



Corporate Governance: CSR for Entrepreneurs

By Paul A Zaman MBA, MSC

Corporate Social Responsibility - entrepreneurial business, start young!

Paul A. Zaman explores how triple bottom line reporting pays dividends for start-up and small business.

Some may be thinking that CSR reporting is only for multinational corporations and they would be wrong. A study in Canada of ten entrepreneurial businesses whom engaged in pro-active CSR reporting and strategy execution found that all grew strong and established themselves in the community. Start young and grow.

So how does an entrepreneurial company embrace and execute corporate social responsibility. There are two major global initiatives on CSR reporting, also known as triple bottom line reporting. The Global Reporting Initiative (GRI) sponsored by the United Nations and the Institute of Social and Ethical Accountability (AccountAbility) a not for profit institution set up in 1995. The GRI focuses on a process of identifying and reporting upon key relevant CSR issues. The GRI has a scheme for small business called High Five; AccountAbility focuses upon assurance, which means the process of reporting and the audit role. GRI has over 600 users and AccountAbility over 300 users. Each is growing fast and is just the tip of the iceberg. There are many more companies that use the guidelines yet do not formally submit reports back.

Dr. Anwar Ibrahim, the former Deputy Prime Minister of Malaysia was on 30th March 2006 appointed Honorary President of AccountAbility. AccountAbility says that Dr. Anwar is a prominent advocate for democracy, freedom, responsible business and the rule of law.



In my view, GRI has a focus on the financial, management and operational key performance indicators that make it easy for a business person to get great results. Whereas AccountAbility has a focus on auditing the process and dialogue with the stakeholders to verify the veracity of the data. I like to stay focused upon creating shareholder value, which means the GRI five step process is a great starting point.

STEP 1: Get Board and Senior Management and owner sponsorship.

STEP 2: Using the business vision, objectives, strategies, activities and plan identify the stakeholders and map out the company relevant key interest areas.

STEP 3: Identify from the GRI the relevant type and nature of indicators to report upon that match to the key interest areas. Collect and collate historic data on these areas and candidate indicators. Identify the historic relevant management activities in these areas and determine what enhance and new activities could be done.

STEP 4: Verify data quality, with internal and external stakeholders. Engage in dialogue with key external NGO whom are respected surrogate representative of the external stakeholders. Set targets, management activities and accountabilities for the forward-looking years of the CSR. Write, finalise and distribute the first CSR report.

STEP 5: Collect feedback from the CSR report in areas of improvement in CSR performance. Plan the next steps of the CSR strategy and execution. Get recognition from management, staff, suppliers, and customers for the CSR awareness and commitment.

Developing a corporate sustainability report is like most business wide projects requires the support and commitment of top management and in a small business the entrepreneur owner and founder. Much of the information will already be in the company it just will be in different areas awaiting collation. Companies as small as five employees have created CSR reports.

An initial step is setting the context and significance of CSR reporting for the company.

There must be real benefits in reporting such as enhanced reputation, increased profit, improved access to capital, improved access to information, new market opportunities, improved relationships and increased staff motivation. Reviewing CSR reports on other companies available at GRI or via sustainability reports on corporate web sites, in your industry and peers will help. This will help

identify what are the major environmental sustainability and integrity issues and the social welfare and human rights issues affecting your industry sector and specific to your company. These are then listed, profiled and ranked for importance.

Like an annual report and financial statement there are a few guiding principles on what to report such as: materiality, comprehensiveness, inclusiveness and transparency. The quality and reliability of reporting is based upon reproducibility and accuracy. The CSR report is intended for senior management to make informed decisions about how to improve the CSR report, the economic benefit, strategy and execution plans. The CSR reporting must therefore also be timely and relevant for



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management action. Lastly, the process for data gathering should be auditable to demonstrate that the underlying information and report is fair and true.

One of the initial dilemmas is identifying whom your company's key stakeholders are. Candidates include employees, family, community leaders, owners and equity investors, banks, financial analysts, suppliers, customers, end users, NGOs, labour associations, licensing bodies and environmental inspectors. Once established map the key CSR issue areas to each stakeholder and rank the level of stakeholder's interest.

The next stage is dialogue with a representative set of stakeholders to verify their level of interest and understand their expectations for your business. This could be by a town hall meeting, one on one meeting or even an email questionnaire. With this feedback you can gauge if you are satisfying the key stakeholders interests.

The CSR report areas can now be formulated along three themes. The economic theme impacts typically affects customers, suppliers, employees and owners. The Environmental theme impacts typically on materials, energy, water, pollution, compliance, transportation, and your products and services. The social theme relates to labour practices and conditions, human rights, community at large, product responsibility.

The next step is to start collecting the core performance indicators. Again the GRI, AccountAbility and peer CSR reports will guide you into the selection. It is key to select the core indicators relevant to your business and your CSR areas of interest. Formal sources of information are the financial accounts, utility bills on water, electricity and waste quantity, staff turnover and sick leave.

The focus is on setting CSR objectives, strategies and action for improvement. In doing this like all planning iteration and consultation is required.

To capture the economic benefits the CSR initiative the results need to be published and disseminated. For small business this could be via notice boards, web page, newsletters, meetings, press releases, presentations, industry conferences. The communication method should be matched to the stakeholder groups identified to ensure you get your company's message out there. Naturally the senior management needs to do a final review before distribution of the CSR report.

What small companies, 5 to 100 employees have done CSR reporting? All types such as advisory services like consulting, training and financial planning; business services like printers and waste management; hospitality, food and beverage outlets. Plus many large multinationals in every sector including Sony, Canon, Microsoft,

McDonalds, Telstra, Heineken, Hewlett Packard, Lend Lease, Phillips, TNT, Westpac

Another benefit of the CSR Report is making corporate social initiatives more meaningful. Corporate social initiatives differ from corporate philanthropy in that it is aligned with the company's vision and the CSR strategic issues. This means your company's social sponsorship affects the key community stakeholders that your company is involved with and they recognize the power of your intention and commitment.

The CSR Report is a critical window on management's claim of being socially responsible. It means that corporate sponsorship makes sense to all that witness it and becomes justifiable and sensible to owners and beneficiaries.

Qualvin Advisory was founded in 2003. We provide advisory services to the Board, CEO and CFO of listed and unlisted companies in S.E.Asia. Qualvin facilitates the Board in areas such as formulating corporate goals & strategy and governance & CSR. Qualvin also formulates and executes the financial investor relations strategy to: increase shareholder value and institutional following; firm the share price and raise new capital. Contact Paul Zaman at email pzaman@qualvin.com.