CORPORATE SOCIAL RESPONSIBILITY AND MULTI-STAKEHOLDER DIALOGUE

Towards Environmental Behavioral Change

discussion paper

World Bank
EXT Communications for Development Division
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PREFACE

This paper was prepared as a part of the Operational Communication for Sustainable Development (DevComm SDO) Unit program on Corporate Social Responsibility and Multi-stakeholder Dialogue.

The main objective of DevComm SDO is to mainstream communications into environmental projects by incorporating communication strategies into the project life cycle, examining people's perceptions about the environment, and increasing business and civil society participation in environmental stewardship and governance. The unit is funded through a Trust Fund Grant from the Government of Italy. The paper benfited greatly from the advice provided by Robert W. Crown, and comments received from Nigel Twose and Paul Michell.

I. Introduction

Traditionally, environmental protection has been considered to be "in the public interest" and external, in general, to private life. As a result, governments have assumed principal responsibility for assuring sound environmental management, and have focused on creating and preserving a safe environment as a public good. They have attempted to direct the private sector and civil society to adopt environmentally sound behavior through regulations, sanctions and occasionally, through offering incentives. When environmental problems have arisen, the public sector has most frequently been responsible for mitigation. In this approach, unrestricted private sector behavior has typically been considered as presenting the "environmental problem" and that by respecting environmental sustainable practices, the private sector incurred an uncompensated financial cost.

However, the roles of the public and private sectors have been changing, with the private sector and civil society becoming active partners in environmental protection projects that were previously the exclusive domain of the public sector. Many governments and businesses are now realizing that environmental protection and economic growth are not always in conflict. Moreover, the "regulate, enforce and mitigate" approach, which often involves long legal processes, is becoming increasingly costly to both the public and the private sector, and may eventually be ineffective when investment creates new and unforeseen situations and as technologies change.

However, public sector agencies play a vital role in enabling companies to change their behavior, and engage in socially and environmentally responsible activities. Public agencies can stimulate this change by providing funding for research, or by leading campaigns, collecting and disseminating information, training, and raising awareness. Public bodies can develop or support appropriate management tools and mechanisms, including voluntary product labeling schemes, benchmarks, and guidelines for company management and reporting systems. They can also stimulate change by creating incentives and by applying their public procurement and investment leverage. The other crucial role the public sector can play is partnering in environmental initiatives (WB 2002).

Effecting changes in environmental practices through public-private partnerships and multi-stakeholder[1] dialogue is of growing importance in middle-income countries where investment and private consumption represent significant shares of GDP. An additional opportunity for such an approach to take place is the political shift happening in many of those countries – the spread of democratization and the increasing role of civil society given greater access to information, etc. These factors have provided channels and mechanisms whereby environmental issues can more easily reach decision-makers and influence economic and sectoral policies. However, a more sustainable situation could be created if business was to realize that it, too, could benefit from employing environmentally sustainable practices, as has been the case in many developed countries.

Many analysts and policy makers are aware of and recognize these issues and the rationale for change. There are also many cases in which individual enterprises and investors have collaborated with the public sector and/or CSOs to find means of investing while preserving the quality of the environment.

[1] *A stakeholder is any individual or group that can affect or is affected by an organization's or project's activities, either positively or negatively. However this paper focuses on primary stakeholders having impact on promoting corporate social responsibility, namely the private sector, governments, CSOs, and, to some extent, international institutions.*

Introduction

The challenge is to make such public–private collaboration a regular feature of the business environment for the investing community, rather than relying on *ad hoc* and unpredictable measures. Making the transformation from a strict "regulate and enforce" approach to a " facilitate and verify" situation would require clarification of policy and expectations of behavior, and the creation of supporting institutional arrangements. Moreover, while companies and their stakeholders are often attracted to the concept of corporate social responsibility (CSR)[2] there is uncertainty about what it means and how to initiate it. They might agree that building strong, mutually beneficial stakeholder relationships is crucial, but few understand how to establish and maintain win-win associations and sustainable multi-stakeholder dialogue.

Such a dialogue between a multiplicity of interests and perspectives would appear to be crucial to lead to sustainable change in behavior. It allows participants to (OECD 2001):

1. Tap the collective intelligence of all participants,
2. Evolve a new set of values and perspectives,
3. Understand each other's different experiences and backgrounds,
4. Generate innovative ideas and solutions,
5. Sort through ethical issues and areas of potential conflict,
6. Create a common language, set of assumptions and a collaborative process that works
7. Develop stronger, trusting relationships.

For various reasons, such as differences in the socio-political situation, level of economic development, existing legal framework, presence of multinational companies, strength of civil society sector etc., the evolution of the dialogue and its participants have specific country characteristics. However, there is a list of common steps that might be used in establishing a dialogue on CSR between all interested stakeholders.

This paper is not intended to serve as an exhaustive, comprehensive treatment of CRS. Rather, it is part of a broader discussion on corporate social responsibility inside and outside the World Bank that is aimed at task leaders and country teams working not only on environmental projects, but also on competitiveness, trade, and social projects. The goal of this is to provide them with a rationale why building such a dialogue at country level and the inclusion of the CSR perspective in Country Assistance Strategies can improve the Bank's overall developmental impact.

[2] *See paragraph: Corporate Social Responsibility – Outline of the Concept*

II. Corporate Social Responsibility – The Concept

Basic Concept

Although the concept has been developing since the early 1970s, there is no single, commonly accepted definition of "Corporate Social Responsibility" (CSR). There are different perceptions of the concept among the private sector, governments and civil society organizations. Depending on the perspective, CSR may cover:

a) a company running its business responsibly in relation to internal stakeholders (shareholders, employees, customers and suppliers);
b) the role of business in relationship to the state, locally and nationally, as well as to inter-state institutions or standards; and
c) business performance as a responsible member of the society in which it operates and the global community.

The first perspective includes ensuring good corporate governance, product responsibility, employment conditions, workers rights, training and education. The second includes corporate compliance with relevant legislation, and the company's responsibility as a taxpayer, ensuring that the state can function effectively. The third perspective is multi-layered and may involve the company's relations with the people and environment in the communities in which it operates, and those to which it exports. Too often, attaining CSR is understood from the perspective of business generosity to community projects and charitable donations, but this fails to capture the most valuable contributions that a company has to make. A broader view would be that business makes partnership arrangements: voluntary, multi-sectoral, consensual, based on shared objectives and the notion of 'core complementary competencies', with each party providing resources that derive from their core activities and that are complementary to those provided by the other actors, resulting in synergistic improvements to outcomes (Reyes 2002).

Various associations have developed their own definitions of CSR. For example, Business for Social Responsibility (BSR)[3] defines CSR as "… *operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business. CSR is seen by leadership companies as more than a collection of discrete practices or occasional gestures, or initiatives motivated by marketing, public relations or other business benefits. Rather, it is viewed as a comprehensive set of policies, practices and programs that are integrated throughout business operations, and decision-making processes that are supported and rewarded by top management…*"[4].

The World Business Council for Sustainable Development stresses, *"CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large..."*.[5]

Finally, the European Union defines CSR as "… *the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large…*"[6].

Such standards are open to a number of interpretations, depending on the culture in which they are to apply, and most governments incorporate minimum standards into their legal codes. The private sector generally prefers the flexibility of self-designed voluntary standards.

[3] *Business for Social Responsibility is a global non-profit organization that helps member companies achieve commercial success in ways that respect ethical values, people, communities and the environment. BSR member companies have nearly $2 trillion in combined annual revenues and employ more than six million workers around the world.*
[4] *See: www.bsr.org*

(UNCTAD 1999). However Porter (Porter 2000) noted that in many cases properly designed legal environmental standards could still trigger innovations that lower the total cost of a product or improve its value. Such innovations allow companies to use a range of inputs more productively, from raw materials to energy to labor, thus offsetting the cost of diminishing environmental impact and ending the stalemate. Therefore, to create regulations that will satisfy all stakeholders would require interactive communications and consultations among them.

Since the 1980s, there has been a considerable shift in thinking with regard to how to improve the social and environmental performance of companies (UNRISD 2002). An earlier emphasis on strict governmental regulations has ceded ground to corporate self-regulation and voluntary initiatives. This voluntary approach has evolved in recent years and assumed new institutional forms, which attempt to overcome some of the limitations of companies' codes of conduct and other self-regulatory initiatives. The shift in approaches involves the emergence of so-called multi-stakeholder initiatives (Box 1 illustrates an interesting example of Chiquita's engagement in multi-stakeholder initiatives). In such cases governments, NGOs, multilateral and other organizations encourage companies to participate in schemes that set social and environmental standards, monitor compliance, promote social and environmental reporting and auditing, certify good practices, and encourage multi-stakeholder dialogue.

Box 1.

Chiquita and Rainforest Alliance and the Better Banana Project.

Chiquita relies on the strict standards of Rainforest Alliance's Better Banana Project to gauge its environmental performance and identify priority areas for improvement. In 2001, it earned re-certification of all owned farms and improved its average BBP audit scores in five of seven divisions, with significant gains in Turbo, Guatemala and Honduras. The new Rainforest Alliance scoring system goes beyond basic threshold requirements and challenges farms to focus attention on particular problems and continuously improve their performance. The Rainforest Alliance certifies farms that follow environmentally and socially responsible agricultural practices. Through audits conducted by conservation groups in the Sustainable Agriculture Network, the Rainforest Alliance measures performance against the following nine BBP standards:

- Ecosystem Conservation
- Wildlife Conservation
- Fair Treatment and Good Working Conditions
- Community Relations
- Integrated Crop Management
- Integrated Waste Management
- Conservation of Water Resources
- Soil Conservation
- Environmental Planning and Monitoring.

Farms must demonstrate:

- No evidence of "fatal flaws" or flagrant environmental or social problems
- An active program of improvement in all areas
- A plan that schedules needed improvements
- Record keeping and monitoring systems that can document management practices, changes and impacts.

Achieving certification is a real accomplishment, but not an end in itself. Certified farms must commit to continuous improvement. The Rainforest Alliance continually revises the standards to include new technologies and methods, and all certified farms undergo surprise audits annually.

Source: Chiquita[7]

[5] *This definition was developed in 1998 for the first WBCSD CSR dialogue in The Netherlands. For more see www.wbcsd.org*
[6] *See the EU Green Paper: Promoting a European Framework for Corporate Social Responsibility (18/07/2001)*
[7] *http://www.chiquita.com/chiquitaCR01/*

Value Added of CSR

Since the World Commission on Environment and Development Report of 1997 (Brundtland Report) was published, corporate managers and management scholars have been grappling with the question of how and why corporations should incorporate environmental concerns into their own strategic decision making. And they have been assuming a positive role in furthering the cause of environmental protection, as opposed to being seen as an environmental problem. Today many companies have accepted their responsibility to do no harm to the environment (Hart 2000). The Environment Strategy of the World Bank indicates, too, that the private sector is becoming a decisive factor in influencing environmental performance and long-term environmental sustainability (WB 2002).

Nowadays many citizens, environmental organizations and leadership companies define corporate environmental responsibility as the duty to cover the environmental implications of the company's operations, products and facilities; eliminate waste and emissions; maximize the efficiency and productivity of its resources; and minimize practices that might adversely affect the enjoyment of the country's resources by future generations. In the emerging global economy, where the Internet, the news media and the information revolution shine light on business practices around the world, companies are more and more frequently judged on the basis of their environmental stewardship. Partners in business and consumers want to know what is inside a company. They want to do business with companies they can trust and believe in. This transparency of business practices means that for many companies, corporate social responsibility, is no longer a luxury but a requirement.

Moreover, a growing number of companies in a wide range of sectors and geographic regions have discovered concrete value and competitive advantages from taking environmental initiatives, for example, in areas such as pollution prevention, energy efficiency, environmentally oriented design, supply-chain management and industrial ecology. Companies have found that CSR has often had a positive impact on corporate profits (Box 2: KPMG has reduced costs through environmentally sound practices). Of all the topics related to corporate social responsibility, it is environmental initiatives that have produced, so far, the greatest amount of quantifiable data linking proactive companies with positive financial results. Business for Social Responsibility (BSR), for example, emphasizes that investment in CSR has promoted product differentiation at the product and firm levels. Some firms now produce goods and services with attributes or characteristics that signal to the consumer that this particular company is concerned about certain social and environmental issues. The International Financial Corporation, in its report "Developing Value" (IFC 2002), reaches the conclusion, based on the experiences of over 170 companies, that many businesses in emerging markets have been involved in areas such as social development or environmental improvements, and have achieved cost savings, revenue growth and other business benefits. A summary of their findings is given in Chart 1.

Box 2.

Going Green Pays - KPMG make savings of £850,000.

Since 1996, KPMG have been deeply involved in contributing positively to the community and its environment. In 2002 they were awarded a ***'better together'*** certificate in recognition of their commitment to strengthening the relationship between local business and the community.

KPMG are actively involved in a range of environmental programs and are currently preparing for the ISO14001. They have integrated all their environmental programs into mainstream operations to provide sustainability. They were also the first firm of their kind to launch a formal environmental policy.

There are 5 key areas where they, as a firm, are making an environmental impact: Water, Waste, Paper, Energy and Transport. Savings made by the environmental management program currently stand at £250,000 per year.

By switching to greener energy suppliers, energy reduction targets of 30% over three years have been built into all maintenance contracts and can account for a further £600,000 of savings.

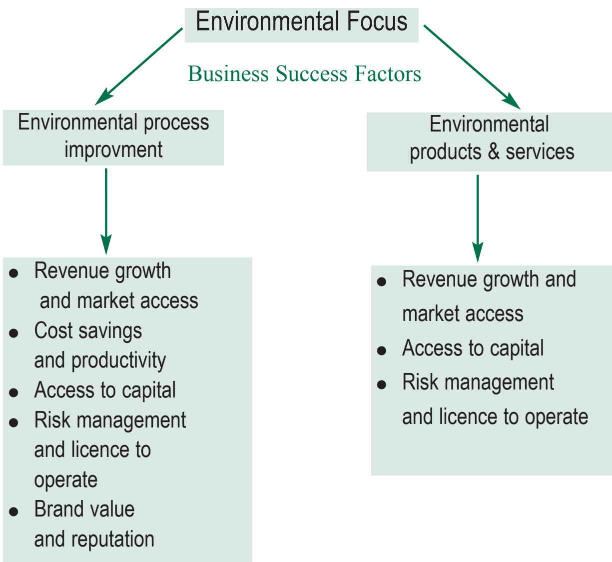
Source: Business in the Community[8]

[8] *See: http://www2.bitc.org.uk/resources/case_studies/kpmg.html*

In doing so they have established a socially responsible corporate image and have facilitated market penetration. Firms have also found savings in input costs, waste disposal costs, labor costs through reduced absenteeism and increased loyalty, reduced costs of compliance with regulations, and other real but more intangible benefits such as attracting quality investors. Firms also benefit from realizing greater cooperation from their communities, and from building political capital that has been useful when community decisions may affect the enterprise.

Chart 1.

Evidence of business case



Based on: IFC 2002

Reducing the use of energy and raw materials and limit emissions and waste from production processes are key contributions that business can make to tackle the environmental challenges facing the world (Box 3).

The good practices of leading companies build a base for the behavioral change of others. Moreover, ever more frequently many multinationals adopt environmental policies that extend through their supply chains in the form of requirements for suppliers to adhere to sustainability certifications such as ISO 14001, SA 8000 or FSC, etc. (IFC 2002).

Box 3.

Improved Efficiency – Reduced Waste.

Efficient operations can lead to cost savings and better waste management. According to Survey-Mastering Management, *Financial Times*, October 30, 2000: "Waster products are often inputs for which a company has paid and is not using; reducing them can save costs, at least partially offsetting the costs of waste management. In many cases, materials savings have more than offset the cost of waste reduction and profits have increased. Dow Chemical's US operations in Louisiana averaged a return of 204% on investments in energy saving projects between 1981 and 1993. Other investments in waste management and energy efficiency have yielded returns in excess of 100%, far above the usual returns on investments…."

Source: FT

Vehicles for Introducing CSR

The implementation of environmental initiatives usually differs for each company, or even sector, depending on a number of factors, such as size and culture. Manufacturing-based companies are confronted by a wide range of environmental challenges, while retail or service-sector companies face these to a lesser extent. Although some companies address environmental issues one facility or department at a time, companies are increasingly integrating the environment into all parts of their operations (Box 4. presents example of Volvo). Whatever the nature of the commitment, most companies follow a similar series of steps when addressing their impact on the environment:

1. Corporate Environmental Policy — Companies committed to reducing their environmental impact usually create a set of environmental principles and standards, often including formal goals. At minimum, most such statements express a company's intentions to respect the environment in the design, production and distribution of its products and services; to commit the company to be in full compliance with all laws and go beyond compliance whenever possible; and establish an open-book policy whereby employees, community members and others can be informed of any potentially adverse effects the company might have on the environment.

2. Environmental Audit — Before a company attempts to reduce its impact on the environment, it is essential that it first gains a full understanding of it. For most companies, this usually involves some kind of environmental audit. There is a wide range of audits, some simple, others quite complex. The goal of audits is to understand the type and amount of resources used by a company, product line or facility, and the types of waste and emissions generated. Some companies also try to quantify this data in monetary terms to understand the bottom-line impact. This also helps to set priorities as to how a company can get the greatest return on its efforts.

3. Employee Involvement — Leadership companies recognize that to be effective, an environmental policy needs to be embraced by employees throughout the organization, not just those whose work is related to the environment. To do that, companies engage in a variety of activities, especially education, to help employees understand the environmental impact of their jobs and to support their efforts to make positive changes. Some companies go further, helping employees become more environmentally responsible throughout their daily lives, helping them build a true environmental ethic. Besides education, many companies create incentives, rewards and recognition programs for employees who demonstrate their environmental commitment.

4. Green Procurement — To help ensure that their products and processes are environmentally responsible, many companies seek to buy greener products and materials from their suppliers. Some companies participate in buyers' groups in which they leverage their collective buying clout to push suppliers to consider alternative products or processes.

5. Green Products — Products themselves may be made more environmentally friendly, with regard to, for example, the control of emissions, noise, reduced health and safety risks, and reduced energy equirements.

Box 4.

Volvo Environmental Policy.

"Environmental care is a Volvo Core Value. Volvo is to be ranked as a leader in terms of Environmental Care among the world's top producers of automotive and transport products, equipment and systems. Volvo's environmental programs shall be characterized by a holistic view, continuous improvement, technical development and resource efficiency. Volvo shall, by these means, gain competitive advantage and contribute to a sustainable development.

Holistic view. The environmental impact of our products and processes shall be minimized by:

- taking account of the complete product life cycle;
- seeking to ensure that a similar degree of environmental concern is exercised by our working partners;
- taking a leading position regarding environmental standards, wherever in the world we operate.

Continuous improvement. Our environmental activities shall be integrated in all of our operations and shall be improved continuously by:

- formulating, communicating and monitoring clearly-defined goals;
- involving all employees.

Technical development. Our customers' demands for environmental care and transport efficiency shall be met, and expectations exceeded by:

- an active and future-oriented research and development process;
- working to develop intelligent transport solutions with low environmental impact.

Resource efficiency. Taking account of the complete life cycle, the design of our products and processes shall be such that:

- the consumption of energy and raw materials is minimized;
- the production of waste and residual products is minimized, and waste management is facilitated.

Volvo's environmental programs and their results shall be communicated in an open and factual manner. Each company head is responsible for implementing action programs based on this policy."

Source: Volvo[9]

III. INITIATING A CSR ENVIRONMENT

More and more companies and their stakeholders are attracted to the concept of CSR, but are often uncertain as to what steps may create an adequate environment for putting the concept into operation. Three such steps have been shown to facilitate the process: (i) promote dialogue among stakeholders concerning the establishment of a CSR regime; (ii) create the actual partnerships necessary for bringing CSR to fruition; and (iii) agree on a systematic and monitorable program for establishing and financing CSR in operational terms.

Promoting dialogue

Different players have different interests and different sets of goals for CSR. A multi-stakeholder dialogue has been proven useful in beginning to establish confidence that a win-win situation is able to be established and sustained.

In practical terms, the first step would be to determine who the stakeholders are. Bendell (Bendell 2000) observes that this process involves a pictorial representation of primary and secondary stakeholders within relations drawn between them, to depict which group influences or is influenced, or which has an interest. This paper, however, focuses only on primary stakeholders having influence in the promotion of the CSR agenda at a country level, namely the private sector (individual firms, associations, sectors, etc.), the government, public and social organizations and, to a certain degree, international institutions.

Chart 2.

Primary stakeholders influencing the CSR agenda at the global or country level.

[9] See: http://www9.volvo.com/frameset.asp?navType=1&url=http://www9.volvo.com/group/core_values/environment/new_environment/corevalue.asp

Grayson and Hodges (Grayson 2002) stress that building sustainable relationships among these stakeholders requires investment of time and resources. It also requires a genuine willingness on the part of government, business and civil society to listen and learn from their contacts with each other. This process may be made more difficult, however, due to institutional, organizational and cultural differences within a society. In many transitional and developing countries, for example, there is often a legacy of mistrust between the private sector and government or private sector and CSOs. Reasons for this include nationalization, central planning, inappropriate industrial policies, arbitrary political interference and corruption.

"Dialogue", therefore, should be sustained in order to facilitate the growth of discovery and understanding, and eventually establish commitment among stakeholders to common goals. Dialogue would hopefully develop collective intelligence, personal predispositions and a shared set of ideas. Finally, a creative dialogue would encourage participants to suspend their attachment to particular viewpoints so that deeper levels of listening, synthesis and meaning can evolve. Svensen (Svensen 1998) notes that through dialogue, stakeholders learn to communicate with respect, open up and express themselves sincerely, listen to and consider what others are saying, and decipher the deeper meaning behind opinions expressed. Multi-stakeholder dialogue, therefore, can constitute a base for trust-building and further joint activities.

Box 5.

EU Multi-stakeholder Forum on CSR.

The European Multi-Stakeholder Forum on Corporate Social Responsibility (CSR EMS Forum), chaired by the European Commission, brings together European representative organizations of employers, business networks, trade unions and NGOs, and fosters a dialogue between them, to promote innovation, convergence and transparency in existing CSR practices and tools. The Forum's mandate was approved at the launch on October 16th, 2002.

The CSR EMS Forum promotes CSR practices and instruments through:

- Improving knowledge about the relationship between CSR and sustainable development (including its impact on competitiveness, social cohesion and environmental protection) by facilitating the exchange of experience and good practices, and bringing together existing CSR instruments and initiatives, with a special emphasis on SME-specific aspects;
- exploring the appropriateness of establishing common guiding principles for CSR practices and instruments, taking into account existing EU initiatives and legislation and internationally agreed instruments such as the OECD Guidelines for Multinational Enterprises, the Council of Europe Social Charter, ILO core labor conventions and the International Bill of Human Rights.

Source: EU[10]

In cases where there is a legacy of mistrust between stakeholders, or deep cultural or organizational differences, a useful solution is to start a dialogue on a neutral platform. In many situations the World Bank or other international institutions are well placed to provide such a platform and stimulate dialogue. In other cases either the government, the private sector or social/public organizations could initiate the process of establishing communication between potential partners.

Box 6.

CSR takes root in Poland – Communication at the foundation of the process.

At first glance, Poland seems an unlikely place for a multi-stakeholder dialogue on corporate social responsibility (CSR) to take root. The Polish economy is often lauded for its growing competitiveness, but not as much for its social vision or environmental awareness. But, in 2002, the World Bank Office in Warsaw, jointly with the IFC and a local NGO called the Forum of Responsible Business, started to form a CSR Advisory Group to promote the concept of corporate social responsibility among

[10] *See: http://europa.eu.int/comm/employment_social/soc-dial/csr/csr_index.htm*

businesses operating in Poland. The group consists of a number of private sector representatives, academics, government officials, think tanks, NGOs and the media. Among the participants are representatives of companies and institutions such as ABB, Hays, Daimler Chrysler, IBLF, Pilkington, and PriceWaterhouseCoopers. Poland's influential newspaper, Rzeczpospolita, is to publish a series of articles explaining the concept and role of the private sector in supporting sustainable development. TVN, Poland's largest private TV station and a member of the Advisory Group, began to introduceg the concept of CSR to the broader public in its economic programming. This joint initiative has also attracted the interest of Poland's two largest organizations of business owners, the Polish Business Center Club and the Polish Confederation of Private Employers. These two, which together represent more than 2,500 firms, both Polish and foreign-owned, have agreed to serve as proponents of the CSR concept with their respective constituencies. This is part of the broader effort to raise awareness among private sector entities of the concept and ethics of corporate social responsibility.

As a constructive national dialogue matures, it should pass through stages reflecting increased engagement. Bendell (Bendell 2000) specifies eight such levels bridging a state of “manipulation”, in which a dominant stakeholder (the government) uses its position to direct particular outcomes, to democratization, in which stakeholders share the decision-making. The OECD (2001b) cites three key concepts that span the same range:

- Information giving as a one-way relationship in which stakeholders produce and deliver information for use by other stakeholders. It covers both passive access to information upon demand, and active measures to disseminate information.
- Consultation as a “limited” two-way relationship in which stakeholders provide their feedback. This type of dialogue involves the accessing of stakeholders’ opinions through a variety of techniques, such as attitude surveys or meetings.
- Active participation/partnership as a relationship based on partnership, in which stakeholders actively engage in defining the process and content of policy-making. It also means that all stakeholders share planning and decision-making responsibilities.

Creating Partnerships

Dialogue helps to create a CSR agenda. Creating partnerships is seen as the best practice in sustaining subsequent actions (Sagawa 2000). The underlying logic for establishing partnerships is that both the public and private sectors and civil society have unique characteristics. Maintaining and sustaining such partnerships can be enhanced through applying a set of simple and intuitively sound principles identified by Austin (Austin 2000[11]).

1. Connection between purpose and people: Alliances are successful when key individuals connect personally and emotionally with the alliance’s purpose and with each other.

Systematic searches can target potential partner organizations that appear to have shared interests, appropriate operations or track records. Investing up front in getting to know key individuals in a prospective partner organization is an essential part of the due diligence process required to assess inter-organizational compatibility, character and competency. Getting acquainted at the individual level pays cooperation and commitment dividends later. Positive personal chemistry is essential to productive partnerships, even if it is not sufficient by itself to guarantee alliance success, whereas bad interpersonal relations alone can destroy a partnership.

Strategic collaborations need champions, or internal entrepreneurs, at high levels on all sides. The engagement of and relationships between

[11] *These were originally presented only to describe the relations between non-profit organizations and business, but they may be freely used to guide other cross-sectoral partnerships.*

top leaders largely determine the acceptance and vigor of the collaboration. The leadership's initial challenge is to engage and nurture the relationship.Its subsequent challenge is to transcend the top-level link. Creating opportunities for interaction and service engagement by employees at all levels fosters personal relationships and connection with the cause.

2. Clarity of Purpose: Partners need to be clear about the purpose of joint undertakings. Vagueness or ambiguity will cloud the vision of the undertaking and may breed confusion or even conflict. To help ensure clarity of purpose, prospective partners should prepare a joint written statement explaining the purpose of this collaboration. As both the processes and the end product (the statement) can benefit a partnership, it is important the partners be explicit about what they expect to get out of their relationship. Partners should also identify the time frame that they see as advantageous. Specific, limited collaborative projects often serve a useful purpose and may be all that either party is prepared to undertake. But when the objective is to achieve higher-value strategic collaborations, all parties need to abandon traditional, narrow mind-sets. A collaboration mind-set supplants the "them and us" perspective with a "we together" perspective.

With the growing proclivity to engage in multiple collaborations, it is useful for organizations to think in terms of a collaboration matrix. This involves clarifying the purposes and relative importance of existing collaborative relationships, then using that information as the basis for establishing the number and mix of alliances that collectively will contribute most productively to the organization's mission.

3. Congruency of Mission, Strategy, and Values: As an extension of clarifying purpose, partnering organizations should identify areas of alignment between their missions, strategies and values. Engaging early in talk about alignment is essential to building a solid foundation for collaboration. The closer the alignment, the greater the potential gains from collaboration. Overlap is more likely than total congruency, but where it is largely or completely lacking, collaboration is ill-advised.

The point where organizations' missions mesh becomes an arena of collaborative action. Discovering all the productive intersections of mission fit often requires careful scrutiny. Taking time to experiment often reveals valuable new opportunities for collaboration, as the many examples of productive joint endeavors described in the preceding chapters testify. It is healthy to grow relationships incrementally, moreover, because experience unveils new possibilities.

The potential internal impact of collaboration increases with the accumulation of experience and interaction. As alliances evolve, they can influence even the partners' definitions of their respective missions and values, which in turn can lead to new areas of overlap and engagement. As external forces can sometimes undermine this growing cohesiveness, giving rise to misalignments, continual scrutiny is warranted. Shared visioning of future fit helps ensure continuing congruency and can broaden the existing fit. The more aligned a collaboration's purpose with the partners' respective missions and strategies, the more sustainable the alliance is likely to be in the face of transitory storms that afflict one partner or the other.

4. Creation of Value: High-performance collaborations are about mobilizing and combining multiple resources and capabilities to generate benefits for all partners and social value for society. Partners need to systematically focus on defining, generating, balancing, and renewing the value of the partnership. The collaboration value provides a means for both partners to jointly and explicitly specify the benefits they expect to obtain from collaboration.

Partners should seek areas for mutual re-enforcement for alliances to retain their vitality and mutual engagement. Benefit flows must be two-way and relatively balanced. Knowing when they are balanced is complicated by the fact that an individual partner's benefits differ in kind and weighting. Unlike the benefits of commercial partnerships, which are often reducible to monetary terms, cross-sector alliances deal in multiple currencies, some of which are difficult to quantify. Consequently, it is important that partners consult about whether net benefit flows are adequate and balanced. A sense of reciprocity is essential to partners' continuing interest in investing in the relationship. A significant imbalance risks creating excessive dependency or subjecting one partner to undue influence on the other.

Finally, it is important to recognize that the value of partnering can decline over time. Renewing value is thus an ever-present challenge. As resources always have alternative uses, either in other collaborations or in commercial business activities, it is incumbent on partners to assess periodically the opportunity costs of their participation in a cross-sector alliance.

5. Communication Between Partners: Even with good personal relations and emotional connections, strategic fit, and successful value creation, a partnership is weak if it lacks an effective ongoing internal communication process. Good communication is essential to building trust, and trust is the intangible factor that makes collaboration cohesive. Trust also presupposes a genuine appreciation by the partners for each other's activities. Communication should be honest, forthright, frequent, and meaningful. Constructive criticism should be welcome; but is possible only in open and supportive relationships.

Table 1.
How to communicate with stakeholders.

Have two-way communication	Remember to:	Practice:	Be aware that:
engage in dialogue; ● use interactive ● communiction; ● earn to listen, not just to talk; ● check that you have heard accurately; ● prepare to change your policies and practices as a result of dialogue	**convince your internal colleagues that stakeholder engagement is worthwile and necessary;** ● make sure that your internal colleagues have the necessary information at hand; create goodwill bank among stakeholders involved provide feedback to stakeholders	**research – find the best way to communicate with stakeholders;** ● ensure that substance of communication is relevant to the concerns of stakeholders; ● facts do not speak for themselves, so key messages need constant repetition	**some issues can be new for stakeholders;** ● stakeholder engagement can be seen as a distraction and an abdication of leadership. Look for the early wins that will build confidence and support

Based on: Grayson 2002

Communication with the world at large about a collaboration is just as important as communication between partners. Reluctance to publicize a partnership frequently results in foregone benefits and may call into question the solidity of the relationship. It is also vital to ensure that both partners have articulated explicit communication strategies for their internal constituencies and that each is aware of the content and process of the other's communication.

6. Continual Learning: Partners should view alliances as learning laboratories and cultivate a discovery ethic that supports continual learning. Continual learning is what enables continuous improvement. Because multi-stakeholders' collaboration is still relatively novel, invention and innovation continue to stand in for standard practice. Discovering both the "what" and the "how" of collaboration is also important. Learning about one another's businesses and operations not only builds rapport and enhances communication between partners. It can also lead to the identification of new collaboration opportunities.

7. Commitment to the Partnership: Because partnerships increase in scope, scale, strategic importance and operational complexity as they advance, partners must be prepared to ratchet up their personal, institutional, and resource accordingly. A strategic alliance is a deep relationship, not a deal. Partners should take a long-term perspective. Short-term alliances can be useful, but tend to be more tactical than strategic. Sustainable alliances institutionalize their collaboration process. They weave into their personnel systems incentives to collaborate and embed them in the organizational culture. Moreover, as insurance against the exit of key individuals, they ensure continuity by empowering all levels of the organization. High-performance alliances are driven by high mutual expectations with concomitant mutual accountability.

Box 7.

Dialogue and partnerships involving CSOs can bring about industry wide reform.

The mining industry provides one good example, as it is currently involved in one of the most comprehensive multi-stakeholder partnerships. Leaders in the mining industry concluded that access to both land and capital, essential to their work, was threatened because of the effective actions of local CSO groups worldwide. In April 2000, acting on behalf of the group of the international mining companies that formed the Global Mining Initiative, the World Business Council for Sustainable Development commissioned the International Institute for Environment and Development to undertake an independent research and consultation process on the mining and minerals sector. The Mining, Minerals and Sustainable Development project brought together an unprecedented number of stakeholders, industry representatives, academia and government officials. It prepared recommendations, "Breaking New Ground", for the World Summit on Sustainable Development in Johannesburg, proposing concrete solutions for how the mining and mineral sector can contribute to transition to sustainable development.

Source: Mining, Minerals and Sustainable Development Project[12]

Putting CSR into operation

Governments, often with the support of international institutions, and/or international/local NGOs, are beginning to play an operational role in building CSR, through managed, goal-driven programs. A framework for establishing such a goal-driven approach is given in Chart 2. Governments may see their interest in achieving improved environmental management in a less conflictive manner, at less cost and with more impact on job creation, while improving the national image, competitive positions in respect to trade, and ultimately making economic and social gains. A policy declaration that CSR would be a major feature of environmental behavioral change would open dialogue on the topic (see National Goals and Development Objectives).

Assistance from governments can be planned and programmed as a component in a national environmental program. Usually, governments would plan a three-part approach to the problem: (i) inform, sensitize and engage business in dialogue and negotiations concerning their use of CSR, and institutionalize this process; (ii) offer incentives for and assistance to firms seeking to adopt more socially and environmentally responsible business models; and (iii) re-enforce monitoring of environmental conditions and enforce sanctions.

[12] *See: http://www.iied.org/mmsd*

Table 2.
Corporate Social Responsibility
Development/Operational Outline *(prototype framework)*

Narrative	Indicators	Monitoring Regime	Critical Assumptions and Risks
I. National Goals			
1. Poverty Reduction (equity)	Poverty mappings		
2. Income Growth	GDP Indicators		
3. Environmental Sustainability	Natural resource surveys		
II. Development Objectives			
Business investment made respecting the norms for environmental compatibility	Percentage of foreign and domestic produ-ctive investment decisions respecting environmentally sound parameters		Companion environmental regulations respected Macroeconomic regime favorable to investment Adequate companion social and poverty
III. Outputs of Components			
1. Social Legitimacy of CSR			
2. Effective Incentive Framework			
3. Effective Sanctions Framework			
IV. Inputs/Budgets			
1. Legal and Regulatory Framework Adaptation	Covering diagnosis, study, regulatory and legislative development		
2. Initial Sector Cases	Covering 2 or 3 test enterprises		
3. CSR Communications Program	Covering diagnosis, public consultations and negotiations		
4. Management Institutions Development	Covering regulatory management and enforcement		
5. Project/program management	Covering management of the development program prior to mainstreaming		

Finally, specific actions and tools should be developed that would generate concrete actions leading to an effective CSR regime. These "inputs" can be costed and budgeted, and financing can be mobilized to support them. Structures can be created for managing the process and for accounting for the success of the effort.

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