TELOS dossier

REPUTATION INSTITUTE

CSR 2.0

Competitive Advantage for the Future

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ABSTRACT

THIS ARTICLE REVIEWS MILESTONES IN THE HISTORY OF CORPORATE SOCIAL RESPONSIBILITY (CSR), TAKING FULL ACCOUNT OF THE POSITION OF SPANISH COMPANIES ON THIS TOPIC.

THE ARTICLE SUGGESTS THE NEED FOR A STEP CHANGE (A NEW PHASE), WITH A TRANSITION TO WHAT MANY AUTHORS HAVE CALLED CSR 2.0, MOVING FROM CSR COMMUNICATIONS TO CSR MANAGEMENT, AND TYING CSR TO THE VALUE ON BALANCE SHEETS.

Keywords:

Corporate Social Responsibility (CSR), Business Management, Crisis, Indicators, Sustainability.

It is foolish to think that the crisis does not affect the areas covered by CSR policies. If GDP falls, if consumption weakens, if unemployment grows, if the rate of debt multiplies, if credit comes to a standstill ... in these situations it is unreasonable to believe that there might be areas or departments within companies (CSR, for example) that won't be affected by the new economic context.

So in this context I would like to frame the following anecdote: recently I had the opportunity of participating in an academic- business debate about the impact of CSR on the crisis. I was surprised to hear again arguments from seven years ago: "Business' sole responsibility (said the debater) is to comply with the law, and moreover, that responsibility relates only to its shareholders". Again – I thought – lawyers are showing up to talk about article 1.902 of the Spanish Civil Code , instead of understanding the meaning of the word 'responsible' according to the Royal Academy of the Spanish Language Dictionary .

I took advantage of the confusion to make a premeditated and provocative statement: "And if CSR were to be part of the solution?" I asked. The replies came in no time: Wouldn't it be better if companies tightened their belts, focused more on providing good service and forgot about the "other things", like making donations and sponsorships? How can businesses be burdened with more costs? How can they continue spending on social projects when the bottom line is under such pressure? Didn't those investment banks which were dragged down by 'toxic assets' and lack of transparency have thick CSR reports? What can CSR contribute to me as a client? Or as an employee or shareholder?

The new era of responsibility

These questions lead me to think that CSR is at a crossroads (well done to TELOS for organising the debate!) It seems evident that those of us dedicated to this area have not established CSR on sufficiently solid foundations so as to turn it into something strategic, linked to the business. Or if we have done so, we haven't been capable of communicating it to those interested.

A situation of recession, when companies cut back on costs, personnel, etc., places CSR in a delicate position, especially when the actual crisis points to the lack of ethics and transparency.

In times of crisis, when companies reduce costs, personnel, etc., places CSR in a delicate situation

That's why I believe we now have A GREAT OPPORTUNITY, in capital letters. Not in their wildest dreams did the supporters of CSR imagine that the crisis would change the tide of opinion in favour of a social model capable of finding limits to the excesses carried out. And indeed, if this crisis is to be characterized by anything, it is by excess, excess in every way. So it is good news that the new President of the United States, Barack Obama, dedicated his inaugural address to 'A new era of responsibility' . Moreover, one need not look farther than the priorities on his public agenda to observe that many of them are themes that in the last few years have made up the roadmap for CSR: civil rights, ethics, disabilities, poverty, climate change and energy efficiency, family, women's role in society, education, the elderly, health, etc. .

This 'new era of responsibility' has been summarised by Robert Zoellick (2009) into five main pillars: responsible globalization, where inclusion and sustainability prevail over the enrichment of a few; responsible management of the world's environment; financial responsibility, both at a personal as well as an organizational level; the era of

1 «Whomever by action and omission causes harm to another involving blame or negligence, is obliged to repair the damage caused».
2 «They who take care or pay attention to what they do or decide».
3 See http://www.whitehouse.gov/the_press_office/President_Barack_Obamas_Inaugural_Address/
4 See http://www.whitehouse.gov/agenda/

2010 has been set out to be the year of the fight against poverty

responsible multilateralism where countries and institutions look for practical solutions to interdependent problems, and lastly, the era of responsible actors, in which participation in the international economy leads to responsibilities as well as benefits.

It's also good news that the European public agenda for the year 2010 establishes that the policy for ending the crisis includes the establishment of an agreement at the European and global level on the model of economic and social growth based on matters such as the financial system, commerce, climate change and energy, employment and social cohesion, and lastly, the fight against poverty.

So much so, that 2010 has been declared as the year of the fight against poverty. What is more, the Secretary General of the United Nations, Ban Ki-Moon , invited companies to put CSR policies into practice during his presentation at the World Economic Forum (held in the Swiss city of Davos).

However, it should not be forgotten that in 1970 Milton Friedman had already pointed out much earlier than the 'Obamania', that CSR was not exclusively a matter for large corporations but that it was also very closely related with the actions of executives, unions, and consumers themselves.

The challenges and opportunities of CSR

Therefore, I believe that, like in any crisis, there are opportunities as well; and the great opportunity of CSR is to boost new engines of business growth for companies. Beyond the big words (values, ethics, integrity...)which, although vital, are not always universal and unequivocal concepts, I believe that the time has come to change the discourse and to be able to establish the cause-and-effect relationship between CSR and the profit and loss statement. And this is the thesis: To what extent can CSR generate more profit? Can it reduce costs and minimize risks? Can it impact on margins and customer satisfaction? Can it improve the working environment? If we are able to establish the cause (CSR)-and-effect (more income, lower costs, greater customer satisfaction, better working environment) relationship, the debate on CSR will be won.

But this approach requires two basic premises. Firstly, a change in the language used by CSR professionals is required. To start with, there is a need to start abandoning what some call "do-good-ism" which is translated into the sentence "we have to give back to society". This concept, based in particular on philanthropy, is hard to maintain in a period of crisis; and, even, if you'll pardon me, it seems that the company has to justify itself for making money... does it really have to apologize for that?

Secondly, and beyond the concept itself, it is necessary to change CSR's management framework. Investment in social projects should be made in the same way as R&D is invested in; namely, new applications are researched in order to open new business niches which, in the medium term, should become the new drivers of growth for companies.

Also, the big challenge nowadays is to execute this process in a dialogue-based way, namely, jointly with others (companies, civil society, government ....) Let's be direct: wherever there is demand, there are services; wherever there are customers (regardless of the type), there are companies; wherever there are companies, there is a productive social fabric, and wherever there is a productive social fabric, there is wealth. Some of us are already calling this new approach CSR 2.0. In this article, my aim is to explain what this new action framework is about. For that purpose, I will try to understand CSR first: its scope and its origin. Then, I will try to describe the initial stage of

5 Draft Spanish contribution to the programme of the three presidencies (Spain, Belgium and Hungary). (November 2008). Versión 21.

6 See http://www.un.org/sg

7 I will use as a reference the definition adopted by the Forum of Experts of Spanish Government in July 2005: "The Corporate Social Responsibility is, apart from the strict compliance with the current legal obligations, the voluntary integration in its government, in its policies and proceedings, of social, labour, environmental and human-right concerns,which result from transparent relationship and dialogue with its stakeholders, therefore taking responsibility for the effects and the impacts resulting from their actions" (Expert Forum, Corporate Social responsibility,2005).

CSR, what we might call 1.0. Then I will focus on the CSR 2.0, stricto sensu. And I will finish up by drawing some conclusions.

Understanding CSR

I will not be the one to re-invent a definition for CSR ; many authors have tried and I'm not sure if they ever reached agreement. In order to understand CSR, I would like to use as an example a hypothetical computer manufacturer, and the image of an iceberg as a metaphor. Let's imagine that this computer manufacturer has a global commitment to CSR. The visible part of the hypothetical iceberg would be a social project for donating computers for example, to a social group that cannot afford them and which is at risk of exclusion (children, young adults, battered women, immigrants, elderly people...). But underwater, we can see something else: we can see that this company has implemented internally several management processes that guarantee that, for example, labour rights and environmental standards have been observed during manufacturing. In addition, those processes have been extended not only to its own production centres, but also to those of other companies acting as manufacturers or providers in remote places in the world. And they have done this voluntarily, because regardless of the legislation of this or that country where the equipment has been manufactured, the truth is that, after all, the computers bear the company logo. They do this by conviction, not following someone's instructions, because they know that, for better or for worse, the success or the failure of that computer you take home has an impact on the company's reputation and market value.

I wanted to give this example in order to try to understand CSR. Isn't it true that many companies have paid a high price for the absence of internal processes and controls? Isn't it true that the excesses of the system have led many companies even to their destruction? From this point of view, CSR has a lot to do with doing things well, doing things by paying attention to what you do and what you decide and with excellent management – sometimes even beyond what is required by the law – in order to minimize risks and maximize the trust relationship with customers.

Thus, the big CSR debate is not about whether or not a lot of money is donated for this or that cause; the CSR debate has to do mainly with the internal processes that guarantee that things are done in the right way.

The investment in social projects should de performed in the same way as the investment in R&D

The globalization process as the cause of CSR

In order to understand the role of CSR, for example, in this hypothetical example of the computer company, first it is necessary to understand the globalisation process itself, which places major multinational companies in a global 'theatre of operations' (The Economist, January 17, 2008). This fact entails that, generally, multinational companies act under different game rules: on the one hand, they maintain value-added activities (R&D, design, talent management, etc.) in their countries within the Western environment (with high-level legislative standards for social, labour and environmental matters); on the other hand, they deploy in developing countries – with slacker legislation in these matters – activities with a lesser added value (assembling, manufacturing, etc.). Therefore, multinational companies operate with different legislative, cultural, social and institutional standards in each region of the world. And I believe it is there where CSR emerges, as a call for companies to operate, voluntarily, with more or less homogeneous behaviour in respect of social, labour and environmental matters in carrying out their activities (Cuesta, 2004).

8 See the definition of 'responsabilidad' contained in the Dictionary of the Spanish Royal Academy of Language

9 See the article "Getting CSR right" (The Economist, 17 January 2008)

10 The most active NGOs in this field have been Intermón, Oxfam, Amnesty International, Greenpeace and the Red Cross

The globalization process speeded up the proliferation of NGOs, which have turned the scrutiny of multinational companies into a rallying cry. Today, this pressure has yielded results; many multinational companies have already implemented ethical codes and principles in which they voluntarily commit themselves regarding levels of transparency, social and labour rights, environmental impacts, etc., beyond what is required by local legislations. Therefore, in practice when we read that company X has implemented an ethical code, it is CSR we are talking about.

But the call to ethical and uniform behaviour was made by the United Nations with the Global Compact . This initiative, presented in 1999 by the General Secretary of the United Nations at the time, sought to involve companies voluntarily in CSR with compliance against ten basic principles based on human, labour, environmental and anti-corruption principles. These principles indicated what companies 'should' do regarding these issues from a global point of view (see table 1).

Once the need for ethical and uniform behaviour was put in the fast lane, the next step was to measure it. What's the point in signing a piece of paper if progress in implementation is not measured? In order to measure things and establish comparisons between companies, the Global Reporting Initiative (GRI) ,was devised, including all the indicators that organizations should report in order to inform stakeholders on their economic, environmental and social performance.

The debate on CSR has to do particularly with the internal processes that guarantee that things are done the right way

Socially-responsible investment indices as CSR drivers

But maybe the big bang of CSR in major multinational companies has coincided with socially-responsible investment indices, namely those involving a set of listed companies which, after being analysed, show that in their global operations they maintain ethical behaviour in three areas: social concerns, the economy and the environment.

Table 1. The Ten Principles of the United Nations Global Compact

	Human rights
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2	make sure that they are not complicit in human rights abuses.
	Labour
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4	the elimination of all forms of forced and compulsory labour;
Principle 5	the effective abolition of child labour; and
Principle 6	the elimination of discrimination in respect of employment and occupation.
	Environment
Principle 7	Businesses are asked to support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and
Principle 8	encourage the development and diffusion of environmentally friendly technologies.
Principle 9	
	Anti-corruption
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

Among these indices, the most prominent is the Dow Jones Sustainability Index (DJSI), which has become, in some ways, a responsible management influence for four reasons:

- Firstly, because it expressly says that a company will be sustainable in the future if it is capable of reconciling the 'triple bottom line': economic, social and environmental.
- Secondly, because the relative importance of each 'account' is weighed. For example, if we analyse the telecommunications sector, we see that, in 2008, economic aspects weighed 41.6 percent of the total; social aspects, 40.6 percent, and environment 17.8 per cent.
- Thirdly, the most relevant for me is to see what the DJSI includes in its chapter Social Aspects. If chart 1 is analysed in depth, you will see that 'the social aspect' includes things such as internship, development of human capital, talent attraction and retention, knowledge management, supply chain assurance, dialogue with stakeholders, social reporting, the social impact of products and services and inclusion. Interestingly, 'the social aspect' also includes the concept of philanthropy, which, for the Information and Communication Technology sector (ICT) weighs… 3 per cent of total responsible behaviour! Note that we are talking

11 See http://www.unglobalcompact.org
12 See http://www.globalreporting.org
13 See http://www.sustainability-index.com. Launched in 1999, the Dow Jones Sustainability Indexes were the first global indexes to track the financial results of major companies based on sustainability. On the basis of the co-operation of the DJSI, STOXX Limited and SAM are reliable and objective benchmarks for the management of sustainability portfolios.

Chart 1. Dow Jones Sustainability Indexes

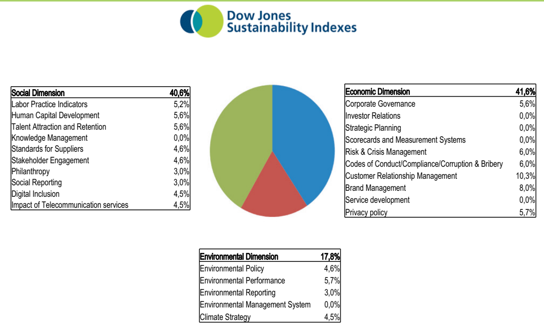
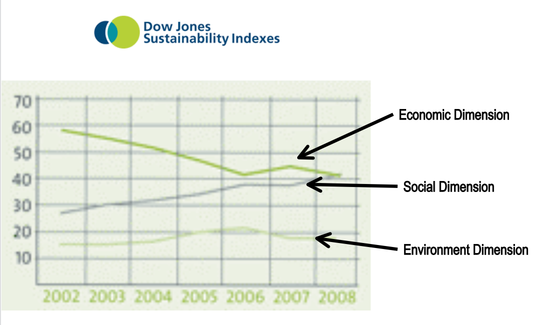


Chart 2. Evolution of the weights of the Dow Jones Sustainability Indexes (Telecom industry 2002-2008)



about 3 percent, which means that the remaining 97 percent of a company's responsible behaviour has, for the DJSI, nothing to do with those social projects that were historically designed for 'giving back to society what society has given to us" (see charts 1 and 2).

• Finally, because the importance of every 'dimension' of the DJSI is updated year by year, based on public policy priorities. Therefore, we see in 2002 the economic dimension weighed nearly 52 percent, whereas in 2008 its importance decreased to 41.6 per cent. In contrast, the social dimension has gone from 24 (in 2002) to 40.6 per cent in 2008.

My forecast is that this crisis will change, since it couldn't be otherwise, the relative importance of each percentage.

However, even though the DJSI provides clear criteria on how to measure responsible behaviour, there are authors who don't consider the idea of the triple bottom line as useful at all.

In particular, Wayne Norman and Chris MacDonald (2004), state that this is not a new idea, and that, also, it is not good given that it can be used as a smoke-screen behind which the companies can disguise an efficient presentation of their actual results.

CSR 1.0, a communicative response

In view of this muddle, which has been the response of companies? In my opinion, multinational companies, in general, and big Spanish companies, in particular, have carried out their duties well. Today, Spain and its companies are leading many world CSR initiatives: we are at the top of the ranking of countries signing the UN's Global Compact; we have a remarkable number of companies in the major socially-responsible investment indices worldwide; we have high-quality CSR reports according to GRI, etc. In addition, Spain has been the first country in the European Union to create a National Council of CSR.

That is not a bad balance for 6 or 7 years of CSR in Spain. However, why do we still think that CSR is a luxury which is only available to a few in times of economic prosperity? Why, in spite of everything, do we keep thinking that we do not need to discuss this now?

The reason why CSR is currently delivered by companies can be explained in a simple fact: that in the majority of IBEX35 companies this function was part of the organizational set-up, whether in the governance structure or in communications, marketing or institutional relations management, In one case (governance) and in the other (communications), the message implied is clear: in the best case scenario, we are seeing an action for improving the company's image; in the worst case scenario, we are seeing a cost centre – namely, that of those spending money without any return whatsoever. And that is where the cuts are first implemented when the bad times arrive.

It might be that the huge explosion of CSR among the major multinational companies has arrived hand in hand with the socially-responsible investment indexes

In the middle, we see an activity that should be done when things go well, and that, if not done, we should apply the lesser evil theory.

This situation has triggered the fact that CSR has been top-down managed, particularly emphasizing aspects which are linked to communication, institutional relations and company image. Nearly all major companies have worked on six fronts: a) reporting, through sustainability reports or memorandums, ,following more or less internationally-accepted standards (GRI); b) international presence in the major sustainability indices, such as the Dow Jones Sustainability Index (DJSI) and FTSE4Good; c) the active presence in associations, forums, debates and work teams created for consolidating CSR; d) social action, namely, the development of social sponsorship and philanthropy projects; e) the preparation of ethical codes as a formula for implementing a transparency and responsibility culture; and f) multi-stakeholders dialogue groups, which usually focus on the value of those sustainability reports or memorandums.

Companies have developed all this more or less successfully, and that's why we have usually been reading news about the implementation of an action code, the publication of a new report on CSR or a survey in which the reports are compared, or the investment in this or that charity initiative, etc.

Spain and its companies are today at the forefront of many global CSR initiatives

However, this model – which could be called CSR 1.0 – is not going to make it possible, in my opinion, to make a qualitative leap forward. And it is not going to be possible because it is still embedded in a superficial layer of the organizational culture, and is more linked to marketing and image.

Therefore, the challenge is to go from CSR communication to CSR management. Namely, to bundle everything the company does – and to talk about it – is a good thing; developing social projects is good; producing ethical codes in order to incorporate them into the company's 'normative law' is good. The problem is that, even though it's good, it is not enough. And it is because all these things are in the most visible (or cosmetic) layer of organizations and they hardly reach internal procedures of companies, as Frank Dixon said (2007).

Failing to take this step can stop CSR from being incorporated into companies' account schedule (maximizing income, reducing costs and increasing customer satisfaction). Failing to take this step simply implies that the CSR is seen as a cost and, therefore, it can be reduced in times of crisis.

CSR 2.0 as new driver of growth

CSR 1.0 has made it possible to make remarkable progress, but I'm afraid that the battle has not been yet won. If it had been won, we wouldn't be having opinions expressed such as the ones I've mentioned at the start of this article.

The challenge, as I said, is to go from communicating to managing. Managing entails answering some questions: to what extent can CSR generate more income? And reduce costs and minimize risks? And impact on margins and customer satisfaction? And improve the work environment? This change in pace has already been called by some of us CSR 2.0.

For example, consultancy company Salterbaxter understands that CSR 2.0 makes it possible for businesses to go beyond housekeeping and to address complex issues linked to the core business. In its last survey, the consultancy posed to the 50 major European companies the following questions:

Do companies integrate in their strategy CSR where it adds value to business?

Do they dialogue with stakeholders?

Do they work on a materiality process in order to define the relevant issues for society and business?

14 Salterbaxter.com Directions The Full Report 2008. Trends in Corporate Responsibility 2007/08

What issues are they considering? Do they consider they are evolving from CSR 1.0 to CSR 2.0? According to this firm, companies such as Basf, Nestlé, Royal Dutch Shell, Telefónica, Vodafone and Volkswagen, among others, have already taken this step.
Other relevant examples are the statements of the United Nations' General Secretary, Ban Ki-Moon, who urged companies to take Global Compact to a new stage. «We could call it Global Compact 2.0», he said during his intervention in the World Economic Forum after taking stock of the ten years of operation of the World Compact, which, according to the United Nations, already includes 6,000 companies in more than 130 countries.
Beyond surveys and statements, can we find any approaches that may help us to understand what underpins and delivers CSR 2.0? I believe that there are examples, and they are as follows:
– The verification and improvement processes relating to the Corporate Responsibility report. The purpose is to turn the report into a management tool, not simply a communication piece. How? Making maximum use of the improvement recommendations offered by those assessing the report and, above all, converting that report into a real scorecard on the evolution of the company's economic, social and environmental behaviour.
– The creation of networks with national and multinational institutions co-financing projects which boost social inclusion and cohesion. Many of these projects are not profitable in themselves in the first stages; however, working jointly with funds from multilateral institutions, helps business units to implement projects which, otherwise, would not prosper, and which can be a source of new income.
– A new internal culture based on the maximization of ethical codes and action principles. This entails, in practice, developing internal rules which give life to the principles of the ethical code. For example, if a generic declaration is made on equality, it will be convenient to develop internal policies defining what equality means, in which field, which action plans are carried out with employees, customers and providers, what are the measurement indicators and, finally, which is the instrument used for verifying their compliance and establishing improvement plans.
– A new formula for managing dialogue with stakeholders, not so much based on giving and receiving information and suggestions, as on seeking means of collaborating for launching joint businesses. By way of illustration, this might involve studying the launch of products and services for groups at risk of exclusion (elderly, disabled people, immigrants) and to deliver them in collaboration with the associations which legally represent these groups. Working this way means establishing partnerships which may benefit all parties economically.
– And, above all, CSR 2.0 requires identifying new income sources with a positive impact on social development, new ways of reducing costs, as well as understanding the impact of responsible behaviour on margins and customer satisfaction.

The main challenge is therefore to shift from CSR communication to CSR management

Since this last aspect is maybe the most relevant of all the issues included in CSR 2.0, I will try to identify where the new income sources are, as well as the potential saving in costs and risk management, and the potential impacts on margin and customer satisfaction.

New income sources with a positive impact on society

Even though each sector of activity has to prepare its own list of initiatives, in Telefonica (and for the Telecoms sector), we consider there may be new growth drivers with a positive impact on society, within the following areas:
– Productivity is showing that where there are solutions and developments in ICTs, GDP increases. The surveys made by Piatkowski (2002) and Pohjola (2001) show that in the countries with the greatest growth in ICT (United States, Finland, Canada and United Kingdom), the growth of GDP was greater than 10 per cent. This information can mean that self-employment options based on ICT

can be a driver of productivity.
– Health: the e-health global market is estimated to have a potential value of 60 billion euros, of which a third would correspond to Europe. With these figures, e-health can be considered as the third biggest medical industry in Europe, after the pharmaceutical sector (205 billion euros) and medical equipment (64 billion euros). The business potential with a social impact is huge (Reding, 2008).
– Energy efficiency and climate change. The intensive use of ICT solutions in practices such as videoconferencing or telecommuting will provide in 2020 savings in energy which will amount to 0.8 per cent of the electrical usage in the European Union, which is equivalent to 0.6 per cent of reduction in CO2 emissions for the same year (European Commission, 2008a). ICT has the potential to reduce by 15 percent global CO2 emissions estimated for 2020. This energy efficiency could convert into economic savings which might amount to 600 billion euros .
– The elderly: The world in 2050 is expected to have 2 billion elderly people over 60 with a higher growth in developed countries (Telefónica, 2005). In Europe, in 2008 more than 16 percent of the European population was over 65, and more than 59 per cent of these people had some type of dependence (Aguareles, 2008). It is estimated that for 2020, this percentage reaches 25 per cent of the population in the EU and that the market for providing services to this population group can amount to 3,000 billion euros (European Union, June 2008).
– Education: the possibilities of development of business models for education and, thus, the social impact that this entails, is clear. Just bear in mind four pieces of data:
Broadband penetration. In Nordic countries, 90 per cent of educational centres have a broadband connection to Internet. In contrast, Greece, Poland, Cyprus and Lithuania have the lowest penetration in the EU25 (less than half 70 per cent of the average in the EU25) (Busca Martín-Sanz, 2008).
Number of computers per every 100 students.
The mean in the EU is 1 computer every 9 students. Whereas in leading countries such as Denmark, Netherlands, United Kingdom and Luxembourg, 1 computer is shared per every 5 students; the availability of computers reduces to half in the EU, in countries such as Latvia, Lithuania, Poland, Portugal and Greece, where a computer is shared by 17 students (Martín-Sanz, 2008).
Use of ICT by teachers in class in the last 12 months. 74 per cent of 4,475,000 European teachers report having used ICT in class in the last year. However, there are huge variations among countries: In Latvia and Greece, the proportion is about 35 per cent of teachers, whereas the United Kingdom has 96 per cent and Denmark 95 per cent. 24 per cent of teachers state that their subject is not suitable for the use of ICT (Busca Martín-Sanz, 2008).
Between 2009 and 2010 an investment of 69,000 million euros will be carried out in digital libraries in the EU (European Union, November 2008).
– Disabilities: there are nearly 650 million people with some type of disability in the world, including their families, about 2 billion people – nearly a third of the global population – somehow have a link with disability (UNESCO, May 2008). In Spain alone, around 3.8 million people suffer some type of disability . In that regard, in Europe, only 3 per cent of public sector websites meet the accessibility standards (European Commission 2008b). This data opens new doors to the market niche which has not been developed until today.

Can we identify the work streams that help to understand what lies beneath CSR 2.0?

15 The Climate Group, SMART 2020 Report.
16 Source: National Statistics Institute (2008

Potential impact on costs and risk minimization

Cutting costs and deploying CSR approaches might seem at odds. However, it is not always so. To begin with, all the energy and energy efficiency saving measures are not only economic, but also in line with a responsibility policy. Among others, the following measures could be included: purchasing efficient equipment, efficient use of equipment (power off and on, stand by rationalisation), turning off power in buildings at a certain time, suitable temperature and air conditioning in offices and rooms, reduced printing on both sides, not using colour, substituting paper mail with e-mail, rational use of water, etc. Although these measures seem to be irrelevant, the truth is that they can help to reduce costs by up to 10 per cent.

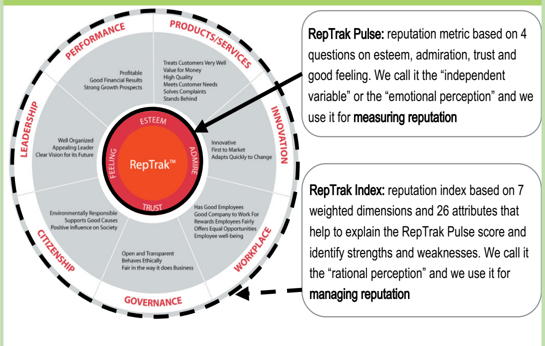
Another relevant area is risk management. In this regard, it's not unusual that companies have a defined risk map, in which they generally include business (environment, markets, regulatory matters, competition,..), financial (exchange rate, interest rate, liquidity...), credit-related risks, operational risks (with customers, suppliers, systems, income assurance, human resources, fraud...), etc. What is really new is the incorporation into the company's map of global risks including reputation and CSR risks, together with issues which are as demanding as integrity risks relating to financial information.

In the telecommunications sector, for example, Telefonica has identified the following projects for managing global risks: protection of minors and responsible use of ICT, data privacy policy, environmental management systems, climate change, energy efficiency, digital inclusion of underprivileged groups, diversity, responsibility in the supply chain, human rights, dialogue with stakeholders and international social dialogue, social and environmental reporting.

Potential impact on customer satisfaction

Firstly, I will make this statement: customer satisfaction is affected not only by the quality of the offer of the product and the service (in this variable I include elements such as quality-price relationship, after-sales service or complaint and claims management), but also by other series of variables which sometimes are beyond the commercial relationship itself.

Chart 3. Telefonica's bespoke RepTrak™ Model



What are those other variables? I want to emphasise the answer here –there is no black box or magical potion. What we have to do is to understand and manage not only the product-service offer, but the other 6 big variables relating to what is called corporate reputation. The model which measures them is called Rep Track and includes 7 dimensions and 26 attributes (see chart 3).

Even if it sounds like a highly-structured approach, this model is representative of reality. After almost 2 million interviews with citizens of Spain, Argentina, Chile, Peru, Mexico, Brazil, Germany, England, Norway, Finland, Sweden, United States and South Africa, the model can be confirmed to be scientific. Today we can say that the pieces shaping a company's reputation in the consumer's imagination are an accumulation of perceptions across these 7 variables: the product and service offer, the company being a good place to work, its integrity, its capacity for innovation, its social commitment, its financial results, the team's spirit and the executive team's perspective. Based on this large number of interviews, we can affirm a few things more:

– That the product-offer dimension determines more than a third of the reputation of a company in the imagination of the consumers and that this third is turned into what Anglosaxons call a 'must have', that is to say, into a necessary condition to have a good reputation.

69,000 million euros will be invested in digital libraries in the EU between 2009 and 2010

The innovation is to include in the company's risk map a chapter of global risks that includes both the reputational risks and CSR

– That the offer of products, although being necessary as a reputation builder, is not sufficient on its own: around 65-70 percent of the company's reputation, and each company is different, derives from the other 6 dimensions identified by the Rep Track. And these 6 other dimensions are concrete, not hypothetical, and can be and must be managed in detail.
– That reputation (in which responsible behaviour is included) also has a direct impact on some of the commonly accepted financial metrics. Telefonica, for example, carried out an internal study in 2008 to establish the correlation between the client's perception (client satisfaction, client loyalty, brand health and company reputation) and five financial key performance indicators: ARPU (average incomes by client) , Churn (customer turnover by cancellation), Margin (benefits per client), Net earnings (line subscriptions) and SAC (Customer acquisition cost). In this study it was shown that at group level, during 2006 and 2007, the behaviour of these financial indicators explains 11 percent of the variations produced in our reputation; that is to say, the variations that are produced in the client's perceived reputation impact Telefonica's financial results. Concretely, the reputation of Telefonica positively influences the financial metrics by 7 percent (increasing our customer's perception of our reputation improves our financial indicators). On the contrary, improved competitor reputation negatively impacts our indicators by 4 percent (if the reputation perception of competitors improves with our clients, our financial indicators worsen). Moreover, it was shown that in Latin America the impact of reputation and CSR is, on average, five times greater than the impact in Spain, which corresponds with the fact of being a multinational company.

Finding a responsible cause-and-effect relationship and tally of results is something akin to the search for the Holy Grail. For Sandra Waddock and Samuel Graves , in a provisional study around 10 years among financial companies with good results and, especially, being present on socially responsible investment indices, came to show that, the more responsible the company, the more the benefits. Michael Porter and Mark R. Kramer (2006) have gone even a step farther, mapping out the social impacts on the value chain of the business.

Some conclusions

The times we live in are not easy. That's why I believe it is necessary to link, more than ever, CSR to financial statements. The questions are clear: To what degree can CSR generate more incomes? And reduce expenses or minimize risks? And have an impact on margins and customer satisfaction? And improve the labour climate? However, the answers are not always evident.
To tackle this new time period, what we have called CSR 2.0, we have to make an effort. To begin with, the language has to be changed, to give up 'do-goodism', and forget the thing about 'giving back to society'. To continue, social projects must be invested in, in the same way R&D is invested in, looking for new engines of economic growth.
Understood this way, CSR 2.0 has two clear characteristics. Firstly, study all the elements of CSR 1.0. That doesn't mean giving up what has been done (reports, socially responsible investment indices, ethical standards, presence in multilateral institutions…), and then, with no less effort: a) on the basis of that work and b) making sure the target is set at zero, because the risks are well managed, drive the real motors of economic growth based on the big issues in the public agenda.
In this way, and if I might make a comparison with football, I believe that the

17 The authors are expanding their sample base for a future article.

new roadmap for large global companies can have two speeds:

– At the global level, it is key that multinationals be firm in their defence strategy. The objective of this strategy is to ensure no goals are scored against, assuring that some integral conduct is carried out in the whole theatre of operations. As a last resort, this defense strategy is oriented towards cost reduction, achieving economies of scale in global projects as well as minimizing negative impacts on the value chain (risks).

– CSR 2.0, or the attack strategy, starts from a premise: about the economies of scale of growth projects, each country, niche to niche, sector to sector, identify new business opportunities based on new matters in the public agenda. For example, in the telecommunications sector, we have identified these things as key: Productivity, Education, Energy efficiency, Health solutions and Products directed at the elderly and to people with disabilities.

In reality, it is hard to determine where CSR 2.0 begins and where CSR 1.0 ends. What indeed can be said is that a new 'momentum' for CSR has already begun. Whoever continues to operate on the old way of thinking is already out of the market.

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