CSR Asia’s *CSR in 10* project examines the top ten issues emerging over the next ten years. *CSR in 10* helps businesses to track and prepare for the emerging trends over the next decade.

The Environment and Climate Change

- Transparency and Accountability
- The Institutionalisation of CSR
- Stakeholder Engagement
- Labour Rights as Human Rights
- Community Investment
- Supply Chain and Product Safety
- Social Enterprises
- Poverty Alleviation
- The Battle for Talent
Introduction

Being aware of the issues that interest stakeholders is quite a challenge, but if a company is to build an effective long-term CSR strategy, then what are going to be the challenges in ten years time? In order to get a glimpse into the future, CSR Asia undertakes annual research to identify what CSR experts in the Asia-Pacific region think are the issues facing companies over the next decade.

To do this we interview over 50 people from business, NGOs, government and academia who are well known for their views on CSR to see what trends they think business in the region will have to deal with. Their insights into the top ten issues facing business in a decade reveal what we all need to start thinking about and planning for now.

To read a copy of the full report, please go to:
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“The greatest challenge facing business is going to relate to the environment ... and the need to develop climate change strategies...”
The Top 10 Issues

1. The Environment and Climate Change
   By far the greatest challenge facing business is going to relate to the environment. The emphasis in the future is centred around climate change and the need to develop climate change strategies and reduce carbon emissions. This means starting with carbon-auditing and then putting in place strategies for reduction in climate change impacts, mitigation and adaptation. Water shortages and water contamination be high on the agenda. The new emphasis on the environment will also require companies to look hard at the sourcing of raw materials, waste management, the management of toxic substances, health impacts of environmental degradation and the management of biodiversity.

2. Labour Rights as Human Rights
   Issues associated with the ubiquitous sweatshop will not go away. Indeed the issues associated with labour will be heightened. This will apply to a company's own employment practices as well as to workers along the supply chain. There is likely to be more of an emphasis on labour rights as human rights. This means the recognition that workers have fundamental human rights and must be treated with respect rather than mere factors of production.

3. Transparency and Accountability
   An increased emphasis on transparency will see a move away from the glossy reports that only reveal the good things about a company’s activities towards true accountability. Responsibility might be about doing the right thing but accountability means proving that you are being responsible and this will require a whole new approach to revealing the positive and negative aspects of doing business. Those companies that are unable to disclose an accurate account of their activities are going to lose trust and shareholder value.

4. The Institutionalisation of CSR
   We will see a growing institutionalisation of CSR. We have already seen a number of governments in the region develop new laws, standards and guidelines that force or encourage businesses to take on CSR activities. But this is likely to be extended as other institutions such as stock exchanges and accountancy bodies begin to increase the CSR requirements of their members. The much awaited ISO26000 will be a further institutionalisation of CSR if it comes to be seen as setting minimum standards for the activities of companies.

5. Stakeholder Engagement
   There will be an increased emphasis on stakeholder engagement. Companies should build governance structures and decision-making processes with stakeholders in mind. This means finding out what stakeholders views are about issues and allowing that to influence decisions being made at the corporate level. It also means developing much more sophisticated modes of communication with a broad range of stakeholders and embedding that into the governance of the organisation.

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The Battle For Talent
A battle for talent is going to be the big human resource issue over the next ten years. Recruiting and retaining the human resources best able to deliver quality work is already a problem and likely to become an even bigger one. This is going to be compounded by a new generation of young people who are less interested in a traditional career structure and much more interested in filling their lives with a range of stimulating experiences. This means they are more likely to move jobs and have multiple careers. Attracting the best talent is therefore going to require new ways of thinking about employment and much more flexible arrangements if staff are going to be effectively retained.

Community Investment
A move from philanthropy to effective community investment is also seen as an important development in the next decade. There will be fewer donations to local charities and initiatives and a much more strategic investment in the communities impacted by business. The shift to community investment is also going to mean much more sophisticated measurement of the returns on that investment. That means measuring both the benefits to the community and well as the benefits to the business itself.

Supply Chain and Product Safety
We will see a deepening of supply chain concerns with first tier audits of factories no longer being enough to satisfy stakeholders worried about sweatshop labour and product safety. This is going to mean new partnerships with suppliers based on trust rather than inspections and it almost inevitably means the rationalisation of supply chains where large companies with shared CSR values are likely to be preferred. But environmental issues are also going to become more important in supply chains. Concerns over product responsibility will also mean supply chain issues will move from concerns about how products are made to whether those products themselves are safe and healthy.

Social Enterprises
Social enterprises will become an important new organisational model. A merger of business and NGO models is going to create enterprises that are sustainable into the long run because they adapt to the market rather than constantly relying on donor money. This they are able to affectively deliver much needed social services in an effective and efficient way.

Poverty Alleviation
The private sector’s role in poverty alleviation is crucial. Particularly in the Asia-Pacific region we still see many people and communities that have not benefitted from the economic growth that has reduced poverty elsewhere. The very poor tend to have few resources, few skills and few opportunities to engage in economic activity and we need innovative measures from the private sector to try to reduce poverty including challenges associated with the growing wealth gap now emerging in some countries and potentially threatening social stability.

Who Matters?
Those institutions seen as influencing the decisions are (in order):
1. NGOs and civil society/community organisations
2. Companies themselves
3. Government and politicians
4. Investors and financial institutions
5. Consumers
6. Employees and trade unions
7. International and inter-governmental institutions
8. Religious leaders
9. Media
10. Educational institutions

It is still civil society organisations that are seen as setting the agenda around social and environmental issues. Yet businesses will increasingly part of the agenda setting process, more so than governments. Investors were seen as relatively more important that consumers by our experts. Somewhat surprising is the relatively low ranking given to the media and educational institutions.
What Should Businesses Do?

The third part of our research looks at what businesses need to do to start to deal with the key CSR issues and develop effective CSR strategies.

1. Capacity building both within the organisation and outside of it is seen as the most important factor. There are still insufficient skills and knowledge being developed within companies and that there is inadequate good consultancy capacity on CSR. Internal and external education and training is seen as vitally important to build capacity. That capacity also needs to be extended to supply chains to deal with demands for a move beyond tier one auditing.

2. There is a need for properly structured, ongoing stakeholder dialogue as part of the development of a CSR strategy. This means not only having a clear methodology for engaging with stakeholders but also improving communications with them. Companies need to become part of a network of trust between a whole range of different stakeholders in an ongoing relationship. In so doing, the needs and demands of stakeholders need to be considered in governance structures and in decision-making.

3. Embedding CSR into the organisation is a particular challenge. There needs to be a values-based leadership from the top of the organisation and a more holistic approach to business that emphasises not only economics but also the whole range of social and environmental impacts that a business is responsible for. Companies are going to have to think long term to deal with some of the emerging challenges and involve stakeholders in some scenario planning. Embedding CSR into the organisation is also going to require better internal communications, increased reporting and better transparency and accountability. To be strategic, CSR needs to be a core business strategy linked to brands and reputation.

“Companies should build governance structures and decision-making processes with stakeholders in mind”
The private sector’s role in poverty alleviation is crucial.

Businesses are going to have to look more closely at partnership building at a number of levels: With NGOs, with local communities and with any stakeholder who can add value to the business. There is likely to be a growth in public-private partnerships in many parts of the region, with governments expecting businesses to play a role in creating effective, efficient societies and competitive economies. Business to business partnerships are one of the most effective ways in dealing with social and environmental challenges.

Innovation is key to dealing with global challenges including climate change, poverty and human rights. Some of the cleverest people in the world are running businesses and that if their talents could also be harnessed to engage with the world’s remaining challenges then this is likely to be productive. Innovation is about matching talent with challenges therefore and involving stakeholders in innovative strategies and projects to create productive change.

There is a need to move beyond first tier auditing to find ways to create new relationships with suppliers based on shared visions about CSR. Critical here is going to be the rationalization of supply chains, cutting the number of suppliers and placing more orders with the growing mega-factories that are taking CSR seriously and pushing it down their own supply chains. The move from audits to capacity-building and the need to better track products and components down supply chains to ensure product responsibility is inevitable.

The need to have policies and systems in place to attract and retain talent will be part of the long terms success of businesses. From a CSR perspective issues such as work-life balance, and strategies for diversity and inclusion are going to be vital. Employment packages of the future are going to have to be much more flexible with build in systems for long leave, part-time working, career breaks, exciting employee volunteering opportunities and work-life management.

As important as developing the business is going to be the need to develop communities alongside business. This means properly measuring community impacts (positive and negative) and having long-terms investment strategies involving communities and interested stakeholders.

Companies are going to have to engage in much better non-financial risk management if they are not to get caught out by the many challenges facing them in a world where information (accurate or not) is increasingly easy to find. All new projects, developments and investments will have to go through a broad due diligence procedure. That due diligence must involve stakeholders and be transparent and accountable.

Good CSR is grounded on good governance within the organization. A new emphasis on fair competition and anti-corruption is still seen as vital, particularly in areas where governance is often very poor.
What’s Next?

CSR for the last decade has been very much based on the prevalent outsourcing model where concerns over sweatshop labour have dominated. Whilst still important there is clearly now a big new challenge that we have to engage with and that is the environment and, particularly, climate change. Labour rights are going to be increasing couched as human rights. Community investment will be expected to bring greater returns. Supply chain issues are going to become deeper and more concerned with product responsibility. There is going to be a battle for talent. Companies are going to be expected to help find solutions for remaining challenges in the region such as poverty alleviation.

To deal with these new expectations of business we are going to see the need for capacity building at a number of different levels and better embedding CSR into the DNA of a business. This all has to be done in an open, transparent and accountable manner with a new emphasis on stakeholder inclusion.

CSR Asia’s ongoing research into emerging CSR trends will help companies track emerging issues and plan CSR strategies accordingly. CSR Asia can also help companies engage with stakeholders, respond to their needs through effective communications strategies and develop new and innovative CSR strategies. Our services also include a range of products, services and training courses for the environment and climate change, community investment, supply chain management, non-financial risk assessment, diversity and inclusion, reporting and research.

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