

Module 2

Integrating CSR into the Overall Business Strategy



Module 2: Integrating CSR into the Overall Business Strategy	
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Unit 5	Use of Nudges
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Topic 2	What is a Nudge?
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Learning Objectives

- Be able to derive CSR plans from the overall business strategy
- Be able to establish links between the individual business areas and aspects to entrepreneurial responsibility.
- to have an overview of relevant QM approaches, tools and systems and be able to choose and apply appropriate ones
- be able to derive CSR plans from the overall business strategy
- be able to develop individual guiding values and principles for the start-up activities
- to have an overview of relevant QM approaches, tools and systems and be able to choose and apply appropriate ones
- be able to establish links between the individual business areas and aspects to entrepreneurial responsibility
- be able to identify areas and aspects of the business particularly demanding in terms of entrepreneurial responsibility (prioritize)
- be able to implement an open organizational culture that allows for cross-fertilization between management and staff levels, also during the stage of growth
- be able to communicate same messages and values internally and externally
- Understand behavioral insights and nudges
- Understand whether and in what ways nudging can help to promote CSR.
- Be able to apply nudges in start-up environment.

Unit 1

Importance of having CSR integrated in overall business strategy

Topic 1: The Importance of CSR

- Nowadays, start-ups need to do more things than just generate profits. Indeed, in order to be profitable, companies have to deal with hundreds of responsibilities like:

Programmes for employees, offering a safe and secure working environment, sustainable and eco-friendly methods or engagement in social causes among many others.

- Business means power and capacity. Business engage with CSR to help the society and the community where they do business to solve the problems existing there. If we do not adopt a proactive position towards the problems, problems will not disappear.
- Public trust on business is decreasing progressively. At present, job opportunities and economy contribution it is not enough for the public as they are more aware of climate change, social injustice and unfair conditions.
Pressure is higher as clients and public expect companies to be part of CSR community and to be transparent and eco-friendly.



[Source: pixabay.com](https://pixabay.com)

Topic 1: The Importance of CSR (continuation)

CSR, respectively sustainability, should be appreciated as both a necessary and an opportunity.

Ideally it should be fully embedded into the company's purpose, goals and operational activities – as this lays the ground to:

- having a true sustainability strategy (including environmental, social and economic aspects)
- find a payoff from sustainability
- build a solid business case

As start-ups are in the process of building their business model, they have a big advantage in this context compared to mature companies that have to take the time and risk of a big change.

Topic 1: The Importance of CSR (continuation)

There are a number of factors contributing to companies adopting a CSR policy:

- Economic drivers (e.g. competitive advantage, socially responsible investment, pressure from stakeholders, company image and reputation)
- Social drivers (e.g. consumption trends, pressure from NGOs, communities, trade unions)
- Political drivers (e.g. legal and regulatory frameworks and political promotion and pressure at local, regional or national level)
- Individual drivers (e.g. ethical orientation and personal values of top management, employees)

Topic 2: How to establish Links between the Individual Business areas with CSR

According to Hohnen and Potts (2007), there are many questions that start-ups can make to themselves in order to engage with CSR:

- What social and environmental activities and initiatives has the company taken already?
- What strengths, weaknesses, opportunities and threats do these present?
- What has the company learned from others that could be helpful?
- What are the company's CSR goals?
- Where could the company be in terms of CSR activities and outcomes five and ten years down the road?

Topic 2: How to establish Links between the individual business areas with CSR (continuation)

- What are the big social issues and how might the company help?
- If the company is to be a CSR leader, what changes to current practices and products would need to take place?
- Are there areas in which CSR changes would have a particularly big impact on the company?
- Can the proposed CSR changes be organized into short-, medium- and long-term deliverables?

Topic 2: How to establish Links between the individual business areas with CSR (continuation)

- What are the resource implications of these deliverables?
- Are there any changes to the company's organizational structure that would need to occur to implement any of the deliverables?
- Are there any obstacles that might stand in the way of taking a more systematic approach to implement CSR? If so, what are they?
- Are there opportunities for cost reductions?
- What should be the priorities if the company decides to do more?

Topic 3: Areas of Engagement in Businesses

Even though CSR is more present at society at the moment, it is still necessary for start-ups and company executives to have a clear business case.

Indeed, there is not a universal solution but alternative views or approaches.

For this reason, according to (Guttermann, 2020:24-26) business should engage with CSR based on one or more of the areas:

- Reducing costs and risks
- Gaining competitive advantage
- Creating legal legitimacy
- Synergetic value creation

Topic 3: Areas of Engagement in Businesses (continuation)

Reducing costs and risks

CSR activities can decrease effectively capital risks while protecting the viability of the company and contributing to social and environmental issues. Some examples are:

- Energy-saving actions that reduce long-term costs
- EEO practices that improve the productivity of the employees
- Community relations engagement which typically reinforces trust and solves local problems

Topic 3: Areas of Engagement in Businesses (continuation)

Gaining competitive advantage

This is related to stakeholder expectations and needs, in other words, CSR apart from decreasing risks, it also offers an attractive image to others:

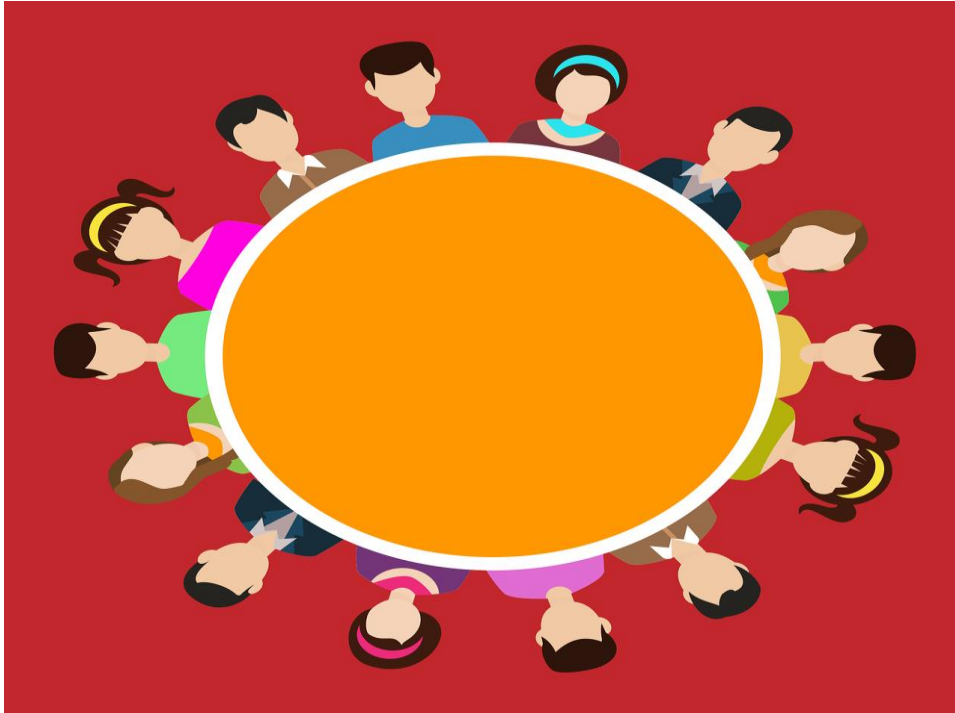
- Customer relations programs ensure competitive advantage
- Showing a solid brand identity reinforces the positive image and attracts new investments
- Employees prefer to work in appreciative environment where they are taken into account

Topic 3: Areas of Engagement in Businesses (continuation)

Creating legitimacy

Surveys have proved that CSR increases the company's reputation and legitimacy:

- Philanthropic activities improve the reputation of the company and its products among customers
- Sustainability reporting shows commitment and ensures transparency in a way that communications are clear and consistent



Source: Pixabay.com

Topic 3: Areas of Engagement in Businesses (continuation)

Synergistic value creation

Companies do this by finding solutions that benefit both stakeholders and their own benefits

- Companies that carry out philanthropic activities in their local communities are not only helping their neighbours but also creating a future team of employees

Topic 4: Multi-Steps Processes for the Implementation of CSR in Businesses

A CSR Strategy typically includes the following elements:

- Mission Statement
- Goals
- Commitments
- Policies for each of the CSR dimensions covered
- Key Performance Indicators
- Allocation of responsibilities for the implementation
- Procedures for internal and external reporting on progress
- Regular evaluation of the strategy



Source: pixabay.com

Topic 5: CSR and Staff

Strategy development must be proactively led by the (senior) leaders as they are responsible for setting the appropriate tone, allocating the resources necessary to implement the strategy. An integrated CSR enabling structure would include:

- The designation of a senior official or a committee responsible for the overall CSR implementation
- Building CSR responsibilities into employees' job descriptions and performance evaluations
- Recruiting people knowledgeable in CSR with appropriate attitudes and skills
- Training of employees
- Providing incentives for employees to execute on the companies CSR commitments and provide relevant suggestions for improvement
- Creating a regular forum to share issues and knowledge across the company, produce new ideas, increase visibility and ensure that strategy is connected with operations

Unit 2

Choosing a suitable Quality Management Approach that takes CSR into Account



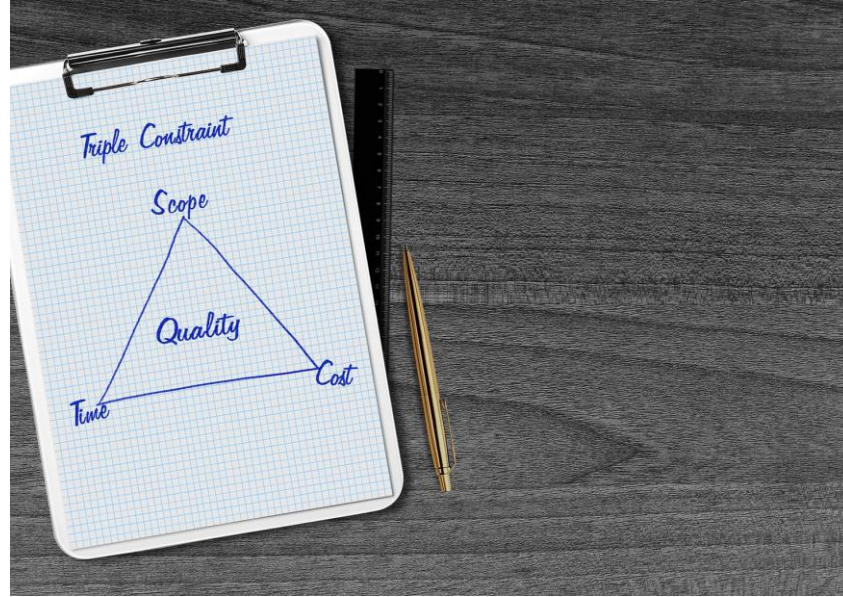
Topic 1: Quality Management in Relation to CSR

- Overall aims of QM: protect brand and organization processes, meet customers' interest
- Quality Management Systems (QMS) are defined and controlled guidelines and procedures as foundation for all business procedures
- Most CSR principles are coherent to the principles of quality management:
 - sustainability and continuous improvement,
 - accountability organizational commitment, society/stakeholders needs etc.
 - transparency
- QMS can provide a framework for implementing CSR strategy in all management levels of an organization, allowing to maintain, monitor and evaluate continuous effect and execution of CSR principles, and including CSR strategies in organizational policy



Topic 2: Quality Management System vs. Start-Up Culture

- QM aims: ensure and improve the quality of products and services, secure the long term existence of the company on the market and to ensure customer safety
- Start-up conditions: ability to create own environment, high risk of failing, fast (and unregulated) communication, fast decisions and change of strategy as needed
- Establishing a QMS requires regulation of the way working, changing strategies, control over the environment developing and producing products or services, hence restricting flexibility and causing additional work (team effort!)



Conclusion: having a QMS comes with initial costs but it can

- save costs in the future, when it comes to making the right decisions or preventing from making bad decisions
- help to stay competitive and survive in the market in the long run
- help to grow
- help when environment is changing (e.g. during a merger or while scaling personnel)
- support transformation from founding team to leading team
- save the later engagement of an external team to implement QM processes at a critical point of growth



Topic 3: Establishment of a Quality Management System

1. mapping of the business processes
2. definition of quality policy
3. definition of quality objectives
4. definition of quality procedures
5. develop metrics to track and monitor critical success factor data
6. run training for the whole team/staff, incl. topics of communication, normative requirements, quality policy and objectives, process
7. measure, monitor and implement activities to improve performance
8. (certification/auditing)

Tips for start-ups:

- Orientate yourself to existing QMS and standards
- run steps 3 – 6 together instead building a humongous system and communicating it to your team/staff only afterwards



Topic 4: Relevant Management Approaches

PDCA Cycle

Plan - Do - Check - Act



Deming
cycle



Shewhart
cycle



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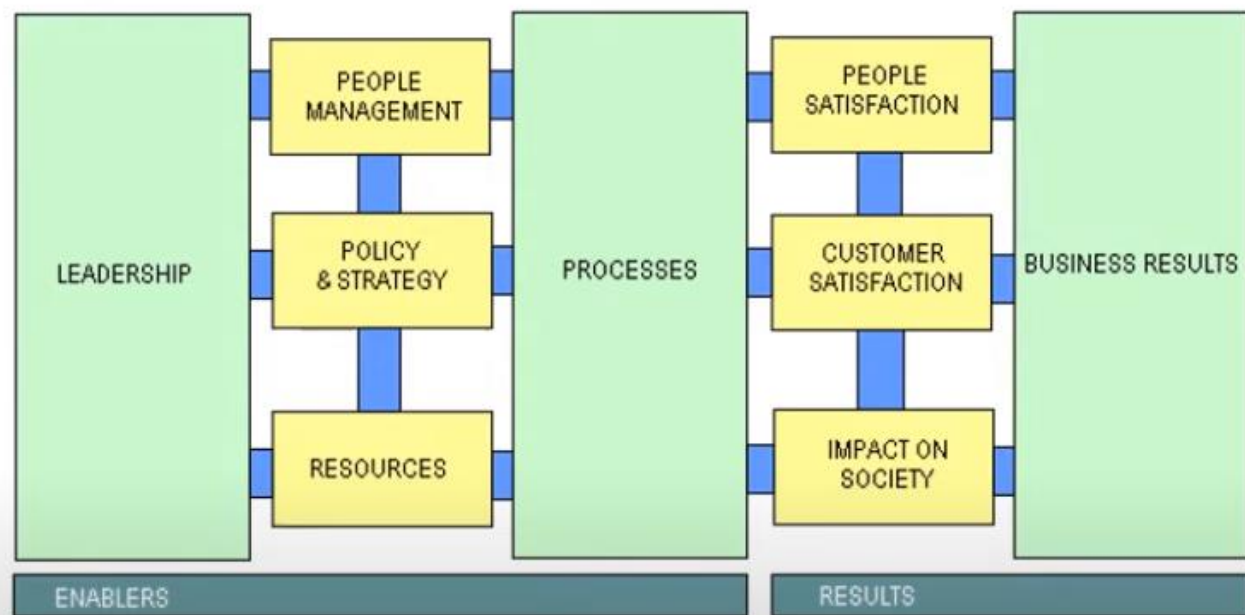


European Foundation for Quality Management

not-for profit membership organisation launched in 1989 with the support of the European Commission

- regularly adapted/updated portfolio of training, tools, services and award system for the establishment and continuous development of a comprehensive quality management system
- management and self-assessment framework
- EFQM model structure: Why? How? What?
- Aim: increase the competitiveness of the European economy
- Works rather on base of examples and good practices than with checklists and procedure descriptions
- evolution of EFQM criteria and RADAR logic







International Organization for Standardization

independent, non-governmental international organization with a membership of 165 national standards bodies, launched in 1947

- to date about 23.000 international ISO standards to ensure the quality, safety, and efficiency of products, services, and systems, addressing almost all industries
- Management system standard examples:
 - ISO 9001 — QUALITY MANAGEMENT
 - ISO/IEC 27001 — INFORMATION SECURITY MANAGEMENT
 - ISO 50001 — ENERGY MANAGEMENT
 - ISO 26000 — SOCIAL RESPONSIBILITY



EMAS

**VERIFIED
ENVIRONMENTAL
MANAGEMENT**

Eco-Management and Audit Scheme

premium management instrument developed by the European Commission,
first introduced in 1993

- EMAS structure corresponds to the environmental management standard ISO 14001
- recurring environmental audits by external, independent, state-approved and supervised environmental verifiers.
- regular environmental statement: public report of the organisation on environmentally relevant activities and data (e.g. waste, biodiversity, resource, water and energy consumption), accessible to all interested parties (e.g. employees, authorities, associations, local residents)



**SUSTAINABLE
DEVELOPMENT
GOALS**

Unit 3

Using the SDG-Framework as Reference for CSR

SUSTAINABLE DEVELOPMENT GOALS



Topic 1: Global Guiding Principles for CSR

- Business needs global strategies for sustainability and corporate responsibility. Institutions such as the United Nations or the OECD shape this framework in close coordination with each other and with national governments
- The SDGs are at the heart of the UN's sustainability strategy and include environmental as well as social and economic goals with concrete impact and call to action for companies
- Prominent position of human rights!
see: [The UN Guiding Principles on Business and Human Rights](#)
- Other current UN focus areas include sustainability:
 - [Supply chain \(UNCTAD\)](#)
 - [Sustainable investment \(UNEP/UNPRI\)](#)
 - [Promotion of responsible entrepreneurship in developing countries \(UNIDO\)](#)



Topic 2: SDG Compass as Guideline for CSR

- CSR refers to corporate responsibility for the impact of corporate activities on society and the environment, i.e. sustainability
- **SDG Compass** provides guidance for companies on how they can align their strategies as well as measure and manage their contribution to the realization of the SDGs.
- Developed by GRI, the UN Global Compact and the World Business Council for Sustainable Development (WBCSD), the SDG Compass incorporates feedback received through three consultation periods from companies, government agencies, academic institutions and civil society organizations worldwide.
- Focus on large multinational enterprises, but small and medium enterprises and other organizations are also encouraged to use it as a source of inspiration and adapt as necessary.



- 01 Understanding the SDGs: As a first step, companies are assisted in familiarizing themselves with the SDGs.
- 02 Defining priorities: To seize the most important business opportunities presented by the SDGs and reduce risks, companies are encouraged to define their priorities based on an assessment of their positive and negative, current and potential impact on the SDGs across their value chains.
- 03 Setting goals: Goal setting is critical to business success and helps foster shared priorities and better performance across the organization. By aligning company goals with the SDGs, the leadership can demonstrate its commitment to sustainable development.
- 04 Integrating: Integrating sustainability into the core business and governance, and embedding sustainable development targets across all functions within the company, is key to achieving set goals. To pursue shared objectives or address systemic challenges, companies increasingly engage in partnerships across the value chain, within their sector or with governments and civil society organizations.
- 05 Reporting and communicating: The SDGs enable companies to report information on sustainable development performance using common indicators and shared set of priorities. The SDG Compass encourages companies to build the SDGs into their communication and reporting with stakeholders.

Step 01 – Understanding the SDGs – reference to Module 1 – understanding the business case and baseline responsibilities for business

THE 17 GOALS

169
Targets

3089
Events

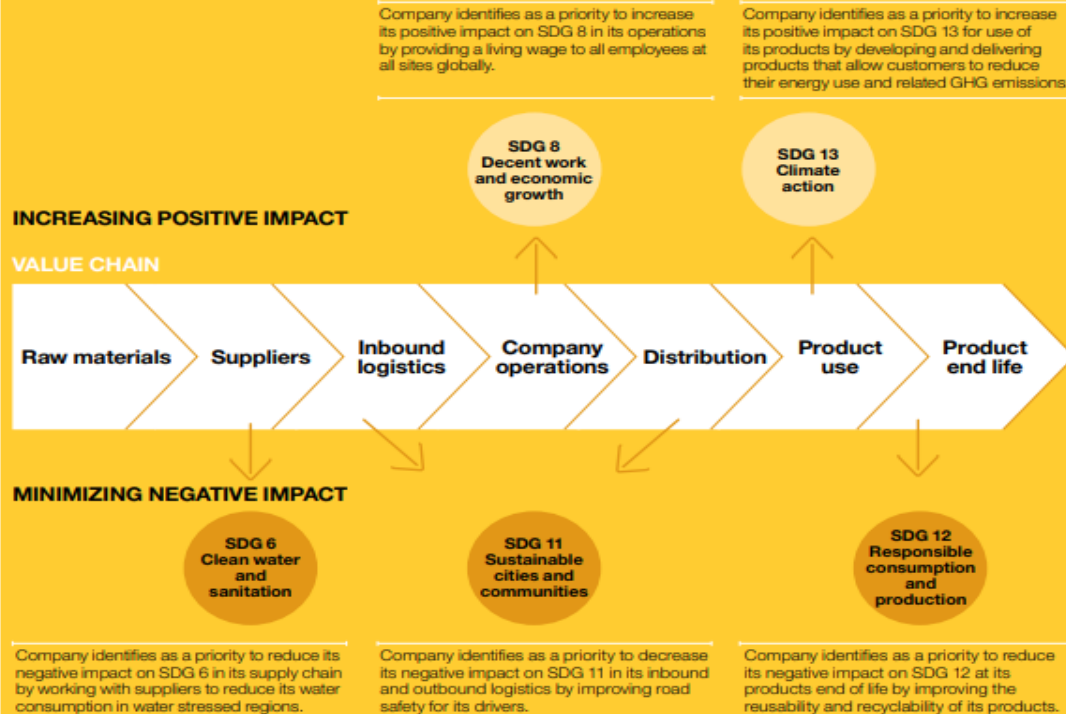
1306
Publications

5478
Actions



- Step 02 Defining priorities - Mapping the SDGs against the value chain

In action: Mapping the SDGs against the value chain



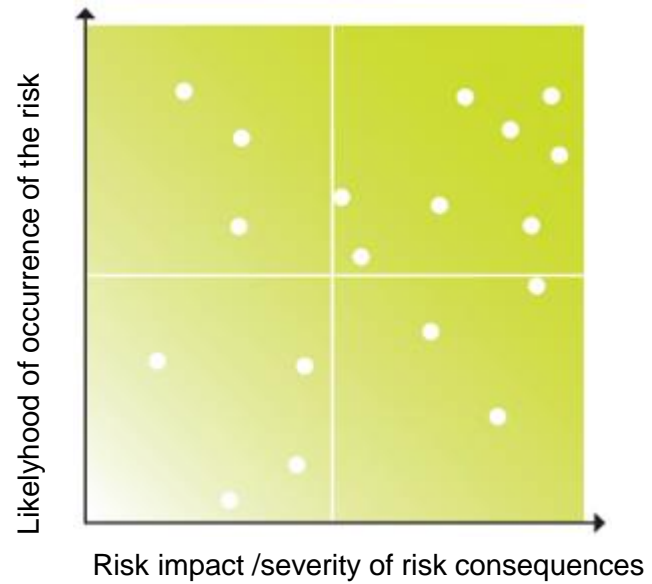
- Step 02 Defining priorities - Select indicators
Inventory of existing indicators: <https://sdgcompass.org/business-indicators/>

SDG Goal	SDG Target	Business Theme	Type of Indicator	Indicator Source	Indicator Description	Indicator ID & More Info	Date
1. End poverty in all its forms everywhere	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance	Access to financial services	Sector-specific	GRI G4 Financial Services Sector Disclosures	Access points in low-populated or economically disadvantaged areas by type	FS13 i	2015
1. End poverty in all its forms everywhere	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance	Physical and economic displacement	Sector-specific	GRI G4 Electric Utilities Sector Disclosures	Approach to managing the impacts of displacement	former EU20 i	2015
1. End poverty in all its forms everywhere	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land	Access to financial services	Sector-specific	Women's World Banking Gender Performance Indicators	Average initial loan balance as a percent of per capita Gross National Income (GNI), by gender	N/A	2015

- Step 02 Defining priorities - The Logic Model to decide which data to collect



- Step 02 Defining priorities - Map sustainability risks as a basis for decision-making



When segmenting suppliers, these criteria, among others, must be taken into account:

- Risks to society: e.g. where are the greatest risks in the supply chain with regard to human rights, labor standards, the environment and ethics?
- Risks to the company: e.g. what risks in the supply chain could affect the company's operations and are contrary to the company's sustainability goals?
- Risk to economic development: e.g. to what extent is there a risk that the introduction of a code of conduct and monitoring and auditing requirements will exclude small and medium-sized enterprises (SMEs) from the supply chain?

Reference to Module 3, unit 3, topic 2: how to measure social impact



Step 03: Setting Goals

- Define scope of goals and select KPIs
- Define baseline and select goal type
- Set level of ambition
- Announce commitment to SDGs

Step 04: Integrating

- Anchoring sustainability goals within the business
- Embed sustainability across all functions
- Engage in partnerships

Step 05: Reporting and Communicating

- Effective reporting and communications
- Communicating on SDG performance



Unit 4

Implementing an Open Culture



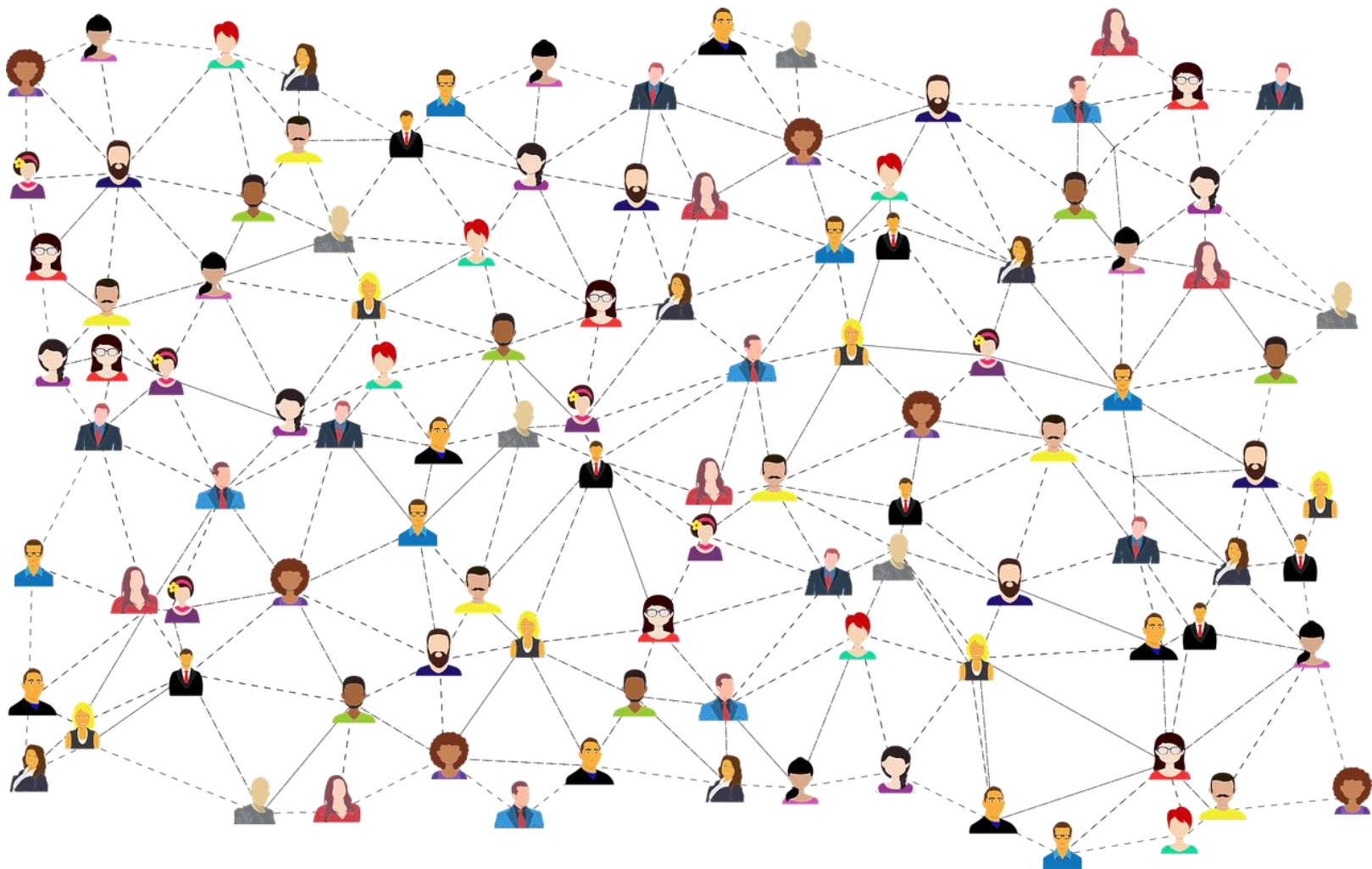
By Frits Ahlefeldt

Topic 1: Understanding Open Organisational Culture

Culture = „Personality“ of an organisation

Open Culture:

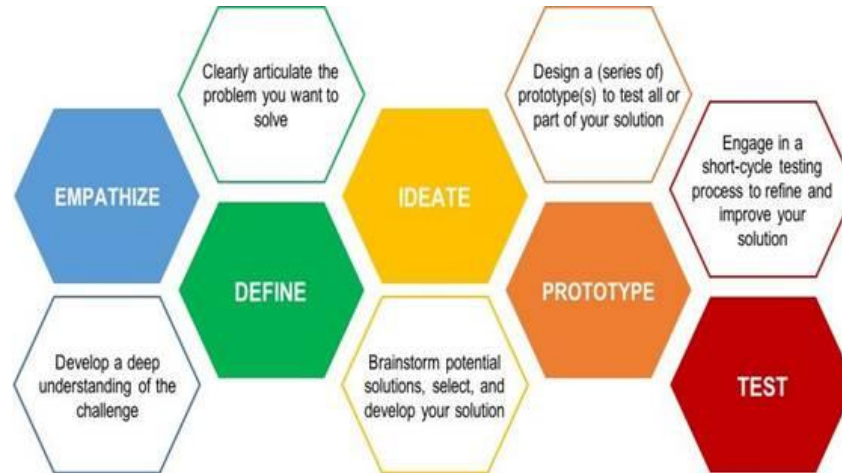
- contrary to hierarchy working top down
- open core values and principles that include transparency, inclusivity and adaptability that all members, from leaders to individual employees, embrace
- strong diversity and inclusion strategy



Topic 2: Open Culture Supportive Management

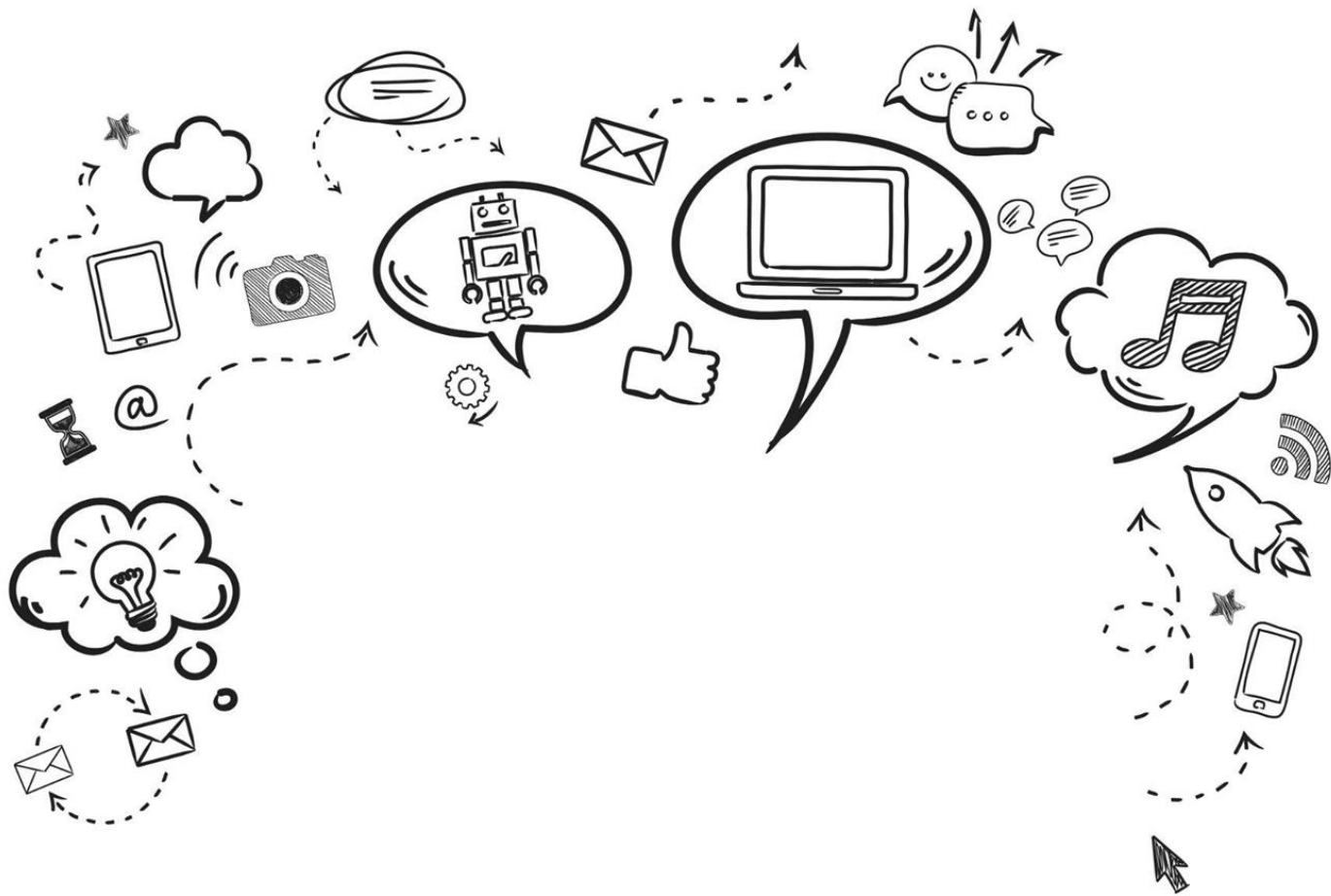
Example elements:

- opening channels of communication across departments;
- welcoming diverse perspectives, encouraging lively debate to work through ideas and challenges;
- cultivating an environment in which ideas are not only heard but also thoughtfully considered;
- working on cross-functional teams to collaborate and share ideas, give and receive constructive feedback, and create better outcomes;
- managing by example, share knowledge, mentor, use transparency as a way to empower and inspire employees;
- giving space for taking risks, adapt to inevitable changes, not being afraid to make mistakes



Topic 3: Open Culture and Innovation

- in an open culture, conditions are favoured that also stimulate innovation
- targeted approach: Design Thinking
- iterative process to find innovative solutions to problems/challenges
- can be used for both product design but also e.g. to find solutions for efficient organisational processes, or answers how to contribute to one of the SDGs
- can be combined with PDCA cycle
- consider stakeholder involvement



Topic 4: Aligning Internal and External Communication

Despite different audiences and distinct goals alignment of internal and external communication is crucial. Some arguments for a joined-up mindset approach:

- staff needs to know and understand the business strategy, the brand promise, news and events etc.
- consistency – avoidance of confusion and disengagement - revenue increase
- messages should also appeal staff – trust and motivation increase – staff as brand ambassadors
- creating a sense of teamwork - positive organisation culture

External Communication: CSR and Brand Image

Brand = customer's overall perception of your company = your reputation!

Brand building = generating awareness about your business using strategies and campaigns with the goal of creating a unique and lasting image in the marketplace.

Your brand should answer the following questions:

- Why do you exist?
- What differentiates you?
- What problem do you solve?
- Why should people care?

Unit 5

Use of Nudges

Learning Objectives

- Understand behavioral insights and nudges
- Understand whether and in what ways nudging can help to promote CSR
- Be able to apply nudges in start-up environment

Topic 1: What are Behavioral Insights?

Behavioural Insights (noun): An inductive approach to policy making that combines insights from psychology, cognitive science, and social science with empirically-tested results to discover how humans actually make choices.

(OECD, 2019)

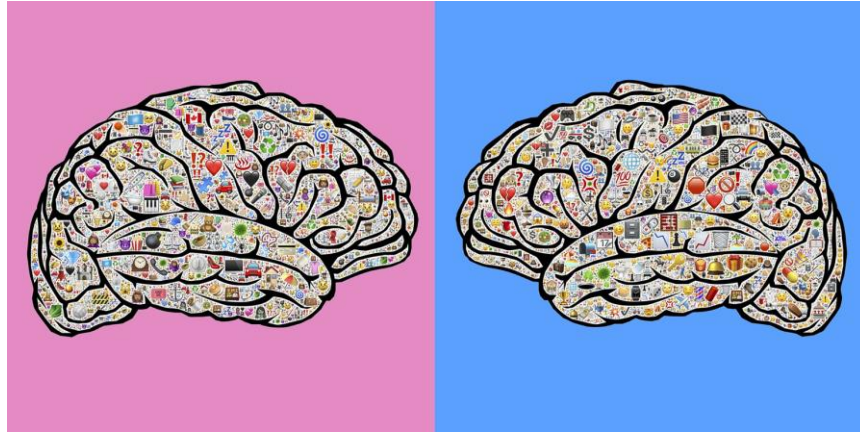
Topic 1: What are Behavioral Insights? (continuation)

- Applying behavioral insights is not related with emails, letters and notifications, as cost-effective as that can result. Behavioural interventions, for example, include actions like reporting gender pay gaps to nudge them to reduce gender inequality in pay
- These interventions are particularly useful as they create a scenario of mental competitiveness where businesses try to improve themselves but also competing with other start-ups

Topic 2: What is a Nudge?

“A nudge, as we will use the term, is any aspect of the choice architecture that alters people’s behavior in a predictable way without forbidding any options or significantly changing their economic incentives. To count as a mere nudge, the intervention must be easy and cheap to avoid. Nudges are not mandates. Putting fruit at eye level counts as a nudge. Banning junk food does not.”

(Thaler and Sunstein, 2019)



Source: Pixabay

Topic 3: 4 Ways Businesses are Using Nudge Theory

Leadership development – Organisations have changes the language used to discuss career advancements

Tackling unconscious bias – Companies are making female employees more visible in internal and external marketing

Improving health – Subsidised gym memberships improve employee health and reduce absenteeism

Aiding financial decision making – By offering simpler pension fund choices, financial stress can be reduced

Topic 3: Advantages of Nudging (continuation)

- Businesses try to shape or influence in the behavior of its employees
- It has been proven that influencing through nudges decreases law violations without using economic sanctions
- Indeed, if they are applied successfully, nudges result more effective than orders, taxes, or even awareness campaigns.

Topic 3: Advantages of Nudging (continuation)

- It can also improve the effectiveness of meetings and task performance:

If you change the duration of the meetings from 60 minutes to 30 minutes, you are altering the social perspective of the meetings. If the standard time is 30 minutes, rapidly, a 45 mins meeting will be seen as a long meeting and employees will try to save time to finish it

Topic 3: Advantages of Nudging (continuation)

- Nudging can also alter positively the feelings of the employees and help the environment:

For example, individual challenges are more insightful than group challenges because employees will feel more important.

Also, if the number of papers printed is controlled weekly, employees will try to reduce their use of the printing machine and, therefore, the consumption of paper and energy

Topic 4: Examples of successful Nudges and CSR

COMPANY

The airline Virgin Atlantic aimed to reduce its fuel's consumption. Pilots were provided reports on their flight consumption and they were divided in three groups:

The first group will not receive any notification, the second group will receive reports, information and objectives of fuel reduction and the third group, apart from the reports, were told that, if they reach the goal, the company will donate it to a charity.

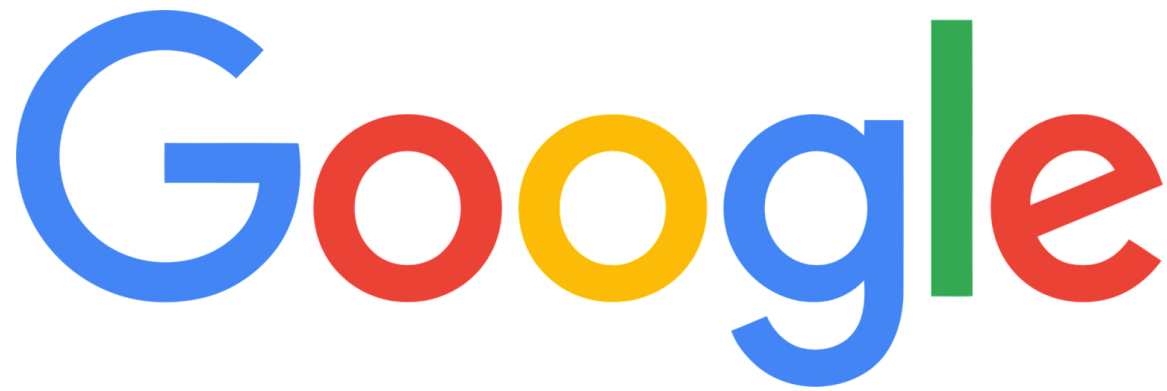
Results showed that second group achieved the goals successfully and the third group felt highly motivated and fulfilled.

Topic 4: Examples of successful Nudges and CSR (continuation)

COMPANY

Google realized that male employees tend to ask for a promotion more frequently than women. In order to change this, managers contacted by email all employees as a reminder that they could ask for a promotion or salary increment in the annual meeting. remembering that, the annual meeting is the moment to ask for promotions.

The result was that the number of women hat applied for a promotion increased substantially, hence, this nudge was very effective and cost-free.



Source: Pixabay

Topic 4: Examples of successful Nudges and CSR (continuation)

INITIATIVE

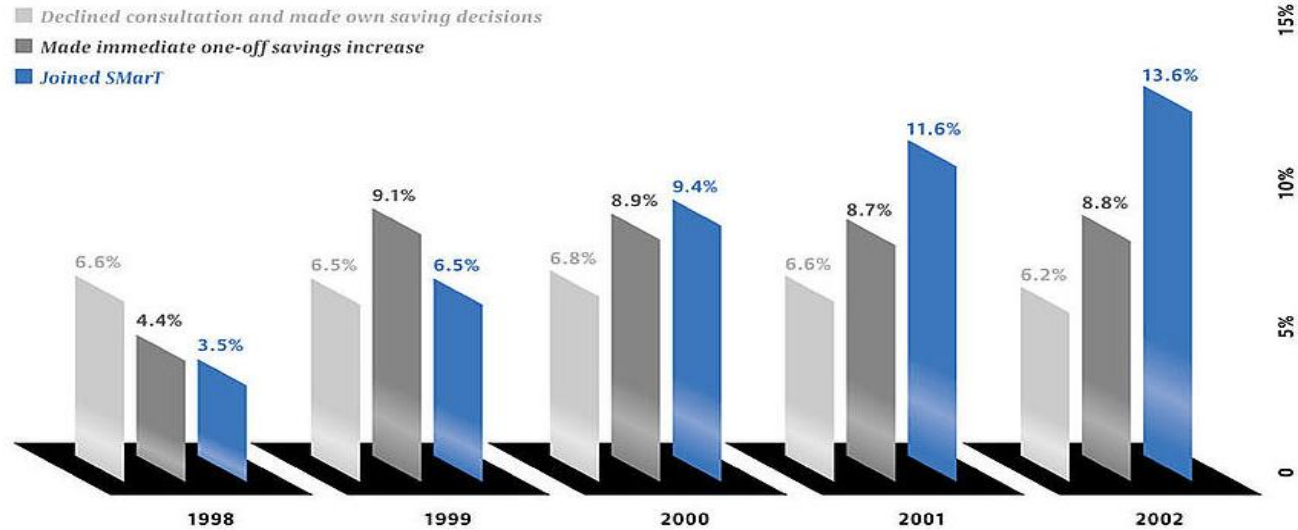
Save More Tomorrow programme:

Employees tended to try to save for their pensions, however, they normally forget or struggled to do it. To fight against these biases, Thaler and Bernatzi organized a meeting between a financial consultant and 286 employees from 3 different companies.

They were offered the Save More Tomorrow plan, which would rise their savings rate by 3 percentage points every pay raise.

In the left it could be seen how, indeed, the third group saved even a 15% more than the employees who declined the consultation.

DEFERRAL RATES WITH AND WITHOUT SAVE MORE TOMORROW



Source: Thaler and Benartzi, 2004.

Financial nudge: The classic example of Save More Tomorrow
(inudgeyou.com)

