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Chair of Sustainable Development

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Management

A School with a View

SHARING VOCABULARIES:
EXPLORING THE LANGUAGE OF VALUES-DRIVEN BUSINESS

Sustainability, Code of Ethics, Stakeholders, Decis
Fiduciary, Transparency, Triple Bottom Line, ESG
Culture, Virtue Ethics, Citizenship, Value, Dilemm
Fair, Business Case, SRI, Duty, ***CSR,*** Integrity, Eth
Value Chain, Reporting, Soft Law, Greenwashing,
Business Ethics, Whistleblowing, CSV, Environme
Governance, CSP, Integrated, Corruption, Due Dil
Performance, Liability, ***Compliance,*** Codes of Con
Trade, Global, Morality, Risk Management, Reput
Making, Accountability, Social Reporting, Sustain
Development, Organisational Legitimacy, Philant

Sharing vocabularies:
exploring the language of values-driven business

Message from the Coca-Cola Chair of Sustainable Development, *Prof. Mollie Painter*

Dear values-driven business practitioners,

IEDC-Bled School of Management's Coca-Cola Chair of Sustainable Development was brought into existence to meaningfully combine practice--engagement with internationally excellent research in sustainable and responsible business. The idea of this booklet emerged in Madrid in 2015 as part of a conversation between academics and practitioners about how to best embed responsible and sustainable business practices. The 'Sharing Vocabularies' project is an attempt to continue these conversations in a meaningful way. IEDC-Bled led the project as a Champion school of the Principles for Responsible Management Education (PRME), a UN Global Compact supported-initiative.

What we have put together here is a response to requests from business practitioners like yourself, for conceptual clarity and analyses of best practices in values-driven business, therefore we hope that you will find it helpful. Our belief is that understanding certain concepts and values-driven business functions will ease your conversations both with academics and your fellow practitioners in the future.

If we are committed to responding to the social, environmental and ethical challenges our societies face, we will need to pull together all our resources to reach scale at the pace and depth that is required. Understanding the links between how we talk about values-driven business and how we practice its implementation is but a first step. Words are powerful, let us use them well.

Greetings,
Mollie

Message from the Dean and President of IEDC-Bled School of Management, *Prof. Danica Purg*

The IEDC Coca-Cola Chair of Sustainable Development was established in 2010. Its goal is to support applied research, development of unique teaching processes, and breakthrough global outreach efforts aimed at developing management professionals ready to address complex social and environmental pressures facing the world today. The present glossary of terms was one of the important projects of our Chair, as it embraces all of the above mentioned fields.

Particularly, two important vocabulary functions should be mentioned here. First of all, the glossary of terms is a tool for communication and acquisition of new knowledge. Personally, I like Jonathan Rochkind's description of a vocabulary (in the website article Purposes/Functions of Controlled Vocabulary, Biblographic Wilderness) as “a system of knowledge organisation”. Every science and every profession develop their own vocabulary. We all also know that a vocabulary is a dynamic phenomenon. In fact, it is a tool that can hold for a moment the continuous development of all we can imagine, not in an effort to stop the change, but to create a moment of reflection. The authors of this study know that they deal with a topic that is characterized by many vocabularies. A topic such as “value-driven business” contains a notion that is understood in many different ways. "Value" has specific meanings in all sciences and cultures. The question of “value-based business” has often been a topic in history, but it got its urgency mostly from “The Limits to Growth”, a report by the Club of Rome in 1972. The Club of Rome wrote: “Our mission is to promote understanding of the global challenges facing humanity and propose solutions through scientific analysis, communication and advocacy”.

In the meantime, the understanding of the message of the Club of Rome has been understood globally. The United Nations is trying to develop coordinated action through the “Global Compact”, “PRME” (Principles of Responsible Management Education) and other initiatives. IEDC-Bled School of Management immediately made all these initiatives an integrated part of its studies and events. As an international management school, established in Slovenia in 1986 in an environment with many economic, political, and social systems, it has understood the necessity of “sharing vocabularies” from the beginning. We also understood that for making progress in this field it would be necessary to find a partner who had global knowledge and experience in the field of “value-driven business” and understood the complexity of this issue. We are grateful that we found such a partner in The Coca-Cola Company. And we are thankful for their readiness to support this important publication.

Sincerly,

Danica

Contents

PART 1

Introduction to the 'Sharing Vocabularies' project

The Sharing Vocabularies project emerged from conversations with corporate practitioners at a UN Global Compact Forum meeting, where concerns about the multiplicity of terms associated with values-driven business (e.g. ethics, integrity, social responsibility, compliance, sustainability) were expressed. The project set out to address the problem that diverse vocabularies are used to label business functions responsible for values-driven business, resulting in confusion over their meaning and scope and a lack of cooperation amongst functions. It is important to note that by studying 'vocabularies', we want to explore both the words used by academics and practitioners, as well as the practices, rituals, roles, structures and habits that form part of values-driven business.

There has been an emergence of different vocabularies arising from both theory and practice, describing various values-driven business functions in large organisations. This in itself is not a problem, except when it makes cooperation across functions impossible or leads to unnecessary duplication of costs and effort. Sharing vocabularies may help avoid these pitfalls.

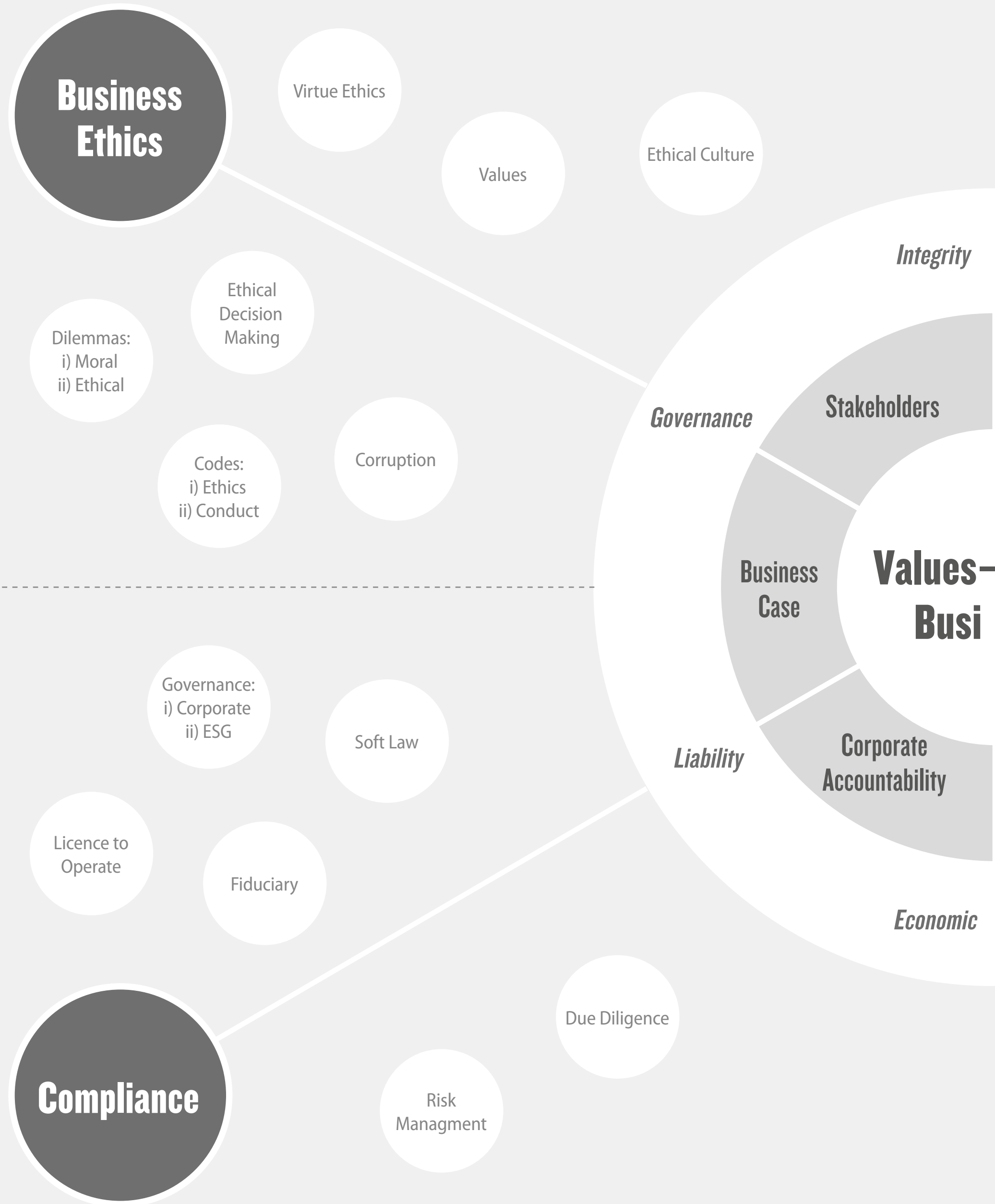
Finally, the Shared Vocabularies project does not seek to curtail the use of different vocabularies, rather it seeks to examine how and why they are being used across contexts and provide insight into how different functions and roles are implemented and integrated within organisations. As such it can build understanding and inform future decision making on how the functions are to be defined and managed.

Over the course of the project we shifted from the original premise of ‘let’s all use the same vocabulary’ towards the conclusion that businesses will inevitably differ in their choice and use of vocabularies, but there is a need to understand the alignment issues among different functions. This is particularly important where different functions have become siloed, and an analysis of vocabularies in different departments can provide a mechanism where there are opportunities for collaboration and alignment on certain elements of values-driven business.

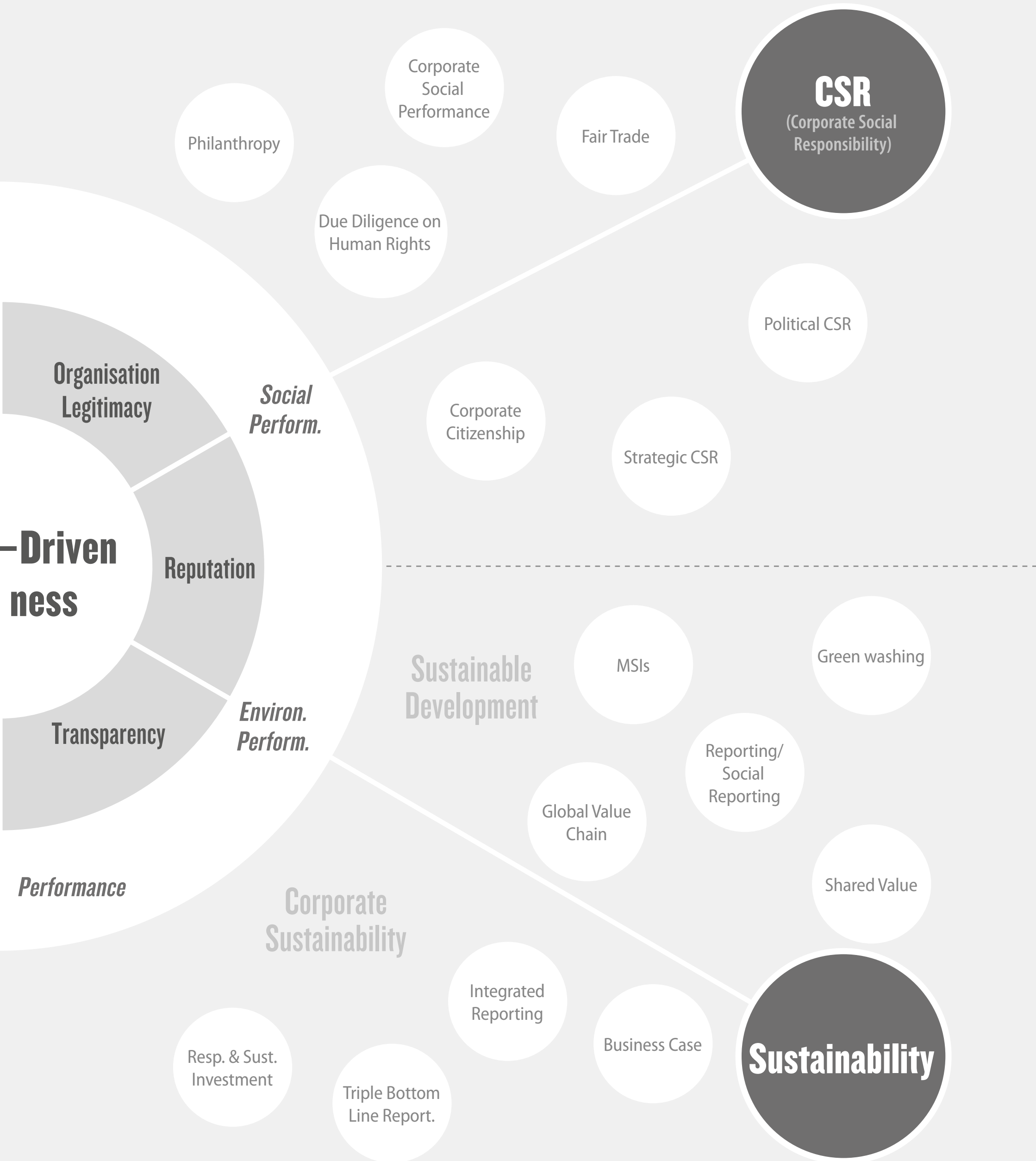
Executive Summary:

- Values-driven business functions are located in multiple departments within an organisation:
  - Compliance and risk departments (*responsible for risk, compliance and ethics elements of values-driven business*) often have the most direct links to the Board;
  - Communities and corporate social responsibility programmes: located in various places (e.g.: sometimes in a distinct department, sometimes in public relations, or HR);
  - Environment: located in operations management; or compliance.
- Limited evidence of integration – this was primarily due to a lack of awareness of how other departments manage and report their values-driven functions.
- Compliance: shifting use of the term ‘compliance’. No longer just about meeting mandatory regulatory requirements; ‘compliance’ functions can start to shift the values-driven agenda through ‘compliance’, e.g.: compliance with the organisations agenda on sustainability; or compliance with an organisational cultural shift on ethics and integrity.
- Vocabularies are not fixed: one interviewee said they and their team may use different role and department titles (e.g.: CSR department or Sustainability) depending on which stakeholders they are talking to, and what terms will best support communication and relationship building.
  - Pragmatic use of terminology based on stakeholder expectations and context.
- CSR terminology is becoming less prominent, with ‘sustainability’ subsuming it.
- There is a great divergence in job titles.

Glossary of terms



In the below, we tried to cluster the various terms involved in values-driven business according to their relevance to specific fields of practice:



Authors' own design: Painter, M., Russon, J., and Karakilic, E. (2017)

Business Case: Textbook

B

The business case for CSR is concerned with how businesses benefit in tangible ways from engaging in CSR. It describes the business rationale for accepting social and environmental responsibility. This business rationale is usually expressed in financial terms, arguing that there is a positive relationship between a firm's social and environmental performance as well as its financial performance. This makes CSR a 'value-driver' in the corporate context. The business case for CSR can relate to, for instance: improved growth for the company (e.g. new products and markets), efficiency gains (e.g. energy efficiency) and reduced risk (e.g. reputational risk). The business case can be measured in financial (e.g. return on investment) and non-financial (e.g. employee motivation, reputation) terms (Rasche, Morsing and Moon, 2017: 481)

In business practitioner terms, a 'business case' is a pitch for investment in a project or initiative that promises to yield a suitably significant return to justify the expenditure. In what has become known as the 'business case for Corporate Social Responsibility (CSR)' the pitch is that a company can 'do well by doing good': that is, can perform better financially by attending not only to its core business operations, but also to its responsibilities toward creating a better society (Kurucz, Colbert and Wheeler, 2008: 84)

Business case for CSR refers to the arguments or rationales supporting or documenting why the business community should accept and advance the CSR 'cause'. The business case is concerned with the primary question: What do the business community and organizations get out of CSR; that is, how do they benefit tangibly from engaging in CSR policies, activities and practices? For most, the business case refers to the bottom-line reasons for businesses pursuing CSR strategies and policies (Carroll and Shabana, 2010: 86)

"A full reference list for the glossary 'text book' terms is available on request from IEDC-Bled School of Management"

Business Case: In practice

'The business case' is the answer to the question: "Why spend time and money on values-driven business?"

Why?

Sometimes cynically referred to as "Show me the money"

- The business case helps convince the Board and various layers of management to provide resources to implement values-driven business practices to the benefit of all the organisation's stakeholders.
- Corporate reputation… what your stakeholders think of the organisation!
- Avoid liability… save money by preventing costly lawsuits.

How?

- Facts are gathered and analysed to provide arguments for how social and environmental responsibility, and a concern for sustainable development, as well as compliance programs 'pay off' in terms of increased profitability.
- Typical arguments around the 'business case' for values-driven business include: the attraction and retention of talent; staff motivation; risk-mitigation; cost-saving through 'green' technologies etc.
- The way in which the triple bottom-line of social, environmental and broader economic impacts in society improves the financial bottom-line.

Business Ethics: Textbook

B

Business ethics focuses on moral judgements and is concerned with questions of ‘right’ and ‘wrong’ in the context of business situations. Business ethics can be seen as a framework to examine business situations where values are in conflict and ethical dilemmas occur as a result... Business ethics reflects on the values that underlie business decisions (Rasche, Morsing and Moon, 2017: 481)

Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed... By ‘right’ and ‘wrong’ we mean morally right and wrong as opposed to, for example, commercially, strategically, or financially right or wrong (Crane and Matten, 2004: 8)

Business ethics comprises moral principles and standards that guide behaviour in the world of business (Ferrell and Fraedrich, 1997: 6)

Business ethics is a process of responsible decision making (Hartman and DesJardings, 2008: 3)

Business ethics can be understood as the study of the ethical dimensions of productive organizations and commercial activities. This includes ethical analyses of the production, distribution, marketing, sale, and consumption of goods and services (Stanford Encyclopaedia of Philosophy, 2017)

Business ethics is the application of ethical values to business behaviour. Business ethics is relevant both to the conduct of individuals and to the conduct of the organisation as a whole. It applies to any and all aspects of business conduct, from boardroom strategies and how companies treat their employees and suppliers to sales techniques and accounting practices. Ethics goes beyond the legal requirements for a company and is, therefore, about discretionary decisions and behaviour guided by values (Institute of Business Ethics, 2017)

Business Ethics: In practice

Business ethics is about what is “right” and “wrong” in the context of business

- For individuals: doing the right thing in business dealings by acting according to the organisation’s values
- For organisations: make, distribute, and sell goods and services in an ethical way
- For society: thinking about how business can go beyond complying with the law to make the world a better place in its interaction with all stakeholders.

B

Why?

Application to individual and organisational conduct;
A decision-making framework for examining and responding to complex business situations;

How?

Identify and if necessary re-evaluate the values that underpin business priorities;
Analyse the ethical issues related to various elements of the business: production; sales, marketing, distribution, consumption; disposal.

Codes of Ethics

C

Tend to be reasonably general in their tenor, encouraging employees to display particular characteristics such as loyalty, honesty, objectivity, probity and integrity. They do not normally address specific types of decisions; rather they encourage the application of what might be called 'virtues' (Fisher, Lovell and Valero-Silva, 2013: 304)

Also referred to as 'values statements' or 'charters', these documents ... contain aspirational statements regarding the normative commitments of an organization (Painter-Morland and ten Bos, 2011: 332)

Codes of ethics are voluntary statements that commit organizations, industries, or professions to specific beliefs, values, and actions and/or set out appropriate ethical behaviour for employees (Crane and Matten, 2004: 148)

A document that conveys organizational values, a commitment to standards, and a set of ideals. In practice, used interchangeably with Code of Conduct. In Section 406(c), the Sarbanes-Oxley Act defines "code of ethics" as such standards as are reasonably necessary to promote (1) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (2) full, fair, accurate, timely, and understandable disclosure in the periodic reports required to be filed by the issuer; and (3) compliance with applicable governmental rules and regulations (Ethics and Compliance Initiative, 2017)

Employees may have different moral philosophies and come from different cultures and backgrounds. Without uniform policies and standards, they are likely to have difficulty in determining what is acceptable behaviour in the company. Codes of ethics, formal statements of what an organization expects in the way of ethical behaviour, let employees know what behaviours are acceptable or improper (Ferrell and Fraedrich, 1997: 175)

C

Codes of Conduct and Ethics; Types of Codes: Textbook

C

A code of conduct is a formal (and in most cases written) statement that is supposed to guide the behaviour of individuals or organisations on a voluntary basis. Codes of conduct are designed for compliance purposes, and breaching the code is sanctioned… Codes of conduct were originally designed by and for individual companies, but they have increasingly been derived from codes of MSIs and CSR standards (Rasche, Morsing and Moon, 2017: 482)

Documents adopted by various types of organizations to provide behavioural guidelines to those who belong to the organization. They … contain specific rules and directives (Painter-Morland and ten Bos, 2011: 332)

A set of behavioural guidelines and expectations that govern all member of a business firm (Hartman and DesJardins, 2008: 471)

Codes of conduct tend to be instructions, or sets of rules, concerning behaviour. As a result, they are likely to be reasonably prescriptive and proscriptive concerning particular aspects of employee behaviour. They identify specific acts that must be either adhered to (prescription), or avoided (prescription) (Fisher, Lovell and Valero-Silva, 2013: 304)

Codes of Conduct or Codes of Behavior are designed to anticipate and prevent certain specific types of behavior; e.g. conflict of interest, self-dealing, bribery, and inappropriate actions… The rational for the detailed scope of this kind of code is that it is necessary to both protect the employee while at the same time protecting the reputation of the government. Most codes of conduct focus on the “do nots” rather than on affirmative obligations. That is, they detail specific actions in which employees are not to engage (Gilman, 2005: 16)

Codes of Conduct and Ethics; Types of Codes: In practice

Codes of conduct versus codes of ethics – same or different?

Yes, and no… sometimes used interchangeably but…

C

Codes of conduct are typically longer, as they contain more detailed guidelines on how employees, suppliers and others who work for and with the organisation have to behave. The primary goal is to protect the organisation's reputation and limit legal liability.

Code of ethics, 'charters' or 'values statements' are more general than a code of conduct and more aspirational in nature – its goal is to highlight certain core values that the organisation wants to protect, and guiding employee discretion in living according to these values.

Why?

Provides behavioural guidelines, standards and expectations;
Can assist with risk management and compliance;
Unified standards can translate across differing cultures and moral philosophies.

How?

Development of a formal statement or documents, plus training;
Regular dissemination throughout the organisation via various communication and training mechanisms.

Compliance: Textbook

Compliance can be understood as individuals' or organisations' conformity with pre-given rules. It is usually seen as a certain minimum standard that needs to be fulfilled. Compliance can refer to the law (legal compliance) as well as non-legal rule specifications (e.g. standards or policies) (Rasche, Morsing and Moon, 2017: 482)

A compliance-based culture emphasizes obedience to the rules as the primary responsibility of ethics. A compliance-based culture will empower legal and audits offices to mandate and monitor compliance with the law and with internal codes (Hartman and DesJardins, 2008: 119)

A corporate culture in which obedience to laws and regulations is the prevailing model for ethical behaviour (Hartman and DesJardins, 2008: 471)

Conforming or adapting one's actions to another's wishes, to a rule or to necessity. A compliance code would be intended to meet all legal requirements (Ethics & Compliance Initiative, 2017)

The term compliance describes the ability to act according to an order, set of rules or request… Compliance operates at two levels: Level 1 - compliance with the external rules that are imposed upon an organisation as a whole. Level 2 - compliance with internal systems of control that are imposed to achieve compliance with the externally imposed rules (International Compliance Association, 2017)

Whereas ethics implies that people will behave in accordance with a system of common values that are agreed and shared, compliance means that people must do what they are told to do, either by law or by their superiors (The Ethics Institute & Institute of Business Ethics, 2017)

Compliance: In practice

Compliance... Follow the rules and regulations!

- both legal frameworks and 'soft law', i.e. global ethical standards apply
- involves creating both internal policies and procedures as well as setting up controls to make sure that the organisation acts in accordance with external legal and ethical expectations.

C

Why?

Legislative and regulatory requirements;
A mechanism for ensuring adherence to relevant rules and standards.

How?

Compliance management systems;
Compliance monitoring processes;
Compliance as a source of 'expertise' on VDB issues;
Compliance as a mechanism for promoting adherence with internal values, codes of ethics and VDB priorities;

To avoid this, you should:

- identify material laws and regulations;
- advise and support the Board to implement effective procedures for compliance with applicable material laws and regulations, and the setup of the corresponding controls;
- monitor the coverage of new or changed material laws and regulations;
- assess the coverage of all existing material rules and regulations;
- report to the Boards (in Europe both the Management and Supervisory Boards) on at least an annual basis.

Corporate Accountability: Textbook

Giving 'an account' refers to the need for individual or collective actors to explain and justify their actions. Corporate accountability is about a firm's ability to be answerable to society, regulators and the firm's other stakeholders for its actions and omissions. Corporate accountability can be achieved through various means, such as CSR reporting, the creation of complaint and response mechanisms, and participatory models of corporate governance (Rasche, Morsing and Moon, 2017)

C

It is defined as the continuous, systematic, and public communication of information and reasons designed to justify an organization's decisions, actions, and outputs to various stakeholders. According to this definition, corporate accountability is primarily a form of ethical communication directed toward those parties who are affected by corporate activities and effects. Corporate accountability represents a corporation's social responsibility to explain its actions (past, present, and future) in an accessible, reasonable, and meaningful way to the society in which it operates (Pava, 2008)

Accountability can be defined as "being answerable"—that is, being able to give an account. In the corporate environment, it has been closely associated with financial auditing and reporting, as well as accountancy in general. Within the neoclassical conception of the corporation, it is described in terms of duties owed toward its shareholders. Recently, however, corporate social responsibility (CSR), or corporate citizenship (CC), movements have led to an increased awareness of the duties associated with the various other relationships in which corporations typically participate. From this perspective, the corporation is compelled to acknowledge its accountability to a wider network of stakeholders (Painter-Morland, 2008)

The obligation of a corporation entrusted with a duty to others to explain its performance of that duty (Ramanna, 2012: 6)

Corporate Accountability: In practice

Corporate accountability… to provide an account for your actions, i.e. be answerable to your stakeholders for the organisation's actions or omissions (past, present and future).

C

Why?

Transparency, and justification for organisational decisions, actions and outputs in the context of values-driven business;
Identify the boundaries of accountability to stakeholders.

How? Using…

- triple bottom-line reporting
- the creation of complaint and response mechanisms
- participatory models of corporate governance.

Corporate Citizenship: Textbook

C

Corporate citizenship refers to the idea that corporations have the same moral responsibilities as human citizens (e.g. paying taxes, abiding the law, philanthropic work). The idea, however, has several limitations. Critics have pointed out that, unlike citizens, corporations cannot feel pain, cannot vote, etc. (Painter-Morland and ten Bos, 2011: 333)

At a minimum, corporate citizenship means adherence to laws, regulations, and accepted business practices in the places where a company operates. A more expansive interpretation is the conduct of business in ways that reflect proactive, responsible behaviour in business and in dealings with all constituents and with respect to communities, society, and natural environment more generally (Logan et al., 1997: 7)

Corporate citizenship addresses respect for law, respect for "the commons" (shared resources, such as the natural environment), and contribution to society overall (Treviño and Nelson, 2010: 429)

The corporate citizenship model argues that a firm's membership in complex cultural, national, and global communities accords them, like individuals, rights and responsibilities comparable to those accorded to individuals through national citizenship. The belief is that, if corporations are to enjoy operational privileges, they must then honor as well their responsibilities to the communities to which they belong (Hartman and DesJardins, 2011: 301)

Corporate citizenship describes the role of the corporation in administering citizenship rights for individuals. Such a definition reframes CC away from the notion that the corporation is a citizen in itself (as individuals are), and towards the acknowledgement that the corporation administers certain aspects of citizenship for those individuals (Matten and Crane, 2005: 173)

Corporate Citizenship: In practice

Corporate citizenship… rights, but also responsibilities!

… meaning that corporations have been given rights and liabilities which are comparable to those accorded to human beings through national citizenship.

This means, for example:

- respect for law and regulations,
- respect for natural resources, and
- contribution to the community or society

BUT there remain some differences… corporations cannot vote, they don't have a natural lifespan, etc.

Why?

Identification of moral responsibilities from a citizenship perspective;

How?

Identification of the role of the corporation in administering citizenship rights for individuals.

Corporate Governance: Textbook

Corporate Governance refers to the interplay of rules, relations and mechanisms by which a certain firm is directed and controlled. Corporate governance is different from socio-economic governance in that it exclusively focuses on how corporations are governed. The discussion of corporate governance looks at the rights and responsibilities of different interest groups within the corporations (e.g. the Board of Directors, management, shareholders and other stakeholders) (Rasche, Morsing and Moon, 2017: 483)

C

Broadly speaking, this term refers to the processes by which corporations are directed and controlled. It provides normative guidelines for the functioning of corporations' governance structures, such as their board of directors, board committees, individual executives within the corporation, and their internal checks and balances. The need for governance resides in the idea of corporate agency. The governance systems of corporations must assure that the corporation's principals are properly served by its agents. As such the term is very closely linked to stakeholder theory in the sense that it is widely acknowledged that corporate governance processes affect many more stakeholders than just the shareholders (Painter-Morland and ten Bos, 2011: 334)

In its essence, corporate governance refers to the organization of the relationships between shareholders, board of directors, management, and other stakeholders in a corporation. According to the Cadbury Committee, corporate governance is concerned with the processes by which corporations are directed and controlled. Corporate governance especially deals with exercise of authority over the directions of the company, the supervision of actions of top management, the acceptance of accountability, and the compliance with legal and regulatory frameworks in which the company operates (Erakovic, 2008: 472)

Corporate governance refers to the way in which companies are governed and to what purpose. It is concerned with practices and procedures for trying to ensure that a company is run in such a way that it achieves its objectives. This could be to maximise the wealth of its owners (the shareholders), subject to various guidelines and constraints and with regard to the other groups with an interest in what the company does. Guidelines and constraints include behaving in an ethical way and in compliance with laws and regulations. From a shareholder's perspective, corporate governance can be defined as a process for monitoring and control to ensure that management runs the company in the interests of the shareholders. Other groups with an interest in how the company acts include employees, customers and the general public (ICSA-The Governance Institute, 2017)

Corporate Governance: In practice

Corporate Governance is about directing and controlling corporations… It is the interplay of rules, procedures, relations, practices, processes and mechanisms by which corporations are directed and controlled.

Why?

At first, the main purpose was to help organisational agents (directors and managers) to serve the principals (owners), but in contemporary organisations, it is now agreed that governance should be to the benefit of the whole range of stakeholders.

How?

Creating normative guidelines for the functioning of corporations' governance structures, such as their board of directors, board committees, individual executives within the corporation, and designing internal checks and balances.

Corporate Reputation: Textbook

C

A corporate reputation is a stakeholder's overall evaluation of a company over time. This evaluation is based on the stakeholder's direct experiences with the company, any other form of communication and symbolism that provides information about the firm's actions and/or a comparison with the actions of other leading rivals (Gotsi and Wilson, 2001: 29)

The term refers to the observers' collective judgments of a corporation based on assessments of financial, social and environmental impacts attributed to the corporation over time. Many agencies or companies publicly assess the reputations of corporations (Financial Times, 2018)

Corporate reputation is the distribution of opinions (the overt expression of a collective image) about a person or other entity in a stakeholder or interest group (Bromley, 2001: 317)

Corporate reputation is a concept related to image, but one that refers to value judgments among the public about an organization's qualities, formed over a long period, regarding its consistency, trustworthiness and reliability (Bennett and Rentschler, 2003: 207)

Corporate reputation is observers' collective judgments of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporation over time (Barnett et al., 2006: 34)

Corporate Reputation: In practice

Corporate reputation… what your stakeholders think of your corporation! This collective judgment is based on their assessment of financial, social and environmental impacts attributed to the corporation over time (past-present-future).

C

Why?

Stakeholders and non-stakeholders make judgements based on their assessments or perceptions of a particular corporation's, financial, social, environmental and ethical practices and impacts over time. Can be closely related to corporate image.

How?

- Multiple rating agencies / companies rank organisations using various financial, social and environmental metrics;
- Targeted marketing strategy.

Corporate Social Performance (CSP): Textbook

C

A business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs and observable outcomes as they relate to the firm's social relationships (Wood, 1991: 1963)

Corporate social performance (CSP) refers to the principles, practices, and outcomes of businesses' relationships with people, organizations, institutions, communities, societies, and the earth, in terms of the deliberate actions of businesses toward these stakeholders as well as the unintended externalities of business activity (Wood, 2016: para.1)

CSP is an extension of the concept of CSR that focuses on actual results achieved rather than the general notion of businesses' accountability or responsibility to society. Thus, CSP is a natural consequence or follow-on to CSR. In fact, it could well be argued that if CSR does not lead to CSP then it is vacuous or powerless. Interestingly, many advocates of CSR naturally assume that an assumption of responsibility will lead to results or outcomes. Thus, the distinction between the two is often a matter of semantics that is of more interest to academics than to practitioners. (Carroll, 2008: 509)

Corporate Social Performance (CSP): In practice

Corporate Social Performance (CSP) is about the actual results of CSR, including unintended externalities .... It includes the principles, practices, and outcomes of businesses' relationships with people, organizations, institutions, communities, societies, and the earth.

C

Why?

Actual results of values-driven business practices, both for society and for the organisation instead of mere principled statements.
Linked to the 'business case'.

How?

Measure and report on externalities, both positive and negative.

Corporate Social Responsibility (CSR): Textbook

C

CSR refers to the way in which companies voluntarily integrate social and environmental concerns rather than just financial motives into their business decisions on the basis of their interaction with their stakeholders. Underlying the idea of CSR is an understanding that corporations have a much broader role to play in our society than just an economic one (Painter-Morland and ten Bos, 2011: 335)

The responsibilities that businesses have to the societies within which they operate. In various contexts, it may also refer to the voluntary actions that companies undertake to address economic, social, and environmental impacts of its business operations and the concerns of its principal stakeholders… Specifically, CSR suggests that a business identify its stakeholder groups and incorporate its needs and values within its strategic and operational decision-making process (Hartman and DesJardins, 2011: 592)

CSR refers to the responsibilities of corporations towards society… CSR as the integration of an enterprise's social, environmental, ethical and philanthropic responsibilities towards society into its operations, processes and core business strategy in cooperation with relevant stakeholders (Rasche, Morsing and Moon, 2017: 483)

CSR are the voluntary actions that business can take, over and above compliance with minimum legal requirements, to address both its own competitive interests and the interests of wider society (UK's Department for Business and Skills, 2009: para.1)

CSR encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time (Carroll, 1991: 39)

At its broadest, CSR can be defined as the overall contribution of business to sustainable development… A minimum standard for CSR might be that businesses fulfil their legal obligations or, if laws or enforcement are lacking, that they 'do no harm'. A median approach goes beyond compliance, calling for businesses to do their best, where a 'business case' can be made, to contribute positively to sustainable development by addressing their social and environmental impacts, and potentially also through social or community investments. A maximum standard points toward the active alignment of internal business goals with externally set societal goals (those that support sustainable development) (United Nations, 2007: 1)

Corporate Social Responsibility (CSR): In practice

Debates about CSR continue:

… some believe it to be a voluntary dimension … others believe that society's regulation largely dictates the organisations duties to society and the environment, helping the organisation to at minimum 'do no harm', and ideally, contribute positively.

Why?

Consideration of an organisation's responsibility to society and the environment is important for obtaining and maintaining a good reputation, its license to operate and stakeholder trust.

How?

- Identify your stakeholder groups and incorporate their needs and values within your strategic and operational decision-making processes;
- Address the organisation's social and environmental impacts, and explore opportunities for social or cummunity investments.

Corruption: Textbook

Corruption is dishonesty or deliberate dereliction of duty for personal gain by a government official or a private entity official. Corruption broadly includes fraud, bribery, or deliberate misreporting. In a corrupt act, a binding duty is violated by someone who receives an unwarranted personal benefit… In the case of a government official, corruption is violation of a sworn duty to uphold the public interest. In the case of a private entity official, corruption is violation of a contractual duty to uphold the lawful interests of the entity or its owners. In either circumstance, corruption involves specifically an agent's violation of some duty toward a principal in exchange for private benefits (commonly but not necessarily money) (Windsor, 2008)

The abuse of entrusted power for private gain. Corruption can be classified as grand, petty and political, depending on the amounts of money lost and the sector where it occurs (Transparency International, 2017)

The act or effect of giving or receiving a thing of value, in order that a person do or omit to do something, in violation of a formal or implicit rule about what that person ought to do or omit to do, to the benefit of the person who gives the thing of value or a third party (Argandona, 2003)

Corruption is an improbity or decay in the decision-making process in which a decision-maker (in a private corporation or in a public service) consents or demands to deviate from the criterion, which should rule his decision making, in exchange for a reward, the promise or expectation of it (van Duyne, 2001: 76)

Corruption: In practice

Corruption… the abuse of power for private gain.

Causes?

'Rotten apples': corrupt individuals

'Rotten barrels': corrupting organisational cultures

C

Creating Shared Value (CSV): Textbook

Refers to the idea that companies could bring business and society back together if they redefined their purpose as creating “shared value”—generating economic value in a way that also produces value for society by addressing its challenges. A shared value approach reconnects company success with social progress. Firms can do this in three distinct ways: by reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company’s locations (Porter and Kramer, 2011)

C

Popularised by Michael Porter and Mark Kramer, who define CSV as ‘policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates’ (Porter and Kramer, 2011: 66). Companies are supposed to embrace CSV by reconceiving products and markets, redefining productivity in the value chain and enabling local cluster development (Rasche, Morsing and Moon, 2017: 484)

Shared value is a management strategy in which companies find business opportunities in social problems. While philanthropy and CSR focus efforts on “giving back” or minimizing the harm business has on society, shared value focuses company leaders on maximizing the competitive value of solving social problems in new customers and markets, cost savings, talent retention, and more (Shared Value Initiative, 2017)

Creating shared value is a framework for creating economic value while simultaneously addressing societal needs and challenges. When businesses act as businesses—not as charitable donors—they can improve profitability while also improving environmental performance, public health and nutrition, affordable housing and financial security, and other key measures of societal wellbeing. Only business can create economic prosperity by meeting needs and making a profit, creating infinitely scalable and self-sustaining solutions (Harvard Business School Institute for Strategy & Competitiveness, 2017)

Creating Shared Value (CSV): In practice

Creating Shared Value (CSV) is about bringing business and society together for mutual benefit.

C

Why?

- Generating economic value in a way that also produces value for society by addressing its challenges.
- Enhancing the competitiveness of a company while simultaneously advancing the economic and social conditions of the communities in which the company operates.

How?

- Reconceive your products and markets,
- Redefine productivity in the value chain, and
- Build supportive industry clusters where the company operates.

Due Diligence: Textbook

D

Due diligence refers to an in-depth analysis of a company, organisation or project. It can be a legal requirement or it can be performed on a voluntary basis. Often, due diligence is exercised prior to major business transactions (e.g. a merger or an acquisition). In the CSR context, due diligence is especially used in the context of human rights (Rasche, Morsing and Moon, 2017: 485)

Due diligence is a standard of vigilance, attentiveness, and care that is often exercised in various professional and societal settings. The effort is measured by the circumstances under which it is applied, with the expectation that it will be conducted with a level of reasonableness and prudence appropriate for the particular circumstances. Due diligence is generally expected in any interaction when one party owes a duty of care to the other party, although it is most often associated with professionals and businesses (Sprague and Valentine, 2008: 624)

Due diligence is a term most commonly used for the process whereby a potential purchaser evaluates a target company for acquisition. It amounts to an investigation of a potential investment that includes reviewing all financial records plus anything else deemed material to the sale. Offers to purchase are usually dependent on the results of due diligence analysis… Conducting an assessment of the organisation's ethics as part of a due diligence can add considerably to the depth of insight into the target company. For an ethics assessment to add this value, it is crucial that it is an accurate and reliable assessment (EthicsMonitor, 2017: para. 1-3)

Due Diligence: In practice

Due diligence… working hard to analyse, assess and address specific legal requirements of the organisation

… often performed prior to major business transactions (e.g. a merger or an acquisition).

D

Why?

In values-driven business – the consideration of what constitutes acting reasonably and with prudence where the organisation has a duty of care to another party;

How?

Examine:

- The 'values-driven business' policies and activities of an investment target; The link between values-driven business and legal liabilities, e.g.: are the CSR disclosures/commitments of an organisation true or misleading?
- The likelihood of conflicts between the organisation and community stakeholders;

Use external frameworks: e.g.: the United Nations Guiding Principles on Business and Human Rights and their recommendations on human rights due diligence (see below).

Due Diligence on Human Rights: Textbook

The UN Guiding Principles for Business and Human Rights understand due diligence as a process by which a firm can understand, monitor and mitigate its impact on human rights. Human Rights Due Diligence (HRDD) is a process that protects society from risks caused by a particular firm and which also protects the firm against risk exposure (e.g. reputational risk) (Rasche, Morsing and Moon, 2017: 485)

Businesses operate in an increasingly complex environment. The issue of human rights is a relatively new feature for corporate due diligence, needing new policies and practices in the operations and supply chains of companies… Human rights due diligence involves the actions taken by a company to both identify and act upon actual and potential human rights risks for workers in its operations, supply chains and the services it uses… ETI recommends that companies' approach to due diligence is based on multi-stakeholder engagement and collaborative action throughout the processes of: i) Investigation and analysis; ii) Identification of the mitigation actions to be taken; iii) Remediation for workers impacted by human rights violations; iv) Monitoring, review and reporting (Ethical Trading Initiative, 2017)

The UN holds that corporate responsibility includes due diligence to not infringe on the rights of others – what has been termed human rights due diligence. Human rights due diligence contains four elements: (1) development of human rights policy statement, (2) periodic assessment of actual and potential human rights impacts of corporate activities and relationships, (3) integrating commitments and assessments into internal systems, and (4) tracking and reporting human rights performance … Human rights due diligence becomes the process of investigating how well a corporation is meeting the best practices of protecting human rights (Coombs and Holladay, 2012: 184)

Due Diligence on Human Rights: In practice

Due diligence on Human Rights … involves the actions taken by a company to both identify and act upon actual and potential human rights risks for workers in its operations, supply chains and the services it uses.

D

Why?

The United Nations Guiding Principles on Business and Human Rights is a reflection of an expectation that all businesses have a role in protecting human rights across the globe.

How?

- development of human rights policy statement
- periodic assessment of actual and potential human rights impacts of corporate activities and relationships
- integrating commitments and assessments into internal systems, and
- tracking and reporting human rights performance.

Environmental and Social Governance (ESG): Textbook

Investors, both individual and institutional, appear to be increasingly interested in corporations' activities that arguably extend beyond simply maximizing shareholder wealth. Three areas that are the subject of the most scrutiny are firms' environmental footprints, the degree to which they exhibit a sense of social responsibility, and their corporate governance. In fact, a new acronym has been developed to jointly capture firms' actions in these areas: ESG (Environmental, Social, and Governance) (Gillan et al., 2010: 1)

The concept of ESG issues refers to extra-financial material information about the challenges and performance of a company on these matters. It thus delivers additional relevant information, allowing more differentiated investment judgements by enabling investors to better assess risks and opportunities (Bassen and Kovacs, 2008: 184)

ESG (environmental, social and governance) is a generic term used in capital markets and used by investors to evaluate corporate behaviour and to determine the future financial performance of companies. ESG factors are a subset of non-financial performance indicators which include sustainable, ethical and corporate governance issues such as managing the company's carbon footprint and ensuring there are systems in place to ensure accountability (Financial Times, 2018)

Environmental and Social Governance (ESG): In practice

ESG refers to the extension of the organisational processes and procedures to include and govern those dimensions of organisational life that pertain to social, environmental and ethical performance.

E

Why?

Understand growth opportunities and risks associated with environmental and social issues.

How?

Benchmark policies and procedures against peers in your industry.
Join professional associations in the ethics, CSR and compliance areas.
Use a common reporting framework, e.g.: Global Reporting Initiative.

Environmental Performance: Textbook

E

- Environmental performance (EP) is related to the outcome of a firm's strategic activities that manage environmental impacts (Walls et al., 2012)
- EP shows the performance of an organization with respect to environmental responsibility (Yang et al., 2011)
- EP concerns the level of a firm's activities with respect to environmental impacts (Ienciu and Napoca, 2009)
- Environmental performance assesses the track record of organisations against specified objectives of environmental quality and resource use efficiency (OECD, 2005)

Environmental Performance: In practice

Environmental performance of an organisation is related to its performance in terms of the impacts it has on the environment and natural resources.

E

Why?

Avoiding the ‘tragedy of the commons’, i.e. natural resources that belong to everyone in society and on the globe being depleted or damaged without being controlled, costed, paid for or replenished.

How?

Displaying what the organisation does to protect and nurture the environment, both proactively and after resources have been utilized.
Limiting any adverse environmental effects proactively and mitigating and paying for any adverse effects.

Many other debates exist…For example: can ‘carbon pricing and trading’ accurately cost and arrange fair transactions? Should natural resources be costed and traded?

Ethical Decision Making: Textbook

E

Ethical decision-making is a cognitive process that considers various ethical principles, values, and virtues to guide or assess individual or organisational decisions or intended actions. It helps organisations to determine the right course of action or/and assess whether intended actions are right. Robert W. Kolb (2008) offers a seven-step ethical decision-making process: i) identify the ethical dimensions embedded in the problem; ii) collect relevant information; iii) evaluate the information according to ethical guidelines; iv) consider possible action alternatives; v) make a decision; vi) act or implement; vii) review the action, modify if necessary (Kolb, 2008)

Ethical Decision Making: In practice

Ethical Decision-Making … choosing the course of action or inaction that best protects the organisation's values, adheres to legal principles, and promotes virtuous behaviour.

E

Why?

Underpin decision making by considering various ethical principles, values and virtues in the light of what is commonly accepted in society as right and wrong.

How?

A simple guide for decision-making has been developed…

The Ethics Quick Test:

1. Is the action/ inaction legal?
2. Does it comply with the organisation's codes of ethics / codes of conduct, and with professional codes of conduct?
3. How would this look in the newspaper?
4. Does it comply with the Golden Rule of "Do unto others what you would like them to do to you"
5. How does it make you feel? Can you sleep at night?

Ethics … Morality: Is there a difference?: Textbook

Morality refers to the whole of the norms and values existing in society, including both private and public beliefs about appropriate action.

E

While…

Ethics involves asking critical questions about whether these norms and values are in fact the right ones to uphold, and if so, how we should act in accordance with them.

Ethics … Morality: Is there a difference?: In practice

Yes and no… often used interchangeably, but making a distinction can help us in business…

Ethics allows us, for instance, to:

1. Say that some societal norms, like gender discrimination, is wrong
2. Identify the norms and values that are most important to a specific sphere of life, like business, leaving private morality (like sexual norms) and public morality (like cultural and religious norms) aside
3. Making decisions on how to act on specific values

Ethical (Ethics) Culture: Textbook

The extent to which employees at all levels are committed to doing what is right and successfully upholding values and standards. Ethics culture includes ethical leadership (tone at the top); supervisor reinforcement of ethical behaviour; and peer commitment to support one another in doing right (Ethics and Compliance Initiative, 2017)

In business ethics, ethics culture often refers to a kind of ideal moral environment that is created by shared beliefs about right and wrong in organizations. Such a situation implies that people are always conscious about the moral implications of their actions and take that into consideration when they make choices... It is premised on an understanding that living according to principles and in line with one's virtues is superior to a life without principles and virtues (Painter-Morland and ten Bos, 2011: 338-9)

Ethical culture is the one in which employees are empowered and expected to act in ethically responsible ways even when the law does not require it. A corporate culture sets the expectations and norms that will determine which decisions are made (Hartman and DesJardins, 2008: 116)

Ethical culture as a combination of organizational structures, systems, and practices that can influence employees' ethics related attitudes and direct their ethical conduct. Ethical culture was defined as a subset of the overall organizational culture that represents the interplay of multiple formal and informal cultural systems that either work together or at cross-purposes to support ethical or unethical conduct (Treviño, 2008: 777)

Ethical (Ethics) Culture: In practice

Ethical culture… tacit beliefs system about appropriate or inappropriate ways of behaving and being within an organisational environment…

Why?

The management of ethical organisational cultures has become a central responsibility of Boards of Directors

How?

Ethical culture depends on both formal (policies, procedures, rewards, etc.) and informal systems (peer pressure, mentoring, leadership examples, etc.) within an organisation

Ethical Dilemma: Textbook

An ethical dilemma involves a situation where there is uncertainty regarding what is the proper or right thing to do (Weber, 2008)

An ethical dilemma is a moral situation in which a choice has to be made between two equally undesirable alternatives. Dilemmas may arise out of various sources of behaviour or attitude, as for instance, it may arise out of failure of personal character, conflict of personal values and organizational goals, organizational goals versus social values, etc. (Fernardo, 2012)

E

Ethical Dilemma: In practice

Being 'stuck'… An ethical dilemma emerges when there are two equally valid values-driven ethical actions, but following one course of action means undermining the other.

How does this happen?

i. there is a conflict between two, equally valid ethical principles or values;

ii. there is a conflict within an ethical principle or value, or

iii. when stakeholder interests conflict.

Fair Trade: Textbook

Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair Trade Organizations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade (F.I.N.E. 2001)

E

Fairtrade is about better prices, decent working conditions, local sustainability, and fair terms of trade for farmers and workers in the developing world. By requiring companies to pay sustainable prices (which must never fall lower than the market price), Fairtrade addresses the injustices of conventional trade, which traditionally discriminates against the poorest, weakest producers. It enables them to improve their position and have more control over their lives (Fairtrade Foundation, 2017)

Fair Trade: In practice

Fair trade emerges from organizations' commitment to promote equitable business transactions globally.

Why?

To avoid the exploitation of certain stakeholders, like farmers and workers. To address the unfair distribution of economic and social benefits which may negatively impact certain countries, typically in the 'Global South'.

How?

Working with the third parties to establish better prices, decent working conditions, local sustainability, and fair terms of trade for farmers and workers in the developing world.

Fiduciary Duty: Textbook

A fiduciary is a person who has been entrusted with the care of another's property or other valuables and who has a responsibility to exercise discretionary judgment in this capacity solely in the interest of this other person's interest… A fiduciary duty may be defined as the duty of a person in a position of trust (a fiduciary in a fiduciary relationship) to act solely in the interests of another (the beneficiary) without gaining any material benefit except with the knowledge and consent of that other person (Boatright, 2008)

Fiduciary duty is a legal duty to act on behalf of or in the interests of another (Hartman and DesJardins, 2008: 474)

Fiduciary duties are duties which arise out of a special trust relationship that people have with each other. If someone trusts you, you will have a special kind of duty. In business ethics, the notion of a fiduciary relationship especially applies to the relationship between managers and shareholders (Painter-Morland and ten Bos, 2011: 340)

Fiduciary Duty: In practice

It’s about trust! A fiduciary duty… is a when one is trusted to take care of something of value to another party.

Examples include… trustees, guardians, executors, agents, and, in business, directors, officers, and executives of corporations.

F

How?

- performs solely in the interest of a beneficiary
- not taking improper advantage of the position of trust

Global Value Chain: Textbook

G

World trade and production are increasingly structured around global value chains (GVCs). A value chain can be simply defined as the full range of activities that firms and workers do to bring a product from its conception to its end use and beyond. Typically, a value chain includes the following activities: design, production, marketing, distribution and support to the final consumer. The fact that they are increasingly spread over several countries explains why the value chain is regarded as "global"... Global value chain analysis gives insights on economic governance and helps to identify firms and actors that control and coordinate activities in production networks. Understanding governance structures is important for policymaking, in particular to assess how policies can have an impact on firms and the location of activities (OECD, 2012: 7)

GVC analysis explains how the outsourcing and offshoring of production are 'driven' by strategies and decisions of 'lead firms' in value chains. These groups of firms define the terms of supply chain membership, incorporate or exclude other actors, and allocate where, when and by whom value is added (Rasche, Morsing and Moon, 2017: 485)

The global value chain research approach is widely used by academics and practitioners to conduct detailed research on the structure and dynamics of global industries to understand where, how, and by whom economic, social and environmental value is created and distributed... Studies that use the GVC framework typically follow a research approach that involves two main steps: value chain mapping and analysis. Value chain mapping is the process of identifying the geography and activities of stakeholders involved from taking a good or service from raw material to production and then to the consumer (input-output). Value chain analysis seeks to determine the role dynamic factors (governance, institutions and inter-firm relationships) play in influencing the location, development and competitiveness of a product or service. This also includes identifying potential interventions and leverage points to initiate change (Duke University Global Value Chains Initiative, 2017)

Global Value Chain: In practice

Global Value Chain (GVC) is a value chain analysis performed through world-wide inter-firm networks

Why? It enables the practitioners to determine potential interventions and leverage points to activate change

G

How?

i. value chain mapping; the process of identifying the geography and activities of stakeholders involved from taking a good or service from raw material to production and then to the consumer (input-output),

ii. value chain analysis; the process of analysing the role dynamic factors (governance, institutions and inter-firm relationships) play in influencing the location, development and competitiveness of a product or service.

Greenwashing: Textbook

Greenwashing is an application of the term ‘whitewashing’ to exaggerated environmental claims by organisations. More precisely, it refers to the simultaneous existence of two firm behaviours: poor CSR performance and positive communication about this performance. Greenwashing is used to create a misleading impression of an organisation’s CSR performance in the eyes of consumers, investors, governmental actors and other stakeholders (Rasche, Morsing and Moon, 2017: 486)

Greenwashing, a pejorative term derived from the term whitewashing, was coined by environmental activists to describe efforts by corporations to portray themselves as environmentally responsible in order to mask environmental wrongdoings. While the term has been used within activist circles since the late 1980s, it was not until 1999 that it was added to the Concise Oxford English Dictionary and officially recognized as part of the language. Consequently, some of the literature relating to greenwashing uses more neutral terms to describe this and related activities, including “environmental advertising,” “environmental public relations,” “green marketing,” and “green communications” (Whellams and MacDonald, 2008: 1042)

Greenwashing is the term used to describe the representation that a product or service is more socially or environmentally friendly than it actually is (Sanders and Wood, 2015: 202)

Greenwash can be thought of a form of environmental public relations. It ... refers to the phenomena of organisations trying to cover up environmentally and/or socially damaging activities. Sometimes the greenwash is just with rhetoric, and at other times with minor or superficial environmental reforms... Greenwashing is clearly linked to the manipulation of image by the media and advertising industry (Benn and Bolton, 2011: 115)

Greenwashing: In practice

… it's misleading about the organisation's environmental performance… Greenwashing … creating the false perception in the eyes of consumers, investors, governmental actors and other stakeholders that the organisation cares about the environment.

G

WHY:

to camouflage wrongdoings by spreading false, misleading or incomplete information about environmental performance

HOW?

- Portraying an image of the organisation being socially and environmentally responsible through media and advertising channels
- Engaging in false or selective reporting practices

Integrated Reporting (IR): Textbook

IR aims at combining elements of financial and non-financial reporting in order to offer a more comprehensive perspective on corporate performance and value creation. IR was set up in order to account for the fact that different factors determine the value of an organisation. IR looks at these factors in an integrated way in order to understand interaction effects between financial and non-financial value drivers (Rasche, Morsing and Moon, 2017: 486)

Integrating reporting is producing joint reports on financial, environmental and social performance (Blowfield and Murray, 2011: 352)

IR is a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation. An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term (International Integrated Reporting Council, 2017)

IR aims to build on reporting developments to provide a more holistic form of reporting the value created by a business, by considering non-financial resources such as human, social and intellectual capitals as well as financial capital. Active consideration of how these capitals impact on the business, and on society generally, requires integrated thinking to ensure all business functions (e.g. sustainability, strategy, human resources, operations), not just the finance function, are involved in identifying and collecting data for these capitals, and looking at their connectivity – and how value creation affects the business now and in the future (ICAS, 2017)

Integrated Reporting (IR): In practice

Integrated Reporting (IR)... integrating social, environmental, and governance and ethics reporting WITH financial reporting

I

Why?

- the value of an organisation is determined by both material and immaterial factors
- assets include financial assets as well as non-financial assets such as human, social and intellectual resources
- the interaction between material and immaterial resources may lead to the creation of value in the short, medium and long term
- offers a holistic perspective on an organisation's value creation and performance over time

How?

Using reporting frameworks like that of the Global Reporting Initiative: www.globalreporting.org

Integrity: Textbook

In business ethics, integrity describes how people live the moral values they say they believe in. For a person to have integrity, they need to know what their moral values are and then strive to model them in their behaviour. In this sense, the antonym of integrity is *hypocrisy* and to doubt the integrity of another without just cause is *cynicism* (Financial Times, 2018)

I

Integrity can be defined as the quality of being honest and morally upright. Integrity is a crucial foundation for all trustworthy stakeholder relations in business. More specifically, integrity is both a personal and a social capacity to coherently process moral awareness, deliberation, character, and conduct, to regularly render balanced and inclusive judgments regarding moral results, rules, character, and context, to routinely demonstrate mature moral reasoning and relationship development, and to design and/or sustain morally supportive intraorganizational and extraorganizational systems (Petrick, 2008: 1)

Having 'integrity' is commonly described as being consistent in one's application of one's beliefs, moral values, or principles. It is often related to honesty ... However, integrity can also be described using moral discretion in a way that displays a congruent character over time. This means displaying the kind of character in which one's values are evident, even if one treats specific cases in a different manner. It can also be related to displaying practical wisdom in the Aristotelian sense, which means doing the right, moral thing at the right moment (Painter-Morland and ten Bos, 2011: 343-4)

Integrity: In practice

On an individual level, integrity means to act consistently on your values, or at least establish congruence with your values in different actions over time.

On an organisational level, it involves ensuring that all organisational decisions and actions are aligned with the organisation's stated values.

I

Why?

Individuals with integrity can be trusted.

Corporate reputation depends on whether the organisation is perceived to be consistent in acting on its values in terms of its economic, social and environmental performance.

Avoiding accusations that the organisation ‘greenwashes’ or ‘white-washes’ its activities.

How?

Allowing individuals to voice their values and to openly dissent when their values are violated.

Encouraging debate about how organisational values apply to specific cases.

Challenging rationalisations of unethical behaviour by referring to values.

Liability: Textbook

In general, liability conveys that a business can be held legally responsible for harms (e.g. environmental, social, product-based) to others caused by said business's activities (Palmer, 2008)

L

Liability aims at making the causer of damage (business) pay for remedying the damage that the business has caused (European Commission, 2000)

Liability: In practice

When business wrongdoing occurs on individual or organisational level, corporations are held accountable by law to remedy the damage or make financial amends.

Individual agents of the organisations are also held liable in their personal capacity, and face the consequences of fines or imprisonment.

Licence to Operate: Textbook

- Grant of permission to undertake a trade or carry out a business activity, subject to regulation or supervision by the licensing authority (Nielsen, 2013)

Refers to ongoing acceptance of a company or industry's standard business practices and operating procedures by its employees, stakeholders and the general public (investopedia, 2018)

L

Licence to Operate: In practice

… permission to undertake a business activity is granted.

Why?

The ongoing acceptance of an organisation's operations and activities by its employees, stakeholders and the general public is necessary for smooth operations.

How?

- Formally: granted by the relevant state authority when the latter finds the applicant professionally competent in meeting certain rules, principles, and standards set by law or regulation.
- Socio-culturally: the perception amongst stakeholders that an organisation is not harmful to their society and the environment.

Multi-Stakeholder Initiatives (MSIs): Textbook

M

MSIs are means of addressing specific global governance problems and therefore have broader aims than do partnerships. MSIs reflect a particular way of governing CSR standards. Within MSIs the authority for designing and enforcing relevant rules is shared between different interest groups, which, as a whole, cross the state/non-state and profit/non-profit boundaries. Typical stakeholder groups that participate in MSIs are: businesses, NGOs, governments, academics and professionals, and unions (Rasche, Morsing and Moon, 2017: 487)

In a globalizing world, governments are not always able or willing to regulate the social and environmental externalities of global business activities. Multi-stakeholder initiatives (MSI), defined as global institutions involving mainly corporations and civil society organizations, are one type of regulatory mechanism that tries to fill this gap by issuing soft law regulation (Mena and Palazzo, 2012: 1)

[MSIs are] mechanisms to address complex societal problems whose causes span diverse institutions and whose resolution requires the alignment and application of different competencies and locations of authority and power (Fowler and Biekart, 2017: 82)

MSIs can be defined as a collaborative form of governance for CSR issues voluntarily involving an array of stakeholders, which, as a whole, cross the state/non-state and profit/non-profit boundaries. Possible actors within MSIs include: (transnational) firms, civil society organizations, trade unions, academic institutions, national governments, and intergovernmental organizations. Based on multi-stakeholder processes, MSIs define, implement, and enforce rules that direct corporations' behavior with regard to social and environmental issues (Rasche, 2012: 683)

Multi-Stakeholder Initiatives (MSIs): In practice

... collaborating towards a new democratic form of governance globally.

M

Why?

To design and implement 'soft law' to regulate social and environmental issues.

How?

Typically stakeholder groups that participate in MSIs are: businesses, NGOs, governments, academics and professionals, and trade unions.

Organisational Legitimacy: Textbook

O

Organisational legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions (Suchman, 1995: 574)

Organisational legitimacy is a form of resource that an organisation depends on for its survival. To fulfil and maintain legitimacy an organisation needs to display competency. That is, the organisation should meet socially constructed standards of quality and desirability as well as perform in accordance with accepted standards of professionalism. In effect, to maintain legitimacy, an organisation must demonstrate utility (Samkin, Allen and Wallace, 2010: 24-5)

Organisational legitimacy concerns the adoption of appropriate institutional structures and practices that are consistent with social norms and by conforming to widespread understanding of what is considered appropriate, acceptable, and necessary (Ogden and Clarke, 2005)

In the field of CSR, there are two different forms of legitimacy. Input legitimacy refers to whether an organisation's decisions reflect the preferences of those that are being governed by this decision. In other words, input legitimacy deals with questions of accountability and representation of relevant stakeholders in decision-making. Output legitimacy deals with an organisation's ability to provide an effective solution to the policy issues that are being addressed (e.g. whether or not its rules are enforced) (Rasche, Morsing and Moon, 2017: 486)

Organisational Legitimacy: In practice

...displaying accepted standards of quality, values, and professionalism

O

Why?

To ensure long-term survival.

How?

Implementing appropriate structures, policies and practices.

Establishing mechanisms of accountability and representation for relevant stakeholders within organisational decision-making processes.

Philanthropy: Textbook

P

Philanthropy, originating from Greek, means 'love for humanity' in the sense of caring and helping people in need. In the CSR context, philanthropy refers to charitable donations by corporations (either financially or in-kind). Although traditional philanthropy can be viewed as part of CSR, it is not at its core, as philanthropic activities do not directly relate to a corporation's value and supply chain. Philanthropy is about how profits are used, not about how they are made. Often, philanthropy is used by businesses to create better relationships to the local communities around them. Some companies endeavour to use their philanthropy in strategic ways (e.g. in alignment with employee volunteering) (Rasche, Morsing and Moon, 2017: 488)

Corporate philanthropy is the practice by companies of giving charitable donations to a wide range of societal institutions, especially nonprofit or nongovernmental organizations (NGOs), including social service agencies, environmental groups, housing and poverty agencies, schools and universities, hospitals, and other organizations, whose goals are to benefit society in some way… CSR with its elements of philanthropy is part of the larger picture of companies' corporate citizenship, which is defined as the ways in which a company's strategies and practices, that is, the business model, affect its stakeholders, society, and the natural environment (Waddock, 2008: 487)

Philanthropy refers to business giving. Business is expected to give to charitable causes, to institutions of higher learning, and to the community. Business does this through direct contributions of money and employee voluntarism and through indirect means as well (Carroll, 2009: 17)

Philanthropy refers to efforts to promote human well-being, often through donations to charitable organizations (Griseri and Seppala, 2010: 465)

Philanthropy: In practice

Philanthropy relates to those corporate actions directed solely at addressing certain societal needs, even if unrelated to the organisation's core business.

Why?

Philanthropic donations to local charities / community organisations can be of particular value if their capacity to generate funds are limited;
Can be criticised for being irrelevant, or used as means to improve local legitimacy.

How?

Engagement via intermediary networks;
Engagement via employee links with a particular organisation or cause;
Consider the value and potential impact of philanthropic donations; finance, time, and practical support.

P

Political Corporate Social Responsibility (PCSR): Textbook

P

Political CSR suggests an extended model of governance with business firms contributing to global regulation and providing public goods. It goes beyond the instrumental view on politics in order to develop a new understanding of global politics where private actors such as corporations and civil society organizations play an active role in the democratic regulation and control of market transactions. These insights may enrich the theory of the firm with a more balanced view on political and economic responsibilities in a globalized world (Scherer and Palazzo, 2011: 901)

We refer to political CSR as activities where CSR has an intended or unintended political impact, or where intended or unintended political impacts on CSR exist (i.e. impacts related to the functioning of the state as a sphere of activity that is distinctive from business activity) (Frynas and Stephens, 2014: 485)

The political perspective on CSR looks at how corporations are turned into political actors 'by engaging in public deliberations, collective decisions, and the provision of public goods or the restrictions of public bads in cases where public authorities are unable to or unwilling to fulfil this role (Scherer et al., 2016: 276). It analyses corporations' contributions to (global) governance, such as, but not limited to, firms' engagement in multi-stakeholder initiatives (MSIs). Political CSR is closely related to the concept of corporate citizenship (Rasche, Morsing and Moon, 2017: 488)

Political CSR relate to a corporation's social and political obligations as a result of its social power and impact on society, calling on social contract theory which surmises that companies who do not use their social power effectively and responsibly will lose it. This grouping includes theories around global corporate citizenry, seen as increasingly significant in an era in which resources at a state level are challenged to meet the basic social, welfare and other infrastructural requirements of citizens (Benn and Bolton, 2011: 57-58)

Political CSR refers to activities that go beyond traditional philanthropy or corporate social responsibility (CSR) programs in that they place firms in quasi-governmental roles where major decisions about public welfare and social provision have to be made (Valente & Crane, 2010: 52)

Political Corporate Social Responsibility (PCSR): In practice

... an extended model of governance with business firms contributing to global regulation and providing public goods

Why?

- business has the means to provide public goods or to restrict public harm in cases where public authorities are unable to or unwilling to fulfil this role
- businesses that do not engage in ethical political CSR activities; in other words, that do not use their social power effectively and responsibly to make positive political impact on society are destined to fail in the long term

How?

- Engaging in welfare issues, collective decisions, human rights protections, etc.
- Engaging in multi-stakeholder initiatives (MSIs) and global corporate citizenship

(Compliance) Risk Management: Textbook

R

Compliance risk is the potential loss in terms of an organization's financial, organizational, or reputational standing resulting from violations of laws or/and regulations. At its broadest, compliance risk management is the process of managing organisation's compliance to meet laws and regulations within a workable timeframe and budget. The process might consist of the following steps: i) identifying material laws and regulations; ii) advising and supporting the Management Board to implement effective procedures for compliance with applicable material laws and regulations, and the setup of the corresponding controls; iii) monitoring the coverage of new or changed material laws and regulations; iv) assessing the coverage of all existing material rules and regulations; v) reporting to the Management and Supervisory Boards on at least an annual basis (Deutsche Bank Annual Report, 2005)

Compliance risk management, in general, involves identifying, prioritising, and assigning accountability for managing existing or potential threats related to legal or policy noncompliance that could lead to fines or penalties, reputational damage, or the inability to operate in key markets (Deloitte, 2018)

(Compliance) Risk Management: In practice

Compliance risk management is a process which mainly consists of identifying, prioritising, and assigning accountability for managing existing or foreseen threats and risks concerning legal or policy noncompliance.

The absence of this process within a business might lead to fines, penalties, reputational damage, and even the inability to operate in markets in legal terms.

Social Reporting (CSR reports): Textbook

S

CSR reports, respectively triple-bottom-line reports have become tool of communication for Corporate Social Responsibility. Those are voluntary comprehensive reports involving not only economic data, but also information from environmental and social field. These reports tell about the company policy in relationship to the environment, sustainability, or there are directly focused on fulfilling the commitments accepted by the company within the concept of social responsibility. CSR report can help to bring a systematic approach into the management of socially responsible activities, identify future risks and opportunities and thereby contribute to increasing the competitiveness of business and maintain the possibility for long-term business venture. The information is not only for the company, but on the basis of that information enterprise can partly create decision-making process of different types of stakeholders (Moravcikova et al., 2015: 332)

Firms' disclosure of non-financial information to their stakeholders is usually referred to as … CSR reporting. CSR reporting focuses on the communication of environmental, social and governance (ESG) information… CSR reporting is legally required in some countries, at least for publicly listed firms and/or companies exceeding a certain size. Especially larger corporations have their report content externally verified in order to avoid greenwashing allegations. CSR reporting is usually seen as a way to enhance corporate transparency and work towards better corporate accountability (Rasche, Morsing and Moon, 2017: 484)

Social Reporting (CSR reports): In practice

A subsection of triple bottom-line reporting

… the practice of measuring and disclosing the organisation's social performance:

S

WHY?

Being accountable to internal and external stakeholders in terms of organisational performance towards the goal of sustainable development.

HOW?

- social reporting describes performance in terms of sustainable development;
- social reporting involves measurement with respect to the sustainable development criteria or parameters;
- social reporting is a recurring process.

Soft Law: Textbook

Soft law refers to the instruments that are not legally binding, or whose binding force is somewhat “weaker” than that of traditional law, such as principles, norms, standards, or other statements of expected behaviour. Soft law instruments express a preference and not an obligation that an organisation should act, or should refrain from acting, in a specific manner. This expressed preference for certain behaviour aims to achieve functional cooperation among organisations to reach national and international goals (OECD, 2018)

Soft Law: In practice

Soft Law... not legally binding but contains globally accepted normative guidelines about expected behaviour.

Why?

- Aims to achieve functional cooperation among organisations to reach national and international goals.

How?

- Soft law instruments express a preference and not an obligation that an organisation should act, or should refrain from acting, in a specific manner

S

Stakeholders: Textbook

S

In the traditional view of the firm, the shareholder view, the shareholders or stockholders are the owners of the company, and the firm has a binding financial obligation to put their needs first, to increase value for them. However, stakeholder theory argues that there are other parties involved, including governmental bodies, political groups, trade associations, trade unions, communities, financiers, suppliers, employees, and customers. Sometimes even competitors are counted as stakeholders—their status being derived from their capacity to affect the firm and its other stakeholders (Freeman, 2010 [1984])

[Stakeholder] theory … argues that there are many individuals or groups that are or might be affected by the activities of corporations. In this sense, the theory distances itself from the idea that corporations are merely accountable to shareholder… Stakeholders, Freeman argues, expect to obtain benefits of corporate activities too (or at least not be harmed by them) (Painter-Morland and ten Bos, 2011: 349)

A model of corporate social responsibility that holds that business managers have ethical responsibilities to a range of stakeholders that goes beyond a narrow view that the primary or only responsibility of managers is to stockholders (Hartman and DesJardins, 2011: 597)

The claim that corporations are not simply managed in the interests of their shareholders alone, but that there is a whole range of groups, or stakeholders, that have a legitimate interest in the corporation as well (Crane and Matten, 2016: 59)

Based on the notion that many people (and groups of people) have a stake in any corporation and that, in order for a company to achieve its objectives effectively, it must consider them all, not only the shareholders to whom corporations have long discharged accountability (Blowfield and Murray, 2014: 47)

Stakeholders: In practice

Stakeholders… whoever and whatever has the capacity to affect the firm and its other stakeholders. This includes: governmental bodies, political groups, trade associations, trade unions, communities, financiers, suppliers, employees, customers, environment, and even competitors.

S

Why?

Understanding that the organization's responsibilities are not restricted only to its owners/ stockholders.

How?

Planned stakeholder engagement throughout the value-chain to assess perceptions and requirements.
Meaningful reporting.

Strategic Corporate Social Responsibility (CSR): Textbook

S

- Related to the discussion of the business case, strategic CSR implies that there is an economic motivation for engaging in responsible business activities. Strategic CSR assumes that there is no intrinsic (i.e. moral) motivation to design and implement relevant business practices. Rather, CSR is seen as a way to achieve a competitive advantage and to better position a firm in its market environment (Rasche, Morsing and Moon, 2017: 489)
- Strategic corporate social responsibility is the attempt by companies to link those largely discretionary activities explicitly intended to improve some aspect of society or the natural environment with their strategies and core business activities. While corporate social responsibility has historically referred to a firm's economic, legal, ethical, and discretionary responsibilities to society, strategic corporate social responsibility, in general, represents discretionary activities that form a company's community relations function or foundation, including corporate philanthropy, volunteerism, and multisector collaborations (Waddock, 2012: 13)
- A business strategy that is integrated with core business objectives and core competencies to create business value and positive social/environmental value, and is embedded in day-to-day business culture and operations (McElhaney, 2007: 2)
- Given that we [i.e. scholars and practitioners] are primarily concerned with the creation and capture of value by the firm, we define strategic CSR as any "responsible" activity that allows a firm to achieve SCA [sustainable competitive advantage], regardless of motive (McWilliams and Siegel, 2011: 1481)
- The incorporation of a holistic CSR perspective within a firm's stra-

tegic planning and core operations so that the firm is managed in the interests of a broad of stakeholders to achieve a maximum economic and social value over the medium to long term (Chandler and Werther, 2011: 40)

S

Strategic Corporate Social Responsibility (CSR): In practice

… aligning the organisation's core strategy with its CSR practices, i.e. its social and environmental initiatives.

Why?

To achieve a sustainable competitive advantage and a better position in the market environment, i.e. it has a profit motivation rather than an ethical motivation.

How?

Integration and use of CSR practices are approached strategically to achieve competitive advantage and profit over time.

S

Sustainability: Textbook

Sustainability is a value set, philosophy, and approach rooted in the belief that organizations (corporate or otherwise) can and must materially contribute to the betterment of society… Only organizations that provide goods and/or services that are of value to people and/or society more generally, and are dedicated to excellence, interested in the full development of human potential, and committed to fairness, are likely to be sustainable over the long term (Soyka, 2012: 17)

Sustainability can be regarded as comprising three components- environmental, economic, and social. This suggests the following definition: Sustainability refers to the long-term maintenance of system according to environmental, economic and social considerations. The framing of sustainability as a goal for business is encapsulated most completely in the notion of a 'triple bottom line' (Crane and Matten, 2010: 34)

Sustainability: In practice

… an all-encompassing approach rooted in the view that the members of future generations should, at minimum, not be negatively affected by all that we enjoy in the present society, and ideally, that we should leave the world in a better condition than the one we found it in. Both sustainable development, and corporate sustainability, are encompassed within the umbrella term of 'sustainability'.

Sustainability (Corporate): Textbook

Refers to the ability of a company to continue indefinitely by making a zero impact on environmental resources. That way, future generations will also benefit from the goods and services provided and from the employment offered (Blowfield and Murray, 2011: 59)

S

[Corporate] sustainability can be thought of as a business approach that creates long-term value for the organisation by incorporating economic, environmental and social dimensions into its core business decision. More widely, it is referred to so as to contribute to a healthy economy, society and natural environment (Benn and Bolton, 2011: 63)

Sustainability (Corporate): In practice

Corporate Sustainability is concerned with the organisation's capacity to thrive into the future.

Why?

Within corporate sustainability, the interest of the organisation remaining an 'ongoing concern' is central to all social and environmental initiatives (also see 'business case')

How?

Determine opportunities for creating long-term value for the organisation by embracing environmental and social dimensions in core business decisions and activities

Sustainable Development: Textbook

Sustainable development is “an unending process defined neither by fixed goals nor the specific means of achieving them, but by dynamic and moving targets responding to interdependencies between social and ecological systems” (Ceschin and Gaziulusoy, 2016)

S

Sustainability is an evolving concept that expresses holistic thinking integrating society, economy, and ecology. This concept has been advanced to guide actions within present society to ensure continued existence and prosperity into the foreseeable future. Therefore, sustainability can be defined as an integrated understanding of the interconnectedness of human activity with all related man-made and naturally occurring systems. The goal of sustainability is often conflated with the approach needed to attain the goal—sustainable development. Understanding these two terms is an essential first step for addressing a set of global challenges embodied by sustainability. To that end, the Brundtland Commission, created through the United Nations, published a report in 1987 in which sustainable development is defined as seeking to meet the needs and aspirations of present society without compromising the ability to meet those of future generations (Saiia, 2008: 2031)

Sustainable Development: In practice

... recognizes the interdependencies between social and ecological systems

.... tries to ensure that what human beings do to ensure their own flourishing does not harm the environment and the future interests of all species, including human beings to come

... as such, it involves a form of beneficial development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

S

Why?

Meeting business needs of the present through a holistic approach that incorporates business impact on society, the economy and the environment over the long-term. Protecting the ability of future generations to meet their needs and aspirations.

How?

Requires a dynamic, visionary and continual process for responding to the interdependencies between social and ecological systems;

Doing so in a way that meets the needs and aspiration of the organisation and society, without comprising the ability of future generations to meet their own needs.

Sustainable and Responsible Investment (SRI): Textbook

S

The exercise of ethical and social criteria in the selection and management of investment portfolios, generally consisting of company shares (stocks) (Cowton, 1994)

Socially responsible investment (SRI), also known as ethical investment, is an investment discipline that adds concerns about social or environmental issues to the normal ones of risk and return as determinants of equity portfolio construction or activity (Sparkes, 2008)

A new kind of investing – most often called ethical or socially responsible investing – which seeks to integrate certain kinds of non-financial concerns – variously called ethical, social, environmental or corporate governance criteria- in the otherwise strictly financials-driven investment process (Sandberg et al, 2009: 519)

Responsible investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns (PRI, 2017)

SRI is an investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact (US-SIF, 2017)

Sustainable and Responsible Investment (SRI): In practice

… investing which aims to incorporate non-financial criteria -environmental, social and governance (ESG) factors- into the investment decision process which has formerly largely been driven by consideration of financial motives solely (e.g. risk and return).

S

Why?

Sustainable development and ESG will not become a reality if investors do not signal its priority to organisations.

How?

Developing SRI indexes and monitoring compliance with its criteria.
Utilizing tools like 'Impact Barometers' to show the impact of sustainability.

The Triple-Bottom Line: Textbook

T

The argument that companies should be preparing three different bottom lines. One is the traditional measure of corporate profit—the "bottom line" of the profit and loss account. The second is the bottom line of a company's "people account"—a measure in some shape or form of how socially responsible an organisation has been throughout its operations. The third is the bottom line of the company's "planet" account—a measure of how environmentally responsible it has been. The triple bottom line (TBL) thus consists of three Ps: profit, people and planet. It aims to measure the financial, social and environmental performance of the corporation over a period of time. Only a company that produces a TBL is taking account of the full cost involved in doing business (Elkington, 1994)

It refers to the fact that corporate success should not just be measured in terms of financial success, but that social and environmental performance should also be taken into consideration. This has led to triple bottom-line reporting, i.e. reporting on economic, social, and environmental performance (Painter-Morland and ten Bos, 2011: 352)

[Refers to] the new ways of doing business in which business success is measured in terms of economic, ethical, and environmental sustainability (Hartman and DesJardins, 2011: 482)

The triple bottom line term was coined in the 1990s by business consultant John Elkington to describe economic, environmental, and social value of investment that may accrue outside a firm's financial bottom line (Elkington, 2004). The TBL approach aims to more accurately value assets and leverage resources, so that capital is employed as efficiently and effectively as possible. The concept is sometimes referred to as the 3Ps (people, planet, profit), triple value adding (Roberts & Cohen, 2002), and blended value (Emerson, 2003) (Hammer and Pivo, 2016: 1)

The Triple-Bottom Line: In practice

The Triple Bottom-Line… otherwise describes performance in terms of delivering value for People, Planet and in addition to its Profit-generation. i.e. its economic, social and environmental performance.

T

Why?

Show-casing the organisation's social, environmental and broader economic performance to: 1) improve corporate reputation 2) attract and retain top talent 3) ensure ongoing stakeholder trust and cooperation 4) gain competitive advantage.

How?

The notion of 'profit' is redefined: the company's economic performance, though this is defined more broadly than the traditional measure of corporate profit and loss account, i.e. it includes indirect economic impacts like contribution to GDP, contribution to employment, and infrastructure development as well.

Components:

- The company's engagement with 'people' is concerned with how socially responsible an organisation has been throughout its operations
- The company's impact on the planet is a measure of how environmentally responsible it has been
- all of this contribute to establishing the 'true value' of the organisation.

Transparency: Textbook

Conventional notions of transparency suggest insight and clarity, that we can 'see through' all activities: nothing is hidden from view. Transparency is expected to enable corporate accountability, specifically for the disclosure of information relevant to compliance with socially accepted norms and rules. However, communication scholars have pointed to how this ideal may be somewhat illusory because such communicative processes about transparency can be strategically designed to obscure important activities in the interest of, for example, power or profit, and as such, lead to production of new areas of opacity and greenwashing (Rasche, Morsing and Moon, 2017: 490)

Transparency has two general meanings with regard to ethical behavior in business. The first meaning relates to a business's openness to making information about its policies and performance (both financial and social) available to stakeholders. The second relates to corrupt behavior (generally some sort of bribery) with regard to interactions between a business and the government officials with which it interacts (van Buren, 2008: 2102)

The widespread availability of firm-specific information concerning publicly listed firms in the economy to those outside the firm (Bushman, Piotroski and Smith, 2004: 210)

Characteristic of governments, companies, organisations and individuals of being open in the clear disclosure of information, rules, plans, processes and actions. As a principle, public officials, civil servants, the managers and directors of companies and organisations, and board trustees have a duty to act visibly, predictably and understandably to promote participation and accountability and allow third parties to easily perceive what actions are being performed (Transparency International, 2017)

Transparency: In practice

Transparency… just add sunlight…

Why?

Transparency concerns business's openness in terms of clearly disclosing information, rules, plans, processes and actions (past, present and future) to stakeholders.

How?

Acting visibly, predictably and understandably to promote participation and accountability, and allow third parties to easily perceive what actions are being performed.

Note: Some critical scholars, however, forewarn that the process of disclosure might be designed "strategically" in order to obfuscate important organisational activities in the interest of power and profit (see 'greenwashing').

Value Chain: Textbook

The value chain describes the full range of activities that firms and workers perform to bring a product from its conception to end use and beyond. This includes activities such as research and development (R&D), design, production, marketing, distribution and support to the final consumer... In the context of globalization, the activities that constitute a value chain have generally been carried out in inter-firm networks on a global scale. By focusing on the sequences of tangible and intangible value-adding activities, from conception and production to end use, GVC analysis provides a holistic view of global industries – both from the top-down (for example, examining how lead firms "govern" their global-scale affiliate and supplier networks) and from the bottom-up (Gereffi and Fernandez-Stark, 2016: 7)

Value Chain: In practice

Value Chain (VC) = the full range of activities that organisations and workers perform to bring a product from its conception to its end use and beyond.

This includes activities such as research and development (R&D), design, production, marketing, distribution and support to the final consumer.

V

Why?

A holistic understanding of the organisation as well as the industry in which the organisation operates from top-tier governance through to supplier networks.

How?

Employing value chain analysis is a strategic tool.

Virtue Ethics: Textbook

A theory that contends that morally correct actions are those undertaken by actors with virtuous characters, and that the formation of a virtuous character is the first step towards morally correct behaviour. Virtues are 'traits of character that constitute praiseworthy elements in a person's psychology' (Audi, 2012: 273). Virtues can be differentiated into intellectual virtues and moral virtues (Matten and Crane, 2005: 114)

V

Virtue ethics is a tradition within philosophical ethics that seeks a full and detailed description of those character traits, or virtues, that would constitute a good and full human life… An ethics of virtue shifts the focus from questions about what a person should do, to a focus on who that person is (Hartman and DesJardins, 2011: 117)

Virtue ethics is not a system of rules, but rather a set of personal characteristics that, if practiced, will ensure that the individual is likely to make the 'right' choice in any ethically complex situation. Thus, the question for the individual, caught in the maelstrom of an ethically complex situation and appealing to virtue ethics as a guide for action, would ask, 'What would a virtuous person do in this situation?' (Fisher, Lovell and Valero-Silva, 2013: 132)

The virtue ethics approach focuses more on the integrity of the moral actor than on the moral act itself… A virtue ethics perspective considers the actor's character, motivations, and intentions. According to virtue ethics, it is important that the individual intends to be a good person and exerts effort to develop him or herself as a moral agent, to associate with others who do the same, and to contribute to creating in organizational context that supports ethical behaviour (Treviño and Nelson, 2010: 46)

Virtue ethics is concerned with pursuing a certain type of morally inclusive excellence… For present purposes, this approach to ethics can be thought of as exhibiting four basic attributes. Its primary attribute is a strong emphasis on the importance of certain generally accepted virtues of character; indeed it is through honing and perfecting these virtues that an individual becomes truly ethical. Secondly, a strong emphasis is placed on the existence of an active community that nurtures these virtues. Thirdly, virtue-ethics theory makes clear that in the moral life one cannot rely merely on rules or guidelines, in addition an ability to exercise sound moral judgement is requisite. Finally, the successful identification and emulation of moral exemplars or role models is essential for the dissemination of morality within the aforementioned nurturing community (Dobson, 2004: 3)

Virtue Ethics: In practice

Virtue… habituation … acting on your values so frequently that it becomes second nature

Why?

Ethical habituation is a central part of building an ethical organisational culture

How?

Create ethical 'scripts' and 'routines

Signal the importance of ethics in organisational artefacts and key events (like budgets, celebrations)

Focus on role-modelling of ethical behaviours

Whistleblowing: Textbook

W

When a person considers a certain practice within the organization they are working for as harmful to the public weal and decides to report it either to someone else in the organization or to the public, this person will be referred to as a whistleblower. Business ethicists speak of internal whistle-blowing when the wrongful practice is reported through the appropriate channels within the organization… Whistle-blowing only becomes external when the wrongful practice is disclosed to somebody outside the organization (e.g. a journalist). It is especially the external variety if whistle-blowing that is considered to be morally problematic for it breaches the bond of loyalty in order to answer to a certain public concern. Moral judgements on whistle-blowing differ across countries and cultures (Painter-Morland and ten Bos, 2011: 354)

"Whistle-blowing" in the context of business ethics refers to a practice of informing either a superior, a compliance or regulatory agency, or the general public of some action done or about to be done by an organization or some individual in that organization that would be harmful, unjust, in violation of human rights, illegal, run counter to the defined purpose of the organization, or otherwise immoral. An alternative definition of whistle-blowing stipulates that it is a purposeful revelation made by a person who somehow has special access to information concerning the organization. This person is aware of either an actual or suspected non-inconsequential wrongful action that either concerns or implicates the organization and proceeds to inform an individual in the organization or outside of the organization with the ability to rectify the situation (Duska, 2008: 2225)

Whistleblowing is when an employee, contractor or supplier goes outside the normal management channels to report suspected wrongdoing at work, i.e. speaking out in a confidential manner. This can be done via internal processes set up by the organisation (internal whistleblowing) or to an external body such as a regulator (external whistleblowing) (Chartered Institute of Internal Auditors-UK, 2014: 4)

Whistleblowing: In practice

W

Whistleblowing… speaking out about an organisational wrongdoing that would be harmful, unjust, in violation of human rights, illegal, run counter to the defined purpose of the organization, or otherwise immoral.

Why?

An official whistleblowing line guaranteeing safe, anonymous reporting of wrongdoing helps the organisation to proactively identify misconduct before it becomes harmful to the organisation's reputation or its stakeholders

How?

Internally: wrongful practice is reported through the appropriate channels within the organisation

Externally: disclosing organisational wrongdoing to somebody outside the organisation because all internal channels have been exhausted or because no internal whistle-blowing line exists

Practitioner Interviews: Sector summary

The research team conducted 14 interviews with senior Ethics, Compliance, CSR and Sustainability managers, who will remain anonymous due to requirements of research ethics. Our interviews with these practitioners sought to understand the **nature of values driven roles and responsibilities**. This included exploring qualifications and competencies associated with the role, and elements associated with 'vocabulary' such as determinants for choosing role titles, and their meaning within a given organisational context. We also sought to understand if and how **responsibilities had changed** with the evolution of values-driven roles. Finally, we attempted to identify elements of coordination and integration of values-driven roles across business functions, and barriers to such coordination.

In this section, we draw upon data from ten interviews, across three sectors: (i) Banking and Financial Services; (i) Retail; and (iii) Extractives and Utilities. This Sharing Vocabularies project did not conduct an empirical evaluation of the effectiveness of the coordination of values-driven business within the respective roles and functions that were referred to in the interviews. However, the interview schedule provided interviewees with the opportunity to describe the evolution of their particular role and function over time, from their perspective. Most interviewees responded to this by sharing quite openly about various factors which they felt helped to support the implementation and coordination of values-driven business across functions. It is these insights, which we draw upon here, with particular reference to Practitioner examples of elements, that they believe supported cooperation on VDB.

Sector summary:
Banking and Financial Services

We conducted in-depth interviews with three Banking and Finance groups, all of which hold significant market share in their home country, with extensive international reach, either globally or across their geographic region.

Interviewee role titles

- Head of Compliance and Integrity
- Head of Sustainable, Banking, Integration and Programmes
- Head of Responsible Investment

Role responsibilities: Responsibilities broadly fell into two areas. Firstly, responsibility for compliance with relevant legislative requirements and sector based voluntary mechanisms (e.g.: Principles for Responsible Investment). However, as a function 'compliance' was also viewed as an entry point for the communication and management of these activities. This was seen in an increasing commitment to adopt a cooperative approach that added value by supporting employees to solve problems before they become more serious risk management/compliance issues.

The second area of responsibility encompassed more broad-based leadership on VDB, and challenging the organisation to make consistent progress in this area. This included acting as internal consultants on issues related to sustainable banking; oversight of spending on community based programmes; reporting (e.g.: for Dow Jones Sustainability Index, or the Global Reporting Initiative); stakeholder engagement stakeholder engagement and coordination with external agencies who are experts on sustainability issues.

Personal experience and competencies:

The interviewees had various backgrounds in compliance / anti-corruption, journalism, procurement / supply chain, and sustainable banking and finance.

It was also noted that extensive experience in the field of values-driven business was essential. In particular, an understanding of how the field of VDB has evolved, along with the pitfalls and challenges, can be critical for dealing with internal or external stakeholders who question the relevance of VDB.

Coordination with other functions: Where necessary, coordination takes place with multiple functions including Legal; Internal audit; Risk and conduct; Compliance (two interviewees were not situated within a Compliance department); Procurement; HR; Property services; Marketing / Communications; CSR and Environment (which in one case was situated within Marketing); Sales; and Strategy and Management.

Where the organisation is situated within a Global Group: upward coordination with the relevant VDB function in the holding company is also important.

Coordination with the Board: Two of the interviewees had direct lines of reporting to the board (in line with relevant regulatory requirements), but in practice open lines of communication and reporting exist. One interviewee reported indirectly to the Board, via Communications and Marketing.

Barriers to coordination:

Personal values as a driver – dependence upon individual commitment;

Historical poor practice – very difficult to gain credibility as a leader on values-driven business;

Different teams and functions have their own ecosystem with specific risks and opportunities. It can be a challenge to find the right angle, and make the right connections in order to make VDB relevant to everyone.

Practitioner examples: Elements that support cooperation on VDB

1. Board support;
2. A central strategic location within the organisational structure:
    a. This demonstrates the importance of responsible investment / banking, both internally to employees, and externally to clients and stakeholders;
    b. Denotes a recognition that the issues of VDB are too important to be uncoordinated and dispersed throughout the organisation;
3. Seniority of the function/department head:
    a. Ensuring that senior personnel have the scope to go anywhere in the organisation to provide support and assistance on VDB issues;
    b. Encourage staff to engage on relevant VDB issues;
4. A coherent approach, reflected in an overarching vision and strategic orientation towards values-driven business;
5. Functioning as an internal consultancy in order to drive the VDB agenda:

a. Facilitates conversations and VDB activities on expected outcomes and measurement, analysis and review; addressing potential fears and opportunities; exploring options; offering suggestions;

b. Operates as a dedicated centre of knowledge, supporting progress on VDB across the organisation.

6. Dissemination of KPIs' throughout the organisation. Particularly non-financial metrics e.g.: generic compliance issues; environment; diversity; community impact.

7. Training on compliance related issues;

8. Production of reports and training materials;

9. Public opinion that drives a focus on a particular issue.

Key quotes:

"Compliance" per se is an *"obsolete term"* because it relates to a purely legislative function rather than a profession and a corporate culture [paraphrase].

'Integration takes place when people go away and think about sustainable [business] *without the Sustainability Team saying, "have you thought about ...?" It just becomes more of a standardised way of working. This is happening in places within the* [organisation], *for example in the leadership objectives, but it is not a consistent way of operating yet'.*

'Sustainable banking' [rather than just 'sustainability'] *often works better inside the bank, because when people hear the word banking they think "oh, right, ... you're a banking person'.*

"I see the added value of this function, with the possibility that you will solve problems within the company before they explode..."

"We are not bound to a particular vocabulary inside {the organisation}, and specifically inside our team - because if somebody wants to talk to you and they want to call you the Corporate Responsibility Team, that's fine - if that means they are willing to have the conversation, and they find it easier to find you. That is better than waving a dictionary at them".

If something is called *'sustainability'* that would only relate to a certain portion of our clients, *others would say "well, I have nothing to do with this". With the word 'Responsible'* it is much easier to knock on everybody's door, and to make it a joint responsibility [paraphrase].

Sector summary: Retail

We conducted four in-depth interviews with senior VDB personnel from the Retail Sector. Three interviewees led departments and teams within large global Retail Groups, each of which had stores, franchises or diversified brands across Europe, Asia and the US. The fourth interviewee worked for an independent SME retailer based in Asia, which had won multiple sustainability awards.

Interviewee role titles

- Head of CSR and Compliance
- Sustainability Investor Relations Manager
- Senior Manager Corporate Sustainability
- Sustainability Director

Role responsibilities: Each of the interviewees was responsible for multiple areas of values-driven business including: Human Rights; governance issues; business ethics, environmental issues; managing sustainability issues and programmes; ethical sourcing and code of conduct in the supply chain; communicating values internally and externally, and assessing sustainability risks.

Personal experience and competencies: The interviewees had various backgrounds and experience in senior sustainability and CSR roles; and managing issues such as human rights; governance and health and safety, and life cycle analysis.

Similarly, where they managed VDB teams, such employees had a broad range of professional backgrounds including marketing, auditing; human rights; law; environmental engineers.

Coordination with other functions: For all the interviewees extensive coordination is required with all departments across the company. Within the Group companies, multiple departments take a lead in VDB, and each has varying responsibilities for VDB issues. Coordinating departments include Risk; Legal; Product Compliance; Environmental Affairs; Communications; HR, and Central Services.

Coordination is also shaped by company structures which tends to have a decentralised organisation of sustainability. This requires coordination and liaison with department units / local stores / subsidiary brands, which are dispersed across market regions or group subsidiaries for example.

Within, the Asian retailer, the Sustainability department leads the development and implementation of the sustainability strategy. This involves coordinating with all managers in the business, for example in marketing, finance and purchasing. However, there is also an expectation that departments also take responsibility for VDB, for example product designers have a remit to liaise with clients in the design phase in order to reduce negative environmental impacts.

Barriers to coordination:

- **The business model:** a complex organisational structure with (i) a parent/group head and small joint venture companies, subsidiaries and brands; and (ii) different departments, functions and roles. Presents challenges rolling out corporate policies and corporate values, and can impede collaborative working and responsiveness.

  - An additional barrier for two of the interviewees was the lack of a single coordinating function.

- **Different targets and incentives across departments:** Some teams (and the Board) can be driven by risk-management issues, or need to be convinced of the importance of integrating VDB into daily work practices.
- **Physical location:** being physically removed from certain functions e.g.: procurement, means key VDB leaders are further away from where day-to-day business decisions happen.
- **Resources:** Can fluctuate according to business demands.
- **Diverse cultural contexts and stakeholder networks:** Requires adaptation to external regional values, legisltiation and compliance issues, and to internal values and cultural differences. Differing interpretations of ethics and values.
- **Time:** The trade-off between coordination and the integration of VDB, and the time it takes to facilitate this.

Practitioner examples: Elements that support cooperation on VDB

- **A singular team / steering committee / coordinator role:** Regular meetings (e.g. monthly) to coordinate and drive the agenda; make quick decisions; generate expertise, and ensure that all work is coordinated across various parts of the company.
- **Usage of the 'Compliance' function** to push for certain VDB practices on the premise that a certain action constitutes 'compliance' with the organisation's values or strategy for example.
- **Usage of 'sustainability' terminology in job titles:** part of an

ongoing process of responding to changes within the field, but can also act as a self-fulfilling prophecy by helping to cement change.

- **Use of external frameworks and accreditation mechanisms:** for example ISO frameworks and Certified Environmental Management Systems.
- **Investor pressures:** investors (either owner-investors or investors linked to an IPO process) are increasingly looking at factors related to values-driven business.

Key quotes:

'All colleagues working in these departments are in constant exchange with other departments and functions - to be able to work, because it is not an isolated function [...] sustainability topics would touch the function left or right to you.

'I spend approximately 60-70% of my time in meetings if not more, because the value of my work is [...] getting it integrated into the business. That could only happen if I know how the business is working, and I get other people to actually do it'.

'Sometimes it is easier to push for things when you call it compliance'

On the term 'sustainability' in job titles: *'It shows our company commitment to the green business indirectly, and because sustainability actually covers environmental issues, sustainability will be the core DNA of our organisation'.*

'Sustainability is way broader than CSR. CSR is more what corporations can do to also take on social responsibility. It does not necessarily incorporate environmental responsibility. [...] To me sustainability includes CSR, environmental responsibility but it also includes corporate governance topics for example'.

'It will actually open up closed eyes and that SMEs like us can have a sustainability manager. Someone who is actually focussing on sustainability'.

Sector summary:
Extractives, Logistics and Utilities

We conducted three interviews with senior personnel from the following companies:

- A listed extractives company in South Asia, with subsidiaries and joint ventures in Asia, Europe and the USA.
- An International logistics company, with a leading market position and operations in over 10 emerging market economies.
- A large UK utility.

The interviews yielded limited levels of comparative insights, consequently we introduce each company in turn, followed by a summary of practitioner examples of elements which supported the coordination of values-driven business activities.

Role responsibilities and coordination activities:

1. **General Manager (Extractives, Asia):** General executive / director duties.

Interviewee experience: Over 20 years of experience within the extractives sector.

Coordination with other functions:

Coordination on Environmental performance; Sustainable development related policy initiatives; Alternative energy; Sustainable development initiatives; Green fuel; Empowering people, and Social performance.

2. Compliance Department (former employee, International Logistics Company, Europe and emerging markets):

Department responsibilities: the maintenance of a compliance management system; conducting risk assessments; compliance trainings; awareness campaigns (particularly for managers and employees in positions exposed to the risks of bribery and corruption); compliance hotline.

Coordination of Compliance functions:

A central compliance department located at the corporate headquarter. A small organisational unit, positioned just below the board level, with direct cooperation with the Executive Board. An international network of compliance managers responsible for compliance in their respective country markets. Compliance managers (on average one per subsidiary): responsible for the implementation of the compliance management system, training in compliance, compliance monitoring and reporting.

3. Director of Corporate Affairs (Utility, UK):

- Role responsibilities: Setting strategy and targets on sustainability. Establishing and communicating values and strategy internally and externally, working with the following teams: Employee Communications; PR and Media; Marketing; Public Affairs, and Partnerships and Sustainability. Developing various annual sustainability reports; responsibility for sponsorships, volunteering and employee engagement in community activities.
- Interviewee professional background: Trained as a chartered accountant, and a professional background in both accountancy and PR and marketing, before leading the company's work initially on CSR, and latterly sustainability.

Coordination with other functions:

- The Director of Corporate Affairs has a team of approximately 30 employees that specialise in areas such as marketing, PR, internal communications and partnerships. Beyond this immediate team there is a leadership network of approximately 80 senior managers.
- Responsibility for sustainability and values-driven business is successfully diversified across the business. It is expected that senior management members think about sustainability holistically, and to consider how it applies to their area of responsibility.
- Works with various teams on VDB issues including the Legal Team; Corporate Affairs; Compliance; and HR.

Overall Observations

Barriers to coordination:

- Two interviewees cited no barriers to coordination;
- One noted the challenge of consistent measurement of VDB. Hard measures are relevant on issues such as tracking pollutants and operational performance, but these do not easily translate into the measurement of customer trust for example.

Practitioner examples: Elements that support cooperation on VDB

- In a developing country context, an unwelcome factor that conversely supports coordination is national / local disasters e.g. floods, earthquakes. As an energy supplier with a significant market share, company departments and employees coordinate to restore supplies and provide emergency assistance.

- Sustainability reporting, and the adoption of internationally recognised reporting mechanisms e.g.: Global Reporting Initiative (G4 guidelines).
- Investor pressures on compliance issues, and company / supply chain codes of ethics.
- Annual or bi-annual conferences for senior managers and senior management teams.
- Adoption of a business-oriented ‘umbrella’ approach with elements of internal consulting and coaching on issues such as risk assessment or community engagement, with the flexibility to co-ordinate with every aspect of the business.
- The ability to set strategy, and to control the message and its dissemination.
- A balance scorecard approach, where all employees have personal objectives linked to the organisational overarching balance scorecard.
- The personal beliefs, values and motivations of managing directors / CEO and senior VDB personnel, regarding their organisational responsibility to society and related sustainability challenges.

Key quotes:

'…my big bug-bear was we had nearly a stand-alone Corporate Responsibility Strategy that had been retro-fitted to the Business Strategy'.

'That's my way of influencing in the business, and unique in that I have got that stretch across the business'

The benefit of not being a 'compliance' or 'audit' role: *'People know when I'm coming that I'm there to help or promote what they are doing, or help them find a solution to something'.*

'I have a very strong conviction that businesses need to be playing that civic role. So that is a big driver for me internally - that personal belief and conviction that everybody, including businesses, need to play their civic role'.

Trends in practice

Parallel to our interviews with practitioners, we also conducted desk research on the implementation of values-driven business in practice, yielding a *Journal of Business Ethics* paper, entitled: 'Sharing Vocabularies: Towards horizontal alignment of values-driven business functions'[1]. Though ethics and compliance officers and CSR officers are respectively quite good at embedding values vertically, i.e. across the various layers of the organisation, they do not often align their efforts with each other across the organisation. In order to fully embed values within organisations, it is necessary to combine both structural and socio-cultural processes. The main finding of this research was that a number of important opportunities for alignment of values-driven business exist in the various phases of any ethics, CSR, compliance or sustainability programme. We summarize them very briefly in Table 1.

1 Painter-Morland, M., Hibbert, S., Pouryousefi, S. and Russon, J. 2018. Sharing vocabularies: towards horizontal alignment of values-driven business functions. *Journal of Business Ethics*. ISSN 0167-4544 (Forthcoming).

Sharing Vocabularies: Towards Horizontal Alignment of Values-Driven Business Functions:

Table 1: System elements enabling values-driven business

Formulate

	Corporate	Business development/ planning
Structural/technical processes	▪ Set vision, mission, values ▪ Determine priorities ▪ Set long-term targets	▪ Risk assessment ▪ Commitment to standards/reporting frameworks ▪ Set short-and medium-term performance objectives ▪ Assign responsibilities/ lines of reporting
Social processes	▪ Links to purpose ▪ Leadership ▪ Commitment ▪ Board habits and routines ▪ Professional values	▪ Motivating change: "Business case" development ▪ Assign budget to priorities ▪ Communication (including stakeholder engagement/ relationship building)

Alignment

Integrate **Evaluate**

Systems Development	Roll-out	Review	Feedback & Improvement
▪ Values and code formulation ▪ Policy development ▪ Management responsibilities ▪ Supply chain and production integration	▪ HR integration ▪ Reward system (recruitment & retention) ▪ Procurement ▪ Marketing ▪ Whistle-blowing systems	▪ Compliance ▪ Mentoring, auditing and verification ▪ Measuring ▪ Lines of reporting	▪ Ongoing risk assessment ▪ Board and committee feedback ▪ Reporting
▪ Management routines ▪ Safety routines ▪ Innovation routines etc.	▪ Internal awareness raising ▪ Protect against retaliation ▪ Training ▪ Stakeholder communication	▪ Dispute resolution ▪ Culture audits ▪ Stakeholder feedback review	▪ Research training & responsiveness communication to address risks ▪ Stakeholder

Adjustment **Share feedback**

Opportunities for alignment of values-driven functions

1. The formulation phase:

- Structurally:
  - Ethics/compliance officers often have access to the Board that could shape the organisation's priorities, secure long-term commitment and budget
  - Risks assessment can be aligned and done more holistically
  - Structures for gathering reporting information over time can be made more efficient
- Socio-culturally:
  - Leadership commitment across all values-driven functions is crucial and more easily procured if the vawrious officers align their efforts, budgets, and time-demands.
  - The 'business case' can be more effectively made if compliance's risk-mitigation is combined with more positive effects of values-driven business, such as staff motivation, retention and work-life balance benefits
  - Stakeholder communication concerning the organisations' efforts towards values-driven business can be strengthened and reputation enhanced

2. The integration phase:

- Structurally:
  - Code formulation and implementation can cover ethics, CSR and sustainability and as such, communicate a unified commitment towards values
  - Policies can be more effectively aligned and unnecessary red-tape avoided

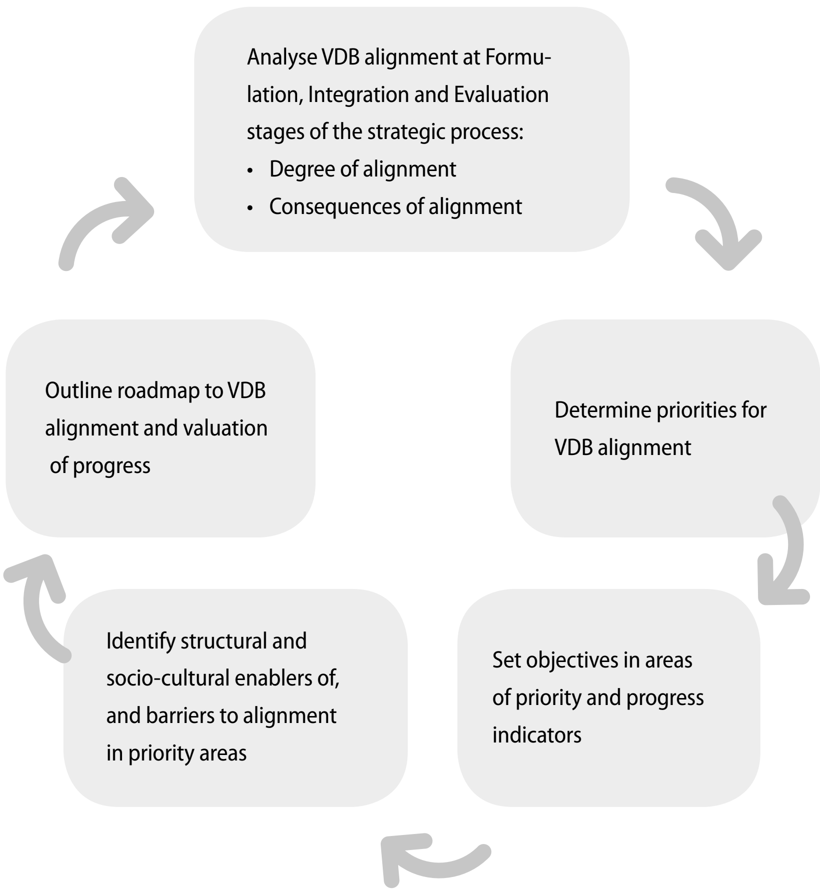
  - HR integration can be informed by joint efforts of ethics and compliance and CSR officers
  - Reward for values-driven business can be more meaningfully designed
  - Supply-chain integration of compliance and ethics policies, and CSR can be aligned and budgets for roll-out shared
  - Values-priorities around procurement can be jointly communicated
- Socio-culturally:
  - Internal awareness raising campaigns around values and whistle-blowing can be aligned
  - Training budgets can be shared
  - Stakeholder engagement sessions can be shared and a common drive around values communicated

3. Evaluation phase:

- Structurally:
  - Integrated monitoring system and sharing of relevant data can be set up
  - Lines of reporting within the organisation can be aligned
  - Board feedback can be streamlined and holistic risk assessments presented
  - Integrated reporting (triple bottom-line reporting) can be done more efficiently and meaningfully if ethics and compliance officers, sustainability managers and CSR officers align their efforts
- Socio-culturally:
  - Values can be more meaningfully integrated in dispute resolution
  - Survey-fatigue can be avoided by aligning efforts around culture audits
  - Stakeholder feedback can more efficiently be harvested and integrated into organisational improvements

We developed the following model to facilitate this alignment:

Figure 1: Values driven business alignment framework



The above model is yet to be tested in practice, but based on our research and conversations with practitioners, we are confident that organisations that pursue such alignment will benefit from fulfilling their functions more efficiently and meaningfully.

Addendum: The PRME Sharing Vocabularies project team

The project was led by Professor Mollie Painter, Coca-Cola Chair of Sustainable Development at IEDC-Bled, Slovenia, and Head of the RSB Lab (Responsible and Sustainable Business Lab) at Nottingham Trent University.

This project was completed as part of the 2016-2017 PRME (Principles for Responsible Management Education) Champion cycle, which involved a collaboration between PRME partner universities in the UK; Brazil; India; Austria; China; Malaysia and Slovenia.

The PRME schools involved generously donated faculty time to the project. The two main co-investigators with the Coca-Cola Chair, Professor Painter, were: Dr. Jo-Anna Russon, also from the RSB Lab at NTU, and Professor Sally Hibbert at the University of Nottingham. Dr. Emrah Karakilic conducted the desk research behind the glossary in Part 2.

The research team conducted 14 interviews with senior Ethics, Compliance, CSR and Sustainability managers. We would like to thank the following faculty from PRME business schools who conducted the interviews: Professor Mollie Painter, Dr. Jo-Anna Russon and Johanna Oelmann (Nottingham Trent University); Professor Sally Hibbert, Michal Lemanski and Vanitha Ponnusamy (University of Nottingham); Dr. Moumita Acharvva, IILM Institute for Higher Education); and Dr. Alec Wersun, (Glasgow Caledonian University).

Index

B

C

D

E

R

S

T

V

W

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