Corporate Social Responsibility
Analysis of current practices in selected companies and recommendations

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Master of Science Thesis
Stockholm 2007
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Abstract

Companies are recognising the need for being sustainable in their approach to business. There are mounting pressures from environmentalists, NGOs and Governments for greater transparency. Awareness of company’s reputation, contribution to society, and environment are all public knowledge these days thanks to the internet and free media culture.

On one hand, there are companies who are unable to find their feet in CSR and perceive it is as a ‘publicity’ tool only, overlooking many other benefits which it brings along. On the other hand, there are companies who have taken the first step in getting involved with CSR related activities, however, need guidance for further improvements with their performance measurement and reporting.

This thesis aims to present CSR as an ‘umbrella’ under which many of the sustainable development issues rest. It aims to present CSR as a tool which, if utilised, can bring benefits to companies in environmental, social and long term financially. With the help of case studies, recommendations and suggestions are given to improve CSR policies/strategies and broaden the horizons of business.
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Background

1.1 **Introduction**

In 1992, United Nation’s Conference on Environment and Development, the Earth Summit in Rio addressed two of the greatest moral issues of our time: environment and development.

Leading companies in many countries, including a large number in the UK, made public commitments to environmental improvement before Rio and many more have done so since then through initiatives such as the International Chamber of Commerce Business Charter for Sustainable Development, the Chemical Industry’s Responsible Care Programme and the CBI’s (Confederation of British Industry) Environment Forum.

There have been several developments in the field of Corporate Social Responsibility (CSR) in the past 10 years. For many, CSR might seem to be a new concept, however, this concept has been known to organisations and individuals for years under different names and headings. In recent years, we have seen the arrival of the stock market indices, FTSE4Good (Financial Times Stock Exchange), which has screened companies according to accepted CSR principles. The launch of the Europe’s first Multi-Stakeholder Forum on CSR with 188 delegates representing business, business organisations, employee federations, NGOs and European institutions have met to discuss key issues on CSR. In addition, the European Commission’s strategy on CSR has laid its focus on four key aspects:

1. Promoting the business case for CSR
2. Promoting external evaluation and benchmarking of companies’ social and environmental performance in order to make CSR credible.
3. The creation of a European Multi-Stakeholder Forum to generate agreement on approaches and tools for CSR.
4. Integrating CSR considerations into all areas of EU policies and programmes.

Following the publication of the “Green Paper on CSR”, the latest EU Parliament have published “Corporate Social Responsibility: a new partnership” in March 2007 which has aimed to focus on the link between competitiveness and sustainable development, at the macro level (the EU and Member States), the meso level (industry sectors and supply chains) and the micro level (SMEs), and the interrelationship between them, as well as the impact of current CSR initiatives and possible violations of CSR principles.

Companies these days are vulnerable to pressures from an increasingly environmentally-aware public. It is also a fact that some companies hope that proposed legislation might be rendered unnecessary through effective and timely voluntary improvements.

But the best companies also recognise that environmental improvement is a positive and logical extension to their wider corporate responsibility to society. In other words, they regard the subject as part of the increased attention being given to business ethics.

One of the problems of achieving real progress in environmental improvement has been that companies of all sizes saw, quite rightly, that there were often costs involved. In a severe recession, it was hard for all, and especially the smaller companies, to absorb such costs in their business. Yet these costs are often higher for companies which take a short term view and merely react to new regulations with “end of pipe” solutions, rather than aiming for long term environmental excellence.

Furthermore, the general perception of a number of companies has been to look upon Corporate Social Responsibility (CSR) as a ‘complimentary’ activity. This approach should
not be a surprise as the governments themselves have encouraged CSR as a voluntary activity. Encouraging employees to get involved in local communities and donating funds as charity has been considered “socially responsible”. However, CSR goes well beyond that and incorporates various activities ANY business or company can do to not only help the environment but also grow their business in a positive way.

Then there is the question of pinning down precisely what a company’s duties are towards its stakeholders. Due to the variation in defining CSR, authorities and individuals feel exempted from their responsibility. The result, as mentioned earlier, is a rather relaxed approach towards CSR. The local and central governments are happy leaving the debate to the businesses to pursue these themselves. There are however few exceptions such as countries like Sweden which are and have been involved in CSR for years. Sweden has had a history of efficient management of resources and the progress they have made in the Triple Bottom Line has been phenomenal.

Companies blaming CSR for being costly and time consuming are definitely at the wrong end of the stick. It is understandable that companies are existent so we can work for them. Livelihood of people depends on the profits a company makes. In making these profits, resources and energy is used, carbon emissions are emitted and unnecessary expenses are made. However, a lot of these activities are unavoidable and business will always refrain from investing in assets which do not have an immediate return. It is here, that we need to find the balance.

This thesis is the final piece of compulsory work associated with the MSc. Degree in Sustainable Technology at the Department of Industrial Ecology.

1.2 Defining CSR

The UK Government initiative on ethical business best practice, Corporate Social Responsibility describes CSR as;

“The Government sees CSR as the business contribution to our sustainable development goals. Essentially it is about how business takes account of its economic, social and environmental impacts in the way it operates – maximising the benefits and minimising the downsides.

Specifically, we see CSR as 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.” (www.csr.gov.uk)

According to CBI (Confederation for British Industry website, www.cbi.org.uk), a premier lobbying organisation for the UK business on national and international issues;

“CSR is the acknowledgement by companies that they should be accountable not only for their financial performance, but for the impact of their activities on society and/or the environment. Discussions surrounding the concept are still at an evolutionary stage, although the principles of CSR have long been part of business strategy.

Business is already accountable for its activities over the diverse strands that now come under the 'CSR' umbrella, such as human resources and environmental issues, sustainable development, waste management, health and safety practices, through a wide range of existing guidelines at the national, EU and global levels. But it is important to distinguish between these base-line standards and CSR activity, which is voluntary, business-driven and often goes well beyond what is required by legislation.”
CSR was defined by the European Union as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. To be socially responsible means going beyond fulfilling the legal expectations, by also investing ‘more’ into human capital, the environment and the relations with stakeholders.

In a survey conducted in the US, nearly half of Americans reckon “treating and paying employees well is the most important proof of good CSR, more so than environmental stewardship and philanthropy”. 76% agree that to be socially responsible, companies should place employee salary and wage increases above making charitable contributions and that a company’s treatment of its employees plays a big role in individual purchasing decisions (www.csrwire.com)

There is no universal definition of CSR because of the nature of the subject itself. However in most cases, CSR is the alignment of business with mainly societal and environmental aspects. From research and experience, UK and Europe in general are more proactive in their approach towards CSR issues. These in broader terms include climate change, carbon neutral schemes and fair-trade. The US has only recently caught up on environmental issues and with major names involved, the US public have engaged themselves to a great extent. An example of this is Al Gore’s impactful ‘An Inconvenient Truth’ and former president US Clinton’s ‘Clinton Global Initiative’.

CSR is an expression which some see as a company’s obligation to be sensitive to the needs of ALL of its stakeholders in its business operations. The aim is to be overall sustainable and not only address the financial/economical in decision making but also pay attention to the social and environmental consequences.

The company’s stakeholders are all those who are linked to the decisions it makes, both locally and globally. These include employees, customers, suppliers, communities, subsidiaries, local neighbourhoods, investors, and shareholders.

It is crucial to distinguish between CSR and “good works” that a company does. The general impression companies have had of CSR in the past is of participating in local charities, setting up scholarships, establishing Foundations or spending money in community projects (e.g. Habitat for Humanity or Ronald McDonald House). CSR is the corporate response to the needs of the environment and the society.

CSR wants decision makers (Board and Directors in companies) to balance the need of its stakeholders with their need to make a profit and reward for the shareholders. This holistic approach to business regards organizations as being full partners in their communities, rather than seeing them narrowly as being primarily in business to make profits and serve the needs of their shareholders. In many cases, CSR activities are triggered by a positive vision and a positively defined concept. Sustainability, social acceptance, development of new business, the creation of new markets, inspiring and attractive products and services, a happy company, health promotion, the enjoyment of stakeholders, and being the employer of choice, are examples of such positive concepts or aims. Ethical moves are important for many of the companies; while for others CSR has become essential as a way of reducing their business risks and guaranteeing their ‘societal licence to operate’ in the long term.

Please note ‘CSR (Corporate Social Responsibility)’ and ‘CR (Corporate Responsibility)’ are considered to be the same in this thesis and ‘profits’ are used in conjunction with ‘economic growth/financial growth’. ‘Business’ and ‘Company’ are also used in the same manner and represent the general areas of discussion in the latter part of the thesis.
1.3 Problems

The main issues set forward to address in this thesis are as under:

- CSR is usually defined in a broad and ‘loose’ manner. Responsibility in a company constitutes? **Vague interpretation / Perception**
- CSR does not focus on a set of defined targets which a company can follow. The result is a potentially under utilised activity. **Lack of monitoring / Key Performance Indicators (KPIs)**
- CSR is not reported in an effective manner. Majority of companies are still aiming to produce a lot of text in their reports and not a lot of numbers to show progress. **Improvements needed in Reporting / Ineffective use of tools**
- The general perception of CSR amongst the Board members/CEOs remains unclear. Ideas presented to the Board based on contributing to the environment are usually assessed on a cost analysis and not from a sustainability analysis. Generally, there is a lack of effort put into CSR by the Board. **“Top Down” influence missing / A different ‘mind set’ needed**

These problems are existent in companies across the world. This thesis attempts to address some of the main issues in CSR which can help organisations, irrespective of size, climb the ladder of CSR. The motivation for the thesis is to promote awareness of CSR issues amongst SMEs (Small and Medium Enterprises) who are unsure about taking the first step. Hopefully with this research into the problems, individuals as well as companies can identify the importance and benefits of CSR and work towards a sustainable future.

1.4 Objectives

The main objectives of this thesis are as follows:

- Clarify the perception of CSR and present it as a central body consisting of several different areas which can be targeted to achieve overall sustainability (energy, supply chain, transport, and waste management).
- Explain using case studies how initiatives taken by companies have lead to improvements, savings and reduction in environmental impact.
- With the help of case studies, critically analyse the existing tools and methods of engaging in CSR and recommend changes to larger organisations as well as SMEs.

1.5 Background of the Author

This thesis has been written by Usman Saeed as a student of International Masters Programme in Sustainable Technology (Class of 2005/06) at the Department of Industrial Ecology, Royal Institute of Technology, Stockholm.

Usman started working as an Environmental Planner at Montgomery Watson Harza UK (MWH UK Ltd) since September 2006. He was sourced out to 4Delivery Ltd (a Joint Venture Programme between Costain, United Utilities and MWH delivering £750m Capital Delivery Programme) in September 2006 to work with the Environmental and Planning Team. In his first month at 4Delivery, Usman became an active member of the CSR Steering Group and got involved working with sustainable waste management as a potential initiative for cost savings over the period of 5 year Programme.

Usman has been working on the Capital Delivery Programme for a year in September 2007 and is now a Construction Environmental Advisor for a number of construction sites across Kent, Sussex and Hampshire. He has worked with the CSR Steering Group and helped
produce a proposal for the Board of Directors to demand support and resources for sustainable waste management at 4Delivery. In addition, 4Delivery has won the CSR award for South East England at the National Business Awards 2007.

This thesis has been written by Usman during his first year at work at MWH / 4Delivery Ltd. He has always been a supporter of responsible business activities and majority of the input in the thesis is from his own experiences of working with CSR in a large organisation. He is also a graduate member of the ICE (Institute of Civil Engineers) and IEMA (Institute of Environmental Management and Assessment).

1.6 Overview of content

This thesis is divided into 4 distinct sections: Background, Reality behind CSR and Economics, Current state of CSR and Discussions.

The first section aims to introduce and defines the problem. The objectives and scope of the thesis are laid out here for the reader to understand and follow through the rest of the text. Importance of CSR highlighted and the benefits it brings are also explained. The methodology for the research is described and the literature review completed to resolve the problem is also included in the first section.

The second section of the thesis focuses on the main problems as described in section one. The aim of this section is to present real life case studies of companies who have adopted sustainable measures to reduce their impact on the environment and on their wallet. Furthermore, this section also explains how companies and public are reacting towards CSR. The four main areas targeted are energy, water, transport and supply chain. By the end of the section, it should be clear that being sustainable comes with a range of other incentives, even if it initially demands a tiny fraction of the project cost and time.

The third section of the thesis addresses the current state of CSR. The main tool, CSR Reporting, is critically analysed and suggestions on improvements are given. Furthermore, a more structured “Performance Management” approach is discussed to ensure CSR is practiced, measured and integrated into existing business values in a company irrespective of its size. This section also provides the current state of emerging companies with respect to CSR and gives guidelines on what actions need carrying out to ensure their existing sustainable activities are promoted.

The fourth and last section of the thesis presents discussions and results of the research. In this section, the problems outlined in section one are matched to the solutions proposed in section four. Recommendations and future developments followed by conclusions bring the thesis to an end.

1.7 Scope

The focus of this thesis is to examine a range of businesses and the aim is to demonstrate how they have benefited from adopting environmentally friendly solutions. In addition, the aim is to clarify that any investment in CSR will have a return in terms of social, economic and environmental benefit

The companies used are examples of ‘good’ CSR which are selected on basis of their reputation, success and innovation. The wide range of companies chosen demonstrate that CSR is applicable in every business may it be a bank, a courier service, a motor car manufacturer or even a paper producing company. Furthermore, there is emphasis on the more engineering side of CSR at the end of every case study with reflections from my own experiences.
There are certain limitations to the research conducted. This research has not covered areas relating to Corporate Governance and CSR in relation to Globalisation. The political and legal side of CSR as seen in most of the government legislations are areas of much wide scope themselves and are hence not covered in this thesis.

1.8 Methodology

The main method of research has involved extensive desk study of CSR and the issues that surround it. The main source of information has been journals, books, articles from newspapers, professional bodies such as the Institute of Civil Engineers UK, the Institute of Environmental Management and Assessment (IEMA), Sustain Magazine, and Chartered Institute of Water and Environmental Management (CIWEM). The library resources used are mainly MWH UK library resources and ICE library resources in London.

Since CSR is such a broad subject, the focus is laid on Energy, Transport, Water and Supply Chain as the main areas of case studies. Information and data from the companies quoted here is obtained from Annual reports, research and surveys conducted by recognised institutions and telephone conversations / interviews with the sustainability and environmental representatives in these organisations (10 representatives). There are also a couple of examples of companies who have benefited from approaching environmentally friendly options and are now merged with other institutions as well as organisations. In this case, whether the figures for capital spend and savings are old, they still represent the scale of savings that can be made in present day.

The main form of contact for information has been telephone calls. A list of questions was formulated and relevant people in the business were involved in discussions. Due to physical and time constraints, in-person interviews were hard to arrange. This combined with the advice and discussion forums at MWH and 4D, this thesis is not a report but also a proposal for any business to use and work towards a sustainable future.

There has been significant input from ‘leaning on job’ at MWH. I have gained first hand experience of the subject by getting involved with the CSR Steering Group for our client and worked with environmental and financial issues in my day to day work. I have discussed CSR issues and how they are addressed in our Joint Venture fellow companies, Costain and United Utilities. These discussions were held with representatives and leaders from the respective CSR groups within the companies. In addition, short interviews have been conducted and logged conversations with individuals from various CSR backgrounds. These include internal auditors, advocates for sustainability, public relations, supply chain managers, Environment Helpline amongst others.

1.9 Literature Review

CSR as a term has probably not been around as long as some of the other terms such as ‘sustainable development’ and ‘environmental management’. A considerable amount of research has been done in the area of CSR. However, alongside this there are abundant CSR related magazines and journals published monthly and quarterly. There are many online resources dedicated to CSR. As a matter of fact, there are a number of articles and websites which oppose the idea of CSR. These were helpful in providing a critical view on CSR.

The research involved browsing the internet for resources relating to overlap of business and CSR. However it was difficult to find information relating to the ‘business case’ of CSR on the internet. Sources at the ICE library in London (the largest library for civil engineering resources in England) were remarkable in this aspect and encouraged further reading.
For a more critical view at the methods of reporting and monitoring CSR, magazines such as Sustain were excellent. Articles written by some of the best and leading figures in CSR consultancies helped me explore issues such as Assurance in CSR report writing.

The idea of CSR being a profit generating tool is a fairly new and much opposed concept. Advocates of this concept have not yet presented this information in abundance and if they have, it is extremely hard to find. Again, the problem lies in CSR’s definition. The business case for CSR is still a very new idea and since there is confusion as to what CSR can mean to individual businesses, the idea of making a business strategy involving CSR is distant.

Due to personal interest and belief, the reason to pursue the positive side of CSR is mainly because CSR can not cause any negative impacts to any organisation or is a waste of time. It might be an add-on in duties and activities, but it definitely not a burden and can be utilised for betterment. Furthermore, in personal opinion, there is not much done in some areas of business to help promote CSR. The lack of understanding of CSR, lack of media coverage, and under utilisation of existing tools are the main barriers. In order to overcome these, the research will aim to present the problem, rectify it and present recommendations at all levels.

By the end of the thesis, it should be clear to see that CSR is an umbrella of environmental management related areas which some may already be under, but have not yet recognised.
2. Reality behind CSR and Economics

2.1 Why CSR is important for business?

Why should companies bother with CSR? Why go to the effort of behaving as a good corporate citizen and measuring and reporting your activities and performance?

To many companies, it is just too much hard work or an ‘unwelcome distraction’ from the real business of business. What organisations do not realise is that they are probably already exercising their corporate responsibilities to some extent, and so the move to a formal, proactive and structured management of CSR will not take much effort or time. Moreover, CSR is not just about doing the right thing by fulfilling duties to society; it is also the smart thing to do because being responsible and accountable brings major commercial advantages.

- **Profit**

Even though it is a fairly new concept, there have been studies who have shown a direct relation between socially responsible business practices and positive financial performance. Two main studies conducted have been the DePaul University study which shows that companies having clear commitment to ethical principles did better financially (based on annual revenues) than companies that do not. Another study has been the 11 year Harvard University, published in 2004, found that ‘stakeholder-balanced’ companies showed four times the growth rate and eight times the employment growth than companies that were shareholder focused only.

- **Capital Access**

Due to the rise of Socially Responsible Investment (SRI), companies committed to CSR often have access to capital that others do not. The Dow Jones Sustainability Index, the FTSE4GOOD, Business in the Community (BiTC) analyse companies’ CSR activities. Investors refer to these indices before committing their funds. Also, fund management companies are becoming more active and assertive about their expectations regarding corporate responsibility, which they are increasingly seeing as being fundamental to companies’ risk profiles.

- **Efficiency**

Reducing waste production and increasing energy efficiency are areas which bring lower operating costs and greater efficiency. Efficiency does not have to end here. In the human resources area, flexible scheduling and other work-life initiatives taken by companies, increase turnover of staff, retention of employees and save companies money through increased productivity and reduction of hiring and training costs.

- **Reputation**

Reputation is directly linked to trust. Company’s reputation is based on its relationship with its stakeholders. A strong reputation in environmental and social responsibility helps building trust, as long as it is not just ‘lip service’. Furthermore, once a company establishes a strong CSR programme, it can help cushion a blow from any incidents that may happen in future. NGOs and local communities are far more willing to defer protests and action against a company as a result of an incident if it is evident that the company has genuinely worked hard to prevent it happening in the first place.
- **Sales**

As demonstrated later on the thesis, MORI research in 2000 showed that 70% of consumers buying a product are inclined to buy it from a socially and environmentally friendly company. This research demonstrated that consumers are not only want good and safe products, they also want to know what they buy was produced in a sustainable way.

- **Workforce benefits**

People are no longer concerned just about salary and promotion; they want to work for a company that is run in accordance with their own values and beliefs. People’s attitudes will be discussed in detail later on in this thesis.

- **Risk Management**

Obviously, if a company is committed to CSR, it is less likely to expose itself to risk. For example:

1. Risk of damage to corporate reputation, for example as suffered by Nike in connection with allegations that it was using sweatshop labour;
2. Financial risk, for example unanticipated costs for installing new pollution abatement technology or paying fines for non-compliance with labour legislation;
3. Environmental risk, for example being required to re-engineer products to remove a newly controlled substance;
4. Legal risk, for example failing to anticipate and plan for new legislation relating to disabled access to premises.
2.2 Attitudes towards CSR and Business

2.2.1 Public Attitudes

In this section, the aim is to draw attention to the general perception of individuals as public and employees towards CSR and business activities in the UK. The findings clearly show an increased awareness and understanding of CSR in business activities.

The recent coverage of issues such as the G8 Summit and its emphasis on global poverty and climate change, as well as the humanitarian disasters such as Hurricane Katrina and Tsunami, have raised the profile of some sustainability issues in the mainstream media. The media coverage around sustainable development in various areas of our lives such as recycling, transport and use of energy has increased dramatically over the last couple of years. However, the question is how far do individuals act on these concerns? Are sustainability issues, including social and environmental concerns, affecting people’s expectation of companies?

- Social and Community Issues

Many people admit to being concerned about environmental and social issues, but are not themselves active. According to Dawkins, after several years of decline in the proportion giving to charity, in 2006, there has been an increase in the charitable donations, with three-quarters of the public having done this in the 2005. (MORI Research, February 2004).

Looking at public behaviour across these activities, it is possible to identify a group of people more engaged in social and community issues termed as ‘Activists’. This group has done five or more of this list of activities in the last year, ranging from making a charitable donation, to attending a local community event, to boycotting a product on ethical grounds. However, activists comprise only 16 per cent of the British population and belong to a very particular section of the society (mainly 35-54 years old with a degree and a family who encourages community involvement and sustainability) (Dawkins, 2006). For obvious reasons, they are also keen on finding out more about business and their commitments to CSR. On the whole, general public are not yet becoming more active on community issues but are well aware of the issues.

- Sustainable Purchasing

With reference to Figure 1 (MORI Research White Paper 2003), we can clearly see the trend towards sustainable purchasing has increased from 24% in 1997 to 35% in 2005. The consistency in public’s attitudes towards purchasing responsibly can be seen throughout year 2001, 2003, 2004 and 2005. A third of the general public said a company’s social responsibility is very important to their purchasing decisions. Public opinion on this point has levelled off after importance peaked in summer 2001, at the culmination of the publicity surrounding books such as “No Logo”, the anti-capitalist demonstrations seen at the World Trade Organisation talks, and prior to the security and economic concerns raised by the events of 9/11 which then somewhat eclipsed other issues. Nevertheless, the level of importance placed on company’s responsibility in purchasing is still substantially higher than seen in 1997 and 1998.

This stated concern about CR in purchasing fits in well with the proportion of the public that claim to purchase a range of ethical products. In the last year, a similar proportion (about a third) have purchased five or more ethical product categories including free-range eggs, products with recycled content and fair-trade items. Although this question does not take into account frequency, volume or motivation of purchases, it does provide and shows that those aged 35-54, higher social grades, and women are more likely to purchase ethically. Previous
research for the Co-Op Bank in 2000 has suggested that there is a smaller ‘hard core’ of ethical purchasers for whom ethics outweighs other considerations, such as price and convenience, and this group makes up around five percent of the population (Dawkins, 2004).

<table>
<thead>
<tr>
<th>Year</th>
<th>Very Important</th>
<th>Fairly Important</th>
<th>Not Very Important</th>
<th>Not at all Important</th>
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<td>1997</td>
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<tr>
<td>2005</td>
<td>36%</td>
<td>47%</td>
<td>12%</td>
<td>3%</td>
</tr>
</tbody>
</table>

**Figure 1 – Trends in Purchase Behaviour – MORI Research**

- **Sustainability & Attitudes**

So are there any of these social and environmental issues impacting on people’s view of companies? Among a range of stakeholder audiences measured in UK, the public have the highest expectations of company responsibility—seven in ten agree that industry does not pay enough attention to its social responsibilities, and this figure has remained consistent over the last few years.

The public attitudes towards business have become transformed over the last 30 years. In 1971, half of the British public agreed that the profits of large companies help make things better for everyone using their products, clearly outweighing the proportion disagreeing (35 percent). But this confidence in the merits of company profits has been eroded as seen in figure 2. After a period of fairly evenly divided opinion in the 80s during the privatisation programme of Thatcher’s government, the public has more recently become sceptical of the benefits of company profits. In 2005, opinion has reversed compared to 1971, with the public disagreeing by two to one that the profits of large companies help make things better for everyone. Clearly, companies’ ‘licence to operate’ cannot now be secured simply by generating profits. (Lewis, 2003)

Part of the public scepticism towards business can be attributed to their perception that companies are purely out for profit and satisfying shareholders, but not fulfilling expectations to take into account the views of a wider range of stakeholders, such as consumers, employees and wider society. By and large, people think that only a few large companies are genuinely doing all they can to be responsible. Top-of-mind awareness of corporate responsibility issues is still relatively low among the British public. Only a third can recall a company helping the community without prompting, and only three in ten can name a company they consider to be
particularly socially, environmentally and ethically responsible. Negative media attention has a major part to play in this perception problem.

![Chart showing public attitudes to Company CR – MORI Research](chart.png)

**Employees expectation of business**

The emphasis of much of the discussion about CR is on the reactions of external stakeholders to company conduct and sometimes the biggest asset a company could ever own is its employees.

It is important for employees to feel that the company that they work for is responsible to society and the environment. Of those in full and part time work, the vast majority say it is important that their employer is responsible (86 per cent), and over half say it is very important (55 per cent). An employers’ responsibility also seems to matter more to high-worth employees with those of higher social grade and broadsheet readers particularly likely to say it is very important to them. (See figure 3).
Even more importantly, corporate responsibility can also have a powerful impact on employee advocacy of the company. In a study among the employees of six companies in various sectors, MORI Research found that the tendency to speak highly of the company to outsiders increased considerably among those involved in the company’s community activities. Advocacy also increased somewhat among those aware of the company’s community programme but not themselves involved.

Recent graduates from universities would rather go an extra mile to make sure that they work for a company which bears some responsibility of its actions and has a good reputation. There is an increase in the awareness engineering companies are raising for their current employees so they can hold their heads up high and ‘feel good’ about the work they do.

Employees of a large company have a potentially wide reach, and they are seen as particularly credible advocates on corporate responsibility. Majority of the public agree that they would believe the word of an employee over that of a company brochure or advert regarding a company’s contribution to society and the environment.

Indeed, word of mouth, working for a company or knowing someone who works there are currently some of the most common ways for the public to hear about a company’s social and environmental activities.

The key result from the MORI survey, literature review and personal experience is that general public is well aware of corporate attitudes towards environment and resources. The role of media in this context is extremely important.

Media tends to report less on positives impacts of companies on environment and is very quick to respond to any negative issues. This in turn leads to a distorted image of corporate world in the eyes of the consumer, employee and the average man who reads the newspaper or watches the news on television.

What we need from media is continuous up to date reporting on issues surrounding CSR. This can be anything from recent environmentally friendly technologies adopted by an organisation to charitable contributions made to the local community.


2.2.2 Company Attitudes

The aim of this section is to cast light on the reaction companies have towards adopting the sustainable approach. This section is meant for companies to place themselves in the phase they reckon they are in and encourage them to improve.

There are various phases of sustainability which a corporation goes through. Unfortunately a vast number of companies are still stuck in the initial phases and need to step up and accept the challenges in order to increase their share of the market at the same time do good.

Quoting Andrew Griffiths, a Senior Lecturer in the Technology and Innovation Management Centre at the University of Queensland,

“Achieving corporate sustainability is a challenge that will increasingly occupy the attention of CEOs, senior executive teams, change agents and key stakeholders of twenty-first century organisations. The debate about the path forward will be protracted, noisy and tough. The resolution to fundamental dilemmas involved will come, not primarily through words, but through the actions of those corporations that see opportunities inherent in the emerging ethos of sustainability. This ethos is already apparent in increasing pressures on corporations from governments, shareholders and political interest groups to change wasteful and destructive practices.” (Durphy, 2003)

The main phases of sustainability a company goes through are listed as below:

- **Rejection**

Rejection involves an attitude on the part of the organisation’s managers that all resources-employees, community infrastructure and the ecological environment- are there to be exploited by the firm for immediate economic gain. All the costs are externalised to others. Efficient in the short run, it obviously does not recognise sustainability. The result of this approach is destructive relationships, alienation and community and environmental degradation

- **Non Responsiveness**

In short, in this case, a company continues to operate ‘as usual’. There is no opposition to corporate ethics. However there is ignorance and unawareness of environmental standards and issues. The firm focuses solely on running the company and ignores any externalities present.

- **Compliance**

This focuses on reducing the risk of sanctions for failing to meet standards as an employer or producer. Changes are primarily reactive to growing legal requirements and community expectations for more sustainable practices. A good example of this is the Health and Safety Executive, HSE in UK where strict measures such as fines and legalities are brought in on companies who fail to show a record of basic occupational health and safety standards.

- **Efficiency**

Companies in this phase reflect the growing awareness on the part of managers in the corporation that there are real advantages to be gained by proactively instituting sustainability practices. In particular these practices are directed towards reducing costs and increasing operational efficiency. Some organisations capitalise on these cost savings and reinvest them
in their employees to achieve sustainable longer-term gains by building the appropriate cultures and human systems that support value-adding and innovation. For example, Scandic Hotels have had considerable success at reducing and eliminating waste and using these cost savings ($11m in first year) to build their employee skill base (Lanahan, 1997). The new innovation focus has led to huge cost savings, reduced ecological impacts and enhanced the reputation of the corporation. More examples of companies in this phase are presented in the latter part of the thesis in the form of case studies.

- **Strategic Pro-activity**

This phase emerges when sustainability is used to seize merging opportunities by, for example, improving competitive advantage by positioning the firm as a leader in sustainable business practice. British Petroleum, BP, has adopted such a strategic approach to sustainability. As one of the world’s largest extractive resource-based companies and energy producers, BP has strategically repositioned itself to be seen as moving ‘Beyond Petroleum’. They have incorporated these goals into their corporate strategies. While BP is in the early stages of the sustainability journey, the company is being positioned as an industry leader.

- **The Sustaining Corporation**

Ideally this is the phase all the companies should aim to be in. In this phase, the company is an investor in its workforce, supports the ecological viability of the planet, engages all stakeholders and contributes to just, equitable and democratic social practices and human fulfilment. To date, there are not many firms working along these ideas, however with the heightened awareness of the public, many corporations are aiming to reach out and be a sustaining corporation.

Too become the ‘sustaining corporation’, CSR needs to be formally addressed and this is definitely a challenge for the managers and CEOs. Following the case studies, the discussion section will aim to recommend way to win CSR into the management system.
2.3 CSR as a business strategy

The most innovative and progressive companies in CSR management will benefit from improved relationships with business partners, regulators, local communities and other stakeholder groups, improved access to capital, and an improved ability to attract and retain the best talent whilst also improving their reputation and brand attractiveness in the marketplace—all factors which will improve their competitiveness.

As discussed in the earlier sections of this thesis, CSR has direct links to improving business. The advantages are not only limited to gaining financial gains, but also improving stakeholder relationships at all levels and complying with legalities. Furthermore, research evidence has suggested clear links between corporate sustainability activity and financial returns, both in terms of company performance and share price performance. For example, academics at DePaul University examined the financial performance of the 2001 ‘Best Citizen’ companies according to the US magazine Business Ethics (CR Officer website, www.cro.org.uk). The Best Citizens scored ten percentile points higher than the mean ranking of the remainder of the S&P 500 companies (Murphy and Verschoor, 2002).

Forum for the Future’s Centre for Sustainable Investment has also examined the nature of and evidence for the business case (Sustainability Pays, 2002). It identified three potential sources of direct business advantage:

1. Companies can obtain first-mover advantage by being in tune with public attitudes, ahead of regulation

2. Dealing with stakeholder pressures in an important managerial skills which builds organisational assets

3. CSR enables companies to identify valuable opportunities that are otherwise overlooked because the issues are not normally captured in conventional management information systems—analogous to the quality issue.

The study examined research going back to the 1970s and found that a clear majority of the work comes down in favour of a positive link between sustainability performance and shareholder value. Some studies are inconclusive and some identify negative links, but the balance is 52 positive to 11 negative (Hammond, 2001).

To demonstrate this, the research will now present case studies in various types of companies and how they have benefited from being responsible.
2.4 Case Studies

This section of the thesis will focus on case studies of companies who have benefited from approaching sustainability and environment in a positive way. The four main areas, energy, water, transport and supply chains are targeted. Companies of various nature and type of business are included to cover a broader view of the subject. Each section within the four areas will provide real life examples of companies and also reflect on personal experience gained through working at MWH.

The companies chosen serve the function of being unique in their kind of business, their scale and the different strategies for developments in CSR. However, the issues faced are similar. Energy is of key importance to companies such as Southern Water as well as the National Westminster Bank (NatWest). Being environmentally aware in transport is key to courier services such as DHL as well as City Sprint.

The aim of this section is to clarify the position of companies in recognising the need and benefits of moving towards a sustainable business in order to benefit themselves. Below is a short summary of the companies chosen for review. Detailed information is presented in the Appendix 6.1.

<table>
<thead>
<tr>
<th>Company</th>
<th>Facts</th>
<th>Savings Initiative</th>
</tr>
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<tbody>
<tr>
<td>Blue Circle Waste</td>
<td>Waste Management through landfill and incineration</td>
<td>Energy: Burning landfill gas to produce electricity</td>
</tr>
<tr>
<td>Management</td>
<td>operations. £34m turnover.</td>
<td></td>
</tr>
<tr>
<td>Blue Circle Industries</td>
<td>Manufacture and sale of heavy building materials and</td>
<td>Energy: saved 3-5% of annual costs on cement kilns fitted with computerised control</td>
</tr>
<tr>
<td></td>
<td>home products. £1,678m turnover.</td>
<td>systems.</td>
</tr>
<tr>
<td>BT (British Telecoms)</td>
<td>Provider of telecommunication products and services.</td>
<td>Supply Chain Initiative</td>
</tr>
<tr>
<td></td>
<td>£19.5b turnover.</td>
<td></td>
</tr>
<tr>
<td>Coats Viyella Plc</td>
<td>Manufacturer, processing, distribution of industrial</td>
<td>Energy: over £25,000 savings Packaging reduction: £100,000 per year saved</td>
</tr>
<tr>
<td></td>
<td>and domestic homewares and precision engineering.</td>
<td></td>
</tr>
<tr>
<td>DHL International</td>
<td>International Express Carriage</td>
<td>Energy: £358,000 saved by fuel efficiency</td>
</tr>
<tr>
<td>City Sprint</td>
<td>UK based Express Carriage, £46m turnover</td>
<td>Energy: Fuel efficient cars and reduction in carbon footprint.</td>
</tr>
<tr>
<td>NatWest</td>
<td>International Bank &amp; Financial Services Provider</td>
<td>Waste Reduction: £640,000 over five years by compaction.</td>
</tr>
<tr>
<td>Nissan Motors</td>
<td>Manufacturer of vehicle and automotive components,</td>
<td>Supply Chain: Encouragements of environmental standards on suppliers.</td>
</tr>
<tr>
<td></td>
<td>£1.8b turnover in UK</td>
<td></td>
</tr>
<tr>
<td>Company</td>
<td>Industry Description</td>
<td>Details</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>---------------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Southern Water Ltd</td>
<td>Provision of water, wastewater services in Kent, Sussex, Hampshire and Isle of Wight, turnover over £350m</td>
<td>Energy: saving £36,000 based on use of better technology on treatment works.</td>
</tr>
<tr>
<td>Cambrian Printers</td>
<td>Printing Company</td>
<td>Waste Reduction: saved £60,000 and 55 tonnes of paper.</td>
</tr>
<tr>
<td>Skippingdale Paper Products Ltd.</td>
<td>Manufacturer of disposable nappies, turnover over £19m</td>
<td>Transport: saved £195,000 per year. Waste: Saved £800,000 per year.</td>
</tr>
</tbody>
</table>

Primarily the reason for choosing these companies as examples is the initiatives they have taken to improve their environmental impacts. Some of the case studies have set legends for others in the waste management and transport. The varying nature of company business is chosen to provide a broad view of initiatives to help explain HOW any company can benefit from improving their existing systems and procedures.

In effect, investors are always hesitant to invest in technologies and areas where there is uncertainty of profits. Providing these case studies, hopefully, should clarify the position investors should be taking to secure future business with minimal impact on environment and their pocket.
2.4.1 Using Less Energy

Energy use is an obvious area in which companies can look for cost savings. Energy saving also yields great environmental benefits because of the polluting effects of most sources of energy.

Burning fossil fuels such as oil, coal and gas, whether directly or to produce electricity, contributes to the build up of carbon dioxide in the Earth’s atmosphere, and therefore potentially to climate change. Fossil fuels also give rise to sulphur dioxide and nitrogen oxides, the main components of acid rain. In most UK power station only about one third of the energy in the fuel ends up as useful energy in the form of electricity, with the rest lost as waste heat. Nuclear power produces less carbon dioxide in operation, but building a nuclear power plant involves considerable amounts of fossil fuel and therefore CO₂. The problems involved in the disposal of radioactive waste and the possibility, however small, of a catastrophic accident, make it a controversial and, to some, unacceptable option. It would be desirable for “renewable” sources of energy such as wind power and solar power to form in the future a significant part of the energy mix, but at present they are not developed enough to be reliable.

Given the present environmental penalties and the financial benefits of using less energy and using it more efficiently, all companies should have an energy use reduction programme. The energy crisis of the 1970s did much to encourage greater energy efficiency in industry but technologies and monitoring techniques, and thus the examples in this section demonstrate a number of different strategies, from simple changes in lighting design to investment in new technologies. They show that benefits can be realised very quickly.

- **Combined Heat & Power (CHP)**

Combined Heat and Power (CHP) installations tap the waste heat normally associated with electricity generation, enabling it to be used locally to heat water and buildings and industrial processes.

At their waste water treatment works in Canterbury, **Southern Water** is saving £3,000 per month on electricity following the installation of a CHP system.

For years, the company used bacteria to digest sludge in a large tank at most sites and the gas generated by the process, which is 60% methane, went to “flare”, in other words, burned off. The tank would be heated to the required temperature of 35 degrees by a separate boiler system. The company realised that the wasted methane gas could be used to heat the boiler, and it was then only another short step to using it to power an engine, which provides heat for the digester and electricity for the sites. Southern Water has been using CHP technology at one site since the 1940s but the decision to look at modern CHP systems was taken as a part of a review of energy costs and methods of sludge digestion in 1989-90.

The amount of heat from the engine is sufficient to keep the digester running and, through a small generator attached to the back, to produce 105 kilowatts of electricity which is used on site. Now, nearly 60% of all electricity needed is produced on site, saving £36,000 per year on importing electricity from the grid or the company’s two main generators elsewhere. The cost of installation at Canterbury was £180,000 and the payback period is not likely to be less than 5-6 years, however as it stands now, Southern Water have an asset which has paid for itself and is running effectively for years to come (Southern Water Project Archives, 2006).
• Energy from Waste

Blue Circle Waste Management Limited (BLWM) (merged with Lafarge of France now) exploited an opportunity to establish an alternative energy source, and selling electricity to the National Grid.

Blue Circle Industries plc extracted large quantities of minerals for its cement production. A normal part of the planning consent for quarrying is that the company has to restore the land after extracting material. Many of the disused quarries have been used as landfill disposal sites. BCWM started experimenting with landfill gas in the 1980s. The processes that decompose organic waste produce landfill gas, a mixture of mainly methane and carbon dioxide. Landfill operators have a statutory duty to prevent health and environmental risks from uncontrolled gas releases, and this has normally meant burning it. Methane, in its un-burnt state, has a global warming potential several times that of carbon dioxide. When burnt, the methane converts to carbon dioxide which reduces the impact on the atmosphere, but is still adding to global warming. It is also very wasteful as landfill gas has about half the heating value of natural gas and can be burnt to provide heat or used to generate electricity.

BCWM decided to exploit this energy source and installed generators at four sites. The company now has the capacity to produce nearly 10 megawatts (MWs) of electricity. Most of the electricity sold to the National Grid. A one-MW scheme, for example, would typically earn in the region of £450,000 per annum. Blue Crest also has one local customer for direct gas sales to whom it supplies approximately 2 million therms per year, charging them the equivalent of the price of the fuel replaced. The cost of installing a one-MW generator is approximately £700,000. On the basis of the revenue from the electricity sold, the simple payback period would be 2-3 years, but the maintenance costs are considerable and increase the payback time to about 10 years. (Julie Hill, 1998). Realistically, few companies, including BCWM, would consider projects with such a distant return on investment. However, one must not forget that the Government has several Programmes supporting sustainable activities across the nation. In the case of BCWM, the Non-Fossil Fuel Obligation (NFFO) subsidy to BCWM brought down the payback period to about 5 years, which is much more acceptable and encourages more investment.

• Lighting

Moving on from the large measures to smaller measures, no company can turn down a simple strategy of changing bulbs in their offices or simply “switching off” when not in use.

At Coats Viyella Plc garment hanging warehouse has saved over £12,000 a year through installing a redesigned and efficient lighting system, with a three year payback. Energy consumption was reduced by 66%. The warehouse had not been purpose built and the lights ran at right angles to the garment racks, leaving a lot of aisles in darkness. Lights were realigned to run along the individual aisles and each fitting incorporated three-high performance reflectors allowing the existing triple tube to be reduced to a single tube. The quantity and quality of lighting has improved dramatically.

Bluecrest Convenience Foods Limited has benefited from operating a modern energy-efficient plant since 1990. Even so, energy management experts were able to identify a further, significant improvement that could save the company money.

Bluecrest used 100 sets of double tube fluorescent lights in its buildings and it was suggested that if the company installed mirrors in place of one of the tubes, it could operate on single lights, cutting costs in half. After successful trials the mirrors were installed at a cost of £2500. The savings made in energy amount to £2500 per year, giving a payback period of one
year, plus the benefit of 100 spare tubes to used as replacements, worth and estimated £250 (Hill, 1998).

The National Westminster Bank Plc (NatWest) saved in the region of £630,000 per annum by simply assessing the energy used and implementing strategies which included replacing tungsten light bulbs with compact fluorescent fittings to installing high frequency control systems for flicker control. This not only improved the working environment but also resulted in 66% reduction in lighting load in one 16,000 square meter building. This was installed in 1992 and savings amounted to £180,000 per year (NatWest Annual Report, 1996). This was coupled with staff awareness campaigns, additional switching was installed in certain premises to split large expanses of lighting into zones, enabling staff to switch off particular areas when not in use.

Furthermore, the Bank has committed to improve and taken over 300 initiatives to improve their energy efficiency and an estimated savings of £300,000 have taken place.

The costs savings achieved here demonstrate that initiatives with environmental benefits can be very simple and need not always involve large capital investment costs or complicated process changes.
2.4.2 Reducing impact of transport

In 1990 the British Government estimated that traffic in the UK would increase between 83 and 142% by year 2025. These projections were welcomed by some as a sign of growth (Department of Transport, 2006).

Since that time we have become increasingly aware of the environmental impacts of transport. Transport is responsible for around 24% of carbon emissions in the UK, and the proportion is growing (www.dft.gov.uk Press website). Local air quality is affected by emissions of nitrogen oxides, carbon monoxide, smoke and the chemicals that lead to low-level ozone. There is increasing evidence that sensitivity to asthma and other respiratory complaints is linked to traffic pollution, and the benefits of catalytic converters in reducing emissions will be quickly overtaken by sheer traffic growth.

An increase in volumes of traffic not only creates congestion, but also slows down business, generating more pollution, and building more roads means more traffic. As environmentalists we know that construction of roads is not the way forward as it does more damage to land than good.

The debate surrounding “sustainable transport” has been the centre of attention for a while. Companies can make important contributions to limiting environmental impacts. They can take steps to reduce the number of vehicle miles travelled in course of their business. Proven measures include consolidating loads, compacting products and waste in order to use less vehicle space, and either eliminating packaging, or switching to more space-efficient forms. Companies can also use cars with smaller and more efficient engines, choose cars with the most up to date pollution abatement technology and train their drivers to drive responsibly. There is also the possibility of minimising wastage through recycling in-house, using reusable packaging or eliminating packaging altogether. All of these can lead to reduced demand for vehicles to take waste for disposal.

The following examples illustrate how the impact of transport can be reduced at the same time increasing savings.

- Driving for Efficiency

In 1993 DHL International (UK) Ltd delivered 80 million packages to 70,000 destinations in 218 countries. Transport is, therefore, the company’s main environmental concern. As part of their environmental Action Plan, DHL set itself a task of improving fuel efficiency by 15% by mid 1996. The target was achieved and the estimated savings were £358,000 (DHL Annual Report, 1997). There was a careful choice of the most fuel-efficient vehicles for each operation. At the same time, regular route planning ensures that the most efficient routes were used on all journeys. These were key factors in achieving this target.

Another initiative is DHL’s “Team Buses”. Instead of individual courier vans, DHL has begun to use “Team Buses” for journeys from Heathrow depot to central London. Couriers sort the consignments on the buses en route and deliver the goods on foot. This has so far reduced the number of vans travelling in and out of London per day from 18 to 2 and speeded up customer services and delivery times (www.dhl.com). In short, strong management commitment, consideration for Environment and Quality combined with support from senior management team has helped progress this programme forward. DHL has also gone forward with several other initiatives globally and runs Compressed Natural Gas delivery vehicles in Bangladesh.
On a smaller company scale operating in the same business is CitySprint. CitySprint is UK’s leading same-day courier network has a network of 30 service centres across the UK. It has a comprehensive fleet of 1,000 vehicles comprising large and small vans, motorbikes, push bikes and environmentally friendly Smart cars (www.citysprint.co.uk) As a part of its corporate social responsibility strategy, CitySprint has developed a programme designed to minimise any negative effect those activities have on the environment.

CitySprint’s environmental programme is an intensive and comprehensive programme that has been developed at Board level and applies through all areas of the business. In order to fully support the business, CitySprint has engaged an environmental consultant who is responsible for overseeing and managing the programme. A key objective of the programme is to achieve ISO: 14001:2004.

CitySprint’s environmental policy touches all areas of the business. In terms of its fleet, the company is trialling alternative fuel vehicles in order to allow the company to reduce its emissions whilst continuing to maintain a reliable fleet and deliver excellent customer service. CitySprint has a fleet of 15 Smart cars that have reduced emissions and is also actively increasing the proportion of electric, gas and hybrid vehicles. It also promotes the use of its push-bike couriers if and when appropriate. CitySprint also has the largest fleet of push bikes couriers in London. Clients are frequently surprised when CitySprint informs them that cycle couriers can cross city centres in a fraction of the time when compared to other vehicles which are restricted by traffic. The company has now introduced Toyota Prius for their sister company (Westone Green) passenger car service. In one of my interviews, the internal auditor Paris Collins, at City Sprint emphasised that the demand from their corporate and public customers encouraged them to purchase the environmentally friendly cars.

- **Compact goods equals less transport**

Through compaction and improved design Skippingdale Paper Products Ltd has reduced the volume of disposable nappy packs by almost 60%, saving £195,000 per year in transportation costs in the UK and to Scandinavia. Lorry loads have been reduced to such an extent that approximately 600,000 km less are travelled per year. New compaction packaging equipment, designed by Skippingdale, paid for itself in 6 months. Since introducing compaction the major brands in the UK have been following is company’s example (Alister, 1999).

Volumes have also been reduced by redesigning and moulding the nappies to eliminate unnecessary padding, ensuring that thickness of the pad varies according to where it is most
needed. This, in combination with the use of super-absorbed materials has reduced the weight of a nappy from 70g to 55g. Skippingdale hopes that with further work on design it will be possible to reduce the weight to 45g. (Alister, 1999).

On a different note, the National Westminster Bank Plc (NatWest) has been recycling waste paper for many years. An environmental audit of the Bank’s UK branches and specialist businesses highlighted the fact that paper was disposed off uncompacted. By installing paper waste compactor in approximately 1,850 of its branches, the Bank has halved the number of journeys that need to be made by waste contractor vehicles and space required for interim storage has been reduced. In some branches it also reduced the need to make otherwise necessary conversion work on storage areas to meet fire regulations. According to a recent survey, the numbers of branches with waste-compactors have increased to 2000 and estimated annual savings are £ 511,000. (Natwest Annual Report, 1999)

The Bank estimates that the compacters provided an estimated financial advantage of £640,000 over a five year period. This figure takes into account investment made, payback and inflation.

Travelling is an important part of business. In the UK, due to a lack of confidence and trust in the public transport, employees find it convenient and easy to use their own modes of transport. On a corporate level, there is not much that can be done to solve the national transport crisis. However, on a corporate level, companies can take various steps.

A number of companies including MWH UK Ltd. provide a financial incentive for car sharing. The driver is able to claim a certain amount per mile for the total mileage travelled. The more the number of passengers, the more the driver can claim per mile for each of the passengers. Furthermore, when employees are provided with a company car, they are provided with information on the carbon emissions, allowing them to make a difference in their carbon footprint. MWH has also introduced video conferencing in their client offices allowing for meetings to be held across offices without people travelling hundreds of miles.

In a nutshell, it is always small steps which lead to bigger steps in CSR and following a series of actions and monitoring them is the way we can reduce our impact of business on the environment.
2.4.3 Using Less Water and Reducing Pollution

This section focuses on the consumption of water as well as about the problems of water pollution. It is often assumed that the UK has as much water as it needs, but for the last couple of years, after a series of dry winters showed that supplies are by no means inexhaustible. The UK Government’s main environmental policy document says that “the present margin between developed resources and demand may be uncomfortably narrow”.

Shortages of water, even if temporary, are more than just a nuisance. Rivers dry up, or flow becomes so low that wildlife cannot be supported. The effects can be permanent and irretrievable. In the long term, the viability of industries and the security of supply for householders could be threatened by over-use of water.

Water costs money. So for environmental and cost reason use of water, like energy, should be subject to a reduction programme. The case studies that follow demonstrate some very successful approaches.

Water pollution also costs money. The National Rivers Authority (NRA) charges for consents to discharge effluent, and costs vary accordingly to the nature and quantity of the discharge. Immediately savings can be realised by “closing the loop”, in other words re-using or recycling materials that would otherwise end up in waste water.

Below are some case studies of companies in different types of business who are vary of their actions and are progressing economically as well as environmentally.

- **Better Effluent and Water Management**

  **Bluecrest Convenience Foods Limited** saved £60,000 within a year of initiating an improved effluent management process at its chilled and frozen meals plant in North Wales.

  The Company was sending two tanker loads (or 30 tonnes) of sludge to landfill per week at a cost of £52,000 a year and spending £50,000 a year on chemicals to separate solids from the effluent stream at its on-site treatment plant. Faced with these high costs and a shared objective with Welsh Water to reduce its Chemical Oxygen Demand (COD) in order to meet consent levels, the company decided to establish a Waste Management Working Party to examine the problem.

  It was discovered that the high COD level was due mainly to starches produced from the cooking of rice and potatoes, and that large quantities of food particles were ending up in the waste stream. A programme of staff education was introduced, raising awareness of the problem and encouraging careful management in the cooking process. This avoided food particles getting into the liquid waste stream, and also reduced overall amounts of waste. By this programme alone, sludge dropped from two tanker loads per week to one, involving a total saving of £25,000 over a year.

  The reduction in the amount of effluent produced also meant less chemical treatment was needed. This, combined with a change of chemicals used, produced a further saving of £35,000 over one year.

  Once investment in environmental technology is done, it snow balls and further interest follow. In this case, for a company with expertise in microbiological issues, knowing that the problem was mainly starches quickly led to a realisation that the effluent could be treated biologically. £40,000 was invested in a biological treatment unit, which consists of a large tank into which the effluent is pumped continuously. It is kept for 2-3 days whilst bacteria
feed on the natural organic materials, reducing the COD level. The effluent then passes to the chemical unit for the final stage of treatment, after which the sludge is “clean” enough to use as agricultural fertiliser. Payback for the unit was achieved in one year! (Priddey, 1999).

**Recycling of Waste**

Cambrian Printers (Cambrian) is a long established printing company based in Aberystwyth. Cambrian is a family owned business and has been quick to recognise the importance of waste management. They have set examples of best practice for SMEs. Printing is known to be a polluting industry. However in 2001, Cambrian undertook a environmental review which totally changed the way in which they operated.

Cambrian focused on recycling and reduction in waste. Using simple ‘quick wins’ at office level and technical wins at product level, they have saved £60,000 and 55 tons of paper. Improved technology which included the Open Source network software to manage all print jobs in digital format lead to a productivity increase of between 30-40%. The payback for the machine is estimated to be around 18 months (Opportunity Wales, 2007).

All these saving were achieved from monitoring and calculating waste removal. They have now achieved ISO 14001 Standards which is obviously key to attracting business and keeping up quality. They have also moved on to encouraging employees cycling to work with subsidised bikes.

Currently the CSR Steering Group at 4Delivery is looking into diverting surplus excavated material off site to reduce their impact on the environment as well as save money. Recent research into the volumes and costs of spoil sent to landfill indicated a substantial amount of money that could be saved from promoting re-use of this excess material on site, therefore, carrying out a sustainable overall Programme of works and delivering projects to the client under budget.
2.4.4 The Supply Chain

Environmental issues do not stop at the factory gate, or at the boundaries of an individual company. Every company is part of a chain of suppliers and customers. Having considered environmental initiatives at the company level, the next step is to consider the performance of suppliers. For some this might mean taking a company out of the suppliers base altogether if it is clear that environmental performance can never be up to scratch. More likely, however, is an approach where a company makes the effort to find out what its suppliers are doing, and then helps them to develop their own policies and initiatives. Where environmental initiatives save money, then the customer is likely to be one of those reaping the rewards.

Supplier initiatives are likely to be particularly helpful to small supplier companies. Implementing a comprehensive environmental programme is undoubtedly harder for small companies than for large companies, particularly where it involves finding staff time and capital outlay. If pressure, ideally accompanies by assistance, is coming from larger companies the outlays will be easier to justify and impetus stronger. The examples here below show the extent to which some companies already see their credibility resting on not just their own activities, but on those of everyone with whom they are involved.

**British Telecommunications plc** (BT) sees its “Supplier Programme” as an integral part of its environmental policy. BT has a formal policy of ‘product stewardship’ i.e. aiming to minimise the whole life environmental impacts of the main products BT purchases and either sells on or ultimately discards. BT is the biggest civilian procurer of goods and services in the UK. Their “Generic Environmental Impact Standard (GS13)” is sent to companies tendering of business. The standard asks for information on the company’s environmental policy and management systems as well as information about environmental impacts of the product during its whole life-cycle. This includes packaging, the ease with which the product can be recycled, any hazards arising from disposal and whether the product’s use involves any emissions which will have adverse environmental effects. The answers to these questions are scored and the responses are then taken into account alongside financial and quality criteria in making a final decision on a supplier. The main usefulness of GS13 is in comparing different suppliers who are quoting against the same tender specification.

Matthew Waterkeyen, Sustainability Advocate at BT, in an interview with recognises that BT’s GS13 being a popular system which is widely used across BT and covers some 50% of the value of supplies to BT, a figure in excess of £2 billion per year. They have also run a number of awards including the Environmental Supplier Award, which recognises supplier environmental achievements and encourages improvements. The supply chain side of BT want to minimise future costs, especially disposal and maintenance costs and energy consumption.

As mentioned in section 2.4.2, **Skippingdale Paper Products Ltd**, who make nappies for major UK and Scandinavian retailers to package as their own brands, has a policy of only purchasing wood pulp from well managed forests. The majority of its pulp comes from Sweden where sensitive forest management is a legal requirement - for example, for every tree cut down three more must be planted. The majority of tissue fibre also comes from Sweden, and is only purchased from suppliers whose manufacturing processes meet the strict guidelines of the Swedish Environmental Association (Miljoverket), which covers air and effluent emissions.

The pulp industry has also been criticised for using chlorine gas in bleaching which results in the production of chloro-organic compounds, some of which, even in small quantities, are considered toxic. Paper product manufacturers are increasingly using pulp bleached with chlorine dioxide instead of chlorine gas, a method which minimises the production of
chlorinated by-products. These are called Elemental Chlorine Free (ECF) pulps. Skippingdale switched completely to using ECF pulps in 1989, to satisfy the requirements of the more stringent Scandinavian market. Dialogue and information-sharing with suppliers have always been important to Skippingdale, and together with visits to check on forest management, have proved to be sufficient in keeping abreast of supplier environmental performance. This has been met with positive reactions from suppliers. Skippingdale’s suppliers have benefited by maintaining its custom and, likewise, Skippingdale has benefited by maintaining the custom of the retailers its supplies who increasingly scrutinise their suppliers’ environmental performance.

At Nissan Motor Manufacturing (UK) Ltd (NMUK) monitoring current and prospective supplier’s compliance with environmental legislation is crucial to the directors. A couple of years back, the company carried out a survey of UK based suppliers’ compliance with the Environmental Protection Act. The survey also monitored changes in supplier processes that may have a knock-on effect on NMUK’s own in-house processes. The company surveyed suppliers most likely to experience difficulties in complying or whose processes they wanted to understand more thoroughly.

Following on from this NMUK has now incorporated an environmental monitor with the traditional cost, quality and delivery considerations when assessing prospective suppliers or when reviewing existing suppliers, as new models or model changes are introduced. All suppliers are asked if their activities comply with the environmental legislation of the country in which they are operating, and with Europe – wide legislation if applicable.

There are several examples of NMUK’s environmental initiatives which have gone beyond legal requirements and which could not have been taken forward without the commitment of suppliers. One is returnable packaging. The company now receives 96% of components in reusable containers. Bob Gray, the Purchasing Manager admits there was some resistance from the suppliers initially. However, by working closely with them demonstrates the benefits that can be realised. Suppliers benefit, for instance, by improving operational efficiency through no longer having to assemble cardboard boxes. According to Bob, the savings made in some cases have cancelled out a supplier’s increased costs which would otherwise have formed an increase in component price to NMUK.

The role of supply chains in building and undoing brand and reputation needs little affirmation. The last decade has seen the emergence of supply chain management as one of the highest profile dimensions of CSR, and consequences will only intensify in the coming decades.

In conclusion, we must remember that while a company is riding the crest of a wave, all is well and good. However if its name is splashed across the centre page for all the wrong reasons, share prices can take a nosedive. Consequently, brand buy-in is a key driver for profitability, especially in a global market. Stakeholder confidence ensures survival, and damaging supply-chain issues can easily lead to a downturn in stakeholder and market perception that cause serious problems. Without demand, there can be no supply.
3  Current State of CSR

Being a “good” business and having effective CSR initiatives in place is all very well, but if no-one knows it, nor fully recognises all the hard work you have been doing, the real business benefits will not fully come to fruition. Pressure for improved corporate transparency falls on business from such a number of angles, investors and stakeholders, mounting regulations and standards, and non-governmental organisations- that the only way to satisfy all these demands is to ensure an effective reporting mechanism is in place. This means examining every aspect of the company’s approach to the management, measurement and reporting of their environmental and social performance.

For these reasons CSR is fast becoming a business imperative. Many organisations are being forced to respond to increasingly formalised expectations, initiatives and guidelines in the CSR field. As can be seen from the list below, the CSR and related Socially Responsible Investment (SRI) market is reaching critical mass. Below are some of the major actions taken in recent years to promote sustainability.

Globalisation and the relationship between governments and business:
- UN Global Impact.
- The EU Green Paper on Corporate Social Responsibility.
- The OECD Guidelines for multi-national enterprise.

Investor expectations/access to capital:
- FTSE4GOOD.
- Dow Jones Sustainability Indexes
- Association of British Insurers (ABI) Guidelines on Corporate Social Responsibility.

Voluntary principles, codes and criteria for specific issues:
- Social Accountability 8000.
- The Ethical Trading Initiative Base Code.
- The London Benchmarking Group.
- Amnesty International’s Human Rights Guidelines for Companies.

Stakeholder accountability, reporting and assurance:
- UK Company Law Review.
- Global Reporting Initiative Guidelines.
- AccountAbility 1000.
- Sigma Guidelines.

With so many frameworks, guidelines and requirements to follow, many organisations are seeking clarity on how to address CSR in general and how to understand and articulate the benefits of CSR in their particular case. It is unlikely that an organisation would be able to use any of the above codes and guidelines exclusively and in isolation. Rather, particular aspects relevant to an individual business should be picked out and used in a coherent fashion, bearing in mind the importance of integrating CSR ambitions with the organisation’s risk management strategy and its business model.

In order for organisations to utilise the benefits of CSR, CSR needs to become part of an integrated performance management system that provides relevant, timely and reliable information for decision making. The measurement systems need to recognise that financial performance is enhanced by an organisation’s non-financial measures and recognises the value driven by its intangible assets.
As we know, most of the business leaders consider performance measurement systems to be very important for the achievement of their business objectives and influencing decisions. However, alongside the importance of measurement lies widespread dissatisfaction with the prevailing measurement applications.

The following section will target three main areas which are crucial to development of CSR in a company.

1. CSR Reports
2. Performance Management
3. SMEs and CSR
3.1 CSR Reports

Companies are facing increasing demand from customers, investors, and a wide range of other stakeholders for transparency on their social and environmental performance. For most companies, the primary channel for disclosure is the annual CSR or sustainability report. It allows companies to let the world about their priorities and successes, and also to be candid about their shortcomings and plans to improve.

Upon critical review of over 20 CSR reports produced by different companies, the main criticism that arises is the fact that more and more companies are using their CSR reports to declare having done ‘their share’. One of the strong motivations for this thesis was to prove that CSR and sustainability issues are not just ‘paper work’. They require attention, input and are an essential part of any business in our times.

Getting the right length, the right facts and the right amount of data in a report, to keep the reader’s attention at the same time, explain key achievements is the successful way. Several of the reports reviewed have plenty of text, which links with the problem that not much technical work has been done in the field of CSR, due to the common misperception as discussed earlier. Of course, quantity should not be confused with quality. The standard of many reports being produced remains worryingly low, and really good reports are rare indeed. Let us not forget that reporting is not cheap. It takes significant human and financial resources to produce a credible CSR or sustainability report. Also, if new areas of activity are to be reported, companies will need more time to create the right data-gathering systems.

This section of the thesis clarifies what needs to be done to improve the current state of CSR reports and gives guidelines for companies to work on.

- **Who is the audience?**

It must be kept in mind that the needs of all stakeholders will not be met in a single report. Especially at the beginning, choices need to be made – choosing the audience will bring focus and clarity to a report. There are many companies who tend to include all the stakeholders and financial information in one report which obviously is not the way forward.

- **Refer to Standards or Guidelines**

The Global Reporting Initiative (GRI) sustainability reporting guidelines is an excellent way to formulate a report to satisfy a world renowned standard for CSR reports. There are different sector supplements for different industries.

- **Limitations**

CSR is a broad area. With all CSR and sustainability issues, there are uncertainties, and no-one is expecting companies to have answers to everything. It is seen as positive by stakeholders if companies acknowledge where improvements are to be made, more understanding is needed and description is given to show how organisation is learning as it progresses.

- **Key Performance Indicators (KPIs)**

One of the main components of an effective CSR management is the indicators used to measure performance and progress. The challenge here is to make these indicators relevant, understandable, robust and comparable to the company’s entire CSR management and framework.
The number of indicators should be carefully controlled. Too many, and they will probably be ignored as management struggles to prioritise them. Too few, and there is not enough meaningful information to base decisions on. For 4Delivery Ltd, the CSR Steering Group has pinned down six main KPIs which are Carbon Emissions, Waste Management, Office Environmental Issues, Social and Community Involvement, Engineering Efficiency / Design, and On site Health and Safety.

Although in discussions, there were more than 10 KPIs suggested, however, having fewer, more focused, KPIs has meant that the Steering Group has been able to set targets and measure progress in the past year, to produce data for the next yearly report.

In essence, to measure performance indicators, and to measure them in the right way, companies need to develop and implement a measurement system that is aligned with, and adapted to suit, the companies business model, its available information systems, and its CSR and wider risk management strategies.

Good examples of such reports with useful KPIs is UK's leading Health and Beauty retailer, Boots and Tesco, the biggest food and groceries chain in UK.

Boots have focused on Community, Environment, Marketplace, and Workplace as their main KPIs and focused on presenting achievements in those areas in their CSR reports. Likewise, Tesco have focused on areas for their KPIs which are of most relevance to them. These are Environment (energy efficiency, waste, water consumption), Society (employee retention, charitable giving) and Economy (local sourcing, regeneration and supply chain standards).

**Assurance**

Any reporting company will benefit from investment in assurance. Understandably, companies just starting on CSR reporting may feel cautious about committing to publishing external assurance before gaining confidence in reporting process. Independent assurance of reports is important in winning the trust of the stakeholders.

Assurance does not only apply to CSR or sustainability reports, but also to other CSR activities including management methods, data collection systems and stakeholder engagement processes. Assurance is more than just a tick box exercise. Verifications of claims made and the accuracy of data can play a significant role. Both internal and external assurance are good ways forward in improving reports.

The AA1000 Assurance Standard is amongst the many leading reports and assurance practitioners who set out principles and credible assurance processes in a CSR context. Other popular names include KPMG, PWC, Aviva and CSR Network.

Good examples of such include the Canary Wharf in London and the British American Tobacco (BAT).

**British American Tobacco (BAT)**

BAT has reported for five years in accordance with the Accountability Standard AA1000. Reports are produced by the company but also by many of the 'end market' countries to demonstrate that CR issues are not only just a head office issue but that it is translated into action in counties and regions. The reports are very comprehensive as they are based on stakeholder dialogue, but also because the international business activities are complex. The reports have been recognized by many as best practice, winning prestigious awards. Bureau
Veritas has assured not only the company reports, but also many end-market reports for five years now in order that there is consistency in approach to assurance across all countries—which in itself brings great value and comfort to BAT and its stakeholders. The 2006 report from the company was one of ‘taking stock’, reviewing all the CR commitments and actions over the years and establishing how best to report in the future, what standards to use and how to continue the momentum that has built up.

- **Kesko**

Finnish retail organisation Kesko is a leader in CSR report assurance. For its 2006 CSR report, it used a specialist assurance provider who carried out its assurance activity with reference to the AA1000 Assurance Standards. As a result, the provider assessed the report against the principles of materiality, completeness and responsiveness.

The assurance process involved extensive interviews with senior managers responsible for issues covered in the report, as well as staff leading the processes for collecting relevant performance data. There were also checks carried out on the accuracy of the data and claims in the report.

The final assurance statement was clear and frank. It was not constrained by the conservative language often used by the traditional accountancy firms in their statements on the grounds of presumed liability. Instead, it provided a meaningful assessment of the quality and range of the report and gave constructive recommendations for improvements in Kesko’s CSR programme.

- **Nestle**

A good example of a CR report recently published is that of Nestle. As a company eager to promote transparency in their communication, they have listed key data figures from the beginning of their report. They have even renamed their report ‘The Nestle Water Management Report’. As the largest producer of food products around the world, they are keen on exhibiting the savings they have made by reusing and effectively using water. As figures show, around 30% reduction in water use has taken place over the past 4 years (2002-2006). This is true for litres of water used to produce 1 kg of product, litres of additional water used to produce 1 litre of bottled water and grammes of packaging material used per litre of bottled water. (Nestle Water Management Report, 2007)

To be able to produce results such as these, a company needs to set a team of researchers to monitor the efficiency of the company globally. Only companies willing to improve will invest in CSR strategies such as these and move forward to improve.

- **Scottish Power**

Scottish Power’s 2004/05 corporate responsibility reporting consists of a summary report and seven separate performance reports, with independent assurance provided by csrnetwork. Scottish Power’s assurance process has two stages. Once the reporting team has collated the data, the csrnetwork’s team meets the managers responsible for the internal audit, reviews the processes used and carries out sample checks. As assurance processes normally involve going through only a limited selection of data, this integrated approach supports the basis for providing assurance and improves the strength of the final assurance statement.

Furthermore, CSR Network will recommend, among other things, that future reports should describe Scottish Power’s policies and strategies to address issues around the development of

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wind farms, and should feature more discussion of how climate change, fuel poverty and other issues will affect the company’s prospects.

In conclusion, CSR reports help companies to create the internal processes and management systems needed to improve transparency and accountability. Often, they are also the first port of call for managers of socially responsible investment funds. In short, the recommendations for companies working on improving their CSR reporting techniques are as follows:

- Address the audience and do not ‘over present’ everything. Be focused.
- Pin down key KPIs which are relevant and important to your business. Work on monitoring and developing these in reports.
- Benchmark the reports to the leading guidelines available such as the Global Reporting Initiative. This ensures best practice and helps structure the report in a standard, easy-to-follow layout.
- Engage with relevant stakeholders. If there is no evidence of stakeholder engagement in your report, it will be missing an immensely important part which activists, supplier and investors amongst others, will point out.
- Provide assurance. Auditing standards are increasingly strict in the wake of the Enron scandals that exposed flaws in methods and practices. Use the AA10000 Assurance guidelines to refer to non financial reporting.

Reporting is still in its early days and it remains a work in progress characterised by experimentation and learning. However, non-financial reporting will succeed where financial reporting does not. It will provide a window on the character and competency of the reporting company which previously has been neglected.
3.2 Performance Management

Performance Management drives an effective CSR programme. Where the strategy provides direction, performance management provides the engine to deliver on CSR commitments. Without effective performance management, new initiatives will be ineffective and eventually fail altogether.

Effective performance management requires clear lines of management responsibility for non-financial performance, appropriate incentives and support for staff, and solid management systems.

There are three main areas which an organisation should be focusing on in order to practice effective performance management. These are,

1. Responsibility Management
2. Motivation of staff
3. Implementing Management Systems

1. Responsibility Management

Management responsibilities for CSR should be assigned at two levels i.e. at senior level and at operational / regional level.

Responsibilities for CSR issues should be within the existing management structure. For example, issues related to employee welfare should be directly under the human resources director. Most importantly here, it must be made sure that responsibilities are not just handed over to directors and senior managers because they cover that particular area. An audit of their responsibilities can be taken to assess whether they are suitable to keep an eye on the CSR responsibilities being allotted to them.

At operational or regional level, the idea is to spread CSR at levels down to regional or site / office managers. In this way, CSR can be managed and measured at levels below the Board level and help raise awareness throughout the company.

2. Motivation of Staff

By providing training on CSR issues, the company is emphasising to employees their importance and the extent to company’s commitment to them. Over time, this can help raise overall awareness of the breadth of CSR issues and change attitudes among staff so that they can take account of these issues in their daily work.

Training staff in non-financial issues equips them with the knowledge and skills to take action and make decisions that support the CSR goals of the organisation. This training should be audience-specific, for example, communication professionals should be trained in stakeholder dialogue, where as engineering teams may need training on how to reduce company’s carbon footprint.

3. Implementing Management Systems

In the end, once the CSR strategy is in place, responsibilities are allocated and staff are trained, the CSR management system needs to be implemented. The key steps in implementing management system are as follows:
- **Plan**

This phase requires clarity so the company can know what they want to achieve.

- **Target**

Companies need to set objectives and targets for each of the issues they have identified. These targets should be challenging and also realistic. For non-financial issues, ‘stretch targets’ can be important. These are targets which can be extremely ambitious, however help staff and managers to think out of the box and innovate.

For companies in their early stages of implementing CSR programmes, targets for non-financial performance can be a mix of measurable, time-specific targets on some issues and more general commitments on other issues. However, each year, these companies need to set their targets more time specific and measurable.

- **Standards**

International standards such as ISO 14001 and OHSAS 18001, which describe ‘best practice’ management systems are crucial in performance management. These standards can be used to gain certification for your management system which is a great way of receiving feedback on the existing management system. Alternatively, if there are issues in CSR which do not link with particular standards, internal standards need to be developed to cater for this.

- **Measure**

Mechanisms to measure performance could range from data collection system for greenhouse gas emissions or accident frequency to customer and employee surveys. From research, companies seem to have extremely complicated processes for collecting and analysing data. Initial efforts should be on establishing processes for getting the most important data. Once processes are in place, further work can be done on broadening the measurement systems.

- **Review and Check**

The management system needs to be reviewed and improvements must be made. Performance across different departments should be compared and a further actions taken to improve procedures and processes.

A good example of company working its way through their CSR performance management is **General Motors**.

General Motors has Public Policy Centre (PPC) that identifies, coordinates and manages key issues that affect its business in the areas of corporate responsibility and sustainability, government relations, energy and environment, economics, diversity, philanthropy and community relations. A global coordination team directs the PPC and comprises members from GM’s four operating business regions and the respective regional strategy boards.

The activities of the PPC are reported on an annual basis in the company’s CSR report and through the GMability website. General Motors drives CSR performance through training for all employees, including senior managers. It also has clear CSR policies, certified environmental and health and safety management systems and supplier managements systems. Each of its management systems is supported by specific targets linked to the goals of the company.
The principles underlying these management systems, as well as GM’s code of ethics, are based in part on various international standards, including the Global Sullivan Principles of Social Responsibility. The net effect of this structure and management system set is that the processes are in place to drive non-financial performance.

The evidence for the success of GM’s performance management for non-financial issues can be seen in the ability of the organisation to integrate non-financial aspects into product innovation. Examples include responsible vehicle use, vehicle design, vehicle quality, vehicle safety and vehicle recycling. Furthermore, GM’s ‘Design for the Environment’ approach encourages innovation in environmental management across the lifecycle of the vehicle.
3.3 SMEs and CSR

Thinking of corporate social responsibility and it is common to jump to images of multinational corporations and international human rights issues. However social responsibility goes back further and deeper than we usually give credit for.

In this section, the aim is to outline how CSR has already been a priority in most of the small and medium sized enterprises (SMEs) and how improvements can be made to those thinking of climbing the ladder.

- **Role of SMEs**

According to the European Commission Directorate, 90% of Europe’s SMEs employ less than 10 people, while the majority of SMEs focus their attention on local customers and suppliers.

However the role they play is far from small. SMEs are ideally placed to pursue responsible business practices. In many cases, social responsibility is just a new way to describe something they do already. A study published this year by the Observatory of European SMEs, found that 50% of Europe’s SMEs are already involved in socially responsible activities, ranging from 32% in France to 83% in Finland. According to the research, the majority of the SMEs interviewed who invest socially are doing so independently, motivated by their personal sense of responsibility in the community. 55% of respondents stated ethical reasons as their main motivation for being socially responsible (Grayson, 2003).

In this sense, SMEs are definitely way ahead than some of the much bigger global companies. With the advent of new technology, more and more of these smaller businesses are now able to expand their activities outside national boundaries, including doing business with the developing world.

SMEs have a set of issues which act as barriers to their development in CSR. These are as below

- Lack of time
- Lack of motivation
- Insufficient resources / capabilities
- Perception that community involvement is not directly related to business

The first step to understanding SMEs is that they are relatively small organisations with time, delivery and resource pressure. The last thing on their agenda is getting involved with activities that will require extra time and resources. However this is exactly where things are going the wrong way. In short, the reasons for getting involved are as below

- Certain CSR trends are already a part of the SME culture.
- Knowing that SMEs are already acting in a socially responsibly way; communicating the ‘good deeds’ will raise the business profile.
- SMEs do not need to be bureaucratic like larger companies. A simple approach involving minimal administration is favourable for a start up.
- SMEs are more likely to share their knowledge and best practices with other companies they work. They are also more willing to work with other companies on responsible business.
The benefits to any SMEs are the same as discussed earlier i.e. access to capital, staff retention, efficiency and profits to name some. However, in certain areas, SMEs are particularly well placed to benefit.

Community is one of these areas. Majority of SMEs are family run businesses or inherited businesses which have a reputation amongst the old clients and communities where they are based. These companies are usually run by people who have a longstanding connection with the area in which they operate.

Furthermore, many SMEs already make a valuable contribution to the community through numerous activities. The recommendation here is to integrate the existing community practices into the core company strategy. Certainly SMEs looking to expand and win more work need to think of communities as essential gateways.

The other area which causes much worry amongst the SMEs is the lack of guidance. There is plenty of guidance for larger organisations in form of frameworks and reporting guidelines. However, this is again a misconception as there are guidance and tools specifically aimed towards SMEs. Some of these are listed as below

- **CERES Reporting Guidelines for Small Enterprises and Non-Profit Organizations**

  The CERES Reporting Guidelines are tailored to be relevant to small manufacturers, service-based enterprises and non-profit organizations, and are intended to help such organizations discover the value of sustainability and/or environmental reporting. These guidelines are intended primarily for use by organizations that have: an annual budget or revenues less than $10 million, one primary location and up to 5 satellite locations, fewer than 100 employees.

- **Environmental Management Tools for SMEs: A handbook**

  This handbook looks at the way SMEs can use environmental management to improve their business performance. It looks at environmental management systems (including ISO 14001 and EMAS) and at a number of other tools that firms can use to manage their environmental performance. It is available for free downloading from the European Environment Agency (EEA)'s internet page.

- **IFC-SME Toolkit**

  The SME Toolkit of the IFC offers software, business forms, training and more to help small businesses in emerging markets to grow and succeed. In the section “operations”, it contains advice on how to create an Environmental Management System. After showing, how businesses can profit from EMS, the tools shows how to plan, establish objectives and targets, improve results, monitor the process and implement the action plan. It also provides success stories, case studies, sample forms and further resources.

  One of the tools researched and tested was the SME Key.

- **SME Key**

  The SME key is an innovative new online support tool that helps small businesses evaluate and strengthen their current activities on social responsibility.

  The tool has been designed to help SMEs, their federations and other existing support structures to improve understanding and practice of social responsibility, further engage SMEs in responsible business, and exchange good practice across the business community at national and European level.
The main parts of the Key include:

- Outlining the **business case** for social responsibility
- Providing a **step-by-step guide** to help SMEs evaluate their current CR practices and integrate them better into their core activities and strategies.
- A database of **case studies** and evaluations already produced by users.

The first version of the Key and its specifically designed software can be downloaded at www.smekey.org, where users can further access a wide range of national and international players, initiatives, and valuable reference sources on SMEs and social responsibility.

The challenge is to build on SMEs existing social engagement without imposing additional administrative burdens, which would prove counter-productive. Disseminating information and raising awareness have an important part to play to involve those firms that are not yet active. This can be best done by publishing success stories which demonstrate that responsible entrepreneurship also makes business sense, for instance by attracting and retaining highly skilled staff, improving customer relations or tapping underdeveloped niche markets. SMEs should also be encouraged to take a more strategic approach.

Finally, it is clear that SMEs need guidance and support to cope with supply chain pressures and the proliferation of CSR standards and codes of conduct.

At **4Delivery Ltd**, regular workshops are held for their subcontractors not yet accredited with standards such as ISO14001. The workshops are not held by 4Delivery themselves but by an organisation called Eco Network and ten key engineering subcontractors have shown interest in adopting the standard Environmental Management System in order to achieve ISO 14001. This is all aimed at greening the 4Delivery supply chain and feedback is fed into the CSR Steering Group for further action.

Furthermore, 4Delivery has held one day training courses such as ‘Waste Management’ and ‘Environmental Awareness’. These are open to everyone and are held by Costain, one of the companies in the 4Delivery joint venture. The aim is to raise awareness of common environmental issues on our construction sites and promote best practice across the construction sites.

There are benefits for 4Delivery as well as the subcontractors themselves. Getting a fully certified EMS means winning more work, increased trust and quality assurance for the contractors. For 4Delivery, there is a reduce risk of environmental issues on site, and another reason to promote its CSR strategy and achievements.

A considerable amount of work has been done for SMEs in the field of CSR in Europe. In October 2002, the European Multi Stakeholder Forum (EMSF) was launched. The aim of this EU level initiative was to explore how CSR can be grown into SMEs effectively. Another initiative was the collaboration of 10 national organisations from 9 European Union member states to promote social responsibility in SMEs and to make a difference in the degree and quality of SMEs involvement in socially responsible business practices by showcasing and exchanging examples of good practice across Europe.
4 Discussion

4.1 Results of Research

The result from the study and research of the companies enforces the problems and issues that were mentioned in the beginning of the thesis.

There is a lack of concrete commitment to CSR. CSR is mostly a sub group of other sustainability initiatives rather than an over riding group. There is a clear division between people who understand and appreciate CSR and those who see it on surface as a sole tick box exercise and means of publicity. Defining CSR from various points of views hopefully has helped understand the broadness of the subject. CSR is the corporate response to Triple Bottom Line. Truthfully, the benefits of great reputation, transparent business for stakeholders and environmental sustainability for future, are just a few advantages of being socially responsible.

Commitment to CSR comes from employees and they are encouraged by managers and directors. As shown from the MORI Research, employees are more at home with the company if they are aware of the company’s environmental targets and social involvement. Furthermore, the well being of employees reaches a high point if they are happy working for a company which ‘cares’. With these basic thoughts in mind, every company, irrespective of size or turnover, should look at CSR as a means of achieving sustainable work force, sustainable profits and a sustainable project.

The other issue which needs attention is the way in which CSR is being practiced at the moment. The reporting mechanism needs to change to meet the needs of the audience and stakeholders. It needs to be assured, internally and externally, have clear objectives and include a balance between financial and non-financial information. There is a lack of monitoring exercises done for reporting. After reviewing over 20 annual CSR / Sustainability reports, it can be said that companies are struggling to formalise their data to present concrete challenges for themselves in the future. In a lot of cases, due to the lack of understanding of CSR, reports are washed with information on charitable donations and social aspects of business. As emphasised before, having these areas of business is not wrong by any means. However, it is hard to set challenges and benchmark achievements based on social events and causes. Therefore, this thesis has put pressure on producing KPIs which relate to performance of workforce, projects, and environmental initiatives. Companies should be able to monitor and audit their KPIs to provide themselves benchmarks and also help them compete with other companies.

What is also highlighted from research is the fact that companies who have taken environmentally friendly initiatives and publicised them, are enjoying superb reputation and satisfaction from clients as well as customers. This has not only raised their profiles, but also secured them future bids for business. Their workforce is content; they are expanding and working towards sustainable development. Effective use of reporting tools combined with media coverage is the key to success for any company trying to make themselves big.

CSR principles (triple bottom line) need to be aligned with company core values. Only then can we achieve a change of ‘mind set’. Along each step of a project (in engineering; scoping, design, planning, construction), people will be prompted to THINK about sustainability and hopefully implement it to some extent, whether it is in terms of potential savings, publicity reasons, or achieving efficiency.

From personal experience, gaining Board commitment, aligning management and CSR strategies, setting KPIs, measuring progress, effective reporting are the main areas to focus.
There are no additional needs for resources for SMEs to cope with the CSR requirements as they are already practicing the basic principles, just not managing them.

In essence, companies should be on the look out to expand their horizons in CSR rather than picking up CSR solely to repair damage to their reputation in the past. Their needs to be a proactive, on going hunt for innovation, organisation-wide staff engagement and solid commitment to further CSR as a means to sustainable growth.

4.2 Recommendations

There are plenty of recommendations and guidance available for new companies emerging in the market every year. Following the research, the recommendations are shortly as follows:

- **Innovate**

  Come up with new fresh ideas relevant to your business. There are even the simplest ones which are relevant to ANY business such as monitoring of carbon emissions to reduce overall carbon footprint due to business mileage. These ideas can be a starting point for any business as long as they are ready and willing to take the first step. For companies already practicing CSR as an active activity, there need to be new challenges which can only be initiated by the companies themselves.

- **Measure, Monitor and Report**

  All your efforts and time will be a waste if there is no monitoring to check progress. Therefore, set relevant, clear, monitorable and auditable KPIs which will feature in CSR reports. These need to be comparable to other company’s KPIs for competition purposes. Make sure a ‘sector specific’ approach is taken in reporting rather than the traditional ‘one size fits all’ approach. Reports need to be short, contain data and make sense to general public. All areas within a company should input to a CSR report whether it is Human Resources, Health and Safety, Finance, Community Affairs, Production or Research and Development.

- **Promote**

  All changes, actions and future plans relating to CSR should be advertised externally (media, business conferences, and universities) and internally (employees and clients). Stakeholders are eager to find out more about an organisation’s efforts than they know. The advice here is to make the best of any opportunity to enhance reputation. Recommendation to the institutes working on measuring reputation should develop and promote their techniques as this is an area which remains rather vague.

- **Free flow**

  CSR must be allowed to develop naturally through the influence of business leaders. Information on projects from the financial and environmental end should feed into the CSR Team and CSR Team should be able to feed into the community relations team, so information is transferred into external and internal publications. From research and experience, in large organisations (employing over 1000 people), information on achievements is sometimes lost or not passed on to all departments.
4.3 The future of CSR

CSR is becoming a well known concept in the developed countries and with the developments and progress being made in Europe and US, there is definitely a scope for CSR in developing economies. It may be hard to implement the CSR strategies with a sudden shock into the existing cultures of countries like India and China. However, it is easy for multinational companies working abroad to carry their CSR strategies right across their businesses and introduce CSR in the developing nations. Not forgetting the constraints, these countries hold different policies and legislations on critical issues such as labour standards, transparency and engagement of indigenous people. The hope is that with globalisation of business, the challenges of understanding and reconciling different CSR cultures will stay the same for years to come.

Integration of CSR will continue unchanged. In the coming years, hopefully, a steady CSR approach absorbed into business will emerge which will be melted into the management, strategy and governance in organisations. Full transparency in corporate world would be absolutely remarkable. For companies that have embraced CSR, this future would justify their efforts. At the same time, this trend will hopefully change the sceptics view on dismissing CSR as a costly and time consuming side of business.

CSR is here to stay. It is not an option, it is a reality. The sheer weight of the corporate role in profit creation and footprint associated with this process make responsibility unavoidable.

The most important question facing companies is how to utilise the full potential of business to serve the public interest while preserving and enhancing core assets. This has always been a challenge for CSR. Companies, NGOs and public coming together to tackle global impacts such as climate change is a living example of this.

4.4 Conclusions

World’s leading companies practice CSR and they help build healthy societies, promote the rule of aw, secure community support and guarantee sustained access to essential resources. CSR leaders also tend to increase their ability to attract and retain top-flight talent. All of these are of direct interest to shareholders and society alike. There is no doubt that CSR also can enhance a company’s reputation.

CSR is an area which is under represented in companies, needs attention and understanding of the Board of Directors. It should not be perceived as a tool only useful for promoting social side of business activities, but should also engulf the environmental initiatives for wider sustainability. There is a need for change of a ‘mind set’ which will take time, but should be realised soon.

For every tool, guidance is needed to utilise its potential. Just to cover CSR, by including it in the Yearly Performance Report (which contains 95% financial figures and 5% CSR activities), is not the way forward. CSR is an important aspect of business and should be equally publicised, not just for transparency reasons, but also for licence to operate in future. Alignments of CSR performance management with the existing management structure in a company combined with quality CSR reports is hitting the right note.

In the end, hesitant companies, investors and stakeholders need to take the first step in seeking suppliers who are accredited, investing in sustainable technologies, and encouraging participation in local community. It is evident from the case studies of hundreds of companies, that investing in an environmental initiative will trigger profits and many other advantages.
CSR when well practiced is about sound business practices and good management that deliver value to business and their shareholders, as well as to society at large. This vision of business hardly suggests that profits should take a back seat to other consideration. Instead it adds new dimension to the discussion about how business should strike a balance between short-term profitability and long-term growth.
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Association for the Conservation of Energy (ACE)
9 Sherlock Mews, London W1M 3RH


British Standards Institution
BSI British Standards, 389 Chiswick High Road, London, W4 4AL, Tel: 020 8996 9001
Institute of Business Ethics (IBE)
24 Greencoat Place, London, SW1P 1BE, Tel: 020 7798 6044

Forum for the Future,
19-23 Ironmonger Row, London, EC1V 3QN. Tel: 020 7324 3630

- **Online Resources**

  “Outstanding Business Actions on HIV/AIDS Case studies 2006”
  [www.businessfightsaids.org](http://www.businessfightsaids.org)

  Institute of Civil Engineers – Access to online resources
  ([www.ice.org.uk/about_ice/index.asp](http://www.ice.org.uk/about_ice/index.asp))


  “ABN Amro Sustainable Development” ([www.abnamro.com/com/about/sd/sd.jsp](http://www.abnamro.com/com/about/sd/sd.jsp))

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(http://www.ethicalcorp.com/content.asp?ContentID=3989)

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6 Company Summary Information

- **MWH UK Ltd**

  Established over 150 years ago in the UK, MWH is a totally independent environmental and engineering service provider. MWH have global staff resources of more than 6000 and over 1000 staff within the UK delivering services from 10 offices.

  MWH’s business is built on long term performance with major clients including, Defence Estates, US Forces, National Grid Transco, Thames Water, United Utilities, Scottish Power, G.E., Southern Water, AMEC, Murphy’s, Scottish Executive, BP, Exxon, European Commission.

  MWH has successfully managed the delivery of £6 billion of capital investment programmes in the last 5 years.

- **4Delivery Ltd**

  4Delivery Ltd is a consortium of industry leading companies United Utilities, Costain and MWH and is carrying out £750 million of improvement works as part of Southern Water’s £1.7 billion Capital Investment Programme.

  The 250 environmental improvement schemes are upgrading river water quality as well as improving drinking water supplies across Sussex, Kent, Hampshire and the Isle of Wight on behalf of Southern Water between 2005 and 2010.

- **Scott Paper Company**

  Scott Paper Company manufactures and markets sanitary tissue paper products including products for personal care, environmental cleaning and wiping, healthcare and foodservice. The company also produces quality coated paper for the printing and publishing business. Scott has operations in 21 countries and markets its products in over 60 countries worldwide under brand names such as Scotties, Baby Fresh, Viva, CleanWorks and Sani-Fresh.

- **Lafarge (Blue Circle Industries Plc, Blue Circle Waste Management)**

  Lafarge is a French industrial company founded in 1833 specializing in five major products: Cement, construction aggregates, concrete, gypsum wallboard, and roofing tile. It is the largest cement manufacturing company in the world.

  Lafarge is located in 70 countries, employs a workforce of 71,000 people and has a turnover of 17 billion euros.

- **Bluecrest Convenience Foods Limited (Booker Plc)**

  Bluecrest convenience foods limited forms a part of the Booker Plc which is the most prevalent Cash and carry chain in the UK with 170 stores nationwide. It employs over 8,000 people and has a turnover of £3.3 billion.

- **British Telecoms Plc (BT)**

  BT Group plc (formerly British Telecommunications plc) which trades as BT (also previously as British Telecom and is still commonly known as such amongst the general public) is the privatised UK state telecommunications operator. It is the dominant fixed line
telecommunications provider in the United Kingdom. BT operates in more than 170 countries and almost a third of its revenue (£19.5 billion) now comes from its Global Services division.

- **Coats Viyella Plc (Coats)**

  Coats is a manufacturer, processor and distributor of industrial and domestic sewing thread, homewares, fashion wares, knitwear, garments, yarns and fabrics and precision engineering. They have over 28,000 employees in UK and over 100 manufacturing sites with a turnover of £1,568 million.

- **DHL International (UK) Ltd**

  DHL is an international express carriage company. They operate from over 38 sites in the UK and employ around 2000 people.

- **National Westminster Bank Plc (Natwest)**

  National Westminster Bank Plc, trading as NatWest, is a commercial bank in the United Kingdom, part of the Royal Bank of Scotland Group. It was established in 1968 from the merger of National Provincial Bank and Westminster Bank. NatWest is considered one of the Big 4 banks in the UK, and has a large branch network across England and Wales.

- **Nissan Motor Manufacturing (UK) Ltd**

  Nissan Motor Manufacturing is a global leader in manufacturing of motor vehicles and automotive components with one manufacturing site in UK and has a turn over of £1.8 billion in the UK only.

- **Skippingdale Paper Products Ltd**

  Skippingdale Paper Products Ltd is a manufacturer of hygienic, sanitary and general textiles. They also specialise in manufacturing of color staining machines, emulsifying machines and general accessories for color printing. They operate from 5 sites in UK and have a turnover of over £25 million.

- **Southern Water Services Ltd**

  Southern Water is responsible for delivering clean, fresh water to around one million households in the South East of England. They also treat and recycle dirty water from nearly two million households. With approximately 104 water supply works collecting and cleaning water before it is used, and 390 wastewater treatment works treating the water so that it can be returned to the environment, their pipe network is huge - with 13,500 km of water mains.

- **Nestlé**

  Nestlé is a multinational packaged food company, founded and headquartered in Switzerland. In 2003, consolidated sales were CHF87.979 billion and net profit was CHF6.213 billion.

- **CitySprint**

  CitySprint is the UK's leading courier network offering SameDay Courier, NextDay Courier, International Courier, and Specialist Services on a 24/7 basis. CitySprint is a privately owned company operating a network of 30+ wholly owned ServiceCentres across the UK which enables it to provide a truly national and/or local service to the customers. CitySprint, the
UK’s largest privately owned specialist SameDay Courier network in the UK and Europe has, in the past five years, grown from a £28 million to a £46 million revenue business.

- **British American Tobacco (BAT)**

British American Tobacco has over 300 brands of cigarettes in their portfolio. BAT holds robust market positions in each of our regions and has leadership in more than 50 markets. Their subsidiary companies produce some 689 billion cigarettes through 52 cigarette factories in 44 countries and have four separate factories in four countries manufacturing cigars, roll-your-own and pipe tobacco. The gross turnover is estimated to be around £25,189 million.

- **Canary Wharf**

Canary Wharf is a large business development in London, located on the Isle of Dogs in the London Borough of Tower Hamlets, centered on the old West India Docks in the London Docklands.

Canary Wharf tenants include major banks, such as Credit Suisse, HSBC, Citigroup, Lehman Brothers, Morgan Stanley, Bank of America, and Barclays, law firms such as Clifford Chance, as well as major news media and service firms, including The Daily Telegraph, Reuters, the Daily Mirror and the Naseba Group. It also has some technology companies including Infosys. It has also gained more tenants from the public sector including the Financial Services Authority and 2012 Olympic Games organizers LOCOG and the ODA.

At the end of 2006 the official number of people employed on the estate was 90,302 of which around 25% live in the surrounding five boroughs.