation, drafting changes from the original British Standard 7750, led by American corporate lawyers concerned about identifying environmental effects, cut out its heart.

The next is important for the story and for the future. In a sense, all the initial Environmental Management thinking was how to modify what management does, to good effect. A primary cycle in management is Plan-Do-Check-Review. Management needs to measure in order to manage. The heart of dealing with a new factor is to measure it, work out the risks and opportunities and make decisions.

This is what early environmental management thinking, and therefore BS7750 did very well. We described all the organisations environmental effects, measured them, ranked them for risk to the environment and then altered that ranking transparently for good technical and economic reasons. This offered a powerful means of Pareto improvement. We also took account of all affects, so far as feasible. By violent contrast, ISO 14000, starting six years ago, lobotomised the process. Reference to effects was replaced by the layman-defeating term 'aspects'. Guidance on effects or aspects evaluation was removed – and replaced by a requirement to 'establish a procedure' to 'identify significant aspects' it can control.

Those of us leading the development of environmental management were all extremely worried in the early 1990s at the thrust to piggy-back a new Standard on ISO 9000 for several reasons. ISO 9000 already had a bad reputation as a bureaucratic paper chase. It would divert energy and attention from rethinking management. It would make environmental management the responsibility of an appointed environmental manager, enfeebling top managements' total response to the SD challenge. It would freeze thinking about the core process of environmental effects evaluation/ management. And it's worse, actually institutionalising a hole where effects evaluation was.

And it has been in everyone's interests in scrambling for the 14001 badge and the fees from certification and training not to say that the Emperor has no clothes. No wonder people started to look elsewhere for action. Which takes us to Corporate Social Responsibility.

Corporate Social Responsibility:

Corporate Social Responsibility (CSR) has accelerated into global awareness only in the last five or so years. It covers the social concerns of Corporate Citizenship, with which it is often mistakenly said to be identical and co-extensive. Whereas Corporate Citizenship is logically a Board-level role and function that can include CSR, SD and environment, by contrast, CSR is by definition focused on the human and social aspects and impacts of corporate activity.

There has been a seemingly unstoppable rise of 'Corporate Social responsibility in the media, on the conference circuit and on boardroom agendas. The new initials offer a host of dreams. It seems to have come from nowhere *after 1996*, when ISO 14001 was officially launched, and due to the history and processes described above, environmental management and SD were identified with ISO14001, cored and fell into the current dilemma of being sold by sales-people from certification companies.

CSR seems to be thought of as 'managing in such a way as to ensure responsibility in regard to the social impacts of corporate activity'. As a concept it benefits from being new. It is vitalised significantly in Europe by the activities of graduates of the Bath University/ New Academy of Business MSc in Responsibility and Business, now in its sixth year.

CSR reporting has developed in parallel and has rapidly become mainstream (see *The Recent History of Environmental Reporting* by John Elkington (www.sustainability.com/programs/engaging/history-reporting.asp 2002')

The drivers for CSR are variously given as

- The anti-globalisation case and anti-corporate feeling and sentiment
- Requirements for better corporate governance
- The desire to sort out corporate philanthropy
- Trade union and pressure group activity, including that of church organisations
- New Stock Exchange listings with environmental and social criteria, e.g. the 'FTSE for good'

- Shareholder activism on social & environmental concerns at Board meetings
- Public relations
- Sectoral competition, e.g. response to the Co-op Bank's commitment in the UK socially responsible investment
- 'Because with focus on people and communities, it is easier to put into practice than sustainable development' Tom Woollard, ERM.

A KPMG survey social reporting in 2000 gave three reasons for its growth:

- The new media and new communications technologies which allow instant and relatively unfettered access to reports that contradict the brand message, e.g. of sweatshops
- The global investor community has begun to develop a consensus view on the behaviour they expect of enterprises
- The socially responsible investment (SRI) industry has evolved through the 1990s to provide niche products. In the US alone, investors placed \$2 trillion in ethical funds.

This account failed to really pick up the trend of anti-globalisation protest and disruption to a succession of disrupted global summits, beginning with the Seattle in 1998.

The ENDS CSR report in June 2002 sees the main driver now as 'a broadening of focus of protest groups to include companies' wider impacts on global society as well as concern over environmental impact'. It suggests a growing sense of mistrust, anger, even hatred, of globalisation and big business, fuelled by issues ranging from oil companies alleged complicity in supporting oppressive regimes to clothing companies' relationship with sweat-shop labour. More recently there has been the string of corporate scandals including the rise and collapse of the dot-com bubble, World Com, Enron, Anderson and many others.

If this is the theory and these are the drivers, what is CSR in practice?

The main CSR 'products' to date are the many codes focussed on overcoming the negative social aspects of globalisation - and the development of Fair Trading approaches. These codes include the Principles for Global Corporate Social Responsibility American Apparel Manufacturers Association Code, the Ceux Principles, the Fair Labour Association, the Workers Rights Consortium, the Global Sullivan Principles, the Global Reporting Initiative (GRI) – and more recently SA8000 and AA1000.

These typically cover some 13 substantive or procedural areas: 1) Freedom of Association, 2) Right to Bargain Collectively, 3) Living Wage, 4) Human Rights, 5) Womens' Rights to equal treatment, 6) Health & Safety in the workplace, 7) Supplier Standards, 8) Child Labour Protection, 9) Transparency in Reporting to Shareholders, the public and Code Proponents, 10) Internal Monitoring System by enterprises, 11) External Auditing, 12) Monitoring by Code Proponents, 13) Independent Monitoring by Local Human Rights, Labour Rights and/ or Religious Groups.

Fair Trade and the Fair Trade Mark are a 'guarantee that the people who produce are protected from exploitation and benefit from (the consumer's) purchase. All producers are inspected regularly to ensure they meet standards laid down by the Fair Trade Foundation for education, healthcare, housing, fair pay, safe working conditions, and many other welfare matters.'

The main CSR activities to date include

- Monitoring and auditing codes and their application to suppliers
- Reviewing existing corporate philanthropy initiatives
- Researching employee views on codes and what they would like to include
- Occasional stakeholder dialogues

- Setting up 'social investment strategies' i.e. partnerships with NGOs to focus donations to deliver value for business interests – little more than bettering leveraging of donations – e.g. Body Shop campaigning with Greenpeace on renewable energy.
- Community initiatives, e.g. BBC's annual Children in Need appeal
- Repackaging existing data on Health & Safety and employment
- Reporting on these.

The most recent major conference was in June in Amsterdam, organised by the European Networking Group and highlighted how far companies have yet to go. Presentations came from Body Shop, BBC, Deutsche Bank, ABB, Johnson & Johnson, Orange and British American Tobacco.

The Limits of Corporate Social Responsibility

None of the Amsterdam Conference presenters indicated, apart from monitoring their supplier codes, any significant operational work to review social impacts. Review of the sudden crop of corporate CSR Reports, does not indicate anything different.

Shockingly, there seems currently to be a hole at the heart of Corporate Social Responsibility too.

Why? All of the 'drivers' above actually derive from stakeholder and environmental concerns about the impacts of activities (including supply methods) and products (including branding and advertising) on society, stakeholders and the environment. Without careful review and scoping – qualifying and quantifying, reviewing the risks and opportunities, there is no basis for adult management.

Interestingly, the very methods developed by the most responsible enterprises for doing this kind of activity for the environment, are just the basic methods needed for measuring and evaluating social impacts.

As of 2000, the OECD has adopted its 'Guidelines for Multinational Enterprises' that cover similar ground to the Codes, and, while non-statutory, give more weight through the OECD's imprimatur. This will tend to reduce the space for the multitudes of gurus that have arisen to advise companies, often charging Anderson type rates for Board-level advice. This advice, while making the area fertile and fun, seems to lack connection and foundation in conventional or other leading-edge management thinking and practice.

In summary, CSR is a new concept, with many drivers deriving from the negative impacts of the operations, activities and products of globalised business. By this we mean when manufacturing is moved to whatever country has the lowest wage-rates – and probably the least developed worker protection. It is also driven by the last three years' of corporate governance scandals. Some of its protagonists want to annex environmental affairs, and to allege equivalence with Corporate Citizenship.

While it purports to offer top management a full management approach to social issues, this is as yet not true in practice. It currently offers codes of practice, together with systems and audit processes to maintain progress, to protect those human/ social rights achieved in the industrialised economies.

Instead of a recognisable strategic and operational approach, we find a burgeoning of conferences and reports, refocusing of philanthropy and recycling and repackaging existing labour and other stakeholder information. At the heart, there is a hole – an absence of operational review, evaluation, measurement and evaluation of operational impacts, risks and opportunities.

As a response to the social, not to mention the environmental problems of big business in relation to a globalised world, CSR currently fails, and is currently misconceived.

Globalisation:

While the discussion of CSR has raised many of the negative aspects of globalisation as they affect developing countries, this is by no means a complete picture. The rest of the picture needs to be sketched and understood before we can inter-relate it sufficiently with SD and CSR – to use this as a reasonably safe guide to a possible way forward for entrepreneurs in the decade ahead.

Globalisation is, at the least, a continuation of trends in internationalisation of manufacture and trade going back to the early years of the industrial revolution. It is different in the disconnection between the corporate brands, Nike, McDonalds, Gap et al and their organisation of supply. Aided by the internet and the Web, this is sourced from the current least-cost part of the globe – and through layers of subcontractors heavily controlled on product quality and price, but much less uncontrolled on all other aspects – workers' rights, health and safety, etc.

In short, while globalisation is a continuance of the long-term internationalisation of trade, and is bringing significant business development and prosperity to both the parts of the world enjoying its brands - and the parts of the world receiving the re-located industry, there are serious problems.

Globalisation has brought and will continue to bring enormous trade advantages, but if this is grasped without very serious thought, at what cost?

Even in a sympathetic and conventional (and excellent) treatment like Peter Dicken's 'Global Shift: transforming the world economy ' (2001), there is strong recognition of these problems. In his final words, he says that we "face a major global challenge: meeting the material needs of the world community as a whole in ways that reduce, rather than increase, inequality and which do so without destroying the environment." (p.467)

Here he recognises that globalisation has made the movement to Sustainable Development a little more challenging – by the development of a process of brand owners constantly moving their supply operations to the least cost areas of the planet – often in collusion with local governmental bodies that are so hungry for jobs and taxes etc. that few controls are put in place. Usually, Export Processing Zones have fewer controls than elsewhere in the host country. Elaborate subcontracting approaches further 'shuck off' controls in favour of lowest prices.

With this currently combined with, and driven by, a mentality that thinks that handling social and environmental impacts can only ever be a source of costs – we have a saddening recipe for accelerating environmental degradation.

While not demeaning the benefits of spreading material prosperity, other aspects of globalisation also push in this direction. The expansion of the brands and their power, e.g. Wal-Mart, Liz Claiborne, Ralph Lauren, Esprit, Kmart, Nike, Adidas, J.C. Penney, the Limited,

- Reduces space for other voices and individual thought and action
- Dominates 'cool' and fashion, hypnotising its victims
- Commercialises the young and reduces their freedom of thought
- Reduces choice of other sources of the goods involved
- Reduces job security, breeds disloyalty – the essential building block of a secure and just society
- Threatens the global commons by creating an impetus for privatising all
- Leaves many devout Moslems in Islamic countries feeling threatened, possibly making them prone to support persuasive calls for an armed response.

In summary, Globalisation is a continuation and massive transformation of international development.

On the one hand, it brings significant and rising material prosperity and on the other, creates powerful systems and processes, focused on material prosperity at the expense of sustainability, social and particularly environmental.

The rise to dominance of global brands in the last fifteen years has massively altered the nature of international business – with brands facing towards consumers and supply processes being hidden and constantly moved to exploit the lowest labour and other costs. Extended supply chain processes spread this ethos and act against all government and community efforts for conservation and sustainability. Likewise, the bombarding by advertising of particularly young consumers is shaping a much more material culture, while changes to jobs are reducing security and breeding disloyalty and adverse qualities for society and sustainable development.

Globalisation, Corporate Social Responsibility, Sustainable Development: and the need for Sustainable Management:

We have seen that globalisation spreads material prosperity, through the migration of supply to the current lowest cost country and regional sources, supported by the instant communications of the Web. We have also reviewed the many ways in which irresponsible corporate activity can give rise to negative social and environmental impacts.

Reviewing Sustainable Development we have seen that the world of consumers and producers, and its life support systems, has already overshot sustainability, and is living off capital. We have also seen that there are solutions, of which the prime one is for business, enterprises and organisations to handle sustainability at the level of the organisation. The modern world is made up of sectors, and the sectors of organisations. If an organisation can sort itself out, then a sector can. While environmental management promised much and gathered much energy in the 1990s, it found no home in conventional management schools and then was cored ISO 14001 which institutionalised a hole where a management evaluation process existed for pro-actively coming to grips with environmental impacts and effects. For now, with 14001 in the grip of salesmen, environmental management is not going anywhere.

Corporate Social Responsibility has enjoyed a meteoric rise in the last five years since it is new, undefiled, promises a lot and led by some charismatic figures talking about people and community. But so far, apart from codes, consultations and collaborations with NGOs (the flavour of Johannesburg Earth Summit), as we have seen, as a management approach, it claims too much and is operationally empty.

Globalisation in its current phase is working well for making money – and will continue to deliver dreams and deepen the damage to life-support systems and services. With holes in the centre of the two main methods advanced for meeting the challenge of SD and globalisation, this leaves a dangerous situation for business, the environment and society.

As you know, in every threat there is an opportunity. The possibility and opportunity exists now for a number of coherent steps.

I suggest that we need to revitalise efforts to re-think conventional management training, particularly MBA programmes worldwide, looking at how they need to change in all management areas to achieve real ecological and social sustainability. We have seeking to model and test this for years.

Development of environmental management has not stopped – although most practice is frozen in a time warp by ISO 14001. By revisiting the planning process and carefully refocusing on ecological sustainability, incorporating appropriate criteria, for example, those developed by Natural Step? , we can have systematic operational approaches to real ecological sustainability.

We will need to have additional data on the sustainable limits of the acquisition and release of particular substances – locally and globally, but much data already exists and it is a new prime function of government to ensure that the data exists for business use. Similarly, if we borrow the developed methodology of environmental review and incorporate it into management of corporate social responsibility, it will become an effective management approach.

Integration into the core management process and working through each function and level will allow the emergence of sustainable management – allowing management to come of age.

What is now needed to get this accomplished in sufficient time is a lot of pioneering! We need good entrepreneurial leadership and management, in all sectors, to defeat the 'nay-sayers', develop and prove these new sustainable management approaches. The test is for competitively successful organisations, activities and products - to demonstrate real sustainability and drive out unsustainable practices - and give heart to six billion who want their children and grandchildren to live - well.

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Biographical Note:

Prof. Ross King conjointly founded the Environmental Management Programme in 1990, the first broad Programme of senior management training in environmental and sustainable management in Europe. Initially within the Brunel Management Programme and BIOS, CSEM is now as an independent Programme validated to offer Masters Programmes by Middlesex University, London. He has trained senior UK, Japanese, Russian and Confederation of Independent States corporate and government environmental leadership. CSEM has trained over 1500 senior managers, directors and advisers who have cascaded training to hundreds of thousands of corporate employees and suppliers worldwide.