THE FUTURE OF CORPORATE SOCIAL RESPONSIBILITY

Report by Coro Strandberg
For VanCity Credit Union,
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THE FUTURE OF CORPORATE SOCIAL RESPONSIBILITY
A study of longer-term global trends in CSR for VanCity Credit Union

In the mid-1990s, the Board and Senior Management at VanCity Credit Union saw how integrating corporate social responsibility (CSR) into the business operations was a natural and logical direction for a democratic, member-focused credit union. At the time, CSR was identified as one of three strategic business goals, and products and services were developed that included social and environmental components.

Since then, VanCity has come a long way. We've learned that in order to become a true CSR leader, we need to go much further than just developing products and services with a CSR edge - we need to work towards embedding CSR into all facets of the our operations. It's become part of our long-term strategic direction.

Part of becoming a leader in CSR is understanding the longer-term trends in social and environmental issues and how they may impact stakeholder demands, potential partnerships, and consumer attitudes in the years to come. VanCity commissioned this study as part of an overall scan to understand CSR trends.

VanCity engaged CSR Consultant and former VanCity Board Member Coro Strandberg of Strandberg Consulting to explore and summarize the trends that CSR leaders saw developing in the long-term, to "take a look around the corner". Strandberg interviewed nearly 50 "CSR thought leaders" in North American and internationally, to explore the evolution and trends expected in the next five to 10 years. These trends include those on social change, governance and accountability, innovation, and standardization of CSR. While there are a number of valuable lessons from the report, a key learning is that measuring the impact of our social and environmental actions is a work in progress and can always be improved.

We hope the themes identified in this report can be used not only by other corporations, but also governments, NGOs and other stakeholders that are looking at their own long-term CSR planning.

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INTRODUCTION

Corporate social responsibility (CSR) has been around in various guises for a quarter century or perhaps longer, depending on one's view of history. It has evolved to the status of a profession and is being debated on the world stage, advanced by globalization and technology. There are (CSR) consultancies and think tanks in most developed and developing countries around the world. Social (e.g. 9-11, HIV Aids), environmental (e.g. climate change) and economic (e.g. Enron) shocks are elevating issues of corporate responsibility to the international arena.

Companies which aspire to be, or are, leaders in corporate social responsibility are challenged by rising public expectations, increasing innovation, continuous quality improvement and heightened social and environmental problems. They are forced to chart their CSR course within a very complex and dynamic environment.

To assist this exercise it can be useful to reflect on the longer term trends in CSR - the future of corporate social, environmental and ethical responsibility 5 - 10 years from now, beyond the immediate operating environment. How will the social/environmental /economic dimensions of corporate sustainability evolve 5 - 10 years out? What will be the stakeholder demands on companies in the future? What forms of collaboration and partnership will emerge? What will be the new CSR issues confronting corporations? What will be the regulatory environment and government's role in CSR? In effect, what will be the new CSR operating environment for companies?

The following is an attempt to capture some of this thinking of over 45 CSR "thought leaders" - those people who spend their livelihoods in the CSR field whether as an advisor to corporations, governments and NGOs, a business executive, social investor researcher, NGO or consumer advocate or CSR academic. These CSR thought leaders have been asked to project how they think CSR will evolve in the future. Their ideas are summarized below into the themes most commonly expressed which they believe will emerge over the next decade as drivers and influencers of CSR.

It is hoped that companies, governments, NGOs and other stakeholders will find this information of benefit as they work to improve social, economic and environmental conditions around the world.

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METHODOLOGY

The views of forty-seven people were gathered, primarily through interviews though in select cases through written material during August, 2002. They were identified as CSR thought leaders by their reputation and through peer referral. Fourteen were from the UK, 18 from Canada, 8 the US, and one each were from the Netherlands, Hong Kong, Belgium, Switzerland, Australia and Italy. The majority were CSR "advisors" (16), the rest were in Finance and Investment (7), Business - with some overlap with Finance (7), Academic (6), Stakeholder (6), Polling, Media and Commentators (3) and Government (2). Modest attempt was made to solicit input from various sectors, though this was constrained by the time frame of the research.

The interviewees were asked open-ended questions designed to elicit their views on the future of CSR, though no strict questioning formula was adopted. Their responses were summarized into eight key themes that emerged from the range of ideas presented. No definition of CSR was proposed for the purpose of the study, though by and large CSR was understood to mean the integration of social and environmental values through-out a company's operations and the engagement of stakeholders in this exercise. For many participants the term CSR is interchangeable with Sustainable Development (SD).

KEY THEMES

1. Slow Progress on CSR, But Moving into Mainstream Business

There were different levels of optimism about the future of CSR, ranging from disillusionment that CSR will never be more than a cover for corporate activity to the most hopeful view that CSR is part of a paradigm shift from industrial capitalism to sustainability capitalism. This paradigm shift, it is predicted, will witness businesses finding a way to deliver on substantial social change, even - in some quarters - working to curtail the power business itself wields in society.

CSR pessimists predict:
- Increasing inconsistencies between corporate actions and stated CSR commitments; companies will become astute at shielding their actual performance
- CSR will be a technical fix
- Really substantive issues won't be addressed by CSR; we will come to the point where we say there have been great improvements, but what's really changing?
- Most businesses will hold back waiting for the business case to develop - however, they may never be satisfied by the evidence of business case and may use this as an excuse for inaction
- The business case will not be clear enough for companies to take up en masse, unless it is legislated or there are other incentives
- CSR will not be on the public's radar screen and there won't be any clarity around what CSR is and why it is important
- CSR will become too prescriptive and get labeled as needless red tape increasing the cost of business
- Companies that once embraced CSR will lose interest and pursue other objectives
- Those engaged in CSR shift to minimal CSR activities, never moving beyond baseline CSR
- Pressures on business to cater to shareholders at expense of all other stakeholders will continue if not increase; the imbalance of power will not change unless the membership on company boards changes to include stakeholder interests or until government legislation is brought to bear.

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CSR optimists believe that the pessimists are only looking at the gap of where we are and where we need to be, without acknowledging that mindset change takes time and recognizing that the slow incorporation of these ideas is underway in business. They believe that the disillusionment is a function of the hope for too much too quickly.

CSR optimists believe that:
- In the future a significant number of companies will be convinced it's in their strategic interest to incorporate CSR substantively into their operations
- There is a crisis in industrial capitalism, which lacks in trust and social responsibility, and within this we will see a rethinking of the role companies should play in society.
- CSR is at a crossroads, in a time of real discontinuity, enormously in flux. We are in the very early stages of transition with cracks in the foundation of business such as Enron, Worldcom, WTO protests, sustainable forestry campaigning, 9 - 11. These are little tremors before the big earthquake - we will see bigger and deeper cracks; there will be more shocks similar to 9-11 environmentally and socially - this will drive CSR in substantial and unpredictable ways in the future
- High profile stumbles will continue to drive CSR
- The crisis in global markets is broadening the discussion of accountability and transparency - in this climate there is more openness to CSR ideas. CSR will be seen as good corporate governance
- There will be pressure through competition for better CSR performance - this will impact on suppliers, etc.
- A small group of companies will be moving ahead quickly
- There will be differentiation between different models and levels of CSR as a result of continuous improvement and quality assurance
- CSR will advance, but it will advance inconsistently across sectors, depending on a company's economic performance, economic downturns, competitiveness of the market, etc.
- Underlying structural drivers will impact large scale companies, such as the value of knowledge workers and other intangible assets, driving companies to take different issues into account
- We see only a few companies committed to CSR because we are at the beginning of a long path on this journey; the shift toward sustainable capitalism is a long term trend and in 5 - 10 years only a few companies will be moving in this direction
- Increasingly businesses will see CSR as resulting in increased competitiveness and profitability
- The cynical corporations are dinosaurs and will be swept aside, though not in 10 years; change will be there, but it won't be dramatic
- CSR is part of a search for a new social contract between business and society. This new social contract will not necessarily be through the creation of a set of rules, but about a new set of norms arrived at through experimentation

In spite of the difference in views of social impact and degree of corporate commitment, the majority of the optimists and the pessimists agreed that 5 - 10 years from now CSR will nonetheless become increasingly mainstream within business, even if not within the public consciousness. CSR tools, resources, language - all will become more aligned with business norms and systems. CSR standards - to greater or lesser effect - will be part of business basics and not an add-on.

Most of this speculation points to continued, albeit slow progress toward increasing integration of CSR values into the corporate sector with varying levels of commitment and impact within the 5 - 10 year time frame.

2. A CSR Continuum - CSR-lite to deep-CSR

Consistent with their views on the progress of CSR and the ability of CSR to bring about social and environmental improvements, CSR thought leaders felt there will be different degrees of commitment to and styles of applying CSR within industry in the future, much like today. Collectively they described a continuum of CSR, from CSR "lite" to deep-CSR:

CSR Lite
- These companies will have a superficial or marginal commitment to meaningful social or environmental improvement
- They will be primarily concerned about responsiveness to complaints, not CSR - the business model will not be changed
- They may be using generalized standards such as the Global Reporting Initiative and as such think they have a handle on CSR when in fact they don't
- Included in this group will be those companies which have been legislated into compliance with CSR objectives, whether their transgressions have been on the environment, corrupt business practices, etc. They do not show any commitment to social or environmental progress.

CSR Compliant
- Companies will take on voluntary environmental and social obligations to maintain their license to operate
- They will keep abreast of emerging standards and norms of CSR and ensure they are compliant with those standards

CSR Strategic
- Companies will become strategic about different aspects of CSR
- They will become compliant with standards and then will create niches in specific areas of CSR more strategic to their companies. They will develop business strategies within one or two aspects of CSR around which they can develop a competitive advantage and have significant impact
- Companies in certain sectors will believe their key to survival is providing products and services acceptable to broad public interests or they will go out of business

CSR Integrated
- Further along the continuum will be those companies that fully integrate CSR throughout their business model, not as a strategic advantage, but in the belief of the need to take social and environmental impacts and opportunities into account
- They will have comprehensive CSR policies covering all areas of their operations and will be operationalizing their CSR principles through rigorous performance standards, objectives, reward mechanisms, etc.
- CSR or sustainable development will inform decision-making and business strategy throughout the company

Deep CSR
- A group of companies will adopt or be founded on business models whose mission is to improve social or environmental conditions
- Some leading companies will realize that the low-hanging benefits of CSR have been achieved and the early-stage CSR measures have been mined and exhausted. These companies will move to addressing the real tradeoffs between different elements of the triple bottom line in sustainable consumption, resource extraction, just transitions, intergenerational equity, etc.

The first two themes above point to the current debate in the CSR field over how strongly meaningful CSR will be embraced by the corporate world. Overall, the range of CSR performance - from the cynics to the believers - is expected to exist in the future as it does today, though there will be more and more uptake of CSR by companies and more progression to deep CSR by new market entrants and continuous improvement corporations. Efforts will continue to move beyond bland endorsements of CSR to considerations of how it affects corporate business practice. Is it predicted this move will help overcome the confusion about where and when CSR principles should override shareholder interests.

Additionally, it was pointed out, there will continue to be greater progress on the environmental aspects of CSR relative to the social aspects, given the extent of government regulation, availability of tools and systems and more established business case for environmental management.

3. More Significant Roles For Stakeholders

One of the top trends around which there is consistent agreement is the increasing importance of stakeholder engagement in the future of CSR. Not only will stakeholders be engaged in increasingly significant ways, they will gain in influence, and will continue to innovate and bring forward new and challenging values. Stakeholders here include consumers, employees, shareholders, suppliers, NGOs, governments and business partners - all those that have a "stake" in a company's operations.

Process: Shift to Stakeholder Dialogue, Co-Production and Governance

CSR companies in the future will be increasingly moving from identifying and managing stakeholders and their social issues to active engagement of stakeholders in issues of mutual concern. Many are calling this stakeholder dialogue, as distinct from one-way communication or two-way consultation. Stakeholder dialogue in future will be a process of multiple stakeholder participation focussing on learning and innovation.

Indeed, some thought leaders see the future CSR company engaging its stakeholders in co-production, a process of developing product and service innovations through joint problem solving tables with stakeholders. Companies will bring together all stakeholders involved in a product's use, creating collaborative design teams with the end result a more useful product with enhanced environmental and social properties. Others believe that should these relationships develop, they will be limited in number in this 5 - 10 year timeframe.

A few see the emergence of new governance models, predicting an increased role for stakeholders in governance, such as stakeholder councils and other forms of engagement.

Many suggest that increased stakeholder engagement will require the development of problem-solving and decision-making tools to facilitate the consensus-building process. Techniques will be developed to help people understand they wear different hats as employees, investors, citizens in communities, and therefore need to compromise certain benefits to get other benefits important to them. Others believe that compromise is a sub-optimal outcome and decision-making technologies will be developed to optimize triple-bottom-line solutions. The development of these approaches was felt to be particularly important to those who thought that with an increasingly interconnected world there will be a need to acknowledge that more and more different people value different things. The key will be finding the outcomes acceptable to most parties.

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Regardless of approach or rationale, many pointed to the likely development of tools and processes to help stakeholders and companies address the trade-offs which need to be addressed in future as CSR increasingly confronts the social and environmental challenges ahead.

It was also suggested that these advances in stakeholder engagement will be experienced primarily by civil society stakeholders as consumer and employee opinions are and will remain actively solicited.

Consistent with the development of tools and processes, increasingly stakeholder consultation will become a core competency of all staff, who will be expected to have productive relationships with stakeholders.

For the few that were less certain significant stakeholder engagement models would develop there was agreement that companies will continue to make progress in the engagement of communities in the local decision-making process at the site level through decentralized decision-making of large corporations.

To avoid decision paralysis, in which companies become paralyzed thinking they cannot make decisions without consulting, in the future these companies will make decisions when they know something is "right" and consult on controversial or challenging issues.

A few thought leaders believed that some NGOs and CSR idealists will not be able to accept compromise, while others wondered if stakeholders will lose their ability to challenge corporate activity as a result of their close involvement with business.

Actors: Same Players, More Influence

All agreed about the significant influence increasingly sophisticated and organized stakeholders will have in the market. Now and in the future, stakeholders are viewing their access to timely, comprehensive and accurate information about companies as a right. They expect to be treated fairly and honourably. With the benefit of internet technologies stakeholders will know more and be able to communicate their views to a wider audience to influence decisions before they are taken. The following is a summary of the trends expected within each stakeholder group.

Ethical Consumers (Slightly) More Powerful

For the most part, thought leaders believe there will be a CSR consumer in future - though it will be a small but potentially powerful market segment. This "vigilante" consumer will be high income with increasing influence in the marketplace. Some expect that increased social and environmental catastrophes will heighten consumer awareness and information of these issues thereby growing the ethical consumer market. However few believe future increases in CSR consumption will be dramatic.

Most recognized that the polls on consumer CSR behaviour only measure intentions, demonstrating a gap between what consumers say they will do in the market and their actual behaviour. Some feel this gap will be bridged in the future through increasing consumer information on CSR issues.

Some of their additional thoughts include:
- Ethical consumers will continue to make CSR purchases, but not for all their products
- CSR consumption will not be an even trend of growth; it will fluctuate with the economy and corporate crises; it is a volatile market
- CSR will be a tie-breaker at the shelf - not only will it be a retail competitive advantage in the future, it will be a negative motivator if a company is a known abuser
- Consumers will be looking for trusted actors to sort information for them. Companies that provide a tailored service that guarantee products are aligned with the values of a customer will create market share
- Consumers will be increasingly informed and aware that profits are often made through child labour, bribery and corruption, environmental exploitation, etc. Though previously they were only interested in paying the lowest price, increasingly they will be prepared to pay a premium. They will increasingly believe that it matters how corporations earn their profits
- Consumers will become more organized in the future; the feeling of being powerless will multiply; collective consumer organizations will start to promote ethical purchasing issues to their constituencies; this trend will be driven in part by government downsizing and deregulation; consumers will start to organize to protect their interests

On the whole, it is believed ethical consumers will comprise about 5 - 10% of the market, depending on the issue and sector, while mainstream consumerism will remain price-sensitive. However, people will increasingly start to take action as they see the tangible impacts environmental and social degradation is having on their quality of life, not to mention their investments and the future of their grandchildren.

NGOs Increasingly Sophisticated, Coordinated, Challenged and Divided

There was considerable agreement that in 5 - 10 years NGOs will be more sophisticated, better coordinated amongst each other and working on common campaigns. They will be targeting global companies through coalitions united in their opposition. More watchdog groups will emerge and they will be working cross-sectorally and internationally on global issues of concern.

Additionally, many commented, NGOs will increasingly come under the microscope themselves as their brands, their footprints and their influence grow world-wide. Significant gaps in their scientific and technological knowledge will emerge and they will be challenged to have more accountability, much as they are asking of their corporate targets. In the future, NGOs will be subjecting themselves to scrutiny, audits and verification.

Five to ten years from now there will be an increase in business-NGO partnerships and the culture gap will disappear for some. In this environment, NGOs will become increasingly sophisticated about using their brands to affect corporate change. Meanwhile, as a result of this increased participation in multi-stakeholder dialogues, stakeholder fatigue will develop for many NGOs who are strapped for cash and capacity. Some CSR companies will be contributing in an arms-length way to enhancing this capacity to facilitate meaningful NGO participation. In other instances, NGOs will be engaged primarily within sectors at the principle-setting stage in areas of moral controversy and companies will be expected to implement on their own.

A view was expressed that while there will be a trend to sophistication within some sectors on some issues, the numbers of NGOs sophisticated enough to form partnerships and participate in company dialogues will be few and far between over the 5 - 10 year period.

Some also predicted that there will be increasing divisiveness in the NGO sector, with more cracks in their solidarity as some move to collaborate with business while others prefer to campaign from the outside. Some go further to say that on the whole fewer antagonistic relationships between business and civil society are expected to exist in the future.

An interesting prediction is the possibility that NGOs will be using the justice system to resolve their issues, through class action suits and other legislative means. Courts may become more activist in this scenario, awarding huge damages to some causes.

Finally, in some regions such as Canada NGOs may continue their focus on regulatory over market interventions and may be slower to develop these trends within the 5 - 10 year timeframe.

Employees a Growing CSR Force

Most predictions point to increasing numbers of employees concerned about the social values of their employer. Expectations are that the best and the brightest - those companies most desire - will increasingly use their clout in the labour market to affect increased CSR performance of corporations. A small but growing proportion of those who expect they can get good salaries will ask more searching questions of companies they join. Certainly companies with a bad CSR track record will have difficulty recruiting compared to their more advanced CSR counterparts. Younger entrants to the work force, particularly, are expected to seek work with companies aligned to their values.

More generally it is expected that employees will increasingly demand that their work and the organizations they work for be aligned with their personal values. Non-responsive employers will find their staff, particularly their most talented staff, leaving for other more compatible settings. In a mobile workforce employees won't put up with companies that don't reflect their values.

Another expected trend 5 - 10 years from now is the increased hiring of NGO activists and social scientists within corporations.

Increasing Investor Clout on CSR

There is some skepticism about the impact socially responsible investment (SRI) will have on the future of CSR, though this was primarily directed at the SRI mutual fund industry and socially screened portfolios. It was felt that these would not comprise a significant force in the future. Screening out stocks that negatively impact the environment, labour conditions, human rights or that positively impact communities for example, will increasingly be seen as the weaker investment tool for encouraging CSR. However, there was widespread agreement that shareholder action and institutional investors will have a significant impact in the future CSR marketplace. Indeed, there is a view that capital markets will be central to establishing the incentives that drive corporations towards CSR in the future.

The doubling and tripling of shareholder resolutions both in number and in voted support witnessed today are only expected to continue into the future with greater and greater effect. It is anticipated that increasingly institutional investors will take a stewardship approach to their investments and will become more and more attuned to longer term performance issues over a short term quick fix "returns today" approach. In 5 - 10 years

corporations, most agree, will have improved their environmental and social disclosure in response to SRI investor demands to help investors analyze their CSR performance.

With this information, it is predicted that investors will be asking different questions of corporations, looking at different aspects of company behaviour, seeking different indicators that all is well.

For example, there will be a growth in investors looking at corporate responsibility as a contributor to a company's intangible assets and future earnings potential - whether that is its ability to retain people, engender trust in customers, build a good reputation or manage its risks. By 2010 CSR will be both a differentiator when a company deals with analysts and investors and one of the key questions which will be asked of certain companies in certain industries.

A company's approach to risk management will be seen by investment analysts as one indication of the extent to which social and environmental issues have been incorporated into business management processes; increasingly "sustainability" or the long term view will become the lens through which risk is viewed.

In response to these investor demands, CSR companies will increasingly link sustainable development with shareholder value, both building it into the business and building new business around it to create shareholder value.

An even bolder view of this trend is that 10 years from now prioritizing shareholder value as the primary role of business will be seen to be odd. In this scenario this priority is replaced by a focus on giving people products and services they value as the primary corporate goal.

Related to this anticipated trend is one predicted in which investors are called upon to display their own social responsibility, a moral code parallel to CSR. "Investor Social Responsibility" will emerge as a challenge to the investor community, and a set of investor social responsibility principles will be developed. This trend will see the adoption of CSR by mainstream financial service organizations across all of their asset management portfolios. Through this, capital markets will push to hold companies increasingly accountable on CSR matters, driving adoption of standards across hundreds of companies simultaneously. Proponents of this view believe that in the longer term the CSR field will establish a set of principles to determine when social or environmental obligations should override shareholder interests. They believe investors themselves will drive this outcome.

One final investor trend predicted is an increasing concern over a company's climate change exposure. The anticipated international coordination and cooperation between institutional investors on SRI issues is expected to have a significant impact on the progress on this and other social and environmental issues.

The Ripple Effect Up, Down and Across the Supply Chain

For those who addressed the issue of suppliers all agree that large companies will be driving CSR up and down their supply chain, thereby putting CSR on the radar screen of small business. This will come about due to the growing insistence that responsible companies look at the impact not only of their own operations, but that of their business partners. Another possible driver of this trend will be courts determining vicarious liability where business partners are responsible for each other's behaviour in joint ventures. These trends will pressure companies to become more responsible for product and service stewardship over the life of the product or

service. The social and environmental responsibility of financial institutions, for example, for their investment and lending decisions will become of increasing concern to stakeholders.

Some predict that increased NGO campaigning will make companies vulnerable to attacks brought to bear at their weakest links which can often show up in their out-sourced operations - and are difficult to anticipate.

In this environment, not only will small business be addressing its CSR footprint, but larger CSR companies are expected to find ways and means to build the capacity of small business to not only operationalize CSR but to use this as a means of fostering innovation within the supply chain.

4. Environment, Social Exclusion, Governance, Accountability and Ethics Top CSR Issues

Concerns about the environment - particularly climate change and secondarily water quality and supply/access - social exclusion - particularly poverty and access to necessities - and governance and accountability, including issues of transparency and integrity, were the top issues raised by CSR thought leaders. These are predicted to be the key CSR issues of the future.

While these will be the key issues, the current CSR issues are not expected to change. Increased measurement and monitoring will push the standards and norms higher for all CSR issues, with the result that some companies might specialize and segment within particular CSR areas relevant to their business.

Additional issues that will grow in importance include core labour standards, sweatshop and living wage issues, human rights, bio-ethics (humane treatment of animals, genetic technologies, etc.), privacy, "anti-big" concerns, product quality and quality standards and toxicity. One view is that there will be new CSR challenges in diversity with aging populations and cultural and religious differences. People will be thinking about diversity differently in the future and this will be reflected in the CSR debate.

Another view is that increased attention will be placed on issues of democracy both in the economy and in the political arena - locally, nationally and globally. These issues will also be reflected in the CSR agenda.

There was much interest in how corporate accountability and transparency will evolve over the next decade, and related issues of corporate governance and integrity. Most commented that demands for greater responsibility, accountability and transparency will only increase as a result of the perception that the private sector has amassed great power and influence and yet has not delivered on its promises to improve social and environmental conditions through voluntary initiatives.

Some believe that transparency will shift from annual reporting to hourly if not instantaneous reporting. Corporations will be demonstrating they have a high level of integrity at the top of the corporation. Some predict that a fourth dimension of TBL will emerge, that of personal and collective ethics. There will be demands on company boards to demonstrate their competency with CSR issues. Tools and techniques will be developed to facilitate corporate CSR governance.

Globalization will continue to be linked to CSR as will other broad north-south issues regarding trade, debt, third world poverty, etc. The legitimacy of global capitalism is expected to be under continuous challenge during this period. Some expect CSR to be part of the antidote to the excesses of globalization.

5. CSR Management Systems Standardize and Differentiate - Improvement and Impact are Key

There is widespread consensus that basic CSR systems will become more standardized and routine within 10 years. The codes of conduct debate will have been resolved. There will be convergence in codes and standards. Consensus regarding core CSR indicators will develop - a core CSR metrics "starter pack" - leaving companies to tailor standards to the specific business. Standard-setting bodies will have formed partnerships and brought about consolidation in the current myriad standards that exist. CSR concepts will become more tested and easier to adopt. There will be more clarification of what is meant by 'real' CSR to distinguish it from 'cosmetic' CSR.

Leading edge CSR today will be baseline 5 - 10 years from now and the bar will be continuously lifted. CSR will continue to evolve with the evolution of social and environmental issues. Standards and systems will continue to be affected by these developments in a very "organic" process.

The future will also see not only increased adoption of these standards, but increased experimentation within companies, sectors, at the site level and in regions. While there will be baseline standards, there is not expected to be a single standard, allowing companies to follow those which are most suited to their operations. Standardized materials will be used as a baseline from which to branch out. This will result in competing companies following different approaches to enhance their CSR competitiveness.

There will be not only increased standardization, but there will be more robust standards, particularly measurement tools to demonstrate the progress stakeholders are seeking.
The debate will move from discussions linked to auditing, regulation and the business case to practice - there will be open discussion around the problems and difficulties managing CSR and a focus on CSR continuous improvement. There will be more concentration on management learning and implementation tools.

Most but not all are convinced there will be standardized guidelines for social auditing or TBL reporting. These reports are expected to be reintegrated into annual reports - stand-alone reports will become a thing of the past. Instead, there could well be a series of audience-specific reports. In any case, there will be considerably more TBL reporting in the future than is seen today. Additionally there will be more use of stakeholder input in the use of these reports in future. With these reports SRI analysis will become more like conventional analysis where there is a core set of data in the public domain - TBL reports - and companies are asked a set of supplementary questions on their CSR performance.

The new focus will be measuring and reporting on CSR impact - the degree to which a corporation's CSR performance has actually improved conditions in society or the environment. More companies will have moved from simply reporting statistics to using them to improve or measure improvement, where the real value will be, and increasingly they will be reporting out on their progress in this area. Generally there will be more measurement that combines output, internal improvement, external impact and issues of concern to stakeholders. Companies will be showing how they have used the data and information on which they report and how they have used stakeholder input to improve their operations. Through this they will be enhancing their accountability to stakeholders. As a result of this increased impact reporting, there will be more focus on outcome comparisons between companies.

Efforts will continue to develop and adopt new metrics to measure intangible assets that are affected by CSR policies and contribute most directly to a company's TBL performance and long term shareholder value. Examples include reputation, brand, innovation, CSR risks from exposures, knowledge workers and social capital (i.e measurement of the interaction between a company and its broader community).

Growing disparity between corporate actions and standards practiced domestically versus those practiced internationally could emerge as a significant trend. No predictions were made for the resolution of this trend, though stakeholders including governments in the international arena will no doubt have some influence.

Some believe there will be a logo-mark to brand CSR companies - a harmonization of labels and standards to make it easier for consumers to determine which is the ethical purchase. Not all agreed with this development; some thought there would be a variety of social labels in use or that social labels would be more advanced in some regions than others, Europe for example. Others felt that there could well be CSR branding of management systems (e.g. ISO series), but this is unlikely to happen for a company's performance.

CSR companies will move from creating specialized CSR departments analyzing stakeholder campaigns, assessing regulations to ensure compliance, etc. to the establishment of standards and measures integrated throughout the company which are assessed and reported on. While there will be a continuing role for CSR specialists they will serve as internal CSR consultants, supporting innovation, defining policies, leveraging knowledge, acting as whistle-blowers, etc. Full CSR integration across the company will become the norm, with tools and approaches implemented to ensure effective CSR performance and continuous improvement. There will be line accountability for delivery of CSR policies; accountability for performance will be tested periodically in this model.

There will also be an increase in board CSR committees or sub-groups focused on CSR policy. Tools will be developed to enhance CSR corporate governance.

In the future companies will stop looking at CSR as a way of responding to external pressures and will start managing it, using the systems, tools and standards available to them, to increase CSR reputation and results, reduce risks and improve relationships.

Real measurement and real progress will be key to keep stakeholders at bay. Currently NGOs are more or less supporting the standards model, but will become increasingly discontent if progress does not result.

6. Governments Require Mandatory Disclosure, Voluntary Compliance

There were differing opinions on the degree to which governments will be intervening in the future to encourage more CSR behaviour from the private sector. Most anticipate governments will at a minimum be encouraging CSR performance through information provision, support for networking, and other voluntary measures. Many believe there will at least be mandatory disclosure, in which companies are required to report on their social and environmental policies and performance, possibly with third party verification encouraged if not required. It will then be up to the individual corporation as to how strongly it wishes to follow a CSR path - in other words, voluntary compliance. Most expect that governments will be working to support accountability and transparency in company operations, particularly through reporting.

Others go further believing that some jurisdictions will embrace CSR as a competitive advantage for their economy, supporting CSR clusters domestically (integrated CSR knowledge, R & D and business networks, etc.) and working to build markets around the world based on social and environmental criteria. In this scenario competitive CSR products and services have a market advantage, as will those national economies.

A stronger case is made for increasing environmental regulation in the future as the most likely scenario - but it is also thought likely that governments will be moving to increased regulation on a range of CSR issues if the private sector does not progress within a voluntary CSR framework.

Some governments will be using other voluntary and incentive-based tools such as preferential CSR procurement, export guarantees, investment subsidies, tax credits, CSR criteria for foreign aid and foreign direct investment, pension disclosure, etc. There will be increased experimentation with government interventions of this type in support of CSR.

Within a decade trade negotiations are predicted to take more social and environmental considerations into account, international institutions such as the World Bank will be advancing CSR and more governments will be addressing the worst violators working in conflict zones or involved in illicit behaviour. Within this period governments internationally might have moved to define corporate complicity in the realm of oppressive regimes.

How globalization evolves will affect regional and domestic developments in any scenario. For example, it may result that CSR measures will be leveled up or down depending on their impact on competition; government CSR interventions will be either globally adopted or stripped away. It is generally expected that Europe will proceed ahead of other countries on regulation and that any regulation that does come into force will be geared to large not small business. Much less certainty exists as to the degree to which North America will follow the regulatory path beyond disclosure.

There is a strong view that market leaders will increasingly call for regulation in an attempt to institutionalize the market levers that give them a competitive advantage. Alternatively, companies may be leading to shape rules and avoid intervention. In either case, there is extreme likelihood that corporate CSR leaders will be either neutral or supportive of future regulation, an environment that is increasingly conducive to government involvement.

7. Innovation and Learning Drive CSR

Many commented on the learning environment for CSR. It is widely believed that business schools will be teaching CSR skills as a core component of the curriculum and CSR business networks will be thriving, promoting continuous improvement. There will be in-house training programs to bring up the skills of employees across the company focused on how CSR is defined, how it is applied and how it impacts the business process. For companies going through a deeper CSR integration process there will be a focus on internal transformation beginning with personal and professional development of key personnel. There will be more academic research into CSR and CSR fundamentals. There will continue to be research on the business case, which itself will continue to evolve.

CSR in this environment will become a stimulant for creativity and innovation. New products and services which integrate CSR and stakeholder values will be developed and become market makers. Some companies will have discovered that by creating new environmentally and socially sustainable markets they can benefit from increased business opportunities.

8. Companies Expected to Achieve or Lever Greater Social Change

The big debate in CSR in 5 - 10 years is expected to be over its impact on social change. Within the next decade CSR will be criticized for not adequately addressing the big issues of environmental sustainability and the widening gap between the rich and poor; it will not have materially impacted the quality of life. Continued government downsizing and trade agreements in various jurisdictions will increasingly privatize social and environmental concerns. It is believed that committed CSR companies will be working to address these issues and improve their impact and social change outcomes. A few scenarios were proposed within this context.

Many are pinning their hopes on an emergent sector whose entire mission and agenda is sustainability, both social and ecological. Sometimes called the third sector or the civil economy, these companies have core CSR values and an ethos committed to integrated social and environmental responsibility. They include natural foods, natural pharmaceuticals, renewable energy, water, clothing, building and construction, community banking, social investment, travel and educational services, etc. Co-operatives, credit unions and non-profit enterprises are found in this sector. This sector is expected to grow and evolve over the next 5 - 10 years and will impact the marketplace, society and the environment. They will be a competitive force in the economy, albeit in niche markets. They will be leaders in CSR innovation and will help raise the bar for CSR performance across sectors.

One perspective is that the CSR leadership demonstrated by this sector comes not simply from their social and ecological missions, but from the fact they are insulated from short term market demands and often have stakeholder models of ownership. Non-profit enterprises, co-operatives and employee share ownership are examples of this model as are companies that shift from hierarchical governance to network governance, and owner-managed, founder run and family managed companies. By nature these businesses are less profit maximizing than their larger publicly traded counter-parts.

There are some economies in the world - Italy's Emilia Romagnia being one - which are promoting this sector as a means of economic and social development. In these regions systems and structures are established to encourage the flourishing of polyarchy - the distribution of power to non-profit firms, co-operatives and social enterprises. Directly accountable to where they live, these organizations are deemed to be much more in touch with local social and environmental conditions and their 'footprints'. New research into the benefits of social capital and trust within the marketplace is highlighting the important role these organizations play in improving economic performance of individual firms and entire regions.

One cloud was identified on the horizon of this emergent "social economy", which is that this sector may not be able to succeed on its own without capitalization and public policy reform. It lacks the capacity and economies of scale to have sufficient impact on the market economy and thereby will remain marginal to the economy, society and the environment.

Another anticipated development is a growing insistence that responsible companies look not only at the impact of their own operations and those of their business partners, but address macro issues relevant to a company's sector - climate change, increased inequality, child labour, disparate access to necessities, resolving conflicts and violence, etc. It is expected that in this scenario, companies will be working in multi-stakeholder partnerships on macro social and environmental issues within their sphere of influence in addition to addressing their own internal CSR issues.

Within these cross-sectoral collaborations business will recognize it can't have its own single view and stakeholders will conclude that some problems are beyond the power of corporations to affect alone. CSR companies will be engaged in greater partnerships with civil society and government where there is joint accountability for progress.

Another anticipated route for CSR companies to follow in their effort to affect social and ecological improvements is that of public policy advocacy. Some believe that as stakeholder pressure comes to bear on companies to address fundamental social problems, they will become more involved in influencing public policy. Real social change is thought to require broader financial and governing systems change and corporate CSR leaders are expected to become powerful advocates for progressive public policy on CSR.

Conclusion

CSR thought leaders are not a homogeneous group. Nor do they predict one evolutionary tract for CSR over the next decade. It is interesting to speculate how the conclusions might have been shaped differently if more business or other cultural views were included in the research and if the social, economic and political changes in non-Western societies were taken into account. However, of those interviewed for this study most agree more or less with the view that CSR progress will be slow over the next ten years, but will become increasingly mainstreamed by business. Increasing social and environmental crises will continue to drive this paradigm shift or modest business reform, depending on one's view of this trend.

The continuum seen today - of companies' differing commitment to significant CSR - will be evident in the future. More strategic, integrated and 'deep' CSR adherents will emerge over the decade.

One of the most significant trends will be the increasing influence of stakeholders, whether through more engaging stakeholder dialogue or through stakeholder campaigns. Stakeholders will become more strategic and more coordinated, increasingly working together on issues of common concern. Consumers and employees will become more demanding as and when they perceive the connections between corporate behaviour and their quality of life.

Suppliers will increasingly be pulled into CSR practice as companies through coercion or choice integrate CSR throughout their supply chains. Suppliers and other stakeholders will increasingly become part of the product design process as companies endeavour to reduce their negative and enhance their positive impacts.

CSR issues are expected to remain the same, though the performance bar will continuously be raised. The environment, poverty and social exclusion and governance, ethics, transparency and accountability are expected to be the dominant future CSR issues.

The myriad CSR standards operating today will themselves become standardized and available as "starter kits" to new CSR companies. Companies will be adopting the core standards and tailoring the rest to their unique environments. The focus in future will be on continuous CSR improvement and most especially the impact CSR operations have on social and environmental conditions. The future CSR company will require every policy, practice, operation, activity, member of staff, every decision to be measured against CSR criteria. Many companies will be redefining business purpose to optimize profits, that is, making profits responsibly and developing business principles consistent with this.

Most governments will be requiring mandatory disclosure of corporate social and environmental performance, and encouraging different CSR approaches to flourish through voluntary compliance on CSR standards and codes. Business schools will increasingly jump on the CSR bandwagon, integrating CSR curriculum within their business programs. CSR will be promoted as a means of fostering creativity and innovation and some companies will be reaping the benefits of this.

Companies will be increasingly called upon to help address the growing social and environmental challenges emerging globally and locally. They will be bringing their resources and influence to bear on those problems through cross-sectoral initiatives. CSR companies will be promoting protection of human rights and generating economic, social and environmental benefits. While this trend will still be in its infancy within 10 years, a more advanced trend will be catching attention. Increasing numbers of primarily small business whose mission is to enhance social and ecological conditions will be having an impact and will be part of the force that drives advances in CSR.

Through this period, stakeholders will be watching to see if corporate actions are keeping pace with the standards, expectations and rhetoric of social responsibility. The future of CSR lies in the hands of the public and civil society organizations and their changing expectations, and the vision and leadership of the private sector.