Corporate Social Responsibility

IoD Member Opinion Survey

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Forward by George Cox

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Forward

George Cox, Director-General of the IoD

Corporate Social Responsibility, or CSR as it has become known, is a relatively recent term. The concept, however, is not. Many companies have for years recognised that their activities have a far wider impact on society than just their financial performance.

The ways in which organisations treat their employees, customers, shareholders, suppliers and trading partners, all have a wider impact on values and attitudes in society. Many firms have for years played a pivotal role within the local community. Some have links with schools and colleges. Charities rely widely on company support. Ethical and responsible business behaviour is nothing new.

However, what has changed, and brought the subject to the fore, has been the dramatic increase in the power of business to shape the world. Developments in technology, a hugely raised level of economic activity and the advance in globalisation have all contributed to a situation where the behaviour of business has a major impact on all our lives, right around the world. On the one hand this brings threats such as wide-scale pollution, deforestation or over-fishing. On the other hand there are also huge opportunities which only business can effectively address, such as the alleviation of third world poverty and the spreading of higher standards of living.

This situation is increasingly recognised within the boardroom. Today no large corporation can fail to recognise the issues, and increasingly this awareness is spreading to the smaller business.

However, few companies would put ‘CSR’ as a separate item on the board agenda - any more than even the most trusted company would have ‘ethics’ as a separate item for board discussion. If they did, one might question whether they really understood and believed in the issue. Like ethics, CSR is something that needs to permeate every decision whether this concerns the workforce, products, markets, quality or operations. It is a way of thinking and behaving, not a separate programme or campaign. For this reason it is also often inappropriate for one director to have a CSR remit; the issues should be factored in to all proposals and discussions.

Moreover, the issues and their relative importance will vary with both the size and nature of the business. An energy company or manufacturer will be greatly concerned about environmental pollution, a local firm of accountants somewhat less so; a large employer will more be challenged with managing diversity than the smaller enterprise; a global business will be concerned with trading and employment conditions around the world; a local enterprise less so. However, what pervades throughout is a recognition of a wider responsibility and the incorporation of integrity in all the company's dealings.

It is what we might term 'good business' in the sense that companies' activities are not wholly dictated by the pursuit of immediate financial return. It is also good business in the sense that in the longer run, customers want to do business with companies that they trust and respect; employees want to work for organisations with which they can identify and whose values they share; shareholders want to invest in companies that recognise these obligations and whose results they trust and also where there is no risk of reputational damage.

'Good' business is 'good business'.

That said there is enormous scope for improvement. There is a need both to increase awareness and spread best practice. We need to make today's best examples, tomorrow's norm. This survey gives an indication of where we stand today and a benchmark against which to measure improvement.

Chapter 1 Introduction

1.1 Opening remarks

This report writes up the results of an IoD member survey that was conducted in May/ June 2002. There were 500 respondents. (For further details of the survey see annexes 1 and 4.) It is not a treatise on Corporate Social Responsibility (business's social responsibilities) or business ethics. The IoD has written and/or discussed these and related issues many times. See, for example, IoD booklets[1,2,3] and the two articles listed in annex 3.[4]

But before proceeding with the survey results, a definition of Corporate Social Responsibility (CSR) is appropriate. CSR can be roughly defined as "the integration of social and environmental concerns in business operations, including dealings with stakeholders".[5] And the key word here is integration as George Cox's forward makes abundantly clear when he writes:

"Like ethics, CSR is something that needs to permeate every decision whether this concerns the workforce, products, markets, quality or operations. It is a way of thinking and behaving, not a separate programme or campaign."

And, as George Cox also makes very clear, because CSR has to be integrated within all business activities and not seen as a "stand-alone add-on" (something to be dealt with when the rest of business activities are "out of the way") many companies would not see the relevance of discussing CSR as a separate item at their board meetings. CSR is more to do with the culture of the company than a formalised set of proceedings. Why indeed would something that should permeate every decision be necessarily discussed and/or regarded separately at the board? And why indeed should all businesses see the need to appoint CSR directors when all directors should be aware of the need for socially and environmentally responsible behaviour? [6]

This is especially true of small and medium size enterprises (SMEs). According to DTI data, in 2001, the vast majority of businesses in the UK, nearly 95%, were in the "micro" (less than 10 employees) category, 4 ½% were "small" (10-49 employees), 0.7% were "medium" (50-249 employees) and only 0.2% were "large" (more than 250 employees). Moreover, over the last 6 years, these proportions have remained quite stable. (See annex 2 for further details.)

1.2 The IoD survey

(i) Size of business

In order to correctly interpret the IoD member survey results, it is, therefore, vital to understand that most of the respondents[7] work for SMEs and not large companies. The breakdown is shown in the table below (see annex 1 for more details):

Breakdown of IoD respondents by number of employees

Number of employees	DTI description of IoD business size	Number of Weighted interviews*
1-20	Micro/small	180 (36%)
21-100	Small/medium	160 (32%)
101-200	Medium	50 (10%)
201+	Medium/large	110 (22%)
Total number of interviews		500 (100%)

* Weighted to match IoD membership profile

The IoD survey categories do not coincide precisely with DTI categories, but it is very likely that at least 50% of the respondents are from micro and small businesses and at least 80% of the respondents are from SMEs. Even though these numbers are noticeably lower than the overall UK data (99% of UK businesses are micro or small and 99.8% are SMEs), it should be emphasised that SMEs predominate in the IoD survey and not large companies. This is a very significant factor when interpreting the survey results on respondents' involvement with and approach to CSR. It should be borne in mind throughout the analysis.

(ii) Other factors

There are two other general factors that should also be borne in mind when interpreting the results because a business's approach to various aspects of CSR will depend on the nature of the business. This may seem blindingly obvious – but it is worth emphasising. It is all too easy to take a headline figure relating to any one individual question and draw sweeping generalisations from it about "business" in general (for example, taking an average figure for "environmental" concerns without looking at the industrial sector). But to do this would be a mockery of statistical method and interpretation and fundamentally misleading – whether by accident or by design.[8]

The first factor is the industrial breakdown, which is shown in the table below:

Breakdown of IoD respondents by industrial category

Industrial category	Number of Weighted interviews*
Business & professional services	160 (32%)
Distribution	55 (11%)
Financial services	65 (13%)
Government, education, health & personal services	60 (12%)
Manufacturing	105 (21%)
Other including construction, mining & transport	55 (11%)
Total number of interviews	500 (100%)

* Weighted to match IoD membership profile

The weights for the UK economy as a whole are shown in the following table:

Industrial breakdown, UK economy (1995 weights)

Industry	Weight per 100
Agriculture, hunting, forestry & fishing	1.8
Production:	
Mining & quarrying	2.6
Manufacturing	21.8
Electricity, gas & water supply	2.4
Total production	***26.8***
Construction	5.2
Service industries:	
Wholesale & retail (distribution)	11.7
Hotels & restaurants	2.9
Transport & storage	5.2
Communication	2.9
Financial intermediation [6.6] minus adjustment for financial services [3.9]	6.6-3.9=2.6
Real estate, renting & business activities	18.5
Public administration & defence (PAD)	6.1
Education	5.6
Health & social work	6.5
Other social & personal work, private households with employees & extra-territorial organisations	4.3
Total service industries	***66.2***
Grand total	100.0

Source: National Statistics: “UK National Accounts: The Blue Book” 2002 edition (TSO, 2002), table 2.4, adapted. There are some rounding errors in the table.

With regards to the survey IoD membership is "over-represented" (compared with the British economy) in business, professional & financial services, "fairly represented" in the distribution and manufacturing sectors and "under-represented" in "government, education, health & personal services" and "other including construction, mining & transport".

The second factor concerns the legal status of the organisation to which the IoD member belongs. Obviously, differing legal statuses bring differing obligations and perceptions. These differing obligations undoubtedly have implications for how the organisations approach CSR. To ignore them would be folly indeed and, as the following table shows, only 85% of the respondents work for companies, many of which are likely to be small if not very small.[9] The remaining 15% (a not insignificant minority) work, for example, in partnerships or for the public sector, or are sole traders.[10] (See annex 2 for notes on the types of organisations IoD members belong to.)

Breakdown of IoD respondents by type of organisation

Type of organisation	Number of interviews in the survey (%)
Private sector:	
Limited companies	422 (84.4)
Mutuals	7 (1.4)
Partnerships	44 (8.8)
Sole traders, not incorporated	14 (2.8)
Other & not stated	6 (1.2)
Total private sector	***493 (98.6)***
Public sector	7 (1.4)
Total	500 (100.0)

References

1 IoD: "Sustainable Development: improving competitiveness through corporate social responsibility" (Director Publications, 2001).
2 Lea: "Business matters" (IoD, 1998).
3 Day and Lea: "Public perceptions of business" (IoD, 1998).
4 (a) Lea: "Business's social responsibilities" (The Independent on Sunday, 9 September 2001) and (b) Lea: "Corporate Social Responsibility: the IoD view" (Parliamentary Monitor, June 2002).
5 The precise definition of CSR used in the IoD survey was as follows: CSR is "about businesses and other organisations going beyond the legal obligations to manage the impact they have on the environment and society. In particular, this could include how organisations interact with their employees, suppliers, customers and the communities in which they operate, as well as the extent they attempt to protect the environment."
6 An IoD member (an MD of an SME) wrote to the author in October 2002 pointing out that, even though his board did not formally discuss social and environmental issues other than under a Health and Safety heading, no board member had a specific environmental or social remit, the company had not defined at board level a policy for reducing gas emissions and they did not publish a report on their social and environmental impacts, he gave convincing evidence of being acutely aware of social and environmental concerns. It was clear he was committed to CSR. He wrote "you would be hard pushed to get to the truth of my company's environmental attributes and improvements with some simplistic survey. If you cannot get at the essence of the company culture you cannot hope to divine the truth about the company's performance". These comments

remind us that great caution is required when interpreting survey results. It is always necessary to get behind the mere numbers and try and understand why respondents are responding the way they are.

7 IoD members are interviewed as individuals in their own right – though they were asked in this survey to answer, if possible, for the organisation they worked for. The IoD has individual - not corporate – membership.

8 A quotation of Andrew Lang (1844-1912) may be apposite: "He uses statistics as a drunken man uses lamp-posts – for support rather than illumination". As indeed so may a quotation attributed to Benjamin Disraeli (1804-81): "There are three kinds of lies: lies, damned lies and statistics".

9 Many small businesses incorporate for tax reasons and are much less likely to explicitly discuss social and environmental issues in their annual reports than are listed companies.

10 NOP asked the respondents if they were involved in social or community involvement consultancy (9% were) or environmental consultancy (13% were). These are quite high numbers.

Chapter 2 Summary and Conclusions

2.1 Summary of main results

(i) General questions on social and environmental issues (see chapter 3)

- Nearly 50% of members said that their boards discussed social issues – rising to 66% for medium/large companies. But, we would add, it is quite clear from discussions with IoD members that they regard board discussions as the "tip of the iceberg" of the actual work they do on social issues. (3.2.1)
- Nearly 60% of members said that their boards discussed environmental issues – rising to 67% for medium/large companies, and 85% for manufacturing companies. Again discussions with IoD members make it clear that board discussions are but the "tip of the iceberg" of the actual work they do on environmental issues. (3.2.1)
- A surprisingly high proportion of medium/large organisations have a board member with a remit that includes social issues (36%) and environmental issues (48%), as it is common for businesses to take the view that social and environmental issues are "everyone's concern" and that they should be fully integrated within the company culture. The proportions fall for smaller organisations, which reflect the different nature of the businesses (and note that the majority of IoD members are from SMEs). (3.2.1)
- The manufacturing sector has relatively high proportions of board members with the social remit (34%) and the environmental remit (47%). 55% of "other" (including construction, mining and transport) companies have a board member with an environmental remit. (3.2.1)
- It is quite clear that businesses are concerned about how the people they deal with (suppliers and/or customers) behave. This is especially with regard to their employees (with a balance of "important" minus "unimportant" of 39%) and their environmental impact (with a balance of 29%). (3.2.2)
- Concerning the provision of "public" reports on social and environmental issues, the results are, as in 3.2.1 and 3.2.2, closely correlated with size of organisation and the nature of the business. A significant minority of medium/large companies publicly report on both social and, especially, environmental issues – as do manufacturing companies. (3.2.3)

(ii) Specific CSR issues (see chapter 4)

- The collection of information and the implementation of policies for "CSR activities" (loosely described to include charity donations, employee management and reducing CO_2 emissions) are widespread within the IoD membership. But, as with many of the survey results and to repeat a point, involvement is closely correlated with the size of the organisation and the nature of the business. For example, 47% of manufacturing respondents and 53% of "other" respondents collect information on greenhouse gases compared with 27% of the total sample. And 49% of manufacturing respondents have a policy for reducing greenhouse emissions (41% for "other") compared with 28% of the total sample. Total sample averages can give a misleading picture. (4.2.1)
- The fact that only a minority of organisations makes the information on "CSR activities" "public" is of little significance (the act of collection is of much more significance) and, again, reporting depends on the size and nature of the business and the reporting regime to which it is subject. (4.2.1)
- It is encouraging to note that most of the CSR type policies were considered to bring business benefits. If they do not and there are shareholders, it could be argued that the application of these activities is a sign of poor management. (4.2.1)
- IoD members' recognition of CSR-type organisations such as Business in the Community is commendably high and again the pattern of recognition reflects the nature (size/sector) of the business. Similar comments can be made about members' awareness of various CSR-type initiatives (including Investors in People, ISO 14001). (4.2.2)
- The take-up of the CSR-type initiatives varied from 44% for Investors in People to only a few percent for relatively obscure initiatives, some of which have been only recently introduced, such as the UN Global Compact. This is not at all surprising given the composition of the membership (and for many the initiatives are quite irrelevant) and the fact that implementing initiatives can be costly and may not improve business performance. (4.2.2)

(iii) The influence of outside bodies (see chapter 5)

- IoD members, as a whole, rate the following bodies as very important in encouraging them to think about CSR issues: employees (a balance of "important" minus "unimportant" of 69%), customers (66%), shareholders (44%), organisations that represent business (42%), "other" investors (33%) and the government (32%). The other bodies listed such as the EU have much less significance for our members – and the non-governmental bodies were regarded as the most unimportant of the lot. (5.2)
- IoD members see many different bodies being involved in and "monitoring" their businesses, but the nature of the "monitoring" differs fundamentally between the bodies. "Monitoring" by government and government agencies is one thing and very different from "monitoring" by the media. There is, however, nothing in these results to imply that businesses would be content to have CSR regulations (through corporate responsibility legislation) imposed on them. Independent analysis of IoD members convincingly shows that they are already very frustrated by the extra regulations (especially labour market regulations) that have been introduced over the past five years. They would not welcome any more. (5.2)

2.2 Conclusions

We are pleasantly surprised by the results of this survey. Given that the majority of our membership is from SMEs (over 50% are small), and that many businesses operate their "CSR" policies as integral parts of their company culture and not as "stand-alones" to be discussed separately at boards or have board members with specially designated social or environmental remits, we are impressed that nearly 50% of members discussed social issues and nearly 60% discussed environmental issues at board level. These figures are significantly higher for the larger companies, as expected. We are, moreover, pleasantly surprised by the proportions of larger companies having board members with specific remits for social and environmental issues.

It is gratifying to note that IoD members are concerned about how the people they deal with (whether suppliers or customers) behave. Good business relationships are based on honesty, trust and respect for the people you are dealing with. And it is quite obvious that the majority of IoD members don't just believe this but act on it.

It is quite clear that IoD members take their employment and environmental policies seriously. They collect the relevant information and implement the relevant policies and, on the whole, these policies bring the business benefits. As George Cox writes in the forward to this paper, "good" business is "good business". Much of this is done on a voluntary basis – following the principles of "best practice" – and this is how it should stay.

All in all, the record of IoD members' approach to CSR activities is a very good one. Of course, there is always scope for improvement but there is nothing at all in this survey that justifies specific CSR regulation.[1] The burden of regulations is already damaging business competitiveness and is particularly painful for small businesses, it must not be added to.

References

1. MP Linda Perham's Private Member's Bill on Corporate Responsibility (June 2002) was both worryingly naive and deeply concerning. If the Bill were ever to be enacted it would make the running of a business almost impossible.

Chapter 3 IoD survey on CSR: general questions on social and environmental issues

3.1 Introduction

For clarity's sake, we have split the survey questions (see annex 4 for the detailed questions and the main NOP tables) into three main groups:

- General questions on members' involvement with social and environmental issues (chapter 3).
- Specific CSR issues (chapter 4).
- The influence of outside bodies (chapter 5).

This chapter deals with board discussion of CSR issues (3.2.1), interest in other organisations' CSR standards (3.2.2) and reporting on CSR (3.2.3). This chapter selects the main results - more details can be found in annex 4.

3.2 The results

3.2.1 Boards and CSR

The first question is rather restrictive in that it asks about whether the <u>board</u> discusses CSR issues. But, as we have already explained (see chapter 1), this is almost certainly going to underestimate the involvement of IoD businesses in CSR practices. Many businesses see CSR as part of their company culture and not as a "stand-alone" issue to be discussed as a separate item at the board. There are two other caveats. Firstly, 15% of IoD members do not work for companies so the question is inappropriate for them and, secondly, the majority of respondents are from SMEs, which are much less likely to discuss CSR matters at their board meetings than large companies.

Does the board of your organisation discuss either of the following issues concerning the operation of your organisation: (1) social issues? (Survey question 1). By size of organisation.

Response	% of total	Number of employees			
		1-20	21-100	101-200	201+
Yes, routinely	27	21	25	26	39
Yes, occasionally	22	20	22	21	27
Yes, total	49	41	47	47	66
No	49	57	53	51	30
Balance: yes minus no	0	-16	-14	-4	+36
DK/NS*	2	2	0	2	4

* Don't know/not stated

Unsurprisingly, the larger the business, the more likely they are to discuss social issues at the board. There were some industry differences – but they were less marked.

Does the board of your organisation discuss either of the following issues concerning the operation of your organisation: (2) environmental issues? (Survey question 1)

(a) By size of organisation

Response	% of total	Number of employees			
		1-20	21-100	101-200	201+
Yes, routinely	36	27	40	35	44
Yes, occasionally	22	19	25	24	23
Yes, total	58	46	65	59	67
No	40	51	35	39	29
Balance: yes minus no	0	-5	30	20	38
DK/NS*	2	2	0	2	4

(b) By industrial sector

Response	% of total	Industry*					
		Business & prof services	Financial services	Distribution	Govt, education, health, personal services	M/f	Other
Yes, routinely	36	25	13	49	31	54	52
Yes, occasionally	22	18	11	23	27	31	25
Yes, total	58	43	24	72	58	85	77
No	40	56	69	25	41	14	22
Balance: yes minus no	0	-13	-45	52	17	71	55
DK/NS	2	1	7	4	0	1	0

* Prof=professional; m/f=manufacturing; "other" includes construction, mining & transport.

Concerning environmental issues, size of organisation is significant – but of more importance is the industrial breakdown. For most of the respondents environmental issues relate to, for example, preventing pollution, complying with environmental regulations and reducing energy consumption. (It's highly unlikely, for example, that respondents in the financial sector would interpret this question as implying the environmental aspects of "ethical investment".) These matters clearly affect some businesses much more than others. Unsurprisingly, relatively few respondents in the service industries discuss environmental issues at board level – but in distribution, manufacturing and "other" there are sizeable majorities that do. It is as high as 85% for manufacturing (which is the sector most affected by the Climate Change Levy.)

The survey also contains a related question on whether a board member has a remit to include CSR. This is again is a rather restrictive question and must be treated with great caution. As we have said before – if there is a culture within a business that takes the view that all members must take CSR issues seriously, then it is not always necessary to appoint a specific board member to have the CSR remit. In addition, in larger organisations the matters may be addressed at board committee level.

Do you have a board member with a remit that includes: (1) social impacts, (2) environmental impacts or (3) neither of the above? (Survey question 13.)

(a) By size of organisation

Response	% of total	Number of employees			
		1-20	21-100	101-200	201+
Social impacts	20	17	14	17	36
Environmental impacts	30	19	28	38	48
Neither/DK/NS	65	75	68	58	48

(b) By industrial sector

Response	% of total	Industry*					
		Business & prof services	Financial services	Distribution	Govt, education, health, personal services	M/f	Other
Social impacts	20	14	21	17	15	34	20
Environmental impacts	30	19	20	31	22	47	55
Neither/DK/NS	65	75	76	67	70	50	45

The pattern for organisations having a board member with a specific social and/or environmental remit follows a similar pattern to the previous set of questions. On the whole, the larger the business, the more likely there is to be a specified person. And some industries (especially manufacturing and "other") are more likely to make such appointments than the service industries. This is not at all surprising. Whether or not a business chooses to have specified board members for social and environmental issues depends overwhelmingly on the business. If there is no need for such appointments businesses don't make them. Given all the caveats we have made on this issue, we regard the outcomes as significantly higher than we would have expected.

3.2.2 Interest in other organisations' CSR standards

Another set of questions related to business's interests in and concerns about CSR-type issues relating to their suppliers and/or their customers. Our original expectations about these issues were that they would not be of much importance to our members (especially concerning customers). Such are the pressures that businesses are under, they have more urgent considerations to deal with. And, also, businesses may take the view, "well we'll still trade with these people – it's better that they continue to trade for all concerned (not least of all their employees) than not". We were pleasantly surprised by the results. In the following tables we have only put in the headline figures – details can be found in annex 4.

In your organisation's dealings with other organisations, either as suppliers or customers, how important is it to know about: (1) how they treat their employees; (2) their community involvement; (3) their social impact; (4) Their environmental impact? (Survey question 2.)

Response	How treat employees	Community involvement	Social impact	Environmental impact
Important*	67	35	49	62
Neither important nor not important	3	6	5	3
Not important*	28	57	45	33
Balance**	39	-21	4	29
DK/NS	1	2	1	1

* "important" = very important + quite important and
"not important" = not important + not at all important
** balance = important – not important

NB There are rounding errors in the table

It is quite clear that businesses <u>are</u> concerned about how the people they deal with behave – especially with regard to their employees and their environmental impact. Community involvement does not tend to feature as of great importance and it may be that IoD members regard their suppliers' and/or customers' community involvement as a more "private" aspect of relevance to the individual suppliers and/or customers in question rather than as an issue for them. And the "social impact", a rather vague term, is also of less importance.

3.2.3 Reporting on CSR

The next set of questions relate to how organisations report on the CSR activities. The first question asks about producing reports that are available to the "public".

Does your organisation produce a report available to the public on its:
(1) social impact; (2) environmental impact; (3) neither of the above?
(Survey question 3.)

(a) By size of organisation

Response	% of total	Number of employees			
		1-20	21-100	101-200	201+
Social impact	9	2	7	21	21
Environmental impact	16	4	12	24	36
Neither of above	81	94	85	75	56
DK/NS*	1	1	0	0	3

(b) By industrial sector

Response	% of total	Industry*					
		Business & prof services	Financial services	Distribution	Govt, education, health, personal services	M/f	Other
Social impact	9	4	11	12	11	15	7
Environmental impact	16	6	9	12	18	29	24
Neither of above	81	91	87	82	76	68	76
DK/NS*	1	1	0	4	0	1	0

The results are, as in 3.2.1 and 3.2.2 above, closely correlated with size of organisation and the nature of the business. A significant minority of medium/large companies publicly report on both social and, especially, environmental issues – as do manufacturing companies. It must be emphasised that the absence of a public report does not mean that a business doesn't implement and practice a sound and comprehensive CSR policy. Moreover, a public report will be closely related to the corporate structure and whether there is widespread share ownership.

As a follow-up, the survey then asked about the nature of the report, if a public report was produced. We only replicate the headline results here – details are in annex 4. One of the most interesting features of the results is that the manufacturing sector is more likely to produce a separate stand-alone report for both social and environmental issues than other sectors.

Do you report in a stand-alone report or within the body of the annual report: (1) social impact (9% of the total sample); (2) environmental impact (16% of the total sample)? (Survey question 4.)

Response	% of sub-totals	
	Social impact	Environmental impact
Stand-alone	44	41
Within annual report	51	51
Other	1	6
DK/NS	3	2

3.3 Conclusions

The survey results covered in this chapter have to be interpreted with caution and with a full understanding of the nature of the organisations involved (the majority are SMEs, 15% are not companies) and the way in which many organisations view CSR issues (and "ethical" issues more generally) as intrinsic and integrated within their business culture rather than as disconnected "stand-alone" activities to be dealt with by boards as "separate" agendas.

Given these caveats, nevertheless, the following results emerge:

- Nearly 50% of members said that their boards discussed social issues – rising to 66% for medium/large companies. But, we would add, it is quite clear from discussions with IoD members that they regard board discussions as the "tip of the iceberg" of the actual work they do on social issues. (3.2.1)
- Nearly 60% of members said that their boards discussed environmental issues – rising to 67% for medium/large companies, and 85% for manufacturing companies. Again discussions with IoD members make it clear that board discussions are but the "tip of the iceberg" of the actual work they do on environmental issues. (3.2.1)
- A surprisingly high proportion of medium/large organisations have a board member with a remit that includes social issues (36%) and environmental issues (48%), as it is common for businesses to take the view that social and environmental issues are "everyone's concern" and that they should be fully integrated within the company culture. The proportions fall for smaller organisations, which reflect the different nature of the businesses (and note that the majority of IoD members are from SMEs). (3.2.1)
- The manufacturing sector has relatively high proportions of board members with the social remit (34%) and the environmental remit (47%). 55% of "other" (including construction, mining and transport) companies have a board member with an environmental remit. (3.2.1)
- It is quite clear that businesses are concerned about how the people they deal with (suppliers and/or customers) behave. This is especially with regard to their employees (with a balance of "important" minus "unimportant" of 39%) and their environmental impact (with a balance of 29%). (3.2.2)
- Concerning the provision of "public" reports on social and environmental issues, the results are, as in 3.2.1 and 3.2.2, closely correlated with size of organisation and the nature of the business. A significant minority of medium/large companies publicly report on both social and, especially, environmental issues – as do manufacturing companies. (3.2.3)

Chapter 4 Specific CSR issues

4.1 Introduction

This chapter reports the results on more specific CSR matters. It comprises the collection of internal information on issues that may be regarded as relevant to CSR and related policy matters (4.2.1) and awareness of a variety of external (to the organisation) measures that are broadly related to CSR (4.2.2). This chapter selects the main results - more details can be found in annex 4.

4.2 The results

4.2.1 Internal CSR policies

Before asking members about their internal policies concerning issues that are, arguably, CSR issues, the survey asked about the collection of "relevant" issues. We include only the headline results here – for further details see annex 4. From the detailed results it is clear that there is a close correlation between the information collected and the size of organisation – which is only to be expected given the better resourced back-up departments of large organisations.

Does your organisation collect internal information on any of the following: (1) charity donations (either in cash or kind); (2) the number of employees by gender; (3) the number of employees by ethnic group; (4) job/title grade analysis by gender; (5) job/title grade analysis by ethnic group; (6) the demographic profile of the local community (within the travel to work area); (7) how pay relates to job title/job grade; (8) employee satisfaction with the balance between work & outside work activities; (9) employee qualifications; (10) emissions of CO_2 or other greenhouse gases? (Survey question 5.)

(Table Overleaf)

"CSR" issue	% of total collecting information
(1) Charity donations (either in cash or kind)	59
(2) The number of employees by gender	53
(3) The number of employees by ethnic group	38
(4) Job/title grade analysis by gender	31
(5) Job/title grade analysis by ethnic group	22
(6) The demographic profile of the local community (within the travel to work area)	15
(7) How pay relates to job title/job grade	54
(8) Employee satisfaction with the balance between work & outside work activities	46
(9) Employee qualifications	76
(10) Emissions of CO_2 or other greenhouse gases	27 (47% for manufacturing and 53% for "other")
DK/NS	11

Given the many pressures on companies to perform and survive in sometimes very difficult trading conditions, these figures are commendably high. It should also be noted that businesses with a small number of employees will not necessarily "collect" data formally, but will know the information. Moreover, it should be noted that the collection of data does not, in itself, make a business ethical or "socially responsible" and the converse is true. And, on a specific point, many businesses probably do not collect data by ethnicity because they are in parts of the country where there are very few people from ethnic minorities.

The next question asked was whether the information is made public. Again, we report here just the headline numbers – details are in annex 4. And, again, there are significant differences between organisations of differing sizes and between sectors. But please note the very high "don't know/not stated" figure, which means that any conclusions that are drawn should be "more than usually" tentative.

And is the information you collect in these areas made available to the public? (Survey question 6.)

"CSR" issue	% of total answering yes
(1) Charity donations (either in cash or kind)	14
(2) The number of employees by gender	8
(3) The number of employees by ethnic group	5
(4) Job/title grade analysis by gender	3
(5) Job/title grade analysis by ethnic group	2
(6) The demographic profile of the local community (within the travel to work area)	2
(7) How pay relates to job title/job grade	2
(8) Employee satisfaction with the balance between work & outside work activities	5
(9) Employee qualifications	8
(10) Emissions of CO_2 or other greenhouse gases	6 (15% for manufacturing & 16% for "other")
DK/NS	76

The questions on collecting information went on to questions about policy. Again we only put the headline results here – see annex 4 for further details. And, again, note that having policies on these issues correlate with the size of the organisation and manufacturing and "other" are especially pro-active in these matters.

Does your organisation have a policy on any of the following: (1) charity donations (either in cash or kind); (2) changing the profile of its workforce in relation to gender; (3) changing the profile of its workforce in relation to minority ethnic groups; (4) changing the profile of its workforce to reflect the profile of the local community; (5) improving employee satisfaction with the balance between work & outside work activities; (6) promoting equal opportunities; (7) encouraging all employees to achieve at least Level 2 qualifications or equivalent (5 GCSEs, grades A-C); (8) reducing its emissions of CO_2 or other greenhouse gases? (Survey question 7.)

"CSR" policy	% of total collecting information
(1) Charity donations (either in cash or kind)	56
(2) Changing the profile of its workforce in relation to gender	12
(3) Changing the profile of its workforce in relation to minority ethnic groups	11
(4) Changing the profile of its workforce to reflect the profile of the local community	7
(5) Improving employee satisfaction with the balance between work & outside work activities	48
(6) Promoting equal opportunities	73
(7) Encouraging all employees to achieve at least Level 2 qualifications or equivalent (5 GCSEs, grades A-C)	50
(8) Reducing its emissions of CO_2 or other greenhouse gases	28 (49% for manufacturing, 41% for "other")
DK/NS	12

Given the general problems that employers currently face, it is gratifying and surprising to note that many employers are actively promoting equal opportunities (73%), actively encouraging employees to reach certain educational standards (50%), actively trying to improve the work/non-work balance (48%)[1] and actively trying to reduce emissions of greenhouse gases. These are very commendable results.

The survey then asked if respondents felt, that by introducing various policies, their businesses had benefited. Again just the headline results are listed here – see annex 4 for size and sectoral details. Please note that only the people who had mentioned implementing these policies were asked this question.

I am now going to read out the policies you have just mentioned. For each one, do you agree/disagree that your organisation experiences business benefits from implementing policies in this area: (1) charity donations (either in cash or kind);
(2) changing the profile of its workforce in relation to gender; (3) changing the profile of its workforce in relation to minority ethnic groups; (4) changing the profile of its workforce to reflect the profile of the local community; (5) improving employee satisfaction with the balance between work & outside work activities; (6) promoting equal opportunities; (7) encouraging all employees to achieve at least Level 2 qualifications or equivalent (5 GCSEs, grades A-C); (8) reducing its emissions of CO_2 or other greenhouse gases? (Survey question 8.)

	Agree (%)	Neither agree nor disagree (%)	Disagree (%)	Balance (%)	DK/NS (%)
(1) Charity donations (either in cash or kind)	45	2	52	-7	1
2) Changing the profile of its workforce in relation to gender	75	2	22	53	0
(3) Changing the profile of its workforce in relation to minority ethnic groups	71	2	22	49	4
(4) Changing the profile of its workforce to reflect the profile of the local community	78	8	15	63	0
(5) Improving employee satisfaction with the balance between work & outside work activities	96	0	3	93	0
(6) Promoting equal opportunities	81	3	15	67	1
(7) Encouraging all employees to achieve at least Level 2 qualifications or equivalent (5 GCSEs, grades A-C)	92	0	6	86	2
(8) Reducing its emissions of CO_2 or other greenhouse gases	77	2	17	61	4

NB There are rounding errors in this table.

These results are extremely encouraging and show that, by introducing good management policies, directors considered that the businesses benefit. The figures on improving the work/non-work balance and encouraging employees to improve their educational standards were particularly gratifying and show that businesses will introduce these policies for business reasons without the need for more regulation. The figure for charities is of some concern because, as we have already said, the first objective of any director is the preservation of shareholder value, where there are shareholders. And, as we have made very clear in other writings (see the articles in annex 3), CSR programmes can only be justified if there is a business case to be made.

4.2.2 Awareness of CSR initiatives

Members were also asked if they had heard of some "ethical/CSR" type organisations and developments.[2]

Have you heard of any of the following: (1) Business in the Community (BITC); (2) FTSE4Good; (3) the government minister for CSR; (4) the EC Green paper on CSR; (5) the ACCA (Association of Chartered & Certified Accountants) awards for social & environmental reporting? (Survey question 10.)

	% answering yes
Business in the Community (BITC)	73
FTSE4Good	19 (28% in financial services)
The government minister for CSR	31
The EC Green Paper on CSR	39
The ACCA awards for social & environmental reporting	34
NS	13

We were pleasantly surprised, if not slightly amazed, that the recognition of these initiatives was so high. Perhaps we were less surprised by the recognition of BITC (an organisation the IoD supports) – but the government minister for CSR? These high recognition factors do, however, underline our members' interests in and concerns about CSR and the political agenda behind CSR.

Members were also asked if they had heard of other, much more specific, initiatives (some of which are, frankly, very obscure). See annex 4 for some explanations of these initiatives.

And which, if any, of the following have you heard of: (1) EU Eco Management & Audit (EMAS); (2) ISO 14001; (3) the "making a corporate commitment campaign"; (4) the ABI guidelines; (5) the EU eco-label; (6) the UN Global Compact; (7) the DEFRA & DTI guidelines on environmental reporting; (8) the Business Impact Task Force or their report "Winning with Integrity"; (9) Investors in People; (10) the Global Reporting Initiative (GRI); (11) Social Accountability 8000 (SA 8000); (12) the Ethical Trading Initiative? (Survey question 11.)

(Table overleaf)

	% answering yes
EU Eco Management & Audit (EMAS)	29 (46% for "other", 35% for manufacturing)
ISO 14001 (environmental)	61 (with distribution, manufacturing & "other" above average)
The "Making a Corporate Commitment campaign"	7 (11% for medium/large organisations*)
The ABI guidelines on social responsibility	48 (59% for medium/large organisations)
The EU eco-label	40 (45% for manufacturing, 44% for distribution)
The UN Global Compact	27 (37% for medium/large organisations)
The DEFRA & DTI guidelines on environmental reporting	39 (47% for manufacturing)
The Business Impact Task Force (BITF) or their report "Winning with Integrity"	12 (22% for medium/large organisations)
Investors in People	95
The Global Reporting Initiative (GRI)	13
Social Accountability 8000 (SA 8000)	11
The Ethical Trading Initiative	26 (38% for distribution)
NS	1

* Organisations with 201+ employees

Again we were surprised that recognition of these initiatives was as high as it was. The well-respected and well-established Investors in People was a clear winner, but ISO 14001 (concerned with environmental management) and the ABI guidelines on reporting were familiar to many of our members. For some of the initiatives the size of the organisation was clearly relevant (for example, with the ABI guidelines – large companies are much more likely to have dealings with institutional shareholders than smaller companies). For other initiatives, the sector was of more significance with manufacturing and "other" industries, on the whole and for example, having more familiarity with the environmental initiatives than most of the other sectors.

The next question was a follow-up and asked members whether they were actively engaged in these initiatives.

Has your company actively engaged with these initiatives: (1) EU Eco Management & Audit (EMAS); (2) ISO 14001; (3) the "making a corporate commitment campaign"; (4) the ABI guidelines; (5) the EU eco-label; (6) the UN Global Compact; (7) the DEFRA & DTI guidelines on environmental reporting; (8) the Business Impact Task Force or their report "Winning with Integrity"; (9) Investors in People; (10) the Global Reporting Initiative (GRI); (11) Social Accountability 8000 (SA 8000); (12) the Ethical Trading Initiative? (Survey question 12.)

(Table Overleaf)

	% answering yes
EU Eco Management & Audit (EMAS)	4 (10% for manufacturing)
ISO 14001 (environmental)	25 (increases by size of organisation; 47% for manufacturing)
The "Making a Corporate Commitment campaign"	2
The ABI guidelines on social responsibility	15 (25% for medium/large organisations)
The EU eco-label	5 (11% for manufacturing)
The UN Global Compact	2
The DEFRA & DTI guidelines on environmental reporting	11 (increases by size of organisation; 16% for manufacturing & 17% for "other")
The Business Impact Task Force (BITF) or their report "Winning with Integrity"	1 (6% for medium/large organisations)
Investors in People	44 (increases by size of organisation)
The Global Reporting Initiative (GRI)	2 (5% for medium/large organisations)
Social Accountability 8000 (SA 8000)	3
The Ethical Trading Initiative	3 (7% for medium/large organisations)
DK/NS	43

The actual take-up of these initiatives depends on many factors including the size of the business, the sector and whether the organisations believe that these initiatives (especially the more obscure ones) actually add anything to their businesses. Clearly Investors in People has great appeal – but it is very well-established and has a good track record for helping businesses with their employee management. Nearly half the manufacturers used ISO 14001 and a quarter of the medium/large organisations (201+ employees) were involved with the ABI guidelines on social responsibility.

We are not at all surprised that some of the more obscure initiatives have a low take-up rate, given that they have little relevance to a large part of our membership – the majority of whom is in the SME sector. Applying initiatives can be costly and there are many, apparently competing ones, which can apply to business. Any director must weigh up the pros and cons before implementing them – especially when there are so many time consuming employment and environmental regulations (partly from the EU) now being imposed on business. We have no doubt that the low take-up of these initiatives reflects the respondents' views that they are either completely irrelevant to their businesses or there are already other mechanisms in place which are just as effective, if not more so.

4.3 Conclusions

The main results of this chapter are:

- The collection of information and the implementation of policies for "CSR activities" (loosely described to include charity donations, employee management and reducing CO_2 emissions) are widespread within the IoD membership. But, as with many of the survey results and to repeat a point, involvement is closely correlated with the size of the organisation and the nature of the business. For example, 47% of manufacturing respondents and 53% of "other" respondents collect information on greenhouse gases compared with 27% of the total sample. And 49% of manufacturing respondents have a policy for reducing greenhouse emissions (41% for "other") compared with 28% of the total sample. Total sample averages can give a misleading picture. (4.2.1)
- The fact that only a minority of organisations makes the information on "CSR activities" "public" is of little significance (the act of collection is of much more significance) and, again, reporting depends on the size and nature of the business and the reporting regime to which it is subject. (4.2.1)
- It is encouraging to note that most of the CSR type policies were considered to bring business benefits. If they do not and there are shareholders, it could be argued that the application of these activities is a sign of poor management. (4.2.1)
- IoD members' recognition of CSR-type organisations such as Business in the Community is commendably high and again the pattern of recognition reflects the nature (size/sector) of the business. Similar comments can be made about members' awareness of various CSR-type initiatives (including Investors in People, ISO 14001). (4.2.2)
- The take-up of the CSR-type initiatives varied from 44% for Investors in People to only a few percent for relatively obscure initiatives, some of which have been only recently introduced, such as the UN Global Compact. This is not at all surprising given the composition of the membership (and for many the initiatives are quite irrelevant) and the fact that implementing initiatives can be costly and may not improve business performance. (4.2.2)

References

1. Lea: "The work-life balance…and all that" (IoD, 2001) unreservedly supported voluntary, pro-business policies for adjusting the "work-life" balance. It was most emphatically not anti work-life balance, but merely sought to inject some truth into a debate that has been hijacked by sentimentalist and rather dishonest propagandists who perpetrate "workplace myths".
2. The IoD does, however, have some serious reservations about certain "ethical investment" developments such as the FTSE4Good. In previous papers, we have expressed our concerns about the sheer arbitrariness of the way these developments operate and the ethical confusion behind their construction. See Lea: "Business matters" (IoD, 1998).

Chapter 5
The influence of outside bodies

5.1 Introduction

This final chapter covers the views of IoD members on the influence (actual and potential) of outside bodies on their CSR policy. This chapter selects the main results - more details can be found in annex 4.

5.2 The results

Two sets of questions were asked under this heading. The first concerned the importance of various organisations in encouraging CSR activities. We have just put the headline results in below – for details see annex 4.

How important are each of the following in encouraging your organisation to think about its environmental or social impact: (1) the EU; (2) the government; (3) organisations that represent your business (eg IoD or trade associations); (4) shareholders; (5) investors; (6) customers; (7) suppliers; (8) employees; (9) non-governmental bodies or interest groups; (10) the media; (11) local councils; (12) devolved governments? (Survey question 9.)

(Table Overleaf)

	Important (%)	Neither important nor unimportant (%)	Unimportant (%)	Balance (%)*	DK/NS (%)
The EU	47	2	45	2 (but 23% for distribution, 21% for manufacturing, 16% or medium/large organisations)	5
The government	63	2	31	32 (50% for medium/large organisations)	5
Organisations that represent your business (eg IoD or trade associations)	68	3	26	42 (higher for smaller organisations)	3
Shareholders	65	2	21	44 (65% for medium/large organisations)	12
Investors (excluding shareholders)	58	3	24	33 (57% for medium/large organisations)	15
Customers	81	2	15	66 (82% for medium/large organisations)	2
Suppliers	54	3	39	15 (26% for manufacturing; 38% for "other")	3
Employees	82	2	13	69 (83% for manufacturing)	4
Non-governmental bodies or interest groups	39	5	51	-12 (-29% for financial services)	5
The media	51	5	39	12	5
Local councils	47	3	46	1	4
Devolved governments (relevant to NI, Scotland & Wales only)	26	4	61	-35	9

* Balance refers to the "importants" minus the "unimportants"; medium/large organisations have 201+ employees

NB There are rounding errors in the table

These results have to be interpreted with great care because clearly the differing bodies have very different legal relationships with employers. They clearly play very different roles and a straightforward comparison is not possible. The government clearly has the power to legislate on social (especially employment) and environmental issues (many of which originated in the EU) – whereas "stakeholders" do not. But the stakeholders have a very important part to play in the success or otherwise of a business. Shareholders, for example, are especially crucial for medium/large companies on this matter and such companies tend to rate their customers as more important than do smaller companies.

Nevertheless, some conclusions can be drawn from this question. IoD members, as a whole, rate the following bodies as very important in encouraging them to think about CSR issues, in order: employees (a balance of important minus unimportant of 69%), customers (66%), shareholders (44%), organisations that represent business (42%), "other" investors (33%) and the government (32%). The other bodies listed have much less significance for our members – and the non-governmental bodies were regarded as the most unimportant of the lot.

A follow-up question concerned the bodies IoD members thought should be involved in monitoring them. Again we just quote here the headline numbers.

Which of the following do you think should be involved in monitoring the social and/or environmental impact of business: (1) the EU; (2) the government; (3) organisations that represent your business (eg IoD or trade associations); (4) shareholders; (5) investors; (6) customers; (7) suppliers; (8) employees; (9) non-governmental bodies or interest groups; (10) the media; (11) local councils; (12) devolved governments? (Survey question 14.)

	% answering yes
The EU	58
The government	88
Organisations that represent your business (eg IoD or trade associations)	84
Shareholders	67
Investors (excluding shareholders)	64
Customers	63
Suppliers	50
Employees	82
Non-governmental bodies or interest groups	43
The media	48
Local councils	64
Devolved governments	47
DK/NS	1

As with the question above, these results need to be treated with caution. To repeat a point, the relationship between employers and the government is, say, a very different relationship from that between employers and their employees. One, government, already has major "monitoring" powers backed up by the law and organisations such as the Health and Safety Executive. (As do local councils on other issues.) The relationship between employer and employee, on the other hand, is a contract between two parties both with obligations and rights and the "monitoring" role is a profoundly different one.

Turning to shareholders (where they exist), they have another crucial role to play as the de facto owners of the company – but their monitoring role is different in kind. And the media provide yet another, very different, type of monitoring role. But it is not just that the "monitoring" relationships between employers and their separate "monitors" differ, the relationships will be different depending on the nature of the business.

It is, therefore, very difficult to draw any firm conclusions from the above. Clearly IoD members see many different constituencies being involved in and "monitoring" their businesses, but the nature of the monitoring differs hugely and fundamentally between the constituencies. One point we would, however, make very strongly. And that is that there is absolutely nothing in these results which would suggest businesses wish to have or indeed should have any CSR-type legislation imposed on them. Insofar as such monitoring happens on a voluntary basis, it should remain on a voluntary basis. Independent analysis of IoD members convincingly shows that they are already very frustrated by the extra regulations (especially labour market regulations) that have been introduced over the past five years.[1] They would not welcome any more.

5.3 Conclusions

The main conclusions of this chapter are:

- IoD members, as a whole, rate the following bodies as very important in encouraging them to think about CSR issues: employees (a balance of "important" minus "unimportant" of 69%), customers (66%), shareholders (44%), organisations that represent business (42%), "other" investors (33%) and the government (32%). The other bodies listed such as the EU have much less significance for our members – and the non-governmental bodies were regarded as the most unimportant of the lot. (5.2)
- IoD members see many different bodies being involved in and "monitoring" their businesses, but the nature of the "monitoring" differs fundamentally between the bodies. "Monitoring" by government and government agencies is one thing and very different from "monitoring" by the media. There is, however, nothing in these results to imply that businesses would be content to have CSR regulations (through corporate responsibility legislation) imposed on them. Independent analysis of IoD members convincingly shows that they are already very frustrated by the extra regulations (especially labour market regulations) that have been introduced over the past five years. They would not welcome any more. (5.2)

References

1. Baron: "The red tape menace" (IoD, 2002).

Annex 1 IoD/NOP survey data on CSR: notes

The survey results were collected by the NOP via 500 telephone interviews with members of the IoD, conducted between 12 May and 6 June 2002.

The random sample used, and so the number of interviews achieved, is structured to reflect the IoD's membership profile in terms of industry sector, size of organisation (number of employees) and geographical region. After interviewing, weighting takes place to correct any imbalance in the sample and ensure the results are representative of the IoD's membership. The weighting profile is as follows:

Table 1: Breakdowns by industry and number of employees

Industry		Number of employees	
Category	Weighted interviews	Category	Weighted interviews
Business & professional services	160	1-20	180
Distribution	55	21-100	160
Financial services	65	101-200	50
Government, education, health & personal service	60	201+	110
Manufacturing	105	TOTAL	500
Other including construction, mining & transport	55		
TOTAL	500		

Table 2 Breakdown by geographical region

Geographical region			
Main category	Weighted interviews	Comprising the following "regions"	Weighted interviews
North	115		
		Scotland	40
		North/North West	35
		Northern Ireland	10
Midlands	95		
		East Midlands	25
		West Midlands	25
		East Anglia	35
		Wales	10
South	290		
		South East	150
		Greater London	150
		South West	40
TOTAL	500		500

In addition to these three main splits the NOP survey also provides other breakdowns, including turnover. For the CSR survey the turnover breakdown was as follows:

Table 3 Breakdown by turnover

Turnover	Number of interviews (%)	Adjusted for non-availability (%)
Under £1m	128 (25.6)	27.5
£1-5m	131 (26.2)	28.1
£6-10m	54 (10.8)	11.6
£11-20m	34 (6.8)	7.3
£21-50m	47 (9.4)	10.0
£51-100m	17 (3.4)	3.6
£101-500m	25 (5.0)	5.4
Over £500m	30 (6.0)	6.4
Sub-total	466 (93.2)	466 (99.9*)
Not available	34 (6.8)	
TOTAL	500 (100.0)	

* Discrepancy due to rounding errors.

Table 68 of the survey provided relevant information on the types of organisations of the respondents. The main results are shown below:

Table 4 Breakdown by type of organisation

	Number of interviews (%)
Private sector:	
Limited companies	422 (84.4)
Partnerships	44 (8.8)
Mutuals	7 (1.4)
Sole traders, not incorporated	14 (2.8)
Other, not stated	6 (1.2)
Total private sector	493 (98.6)
Public sector	7 (1.4)
TOTAL	500 (100.0)

The NOP asked the respondents if they were involved in social or community involvement consultancy (9% were) or environmental consultancy (13% were). These are quite high numbers.

Annex 2 Definitions of a small firm, composition of the business stock and some legal definitions

(1) Small firms

There is no single definition of small, medium and large firms. The following tables the most commonly used definitions. The information is taken from the "Finance for Small Firms – an 8th report" (March 2001, Bank of England)

Table 1: DTI

	Employees
Micro firm	0-9
Small firm	0-49
Medium firm	50-249
Large firm	250+

Table 2: European Commission

	Micro firm	Small firm	Medium firm
Turnover (annual)	Not applicable	Max €7m	Max €40m
Balance sheet	Not applicable	Max €5m	Max €27m
Employees	Maximum 10	Maximum 50	Maximum 250
Independence criteria*	Not applicable	25%	25%

* The independence criterion refers to the maximum percentage that may be owned by one, or jointly owned by several enterprises not satisfying the same criteria

To qualify as an SME (small or medium sized enterprise), both the employee and the independence criteria must be satisfied, and either the turnover or the balance sheet total criteria. A large firm is any not satisfying the above criteria.

Table 3: Companies Act

	Small company	Medium company
Turnover	Max £2.8m	Max £11.2m
Balance sheet	Max £1.4m	Max £5.6m
Employees	Max 50	Max 250

A company qualifies as small or medium if it meets 2 of the 3 criteria in any one year.

British Bankers' Association (BBA)
For BBA statistical purposes, small businesses are defined as those having an annual account turnover of up o £1m.

(2) Composition of the business stock

Table 4: Composition of the business stock (UK) (%)

	Micro (0-9 employees)	Small (10-49 employees)	Medium (50-249 employees)	Large (250+ employees)
Number of businesses:				
1996	94.7	4.4	0.6	0.2
1997	95.0	4.2	0.6	0.2
1998	94.8	4.4	0.6	0.2
1999	94.9	4.2	0.7	0.2
2000	95.0	4.1	0.7	0.2
2001	94.6	4.5	0.7	0.2
Employment:				
1996	30.6	15.3	12.5	41.8
1997	30.2	14.5	12.1	43.2
1998	30.5	14.2	11.6	43.7
1999	30.2	13.8	11.5	44.6
2000	30.2	13.4	11.5	44.9
2001	29.0	14.4	12.0	44.6
Turnover:				
1996	25.0	17.3	14.0	43.7
1997	23.1	16.4	14.2	46.2
1998	22.1	15.9	13.9	48.1
1999	19.4	13.4	12.0	55.3
2000	22.9	14.3	13.9	48.9
2001	21.2	15.0	15.1	48.6

Source: DTI statistical bulletin 2000 (for 1996-1999) and SBS SME statistics for the UK 2002 (for 2000-2001) as quoted in "Quarterly report on small business statistics" (BoE, October 2002).
NB: some figures do not equal 100 due to rounding errors.

(3) Legal definitions

Classification of business organisations: the main business organisations are as follows (defining "business" quite specifically as a profit-generating organisation that sells goods and services):

- The sole trader (unincorporated);
- The partnership (unincorporated);
- Registered companies (incorporated).

Company: an association of persons formed for the purpose of an undertaking or business carried on in the name of the business. Companies may be classified as:

- Registered companies (formed under the Companies Acts). There are about 1.7 million. The following types of registered companies:
    - Public (limited) companies, which are limited by shares. PLCs can be:
        - Listed (satisfied the listing rules of the Stock Exchange or AIM and whose shares, therefore, may be quoted and traded). There are less than 2,500.
        - Unlisted – there are about 10,650 and, therefore, they represent the vast majority of PLCs.
    - Private companies, which can be:
        - Limited by shares.
        - Limited by guarantee.
        - Unlimited.
- Charter companies (formed by the grant of a charter from the Crown, eg the IoD).
- Statutory companies (formed under Acts of Parliament). Public corporations are usually statutory companies (exceptions include the BBC, which was established by royal charter).

Also note a few IoD members work for charities or mutuals:

Charity: any institution (corporate or not), which is established for charitable purposes, under the Charities Acts.

Mutual: for example, an insurance company or similar organisation (eg Building Society) that is owned directly by its policyholders (in the case of an insurance company) or directly by its investors (in the case of a Building Society), under the Companies Acts or Industrial and Provident Acts.

Annex 3 IoD articles on CSR and related issues

(1) Full text of an article published in the Independent on Sunday, 9 September 2001

Corporate Social Responsibility: the IoD view
Ruth Lea, Head of the Policy Unit, Institute of Directors

At the Institute of Directors tomorrow we are hosting an event with the Caux Round Table, which is concerned with the social responsibilities of business within a global context. I very much look forward to the evening and expect, and hope, to be discussing business's social responsibilities not just in a global context but also in a national context. I find this issue, including the related issues of "ethical business", "business's contribution to society" and "Corporate Social Responsibility", fascinating, involved and full of moral dilemmas. There are, all too often, no easy answers.

Ethical business

Before I discuss business's social responsibilities and related issues in this article, I should make clear that I am defining "business" quite specifically as a profit-generating organisation that sells goods and services. And, as many of the dot-com companies have discovered, if profits aren't made, life can be brutal and short. Moreover, where there are shareholders who have entrusted their savings (individual) or entrusted other people's savings (institutional), directors are accountable to them and must aim to maximise "long-term shareholder value". Whatever directors do, they must always be aware of this basic objective. Moreover, maximising the returns for shareholders is at the heart of any "ethical" business along with, firstly, a commitment to the "reward" principle where people are paid according to their performance and, secondly, the professional, law-abiding, diligent and honest behaviour of directors.

Slightly digressing for a moment, even though this concept of an ethical business puts accountability to shareholders at the centre, this doesn't mean directors should ignore other "stakeholders". Not at all. Directors have responsibilities and duties to their employees, suppliers, customers and the environment. Moreover, these responsibilities and duties are enshrined in law (at least in developed countries).

And another digression, the term "ethical business" seems to have almost been hijacked, quite spuriously, by the ethical investment industry (also known as "socially responsible investment") in which businesses are, to my mind, somewhat arbitrarily divided into the "good" and "evil". The latest manifestation of this development is the "FTSE4Good" in which the Manichean distinction between "good" and "evil" seems to have reached new heights of arbitrariness. Of course, tobacco companies, arms manufacturers and operators of nuclear power stations were cast into outer darkness. But Tescos? The Royal Bank of Scotland? By the way, I am aware of the putative reasons. And, no, I don't have shares in these companies.

Business's social responsibilities

Now turning to the issue of business's contribution to society, I'll start with the traditionalist's view. Traditionalists say that, firstly, business provides people with a huge range of goods and services and has contributed to ever higher standards of living; secondly, it provides most of the jobs and generates most of the employment income in the country; thirdly, it contributes virtually all the tax revenue to the Exchequer either directly (through, eg, corporation tax) or indirectly (through their employees' tax payments); fourthly, it generates most of the money for pensions and insurance pay-outs and, fifthly, it is inventive and innovative.

On this view, the most socially responsible act business can perform is to be a successful business - and little else. "Good works" are out and are regarded as a distraction from running the business. I have a great deal of sympathy for this view - providing, of course, businesses are also "ethical" (by my definition). It has much to recommend it and undoubtedly focuses on what business is and what business can uniquely contribute. But…

But business does not function in a vacuum and however much it may wish the activists (including all manner of unaccountable NGOs), regulators and litigators to go away - they will not. The recent anti-capitalist demonstrations have shown this in the most graphic way. Increasingly businesses have to be seen to be responding sensitively to people's concerns about, for example, child labour, dealing with unpleasant and corrupt 3rd world regimes and environmental despoliation. If business does not and ignores the concerns of shareholders and customers it will suffer where it hurts – its bottom line. It makes good business sense to be "socially responsible". And it is vitally important that business responds to people's concerns in order to "legitimise" its activities.

Sometimes businesses may feel that the activists' interventions are quite unfair as in the case of Greenpeace's attack on Shell's proposals for the disposal of the Brent Spar oil platform. Even though Greenpeace's case was fundamentally flawed, consumer boycotts (especially in Germany) forced Shell to alter its plans.

And what about Corporate Social Responsibility (CSR)? (CSR can be roughly defined as the integration of social and environmental concerns in business operations, including dealings with stakeholders.) Well, many directors are already involved in CSR type programmes because they see them as adding to the business's reputation and protecting shareholder value. They are to be unreservedly supported.

(2) Article published in Parliamentary Monitor, June 2002

Corporate Social Responsibility: the IoD view
Ruth Lea, Head of the Policy Unit, Institute of Directors

"Corporate Social Responsibility" is much in vogue and, moreover, is a tad vague as demonstrated in the European Commission's definition:
"There is no unique definition of Corporate Social Responsibility (CSR), but most of [the definitions] describe it as a concept whereby companies integrate social and environmental concerns in their business operations and their interaction with their stakeholders." This frankly stimulates more questions than provides answers and CSR is open to many different, if not opposing, interpretations. But before discussing CSR further, a few ground rules need to be established about what business is and what its main contribution to society is.

I define a "business" quite specifically as a profit-generating organisation that sells goods and services. (And, in this article, I shall be referring to businesses that have shareholders.) If profits are not made then, as we have seen with some recent high profile corporate disasters, the consequences for the business's stakeholders are very grim indeed. Moreover, directors are fully accountable to their shareholders who have entrusted their savings (either individually or through institutions, for example, pension funds) and they must aim, as a fundamental objective, to maximise the "long-term shareholder value" of the business. This objective is at the heart of any "ethical" business and if directors deliberately or negligently fail to achieve this, then they are rightly criticised and condemned.

But directors do not just have to be accountable to the business's shareholders, they also have major responsibilities and duties, enshrined in law, to their other "stakeholders" (at least the ones that can be unambiguously identified). Concerning employees, there are, for example, employment and Health and Safety regulations; concerning suppliers there are contractual obligations; concerning customers there are, for example, product safety regulations (no you can't sell "killer cars" or "killer food") and, incidentally, concerning the "environment", there are comprehensive regulations. In addition, successful businesspeople know all too well that business is based on trust with all their stakeholders. The minute you lose trust, you may as well close down.

Turning to the issue of business's contribution to society, the traditionalist view is that, firstly, business provides people with a huge range of goods and services; secondly, it provides most of the jobs and generates most of the employment income in the country; thirdly, it contributes virtually all the tax revenue to the Exchequer either directly or indirectly (through their employees' tax payments); fourthly, it generates most of the money for pensions and insurance pay-outs and, fifthly, it is inventive and innovative.

On the traditionalist view, the most socially responsible act business can perform is to be a successful business - and little else. "Good works" are, for the most part, regarded as a distraction from running the business and maybe, even, regarded as "stealing from" the shareholders. Shareholders could accuse directors of pursuing their philanthropic "do-gooding" at their expense. I have much sympathy with this view - providing, of course, businesses are also honest, law-abiding and diligent. It has much to recommend it and undoubtedly focuses on what business is and what business can uniquely contribute. But…

But business does not function in a vacuum and however much some businesses may wish the activists (including all manner of unaccountable NGOs), regulators and litigators to go away - they will not. Increasingly businesses have to be seen to be responding sensitively to people's concerns about, for example, child labour, dealing with corrupt 3rd world regimes and environmental despoliation. If business does not and ignores the concerns of shareholders and customers it will suffer where it hurts – its bottom line. It makes good business sense to be "socially responsible" and "socially aware".

Where does all this fit in with Corporate Social Responsibility? Well, providing directors can make a business case for CSR programmes to their shareholders, we are unequivocally supportive. And many directors are already involved in CSR programmes because they see them as adding to the business's reputation and protecting shareholder value. But, I would emphasise, they are pursuing these programmes for the business and for the shareholders. They cannot do them for just for "social" reasons (however laudable), if that destroys shareholder value. It's failing the shareholders.

But hard anti-capitalist activists have a very different "CSR agenda". Their agenda is profoundly inimical to the success of business and they regard CSR programmes justified in business terms as cynical cop-outs. And they seem utterly indifferent, if not hostile, to the rights of shareholders. Only could prosperous and secure people living in prosperous countries be so casual about other people's savings.

On a more moderate note, the recent Corporate Responsibility Bill (devised by a group of NGOs including Amnesty International), whilst not so overtly hostile to business, would nevertheless cause major problems for business. If enacted, certain companies would, apparently, have to produce reports agreed with "stakeholders" (including "communities" and sundry "individuals") on social, environmental and financial matters. In response two words spring to mind: vagueness and bureaucracy. Moreover, businesses would be expected to take on the "social responsibilities" that are more properly the province of government and not the province of profit-generating business organisations. This country really does have to make a choice. Are we to have a competitive, prosperous and job creating business sector? Or are we going to drown it in paperwork and kill off the goose that lays the golden egg of economic prosperity? Forget the "third way". There isn't one.

Annex 4 IoD/NOP survey data on CSR: main tables

In this annex we have included the main data on the questions asked by NOP. The questions were grouped as follows:

Question grouping	Questions	Table numbers	See pages
1	Does the board of your organisation discuss either of the following issues concerning the operation of your organisation?	31-32	
1	(1) Social impact	31	61
1	(2) Environmental impact	32	64
2	In your organisation's dealings with other organisations, either as suppliers or customers, how important is it to know about:	33-36	
2	(1) How they treat their employees	33	67
2	(2) Their community involvement	34	70
2	(3) Their social impact	35	73
2	(4) Their environmental impact	36	76
3	Does your organisation produce a report available to the public on its: (1) Social impact (2) Environmental impact (3) Neither of the above	37	79
4	Following on from question 3. Do you report in a stand-alone report or within the body of the annual report:	38-39	
4	(1) Social impact	38	82
4	(2) Environmental impact	39	85

(Continued Overleaf)

5	Does your organisation collect internal information on any of the following: (1) Charity donations (either in cash or kind) (2) The number of employees by gender (3) The number of employees by ethnic group (4) Job/title grade analysis by gender (5) Job/title grade analysis by ethnic group (6) The demographic profile of the local community (within the travel to work area) (7) How pay relates to job title/job grade (8) Employee satisfaction with the balance between work & outside work activities (9) Employee qualifications (10) Emissions of CO_2 or other greenhouse gases	40	88-89
6	Following on from question 5. And is the information you collect in these areas made available to the public?	41	94-95
7	Does your organisation have a policy on any of the following: (1) Charity donations (either in cash or kind) (2) Changing the profile of its workforce in relation to gender (3) Changing the profile of its workforce in relation to minority ethnic groups (4) Changing the profile of its workforce to reflect the profile of the local community (5) Improving employee satisfaction with the balance between work & outside work activities (6) Promoting equal opportunities (7) Encouraging all employees to achieve at least Level 2 qualifications or equivalent (5 GCSEs, grades A-C) (8) Reducing its emissions of CO_2 or other greenhouse gases.	42	100-101
8	Following on from question 7. I am now going to read out the policies you have just mentioned. For each one, do you agree/disagree that your organisation experiences business benefits from implementing policies in this area?	43-50	
8	(1) Charity donations (either in cash or kind)	43	106
8	(2) Changing the profile of its workforce in relation to gender	44	109
8	(3) Changing the profile of its workforce in relation to minority ethnic groups	45	112
8	(4) Changing the profile of its workforce to reflect the profile of the local community	46	115
8	(5) Improving employee satisfaction with the balance between work & outside work activities	47	118
8	(6) Promoting equal opportunities	48	121

(Continued Overleaf)

8	(7) Encouraging all employees to achieve at least Level 2 qualifications or equivalent (5 GCSEs, grades A-C)	49	124
8	(8) Reducing its emissions of CO_2 or other greenhouse gases.	50	127
9	How important are each of the following in encouraging your organisation to think about its environmental or social impact:	51-62	
9	(1) The EU	51	130
9	(2) The government	52	133
9	(3) Organisations that represent your business (eg IoD or trade associations)	53	136
9	(4) Shareholders	54	139
9	(5) Investors	55	142
9	(6) Customers	56	145
9	(7) Suppliers	57	148
9	(8) Employees	58	151
9	(9) Non-governmental bodies or interest groups	59	154
9	(10) The media	60	157
9	(11) Local councils	61	160
9	(12) Devolved governments	62	163
10	Have you heard of any of the following: (1) Business in the Community (BITC) (2) FTSE4Good (3) The government minister for CSR (4) The EC Green paper on CSR (5) The ACCA (Association of Chartered & Certified Accountants) awards for social & environmental reporting	63	166
11 (for some explanations see below)	And which, if any, of the following have you heard of: (1) EU Eco Management & Audit (EMAS) (2) ISO 14001 (3) The “making a corporate commitment campaign” (4) The ABI guidelines (5) The EU eco-label (6) The UN Global Compact (7) The DEFRA & DTI guidelines on environmental reporting (8) The Business Impact Taskforce or their report “Winning with Integrity” (9) Investors in People (10) The Global Reporting Initiative (GRI) (11) Social Accountability 8000 (SA 8000) (12) The Ethical Trading Initiative	64	169-170

(Continuted Overleaf)

12 (for some explanations see below)	Following on from question 11. Has your company actively engaged with these initiatives: (1) EU Eco Management & Audit (EMAS) (2) ISO 14001 (3) The “making a corporate commitment campaign” (4) The ABI guidelines (5) The EU eco-label (6) The UN Global Compact (7) The DEFRA & DTI guidelines on environmental reporting (8) The Business Impact Taskforce or their report “Winning with Integrity” (9) Investors in People (10) The Global Reporting Initiative (GRI) (11) Social Accountability 8000 (SA 8000) (12) The Ethical Trading Initiative	65	175-176
13	Do you have a board member with a remit that includes: (1) Social impacts (2) Environmental impacts (3) Neither of the above	66	181
14	Which of the following do you think should be involved in monitoring the social and/or environmental impact of business: (1) The EU (2) The government (3) Organisations that represent your business (eg IoD or trade associations) (4) Shareholders (5) Investors (6) Customers (7) Suppliers (8) Employees (9) Non-governmental bodies or interest groups (10) The media (11) Local councils (12) Devolved governments	67	184-185
15	Question about the respondent’s type of organisation. See annex 1 for details		Omitted here
16	Is your organisation involved in: (1) Social or community involvement consultancy (2) Environmental consultancy See annex 1 for details		Omitted here

Notes on the initiatives mentioned in questions 11 and 12

(1) EU Eco Management & Audit (EMAS)
The scheme was launched in 1993 and came into effect in 1995. It is a voluntary registration scheme that aims to encourage businesses to implement an environmental management system that meets the requirements of ISO 14001.

(2) International Standards Organisation ISO 14001
ISO is a worldwide federation of national standards bodies (the UK member is the British Standards Institute (BSI)), which administers 11,000 standards. ISO 14001 was issued in 1996 and is a standard to promote environmental management and protection.

(3) The "Making a Corporate Commitment campaign" (MACC2)
The government's MACC2 is a way of helping organisations improve their efficiency and environmental performance.

(4) The ABI guidelines
In 2001 the Association of British Insurers (ABI) published guidelines for listed companies on the disclosure of their social, environmental & ethical performance in their reports.

(5) The EU eco-label
The eco-label, with its flower logo, was created in 1992. It is awarded to consumer products (excluding food, drink & medicines) & services with the lowest environmental impacts.

(6) The UN Global Compact
The UN Global Compact, which was proposed in 1999, is a set of 9 principles that businesses are encouraged to support in relation to human rights, labour and the environment.

(7) The DEFRA & DTI guidelines on environmental reporting
Published in November 2001, the guidelines are consistent with other reporting initiatives such as the GRI and ISO 14001, but claim to have more practical "how to" advice on reporting.

(8) The Business Impact Task Force (BITF) or their report "Winning with Integrity"
Business in the Community (BITC) published "Winning with Integrity" in 2000, the product of the 2-year business-led Business Impact Task Force (BITF). Since publication, the initiative has developed into the Corporate Impact Reporting Initiative (CIRI) and the Corporate Responsibility Index (CRI).

(9) Investors in People
Investors in People is the national standard that sets a level of good practice for business improvement through the development of employees. The standard was developed in 1990.

(10) The Global Reporting Initiative (GRI)
The GRI is an independent global institution that is developing a framework for sustainability reporting and aiming to get companies and other organisations to prepare comparable "triple bottom line" reports on their economic, environmental and social performance.

(11) Social Accountability 8000 (SA8000)
SA8000 is a voluntary management system-based standard for workplace conditions, managing human rights issues and ensuring the "ethical" sourcing of goods and services.

(12) The Ethical Trading Initiative (ETI)
ETI is an alliance of companies, trade unions and NGOs, which was established in 1998. The ETI Base Code (on employment and working conditions) was issued in 1998 and was based on ILO Conventions and the UN Declaration of Human Rights and Rights of the Child. It relates directly to a company's supplier.