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Corporate Social Responsibility in Ukraine: Why to Do It and How to Do It
Implementing CSR Programmes: Why to Do it and How in Ukraine

Bryane Michael, Linacre College

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CSR: A Definition

- Featured in much of the popular press.
- “continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

Holmes and Watts (2000) of the World Business Council for Sustainable Development

- community economic development, education, disaster relief, environmental protection, health promotion (World Bank).

An end to the Enrons and WorldComs of the world?
CSR is Big Business

Estimated Revenue of “First Tier CSR Markets”: $20 million
Estimated Revenue of “Second Tier CSR Markets”: $15 million
The Mattel Children's Foundation will provide an initial funding donation of $600,000.

Estimated Global Revenue: $12 billion
Stakeholders Contribute to Profits: An Example

The Stakeholder Concept

- workers
- suppliers
- government
- financiers

\[ \pi = R - C \]
# Saving with CSR

<table>
<thead>
<tr>
<th></th>
<th>Initial expend</th>
<th>CSR discount</th>
<th>Amount saved (increased)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Workers</strong></td>
<td>$2,100,000</td>
<td>20% discount</td>
<td>$420,000</td>
</tr>
<tr>
<td><strong>Financiers</strong></td>
<td>$20,000,000</td>
<td>2% discount</td>
<td>$400,000</td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td>5,000,000</td>
<td>5% decrease in costs/increase in revenue</td>
<td>$250,000</td>
</tr>
<tr>
<td><strong>Government (bribes)</strong></td>
<td>500,000</td>
<td>10%</td>
<td>50,000</td>
</tr>
<tr>
<td><strong>Environmental Concerns</strong></td>
<td>1,000,000</td>
<td>100%</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>
Why Should You Care? A First Reason

- Ukrainian companies widely perceived as corrupt and having poor corporate governance.
- PR and “marketing” not the answer
- Philanthropy is NOT the answer
  - waste your money
  - worse than taxes and govt.
Strong CSR?

- Not just PR or way of making up for stagnating sales...
manipulite

Shoring up waste
## Corporate Reputation and Performance
An Example from Turkey

- Arçelik
- Vestel
- Turkcell
- Koç H./Sabanci
- Garanti Bankası
- Coca-Cola
- Ülker
- Eczacibasi toplulugu
- Unilever
- Proctor & Gamble
- Microsoft
- Zorlu Grubu

Branding part of CSR

Goal not to be “good”
Goal is to treat “stakeholders” well.

Source: Edelman. Available at:
http://www.edelman.com/image/insights/content/rebuilding.ppt#9
Why Should you Care? A Second Reason

- European Union is Coming!
  - Bigger Market than the USA
  - Ukrainian industry very uncompetitive
  - No National Business System (*syndicaux* and *patronat*)

- CSR is a way to establish an NBS
  - Create a national business sty
  - EU rules on competition
  - EU work on CSR
  - Bad PR now is global
EU Rules

- social label – supply chain respects ILO conventions (B, F, Ir)
- mandatory green accounts – environmental reporting (D)
- Human rights impact assessment (D, G)
- Mandatory Triple Bottom Line Reporting (F)
How does CSR help the business

- **Revenues**
  - increases brand loyalty (networks)
  - Coca-Cola, General Electric, etc.
  - reduces risks (Enron, political risk, ship in harbor)

- **Costs**
  - lower wages per unit quality
    - Sabanci, Koç and GM
  - lower costs of capital (longer pay-back times)
  - higher quality
Overcoming Market Failure: Citibank & Microfinance

- In UK, partner with Prince’s Trust to provide $$ to entrepreneurs
- $100k to women in Russia for micro-finance scheme
- Management development programme in Philippines for microfinance entrepreneurs
- Micro-grants in Turkey?

Rule 1: Collaboration is Social Entrepreneurship
The Body Shop Human Rights Award 2002
29 Oct 02 - Four groups fighting for housing and land rights in Israel, Kenya, Honduras and Bulgaria have today won a $300,000 share of one of the top international human rights awards.

At a special ceremony on the 29th of October 2002, The Body Shop Human Rights Award marked the achievements of these grassroots organisations who have each demonstrated exceptional bravery and creativity in protecting and promoting the housing rights of the marginalised.

Peter Saunders, Chief Executive of The Body Shop International said today: "Each of these winning groups has shown, in their own unique way, the incredible impact that grassroots movements can have on ordinary peoples' lives. They are an inspiration to us all." He added, "We hope that The Body Shop Human Rights Award will help to secure the international recognition they deserve for their achievements."
Responsible Reporting

JohnsonDiversey Inc. -- commercial cleaning, sanitation and hygiene products for hotels, restaurants, stores and building sites. Works in more than 140 countries.
Commitment Comes from Meeting Industry Standards

As part of our commitment to setting the highest environmental standards, we participate in the Global Environmental Management Initiative (GEMI), where we share tools with 40 other member companies with the aim of fostering environmental, health and safety excellence worldwide.

In Europe and Scandinavia, we have experienced increasing demand from our customers for products with recognized environmental certifications. In Denmark, for example, two of our products lines - building care products and kitchen products - have been certified with the Nordic Swan eco-label. Currently more than half of our Nordic product lines are certified to the Nordic Swan eco-labeling standards.

Nordic Swan is a label issued by the Nordic Council of Ministers to indicate that a product is “a good environmental choice.”

In our North American region, we are adopting the environmental criteria associated with Green Seal certifications as part of our own internal policy in addition to certifying products. We share these environmental criteria with our chemists in order to identify product improvement opportunities.

In Canada, we are working on a similar initiative, focusing on raw material usage and safety improvements.

Green Seal is a U.S.-based independent, nonprofit organization that establishes standards for certifying products as environmentally responsible.
Third Source: Leveraging off the Client

International Federation of Red Cross and Red Crescent Societies Teams up With Microsoft to Improve Technology Infrastructure
Some Things you can do

Fund a conservation movement

Sporting Events!

Staff time to work with poor

Provide drugs

Start your own CSR group

(economies of scale)
How to **Really** Help the Community

- Leverage what you know
- Partner with those who know what they are doing!
- HIV-Drugs in Africa
Time to Confuse You

**Multi-sector Collaboration**

- **Government**
  - Collaboration friendly regulation
  - Collaborative public sector strategic planning and performance management

- **Business**
  - Triple Bottom Line reporting,
  - forms of certification,
  - stakeholder board committees,
  - socially responsible investment,
  - socially responsible product offerings
  - multi-sectoral quality initiatives

- **NGOs**
  - national workshops
  - action planning,
  - policy committees
  - public-private partnerships
  - government/donor contracting and procurement

**Goals:**
- dynamic competitive advantage, build competencies, develop new market segments, and broader conceptions about quality.

*Not just involvement, must get them to work!*
Lessons and Pitfalls from Turkey

1. Some Turkish companies with CSR programmes have Overdone – putting abstraction before selling

2. CSR still tied to charity/philanthropy instead of business objectives.

3. My estimates indicate negative value added…

We estimated that a $50,000 programme Resulted in $120,000 social harm…
Table 10.
Company-wide CO₂ Emissions from Use of Electricity

<table>
<thead>
<tr>
<th>Facility</th>
<th>2003 Electricity Use (KWh)</th>
<th>2002 Electricity Use (KWh)</th>
<th>Emissions Factor</th>
<th>2003 CO₂ Emissions (metric tons)</th>
<th>2002 CO₂ Emissions (metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>YSI OH</td>
<td>2,358,376</td>
<td>2,851,560</td>
<td>1.97</td>
<td>2265.71</td>
<td>2547.65</td>
</tr>
<tr>
<td>YSI, Baanvartek, OH</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Endoco/YSI (MA)</td>
<td>70,015</td>
<td>77,814</td>
<td>0.90</td>
<td>28.99</td>
<td>31.76</td>
</tr>
<tr>
<td>YSI, New Jersey</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SonTek/YSI (CA)</td>
<td>150,353</td>
<td>126,108</td>
<td>0.80</td>
<td>54.55</td>
<td>45.75</td>
</tr>
<tr>
<td>YSI Gulf Coast (LA)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>YSI UK Ltd.</td>
<td>31,550</td>
<td>40,010</td>
<td>1.03</td>
<td>14.79</td>
<td>18.76</td>
</tr>
<tr>
<td>YSI Hydrolytica (UK)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Nanotech/YSI (JP)</td>
<td>72,755</td>
<td>60,000</td>
<td>0.84</td>
<td>27.72</td>
<td>22.86</td>
</tr>
<tr>
<td>Nikko/YSI (JP)</td>
<td>64,000</td>
<td>67,000</td>
<td>0.84</td>
<td>24.38</td>
<td>25.52</td>
</tr>
<tr>
<td><strong>Total CO₂ Emissions</strong></td>
<td><strong>2381.59</strong></td>
<td><strong>2715.67</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

World Resources Institute (WRI) guidelines were followed to compute greenhouse gas emissions. The emission factors were derived from WRI as well.
## CSR Pitfalls: Costly CSR

nikebiz.com the inside story

### Average M-Audit (time allocation) FY03 and FY04

<table>
<thead>
<tr>
<th>Audit Process</th>
<th>Total Hours (compliance team)</th>
<th>Average time spent per audit (average number of hours rounded to half hour)</th>
<th>Average time spent per audit (% of on-site hours)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Meeting</td>
<td>492</td>
<td>1.0</td>
<td>3%</td>
</tr>
<tr>
<td>Management Interview</td>
<td>999</td>
<td>2.0</td>
<td>6%</td>
</tr>
<tr>
<td>Walk-Through</td>
<td>937</td>
<td>1.5</td>
<td>4%</td>
</tr>
<tr>
<td>Sample Selection</td>
<td>723</td>
<td>1.5</td>
<td>4%</td>
</tr>
<tr>
<td>Records Review</td>
<td>1,530</td>
<td>3.0</td>
<td>9%</td>
</tr>
<tr>
<td>Employee File Review</td>
<td>1,178</td>
<td>2.0</td>
<td>6%</td>
</tr>
<tr>
<td>Hours/Wages Review</td>
<td>3,817</td>
<td>6.5</td>
<td>19%</td>
</tr>
<tr>
<td>Worker Interview</td>
<td>4,599</td>
<td>8.0</td>
<td>23%</td>
</tr>
<tr>
<td>Supervisor Interview</td>
<td>558</td>
<td>1.0</td>
<td>3%</td>
</tr>
<tr>
<td>Grading Instrument</td>
<td>985</td>
<td>1.5</td>
<td>4%</td>
</tr>
<tr>
<td>Audit Summary</td>
<td>876</td>
<td>1.5</td>
<td>4%</td>
</tr>
<tr>
<td>Closing Meeting</td>
<td>1,189</td>
<td>2.0</td>
<td>6%</td>
</tr>
<tr>
<td>Administrative Time</td>
<td>1,651</td>
<td>3.0</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Total OnSite Audit Hours</strong></td>
<td><strong>19,534</strong></td>
<td><strong>34.5</strong></td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td>Travel Hours</td>
<td>7,705</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Hours (Audit &amp; Travel)</strong></td>
<td><strong>27,237</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*M-Audit hours calculation as recorded by Nike compliance in FY03 and FY04.*

Nike CSR report 114 pages

Reaction before the Regulation
Dispatches from HRM: CSR is unsustainable because of HR contracts

- CSR “managers” hired and fired…
  - Secretary to PR
  - Doesn’t tie wage to revenue

Diagram:
- Sales
- From CSR
- 15% Pay
What is Up with Starbucks?

- Carpet bombing strategy
- Branding for high margins
- Sourcing arrangements lead to problems (like Nike)
  - Politicians Logic Applied
  - literacy grants, work on climate change, etc.

The Starbucks Foundation

**Our commitment to youth & literacy** Since 1997, The Starbucks Foundation has been dedicated to enriching the lives of youth in underserved communities. Our mission is to create hope, discovery, and opportunity in communities where Starbucks partners live and work. Collectively, we have a responsibility to nurture our youth, and provide the tools they need to succeed. Investing in our children, we believe, creates long-term benefits for our communities and a more sustainable world. This has been the impetus for The Foundation’s funding of programs that promote youth leadership through the power of literacy and respect for diversity.

**Foundation Grants**
Through our [grant program](#), The Starbucks Foundation has made more than 900 grants in excess of $10.5 million to serve low-income, at-risk youth.
Avoiding Pitfalls: PR

Beware the CSR Backlash
## Corporate Social Responsibility in Turkey

### What is to Be Done? Example from Turkey

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
</tr>
</thead>
</table>
| 9:00-9:15| Overview *(password)*
Structured presentation of the tripartite model |
| 9:20-10:30| **Section I: Strategy and Structure** *(password)*
Strategy
Business Development
Negotiating the Collaboration
Reorganising for Collaboration
Avoiding Pitfalls
*Mini-Case Studies
Business Model Formation (see Overview slides)* |
| 10:30-11:00| Large Case Study *(EDF-McDonalds)* |
| 11:00-11:15| Coffee Break |
| 12:45-12:55| Overview of international organisation, private sector
(large and small consultancy) and NGOs/business
association projects |
| 12:55-13:00| Wrap-up |