

Corporate Social Responsibility

Highlights

- *Organizations should capture the financial benefits from improving the social and environmental impact of business operations and activities.*
- *Corporate Social Responsibility (CSR) will mature into another input to performance management and risk management.*
- *The CFO and the Finance organization are uniquely positioned to address both performance management and risk management and, as a result, should be the steward for CSR data, driving the performance monitoring, reporting and decision making around CSR activities.*
- *An overall performance management strategy, which includes CSR, is needed to establish processes and systems that integrate information across the entire value chain and provide timely, consistent and robust information and decision support.*

Reducing energy consumption, environmental and social performance, recruiting and retention of top talent based on sustainability policies, new revenue streams from “green” products and services (“the opportunity of making green by being green,” Jeff Immelt, CEO of General Electric introducing the approach to EcoMagination)—these are all aspects of a corporate socially responsible business that has moved beyond compliance and risk mitigation to capture financial benefits from new business opportunities that improve society and the environment. In fact, CEOs are increasing investments in corporate social responsibility by 25% over the next three years, according to the IBM Global CEO Study 2008.

As a result, there is a need to manage the performance of an enterprise’s CSR activities. According to The Economist Intelligence Unit’s “Doing good: Business and the sustainability challenge” March 2008 survey, the top CSR objective

is communicating the organization’s performance on sustainability to investors and stakeholders. This requires including CSR in your enterprise’s overall performance management strategy to establish processes and systems that integrate information across the entire value chain and provide timely, consistent and robust information and decision support.

According to Abbey Joseph Cohen, Managing Director at Goldman Sachs, “investors, and companies themselves, recognize that there are metrics and goals they need to be looking at other than the straight financial metrics...so, for example, a company needs to measure its success not just on the basis of things like earnings and revenues, but also on the basis of whether they’re doing what they should be doing in the environmental area, whether they’re doing what they should be doing with regard to worker safety and other issues.”

Corporate social responsibility matters

CSR activities are critical throughout your enterprise—it touches all functions within the value chain. What are the implications you might be missing? Within operations for example, CSR issues involve emissions and waste, biodiversity and ecological impacts, energy and water usage, worker safety and labor relations and hazardous materials. After-sales service issues could include disposal of obsolete products, handling of consumables and customer privacy.

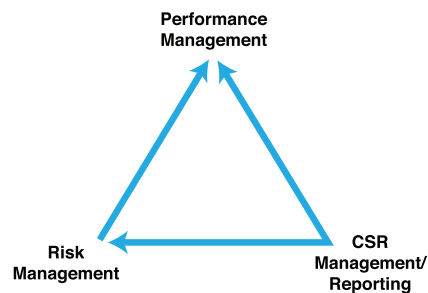
A great example of CSR involves Wal-Mart's CEO Leo Scott's speech on "Leadership in the 21st Century." It has set three ambitious goals across its value chain: to be supplied 100% by renewable energy, to create zero waste, and to sell products that sustain its resources and the environment.

What are the benefits behind addressing CSR? Firms that focus on CSR outperform their peers according to Goldman Sachs and Dow Jones lists/indices. In addition, the same EIU survey indicates that companies with strong share price growth over the past three years place a greater importance

on sustainability issues. Companies that rank themselves as "much better" than their peers in social and environmental fields show profit growth of 16% and share price growth of 45% versus peers' performance of 7% and 12%, respectively.

CSR and the role of Finance

Our view is that CSR will mature into another input to performance and risk management. Finance is uniquely positioned to be the steward for CSR data and help drive the performance monitoring and reporting of CSR activities. To provide additional opportunity and reap the full rewards, CSR management and reporting should feed into both performance and risk management.



For Performance Management, your enterprise should coordinate external messaging on your CSR strategy and report on progress against CSR goals. IBM can help link CSR performance indicators with strategy and operation imperatives and create the scorecards to better measure and report performance across integrated enterprise processes. In addition, IBM can help identify the critical decisions linked to CSR related data, define criteria, create data definitions, find reliable data sources for CSR reporting and implement tools to monitor performance.

Risk Management entails assessing the various present and future CSR risks to business operations, such as legal, political, reputational, supply chain disruption, embedding CSR concerns into business operations, then incorporating risk into performance management's fact-driven approach. IBM can help identify, assess, manage and optimize CSR risks. Our services provide the groundwork for solid reporting practices to be able to provide CSR risk related information to key stakeholders, managers and executives for decision support when and where it is needed.

Six major areas for a performance management strategy including CSR

Our holistic approach encompasses people, process, information content, decision management and technology transformation, from strategy to design, through implementation. IBM can help CFOs use information as an asset to support enterprise strategies that include CSR. Our approach centers on six major areas to develop and implement a performance management strategy:

1. Envision and plan. What are the key decisions and what is the proposed business direction (including CSR strategies)? Who are the key decision makers, who are the information consumers, and what are the impacted business drivers and associated metrics?
2. Analyze current state. How well do your technology infrastructure/ analytical tools support performance management?
3. Define (Governance, Information Strategy). What are the critical decisions and the associated decision makers? What is the performance management vision and guiding principles? What are the gaps of the existing/planned analytical initiatives to support performance management?

4. Design (Organizational Blueprint, Process Blueprint, Technology Blueprint). What analytical processes need to be implemented? What are the implications to the enterprise's organization, and supporting applications and data assets?
5. Develop Roadmap. How should performance management projects be prioritized? How can the initiatives be resourced and planned?
6. Implement and realize benefits. How will the decisions be governed? What change programs are necessary to implement the plan and what is the framework for benefit realization?

An effective performance management framework and vision, which includes CSR, involves linking corporate strategies and activities for action, aligning your organization's decision management to the governance structure, integrating your information assets throughout the value chain, with the properly aligned business drivers and associated metrics, streamlining data sourcing and developing a single source reporting environment.

Why IBM

The development of a performance management vision, process and system design, framework, and analytical capabilities and techniques can be

supported by IBM's intellectual capital and broad expertise across industries and geographies. Our Business Performance Management (BPM) practice includes over 400 engagements with companies over the past three years.

With more than 4,100 financial management resources located across the globe, IBM has a strong record of serving as a trusted advisor to CFOs and finance leaders. Our dedicated teams of research and thought leadership professionals provide insights into the issues facing finance professionals through deep finance function expertise coupled with effective technology implementation and integration capability.

We offer proven finance transformation tools and experience, such as SAP, Oracle and Cognos. IBM financial management consulting services bring strong partnerships; we are the number one SAP Consulting Provider and a leading integrator of Oracle/Hyperion applications. Our recent acquisition of Cognos has added over 200 experienced Cognos practitioners to our Financial Management practice. Our consultants have worked with 75% of the global Fortune 50 and 80% of the FT 50.



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Route 100
Somers, NY 10589
U.S.A.

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January 2009
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