# Corporate social responsibility:
# an emerging CIO mandate
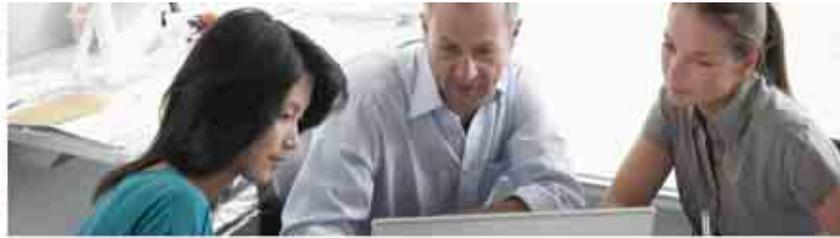
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## CSR: doing well by doing good

Heads-up for CIOs: CSR is coming, and IT is slated to play a key role. What is CSR anyway? CSR is short for corporate social responsibility, and describes the way companies manage their business to produce an overall positive impact on society through economic, environmental and social actions. It's rapidly gaining traction among CEOs as a new opportunity for differentiation and growth. In fact, according to the latest IBM Global CEO Study, investment in CSR has a 25 percent growth rate—greater than any other trend in the study.[1]

Once focused primarily on regulatory compliance and philanthropy, CSR is now recognized by many organizations as a growth opportunity. These organizations are looking to differentiate their brands, products and services; gain permission to enter new markets; and attract and retain top talent. To take advantage of such opportunities, organizations are implementing a number of new capabilities and practices, ranging from corporate transparency initiatives designed to improve their brand reputations and monitor supply chain activities to "green" data centers aimed at better managing energy efficiency and carbon outputs. In each case, the IT function is being called upon to help design, lead and implement new practices and capabilities.

This paper is about the growing impact CSR is having on corporate strategies and practices and the many ways in which CIOs will soon be affected by new CSR-related initiatives. It clarifies the key aspects of CSR and how CIOs can work to support it. Specifically, it focuses on three themes and their integration with the IT function:

- *Information: from visibility to transparency*
- *Beyond compliance: from cost to growth*
- *Relationships: from containment to engagement*

## Dealing with increasing visibility and vulnerability

The trend is clear. In the last three biennial IBM Global CEO Study reports, the three external issues that are consistently rising on the CEO agenda are all related to CSR.

- *Environmental issues—Companies are looking to improve energy efficiency, reduce their carbon footprints, and manage recyclables and waste in the supply chain, for example.*
- *Socioeconomic factors—Companies are being held responsible for the socioeconomic well-being of the regions in which they operate and of the people they employ.*
- *People skills—An organization's reputation for CSR is becoming an important tool in attracting and retaining talented employees.*

The exploding growth of the Internet has made it easier for all constituencies to gather and share information about what companies are doing. Consumers in particular are seeking more information about environmental policies, product health and safety records, philanthropic activities, international trade practices, financial disclosures and how employees are treated. As they watch and learn, consumers are also using the power of the Web to communicate, organize and share information in ways not previously possible—often forming or joining non-governmental organizations (NGOs) and other advocacy groups.

Looking for the information they need to factor ethical considerations into their brand choices, consumers are forming their own brand perceptions while disregarding the messages corporations try to drive through advertising and other media. In effect, they are becoming their own brand managers.

Other stakeholders are driving the CSR agenda as well. Many talented, hard-to-attract employees want to work for organizations that are accountable and responsible. Investors are factoring CSR traits into their judgments about a company's attractiveness and long-term viability, as are communities and governments. Suppliers and partners are looking across the supply chain to ensure mutual accountability.

> *"I see corporate responsibility going through three phases. People start to consider issues like the environment because they are compelled to do so. Then they realize that it actually makes business sense. Eventually they move beyond compulsion and selfish motives to become passionate because it is the right thing to do."*
> — Vinod Mittal, managing director, Ispat Industries

### Leveraging information to go from visibility to transparency

Stakeholders want product details such as nutrition and safety facts, as well as information about the environmental impacts of production. They also want to know about business practices such as sourcing, policies and worker safety. As figure 1 shows, 75 percent of respondents to a recent IBM CSR survey of 250 business leaders worldwide say the number of advocacy groups collecting information about their business has increased over the past three years.[2]

**Information explosion over the last three years**



75%

(Percent responses)

17%

1%

6%

INCREASED        NO CHANGE        DECREASED        DON'T KNOW

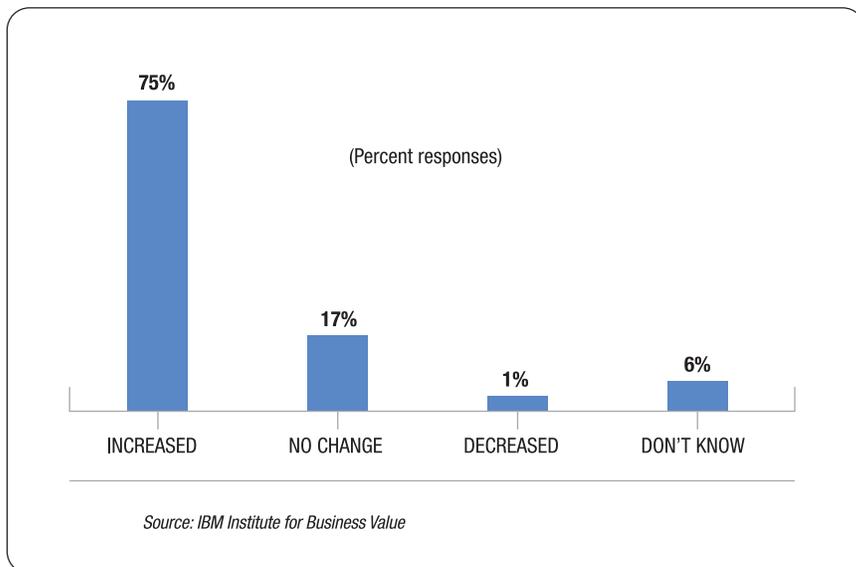*Source: IBM Institute for Business Value*

*Figure 1: The number of advocacy groups collecting and reporting information on organizations, industries, enterprises and products has increased over the past three years.[3]*

Because information is the key to transparency, this trend will have a big impact on CIOs. They will be called on to gather, analyze and communicate massive amounts of data—some of which are not currently being collected—and ensure their accuracy, reliability and relevance. Companies will need to collect and share information across a wide array of channels and with multiple constituencies to ensure that customer—and partner—needs are met, not to mention the needs of NGOs, governments and community organizations.

*Protecting a family-oriented brand by monitoring risk across the supply chain*

*Recognizing how vulnerable its brand was to a breach in international labor standards, MediaCo, a prominent media and entertainment company, decided to overhaul its systems for overseeing its worldwide network of licensees and factories. The company realized it needed to use business rules to prioritize the monitoring activities related to the global labor practices of its 40,000 suppliers. It wanted a system for using information collected from its suppliers and other stakeholders to support complex audit processes and to make immediate business decisions related to monitoring, remediation and continuous improvement.*

Communicating compliance with regulations and standards will require quantifying, analyzing and reporting such details as:

- *Carbon and environmental impacts, including water and waste management and recycling efforts*
- *The conduct of a vast number of suppliers on issues ranging from labor standards to fair trade*
- *The sourcing and content of each product component.*

To accomplish this, CIOs will need a variety of measuring, monitoring and reporting tools. They will have to achieve traceability across the supply chain, for example, by using radio frequency identification (RFID) and predictive models for supplier compliance. Companies with hundreds or even thousands of suppliers will need technologies to manage risk around their supply chains and to make sure that suppliers adhere to agreed-on ethical and environmental standards.

CIOs will need to adopt governance and transparency strategies designed to ensure that they get the right information to the right people at the right time. Reacting to today's hyper visibility, companies frequently put out as much information about their operations as possible—whether or not it is relevant to stakeholders. A better approach is to tie information to the interests of stakeholders, but first companies need to understand what they want to know. This need for more targeted information sharing was highlighted in results from the 2008 IBM CSR study. They show that, although 63 percent of companies believe they have sufficient information to satisfy customer concerns, an amazing 76 percent say they don't understand customer CSR concerns well.[4]

*__Protecting a family-oriented
brand by monitoring risk across
the supply chain__*

*Collaborating internally across
multiple functions and externally
across its entire supply chain, the
company collapsed 500 policies
into 170 integrated rules and
replaced 50 key documents with
just eight. By shifting responsibility
for data collection to suppliers, the
small MediaCo team can focus on
applying advanced analytics
through a risk engine to achieve
100 percent coverage. The team
can rank, score and prioritize risk
levels and then work to mitigate
them through direct audits, visits
or face-to-face educational
engagements.*

## Moving beyond compliance to growth and differentiation

Although new CSR-related demands may seem daunting, according to the 2008 IBM CSR study, CSR is now seen as an investment and a means to sustained growth—rather than just a cost. In fact, 68 percent of the business leaders surveyed in the study state they are using CSR to create new revenue streams. And 54 percent say their CSR strategies are giving them a competitive advantage.[5] Likewise, in IBM's 2008 CEO study, a full 69 percent of leaders of private and public organizations worldwide expect CSR to have a positive impact, and they are making their largest investment increases in this area among all the topics surveyed.[6]

As CIOs begin to play a major role in CSR, they will have an opportunity to drive improvements throughout the business and create efficiencies throughout the supply chain. In addition, CIOs will need to look at the infrastructure they are directly responsible for and its impact. Green data center initiatives can reduce energy consumption—and deliver cost savings—while still supporting IT growth. Collaboration tools that unite a mobile workforce and minimize unnecessary travel can greatly reduce a company's environmental impact while also spurring innovation. Efforts to increase energy, water and waste efficiencies across the supply chain will require CIO cooperation. The good news is that as CIOs drive solutions to environmental issues they will gain insights that can be applied to broader CSR strategies.

**CSR value curve**



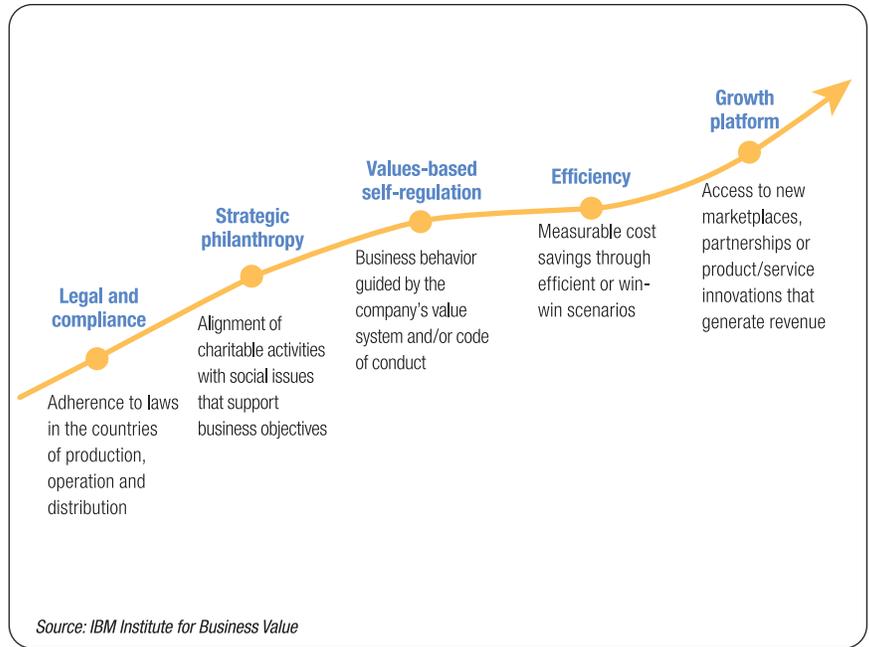*Source: IBM Institute for Business Value*

*Figure 2: As organizations adopt increasingly sophisticated views of CSR, they approach it more as an opportunity and less as a cost.[7]*

## Building relationships by moving from containment to engagement

Another key aspect of CIO involvement in CSR will be to provide a platform for collaboration among various stakeholders to increase awareness and trust. This platform can also facilitate the innovations needed to design and implement new products, processes and policies that can advance environmental and social responsibility. CIOs should play a major role in how organizations interact and collaborate with stakeholders and customers. They can build the channels and processes to integrate, analyze and exploit the information culled from extensive collaboration.

***Creating differentiation through trust***

*Following a series of countrywide food scandals in the 1990s, British retailer Marks & Spencer wanted to respond to public concern over sustainability and traceability. It decided to differentiate itself through a highly visible program designed to enable greater traceability and collaboration across every part of the company's operations.*

*The retailer knew it needed to engage partners and customers to solve these issues—rather than merely provide them with information. It established an online supplier exchange, in which thousands of its suppliers can collaborate with one another. For example, a manufacturer in Taiwan that can turn plastic bottles into polyester is working in partnership with a polyester plant that provides Marks & Spencer with fleece jackets. Farmers who create biogases from farm waste are now selling green electricity to Marks & Spencer, too.*

Collaboration across the supply chain is already growing, but one area of collaboration is often overlooked by organizations: their own employee base. Employees are eager to be part of the solution, to implement practices that reduce any negative environmental or social impact of their organizations, and to come up with the new products or services their company might introduce. CIOs will be instrumental in creating an environment for companywide engagement and collaboration.

## Conclusion

CSR is a growth opportunity, and CIOs can play a critical role in aligning IT with this core business strategy by providing the platforms and integration necessary to enable it. As organizations move from visibility to transparency, CIOs will be called on to develop and implement an information strategy designed to create greater information sharing with multiple stakeholders. In addition, IT will play a critical role in increasing the level of engagement with employees, customers and other key constituents by providing robust collaboration, reporting and feedback mechanisms that support dispersed stakeholders.

As discussed earlier, CSR goes way beyond the financial reporting requirements of the past to include the monitoring, analyzing and reporting of environmental data, supplier data, product data and data on ethical behavior, including labor practices and company values. Integrating and analyzing this vast body of information to make it accessible, relevant and reliable is the foundation of any CSR strategy.

*Creating differentiation through trust*

*This new collaboration platform even extends to customers and NGOs. For example, customers can take their used Marks & Spencer clothes to an Oxfam charity shop—instead of dumping them into a landfill—and get a discount on new clothing at Marks & Spencer.*

As the 2008 IBM Global CEO Study shows, CEOs have embraced CSR and will be looking to implement it within their organizations. IT must be a big player in these initiatives, and IBM can help. We have:

- *Tools and expertise to help you assess and understand your CSR challenges and opportunities—especially those related to energy consumption and carbon footprint—and help you map out a plan to capitalize on those opportunities*
- *Energy-efficient data center technologies, such as server and storage consolidation and virtualization*
- *Backend tools for gathering, analyzing and maintaining data, such as IBM InfoSphere™ products that help transform, reconcile and maintain information; RFID; and IBM Cognos business intelligence and performance management software*
- *Front-end tools for presenting a single, trusted version of the truth to stakeholders in real time, such as Web 2.0 software*
- *Collaboration tools such as IBM Lotus® Sametime® software and jam technology.*

Leveraging our years of industry experience, our more than 90,000 skilled technicians worldwide, and our many experts from IBM Research, IBM Institute for Business Value and IBM centers of excellence, we are well positioned to help you support the CSR agenda. Working together, we can improve your relations with customers, employees and other stakeholders while lowering costs, generating higher revenues and enhancing the standing of your business in society.

> *"Corporate responsibility goes beyond marketing campaigns. It needs to be infused in the culture, and in our IT organization we've taken this on very strongly. IT organizations have the ability to really drive corporate social responsibility from the inside out, from influencing the way people use and interact with technology to really cutting costs and energy waste out of our systems."*
> — CIO, Fortune Global
>     500 company

**For more information**

To learn more about IBM's 2008 CEO and CSR studies or tools and support that can help advance the CIO profession, please contact your IBM marketing representative or visit the following Web sites:

- **ibm.com**/enterpriseofthefuture
- **ibm.com**/ibm/ideasfromibm/us/csr/20080401/index1.shtml
- **Center for CIO Leadership:** www.cioleadershipcenter.com

**IBM.**®

[1, 6] IBM, *The Enterprise of the Future: IBM Global
CEO Study*, May 2008.

[2, 3, 4, 5, 7] IBM, *Attaining Sustainable Growth Through
Corporate Social Responsibility*, George Pohle
and Jeff Hittner, 2008.

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