



FROM THE MARGINS TO THE MAINSTREAM: CSR AND EMPLOYEE ENGAGEMENT

This text is based on a series of speeches given by Amanda Bowman, Director ENGAGE during the inaugural ENGAGE Week in Australia, April 2004.

Introduction

I am delighted to be here today to participate in Australia's first ENGAGE Week and to contribute to the series of Corporate Shares, Community Profits conferences. This is my first visit to Australia but your warm welcome and track record in volunteering augers well for a great trip – for me and I hope for all of you. I bring with me the good wishes and support of my organisation the Prince of Wales International Business Leaders Forum (IBLF) and hope that we can support you in your efforts to promote corporate community involvement and employee engagement. Before I do anything else, I want to tell you a little about the IBLF and the ENGAGE campaign.

The IBLF was established in 1990 before the term globalisation was even known, to promote responsible business practices that benefit business and society and contribute to sustainable development. With a membership of over 80 companies from around the world we are a unique organisation. About one-third of our membership comes from the USA, one third from the UK and continental Europe and one third from the rest of the world. To complement our business members, we work with a wide range of partners from around the world.

The IBLF works primarily at strategic levels and in developing/transitional countries. Our work at with business leaders, often creating a safe space for companies and partners to exchange knowledge and views on key and emerging issues, has resulted in the development of multilateral partnerships on issues such as health, human rights, youth enterprise and healthy eating and active living. ENGAGE is yet another example of this way of working.

Established in 2003, in partnership with the UK organisation, Business in the Community (BITC), ENGAGE is a global business led initiative that aims to increase the quality and extent of employee engagement in the development of healthy and sustainable communities. ENGAGE is supported by a network of companies and partners involving public sector, non-profit organisations and business intermediaries. The ENGAGE campaign is helping to build business competitiveness whilst also meeting community needs through the time, talents, energies and resources of employees.

It achieves this by:

- Raising awareness of the benefits of employee engagement in communities to business and society.
- Inspiring companies and working with them in selected countries to increase the quality and extent of their employee engagement.

- Helping business and civil society work together to maximise the effectiveness of employee engagement.

We hope that as a result of ENGAGE:

- 1 million additional days of employee time will be deployed in communities around the world.
- There will be a balance of global approaches and learnings and importantly local application and impact in parts of the world where it can have the most impact.
- Business and civil society will be working more effectively together to deploy employees in the community.
- Employee engagement in communities will become a natural part of mainstream business practice.

ENGAGE and Volunteering Australia

Since it became a Member of the International Partners Group, Volunteering Australia has played an active part in supporting ENGAGE by:

Conducting a Pilot Employee Team Challenge programme

Publishing two Corporate Shares Community Profits booklets

Acting as strategic consultant to companies for developing the business case for ENGAGE.

- Organizing these ENGAGE Week Seminars

CSR Today

I will return to ENGAGE later, but now want to share with you some thoughts on how employee engagement fits within the overall context of corporate responsibility; how companies are dealing with CSR and some trends and projections for the future.

I'd like to begin with a quote by Allan Hammond of the World Resources Institute which captures the potential of business to play a significant role in creating sustainable development : *"I don't know of any developing country government that can deliver services in a million places at once everyday. Coke does that. If we want to solve some of these social problems, one of the best ways we could do it is to hire the right global companies."* And contrast that with a piece I read recently in the British Financial Times about British Telecom and the enormous number of surveys, queries and questionnaires the company receives on its CSR programmes and activities. They claim to receive 200 questionnaires a year and it costs them £25,000 to respond to them. Irrespective of what else that money could be spent on, it demonstrates just one aspect of the public pressures on businesses, particularly big businesses, to take on new social roles and responsibilities. It also typifies a new era of enhanced scrutiny of business operations and rising public expectations of the corporate sector.

Relationship Building

As business managers, you will be only too aware of the importance of relationship management. Corporate managers spend a significant portion of their time managing relationships with investors, partners, customers, other corporations, governments and employees both current and prospective. These relationships are a source of competitive advantage for companies and central to all business operations.

Now, more than ever, companies and business leaders are recognising the financial value of this relationship-building exercise. Stakeholder relationships are the key to a good reputation and they cannot be overlooked, particularly since a company's reputation is often its most valuable asset. Take the example of Coca Cola: 96% of Coca Cola's value is intangibles –e.g. its reputation, knowledge and brand. For Kellogg's these intangibles are estimated at 97% of its value and for American Express 84% (*Interbrand 2000*). In fact, Coca Cola's reputational capital, which is "the amount by which the company's market value exceeds the liquidation value of its assets" (*Fombrun*), amounted to about \$52 billion in March 1993, placing Coke among the world's most valuable corporate brands at the time.

Stakeholders are not only your shareholders but also employees, customers, members of the government and communities where you operate, media and civil society representatives, and business partners, suppliers, competitors, trade associations and unions. Your company's reputation and financial success rests on your relationship with all these stakeholders. The way that you do business with these stakeholders – your responsible business practice - is the basis of a good business-stakeholder relationship, the means whereby you manage and address the needs and expectations of all your stakeholders.

Global Expectations of Business

Over the last decade stakeholder expectations of business have increased exponentially. The Global CSR Monitor Survey conducted by Global Scan in 2001 polled people in 20 countries on what they felt was the MOST important factor in forming an impression of a company. 21% said that a company's 'responsibility to broader society' was the most important factor. This ranked second only to 'brand quality/reputation' with 35% of the votes.

These rising public expectations of business can be traced to the recent socio-economic and political changes ushered in by the age of globalisation.

As markets have opened up and technologies - particularly communication and transport technologies - have advanced, the global reach, influence and wealth of business have grown, creating a new public awareness and pressure for greater business responsibility. Political liberalization which is often a driver for market liberalization and privatisation, has also prompted the creation of a more politically aware, organized and vocal civil society, which holds the view that with the increase in wealth, opportunities and influence, business should also take on greater public responsibility.

For many in society, everything that happens is communicated instantly. On a personal level, how many of us recall watching on our TVs the horror of the Twin Towers collapsing, the astonishing sight of the Iraqis pulling down the statue of Sadaam Hussein, the frightening pictures of the SARS epidemic and so on. Everything we do is potentially in the spotlight. Equally, within a work context, the technology advances mean that our business activities can leap us potentially immediately into the spotlight.

Today, businesses are being asked to play a vital role in addressing complex issues of poverty alleviation, environmental concerns, human and labour rights, the rights of indigenous people and even corruption. The conversations around boardroom tables are likely to be very different today from those even five years ago. Business is being solicited by international agencies, civil society and governments to play a role in a whole plethora of initiatives - from the Global Compact to the World Summit for Sustainable Development and the Millennium

Development Goals charted by the UN.

However these calls for a greater corporate role in public welfare are not inspired by public trust in the private sector. Quite the contrary; public trust in business has been falling consistently, fuelled by corporate scandals and the media portrayal of big businesses. Never before has trust in business been so low. The World Economic Forum Global Public Opinion Survey (2003) reported that 34,000 people across 46 countries assessed business to be the least trusted institution when it came to operating in the best interest of society. A similar Business Week Survey in the USA (2000) indicated that only 14% of Americans felt that what was good for business was also good for most Americans.

The issue of declining public trust in business is one of the greatest challenges facing the corporate sector today. It matters to you as the leaders inside your business and has a direct effect on employees too. And no one but you, the business sector, has the power to turn it around. With so much at stake, it is hard to ignore the cost of getting it wrong.

Getting it Wrong

The costs of mismanaging stakeholder relationships are vividly clear. Companies that base their business decisions on profit margins alone and ignore their impact on stakeholders can pay a heavy price in both the court of public opinion and the stock markets.

Corporate scandals over the last decade have highlighted the business cost of failing to understand and integrate socially responsible values and practices in business dealings with stakeholders. Let's take the example of the controversy over Nike's labour practices in Asia that led to protracted consumer boycotts, negative publicity and increased regulation for the firm and the industry at large. The Nike experience was a catalyst for bringing supply chain issues into the spotlight, changing business behaviour and drove home the point that consumers expectations of business are not geographically restricted to just *their* neighbourhood or town, but were based on universal principles.

Similarly, the Brent Spar incident and its subsequent fallout for Shell was a milestone in bringing the issue of environmental responsibility into the business mainstream, and highlighted the importance of civil society organisations as important stakeholders with a significant impact on business decisions.

The more recent examples of ENRON and WorldCom have emphasized that the ethical dimensions of CSR are an integral part of stakeholder expectations, and that ignoring these can lead to severe consequences for companies and business leaders.

Getting it right

A poll of 25,000 citizens across 23 countries on six continents showed that public perceptions of companies around the world are shaped more by corporate citizenship (56%) than either product quality (40%) or business fundamentals (34%). (Millennium Poll on CSR by Environics - 2000). Thus, for your customers, your company's approach to CSR could well be more important than the quality of your product.

The potential benefits of CSR can be demonstrated not just in terms of stock value, but also in the context of human capital. The issue of recruiting and retaining the right people is high on the agenda of most businesses. A recent Global Survey of Business Executives by

McKinsey (2004) indicated that the war for talent was the second highest priority of SMEs and the third highest of large companies (following concerns about the economic climate and the sustainability of consumer spending). Freshfields Bruckhaus Deringer, the international law firm, provides a good example of how community involvement and employee engagement (EE) can help corporate recruitment efforts. When tracking hits to its website the company found that the section on their community involvement was the most visited on the site. And when managers surveyed the new graduate intake on why they picked Freshfields, it emerged that one of the key reasons was their approach to CSR. In this recruitment war, a good corporate image and better stakeholder relationships go a long way. Especially since most companies (97% according to a 1998 McKinsey survey) don't have the talent they need to reach their objectives in five years.

Lack of talent cannot be fixed by better salary packages alone. According to a 2001 survey by the Cherenson Group (a New Jersey based PR firm), 78% of people polled (survey was based on 800 respondent aged 18 and over) said that they would rather work for an ethical and reputable company than receive a higher salary. And a 1997 study of 2,100 MBA students conducted by Net Impact found that more than 50% said they would accept a lower salary to work for a socially responsible company.

So, employee recruitment and retention not only helps the company achieve its objectives but also build its client base. Bain & Co (*Bain & Co CEO F. Reichheld's book "Loyalty Rules! How Leaders Build Lasting Relationships" Harvard Business School Press 2001*) has found that companies that have the highest employee retention also have the greatest customer retention.

How do Companies Respond?

These experiences of increased stakeholder expectations have been eye opening for many in the corporate sector. Today, more than ever, companies are aware that they are part of society and not isolated from their social environment.

To generate public support and the benefits it brings, companies are employing a wide range of CSR and community involvement strategies: from corporate donations to cause related marketing campaigns, from employee engagement initiatives to employee matched giving programmes, from corporate sponsorships to diversity and wellness strategies to care for employees. Alongside these community approaches, companies are increasingly making efforts to address the often-controversial issues of corporate accountability, transparency and credibility.

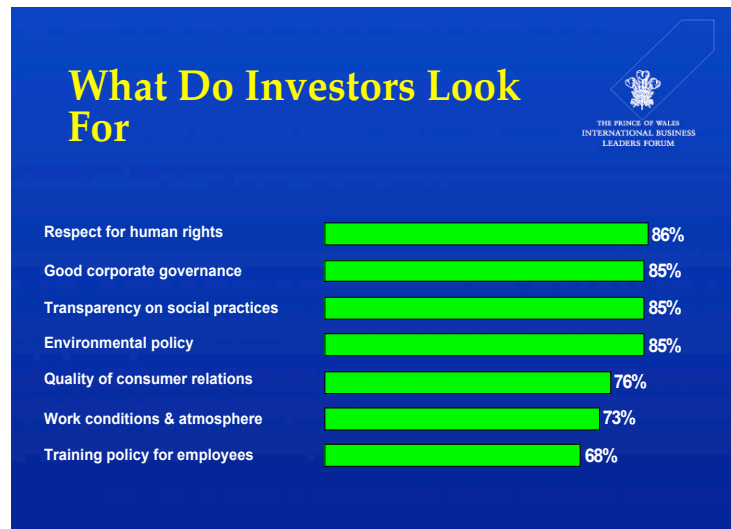
Companies have become involved with campaigns such as "Publish what you Pay", (initiated by Global Witness), which highlights the transparency with which companies declare their payments to host governments and the manner in which governments then use this revenue. "The Extractive Industry Transparency Initiative" has resulted in agreements between several major extractive sector companies and developing country governments to increase transparency on what they pay in taxes and receive in incentives. Initiatives such as these respond to the attention that SRI Funds and campaigning groups are beginning to pay to what companies pay in taxes and receive in subsidies and incentives or the interest that media and the public have regarding executive compensation and the gap between executive packages and average worker pay.

CSR Trends

During the last decade, CSR has moved from the margins of the corporate agenda towards the mainstream. For most leading companies, it has advanced well beyond legal compliance and philanthropy to address core business issues such as risk management, innovation and value creation. While the CSR journey is different for each company, there are some broad CSR trends that have emerged over the last few years. These include:

- **Greater CSR integration into the mainstream business operations of companies.** Leading companies do have CSR teams but the role of these teams has evolved from a program management function to include that of consultant, facilitator or advisor of CSR activities for other departments, many of who are beginning to integrate corporate responsibility thinking and its application into their day-to-day business. While initially CSR was seen as an external activity, often arms-length philanthropy, today most companies realise that writing a cheque to an environmental charity alone does not make them environmentally conscious. They now will be integrating sound environmental practice into all their business operations, their production lines, their supply chains, the life cycle of products and even the paper trays in their printers and photocopiers. And simply by moving from a notion of philanthropy – which costs the company money; to a model of enlightened self-interest where community ‘investment’ reaps a pay back; is a huge leap that many have taken. In Australia, nearly 75% of large companies surveyed by the Centre for Corporate Public Affairs and the Business Council of Australia (2000) considered their CSR programme to be a strategic business activity.
- **A significant shift in favour of sustained partnerships rather than one off transactional relationships between business, civil society and government.** Long-term, sustained partnerships are not only interactive and mutually beneficial, but also have a greater chance of addressing complex social issues and are less likely to create dependent, unequal relationships between partners. (The IBLF has developed a Post Graduate Certificate in Cross Sector Partnerships with the Cambridge Programme for Industry, which will soon to be offered here in Australia by the Deakin University).
- **Increasingly standardized and systematic use of tools for measuring, evaluating and reporting partnerships, processes and programmes.** The drive for this is coming from senior managers wanting to make sure they are deriving the best value from their programmes (for the company and society), and also from investors, governments, multi-lateral agencies and NGOs, supporters and sceptics alike.
- **The growing influence of SRI funds particularly in Europe and America on CSR related activities.** A 2001 CSR Europe/Avanzi study found that social and ethical funds had grown by more than 58% in only 18 months between January 2000 and June 2001. In the USA socially responsible investment accounted for nearly 13 percent of the \$16.3 trillion in investment assets under professional management. The growing number of SRI Funds has created a significant demand and incentive for greater CSR reporting. And the expansion of CSR codes and indexes in the last few years bears witness to the corporate sector’s commitment to pursuing a more formalised, structured and organised approach to developing and implementing their CSR programs. In the previous section we looked at the general public’s expectations of business now lets examine the investor’s perspective.

This Graph is based on the “European survey on SRI and the Financial Community 2001”, and represents the views of 302 financial analysts and fund managers polled by Taylor Nelson Soffres. The figures show that they take into account a number of social and environmental corporate policies when recommending investments. This is no different in Australia, where 74% of people polled said they would consider moving between 10-100% of their investments to an SRI fund (KPMG Resnik Report 2000).



- **CSR reporting is on the increase.** Which is one reason why companies are employing a number of means to measure and report their community involvement programmes. According to a “Corporate Community Involvement Survey” conducted in Australia, in 2000, (by the Centre for Corporate Public Affairs and the Business Council of Australia), 95% of companies polled were already reporting their CSR programmes to employees, 85% to shareholders and 71% to other external stakeholders. Another Australian study (Birch and Batten 2001) showed that 54% of Australian companies publicised their CSR activities. While CSR reporting may be on the increase, glossy reports that contain little performance information are seen to be of questionable value by stakeholders. There is increasingly a real split between business-led approaches and the demands of NGOs and public policy makers. A recently published Christian Aid Report, “Behind the Mask; The Real Face of CSR” calls for increased regulation of business and a shift from CSR to corporate social accountability described as “a transparent and rigorous system of evaluating, monitoring and verifying company performance against an agreed set of international standards with a clear set of penalties when standards are breached.” And so I would predict that the ‘voluntary versus regulatory’ debate will continue for some time.
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- **Increase in sources of advice and dialogue for companies.** Companies are working with a wide range of CSR consultants, public sector organisations and non-profits to ensure that their actions are based on the most appropriate advice and support available.
- **The range of issues that require a ‘corporate responsibility approach continues to grow, e.g. offshoring.** One recent example of this is offshoring, which raises new questions in terms of CSR. Perceptions of offshoring in the business sector change depending on where the business is based. While firms in China and India welcome the move, businesses in industrialised countries are conflicted recognising it as a largely positive move from the perspective of the global economy but unsure of the benefits for local businesses. This has become a politically charged issue in the USA, with only 59% of firms viewing it as a positive trend for their business.

There are rising concerns about displaced jobs and the manner in which companies respond to the concerns of displaced workers. Companies are pacing their exits from locations and communities carefully, keeping in mind their impact on the communities and workers they leave behind. For example, when my old company Diageo closed down a bottling plant in Scotland, it made a concerted effort to invest in job training and local community development. This effort was welcomed and praised by community leaders and government representatives and helped protect the company's legacy in the community.

- **CSR for an Employee Audience.** It is also becoming increasingly clear that a companies' employees - current, prospective and even retirees - are a primary audience for CSR programmes. Global opinion surveys indicate that employees are more likely to be more loyal to their companies if they perceive them to be socially responsible. Nearly 50% of employees surveyed in the UK said that an active CSR programme would increase motivation and likelihood of staying with the company by 45% and 44%, respectively ("Good Companies Better Employees "The Corporate Citizenship Company). And as a result, companies are increasingly using employee engagement as a strategic tool.

Employee Engagement as a Strategic Tool

Companies are recognising the business benefits of sharing CSR practices with employees by including them not only as a primary audience but also as key players in the structuring and implementation of CSR goals. Most often this is done through proactive employee engagement which is becoming an integral part of many CSR programmes worldwide. According to a survey of employee engagement in the USA, 81% of companies polled considered it to be a core business function (Point of Light 2000). In Australia the statistics are similar.

A 2001 survey conducted by the State Chamber of Commerce (CSR Indicator Survey) reported that 75% of companies were involved (slightly or very actively) in employee engagement. An increasing emphasis on employee engagement is evident by the growing number of employee engagement programmes featured on CSR websites. Corporate volunteering is an important form of social investment, which allows businesses to leverage human capital for public benefit.

Companies have moved beyond making donations to local communities to identifying ways that their employees can make a difference, leveraging the talents and energies of staff to make more of the company finances, and increasingly reporting such activities on their websites and in annual reports. Recognizing the potential benefits of employee engagement, a number of companies have begun to measure and report their employee engagement programmes. Some like Reuters, have initiated coordinated global employee engagement campaigns. May 4, 2004 marks the beginning of Reuters' global employee engagement week that will feature a range of volunteering opportunities designed to utilise the knowledge, skills and talents of their employees for public benefit. In Australia there are a number of companies that conduct employee engagement activities locally as part of their global employee engagement campaigns. Among national companies Lend Lease Corporation has instituted a Community Day for which it reports 70% employee involvement and Volunteering Australia's recent work has helped other Australian companies to do the same. Companies have a range of motivations for this type of activity; to build teams, morale and motivation;

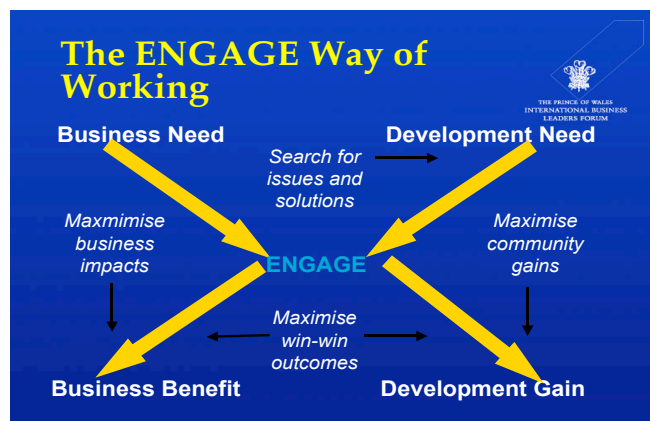
making values come alive; and increasingly to add value to staff development and training.

Employee engagement can also lead to innovation and competitive advantage. One example is Vodafone's commitment to using its resources - financial and human - for the benefit of people with special needs. This commitment has led to their exploration of new technologies for the visually impaired, and in 2003 Vodafone UK launched a speaking mobile phone in collaboration with Royal National Institute for the Blind. The company has also partnered with the UK Council for Deafness and Motability - the largest supplier of motor vehicles for the disabled in the UK - to further explore the development of new products and services. These activities have brought many business benefits for Vodafone including an enhanced corporate image, a growing business portfolio and the training and skill development of employees involved.

Another example is India Hindustan Lever, a member of the Unilever Group and a world leader in food brands. They established in the 1970s an "Integrated Rural Development Program" to assist farmers in improving milk supplies. This was as a direct response to their challenge of operating at 50% capacity and incurring significant losses due to interrupted milk supplies. Through the programme, they educated and trained local farmers and milk suppliers in animal husbandry, developed basic infrastructure, established village development committees and initiated local health care programmes. The programme has provided valuable training opportunities to young managers who have been given the opportunity to work with the local community organizations and to develop business relationships, skills and knowledge. By investing in its core business needs, the company has not only become more profitable and efficient but also provided valuable support to the local communities where it operates and contributed to the development of the skills and resources of its workforce. Living conditions in the local communities have improved significantly, the project has grown from 6 to over 400 villages, and company milk supplies have increased significantly, meeting capacity objectives.

The ENGAGE Way of Working

This transfer of core competencies is one of the core parts of the ENGAGE model of working. This slide gives a graphic demonstration:



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What do Employees do?

There is a whole range of opportunities for employees to get involved in their communities from short-term development projects to long-term secondments. Opportunities exist for all levels of employees; from senior staff working on the boards of non-profits to, daylong team building opportunities. Some options include:

- **Community Fellowships/project development assignments:** Short term placements in community organizations where the projects to be undertaken are

clearly defined and usually time specific

- **Secondments:** The employee (or retiree) works full time as a member of the staff team of the NGO with salary and expenses covered by the company. This model is often used at a time of significant career change e.g. in case of early retirement or mid-career management development.
- **Team Development Assignments:** projects created by the company in close collaboration with a NGO specifically and openly designed to meet the company's own team building goals.
- **One to one support mentoring:** The company employees take on an agreed coaching or support role for one or more individuals who would benefit from such a relationship. Those mentored can be either staff in organizations or their project beneficiaries.
- **Non-executive roles:** There are a number of non-executive roles that employees can take on in a voluntary capacity: including membership of a NGO management committee; acting as a formal trustee or governor, the honorary roles of committee chair or treasurer.
- **Individual Volunteering:** The Company supports the efforts of an individual employee with formal or informal acknowledgements, matched funding or time off in lieu. Employees choose a project that has a particular personal resonance.
- **Done in a Day Projects:** local activities/events that are designed to involve all or part of the company workforce. Often used for teambuilding, breaking down barriers, boosting morale and increasing motivation. These work best when used to kick start long term projects or as a global service day to involve employees from different company locations and divisions.

The Business Case for Employee Engagement

ENGAGE has been launched in an atmosphere of enormous change in the world. Today companies are not only engaging employees in the implementation of their CSR programmes, but also in the planning of CSR activities and priorities. Companies like BP and Shell are reporting new schemes for gauging employee opinions on community issues and prioritising their staff's social expectations.

Thus, it is fair to say that employee engagement has led to a democratisation of CSR - taking it beyond the boardroom to encapsulate the values and principles of all workers. In a Smith Family Corporate Community Involvement Survey (2001) 81% of large Australian companies polled reported that they measured CCI activities through employee feedback (surveys etc). 73% of Australian companies polled in another survey, (CCPA and BCA Corporate Community Involvement; Establishing a Business Case 2000) reported that they used employee attitudinal surveys to measure the success of CSR programmes.

Employee engagement not only reaps benefits for the community but also employers and employees. Let's take the example of Cisco's programme, which aims to bridge the digital divide by partnering with businesses, governments and civil society through their "Networking Academies". This program operates in 57 countries and trains thousands of students annually. The Academy not only makes a valuable contribution to human resource development around the world, but also harnesses the skills and knowledge of Cisco employees to build future generations with the computer networking and IT skills, which are critical to Cisco's business. Drawing upon its core competencies and specialized and trained employees, in its CSR programme Cisco not only adds to employees' skills and experience but also positions itself as an industry leader with a competitive advantage in the war for

recruitment.

We can break down the benefits of Employee engagement for employees, employers and the community at large.

Business Benefits

According to a study by the communications consultancy Fleishman-Hillard, 87% of European employees feel greater loyalty to socially engaged employers. These results are corroborated by businesses own evaluation of their employee engagement programs. A recent study of the British Gas National Sales' Centre's employee engagement programme in the South Wales found that employee volunteering resulted in increased job satisfaction, higher employee retention rates, lower absenteeism, improved media coverage and customer satisfaction ratings and an increase in the number of employees who spoke highly of the company from 49% to 57%. Westpac Australia reported a 10% increase in its employee-commitment index because of its EE programme. Australian law firm Freehill Hollingdale and Page found that employees volunteering for pro-bono work "improved the culture within the firm; (their) ability to attract and maintain staff; (built) stronger client loyalty and improved (their) profile in the legal and commercial community."

Employee Benefits

If the programme benefits employees, it benefits the business too. A survey conducted by TimeBank showed that 94% of the top 200 business leaders in the UK believe that employee engagement adds considerably to the skills of their staff

A survey of 722 employee volunteers at NatWest, part of the Royal Bank of Scotland, showed that 80% of the respondents reported a gain in skills as a result of their volunteering experience. At General Mills (US) 36% of the 515 employee volunteers polled said they gained new work-related skills while 65% reported an increase in non-work related skills.

Employee volunteers at the law firm Freehills report that their pro bono work not only gave them tremendous personal satisfaction but also helped develop their professional, administrative and personal skills.

Skill development can have a direct impact on the professional lives of employees. Take the example of BG employee volunteers in South Wales – 28% of the employees engaged in their volunteering programme were promoted.

And employee engagement can also be a valuable teambuilding and networking opportunity for staff. Each year Freshfields invites a group of employees from across Europe to take part in a Habitat for Humanity house-build. Participants talked of breaking down barriers/hierarchy, building networks and client relationships. Numerous other companies engaged in corporate volunteerism collected similar testimonials.

Community Benefits

The benefits of employee engagement for local communities can also be immense. Especially since the revenues of some companies are valued higher than the GDP of entire countries.

In fact, not only are companies becoming wealthier than some nation-states but also have more power and influence. These influence and resources can be harnessed for the benefit of

economic development, particularly in the poorest parts of the world where the state is unable to provide basic services. Lawyers may do pro-bono work, IT firms may offer technical support, or employee volunteers may build homes for the homeless, read to children, care for the elderly or restore a local community centre. Each of these employee engagement exercises plays a vital role in leveraging the human resources of business for the benefit of society at large. And the organisations that employees get involved with increasingly value the energy and different perspective that employees bring; the access to resources that they would not normally receive; the opportunity to utilise the wide range of skills that business people have and of course, pragmatically, the opportunity to get vital projects completed.

Employee Engagement; Evolution not Revolution

Some of you may be aware of the 3-Wave Model for community involvement. It fits too for employee engagement. Each company operates differently and will have a different set of motivations, organisational style and approach. But this model typifies how businesses move through the development of employee engagement – the greatest value to all parties being

	Wave 1	Wave 2	Wave 3
Motivation	Philanthropy	Enlightened Self Interest	Partnership
Organization	Hands off Administrator	Managed Closely Systems and Drills in Place	Strong Leadership; Professionalised; Management by Teams Responsible for Programmes
Approach	Input Focussed Mostly Cash, Mostly One-offs; Reactive	Output Focussed Branded Programmes Focus on Issues Range of help Responsive Measure for Business and Community Benefits	Impact Focussed Business Focussed Capacity Building Initiating Consultative Core Competencies Strategic Alliances

seen in Wave 3:

Although today most companies will be able to identify activity within all three Waves, experience shows that companies begin with a largely philanthropic motive for community involvement and employee volunteering. As they become more confident, they start to put in systems and processes, and to understand the benefits that could accrue from partnerships. As the company's partnerships endure, it begins to formalise procedures and policies, setting up structures and teams to monitor and manage approaches. The Points of Light Foundation's study on employee engagement in the US ("The Corporate Volunteer Program as a Strategic Resource" 2000) showed that 81% of companies surveyed supported employee engagement as a core business function. However, when it comes to formalising this commitment, some companies have not been very progressive.

A survey by the Council of Small Business Organizations (2000) in Australia indicated that 61% of companies were reported to have policies that support employee engagement but only 31% had formal employee engagement programmes. The statistics for large companies were similar. Around 50% of companies have no vision or policy statements concerning community involvement or social responsibility. Approximately 60% are reactive in allocating

their support than pro-active. Almost 40% of companies acknowledge their measurement approaches are “not very accomplished” (Centre for Corporate Public Affairs and Business Council of Australia survey 2000).

Furthermore one out of three people surveyed said they outsourced some of their CSR management responsibilities because they felt they did not have the ‘comparative advantage’ in the field. While management of CSR may be outsourced, it seems CSR decision-making still is quite centralized. In Australia the Smith Family Survey (Corporate Community Involvement Survey 2001) also demonstrated a high degree of centralization in the CSR decision-making process. A staggering 85% of local businesses reported that the responsibility of making CSR decisions rested with their central office - only 5% of divisional headquarters had authority to take CSR decisions.

The Future of Employee Engagement

We have already begun to see evidence of a shift towards more enduring partnerships rather than one-off, transactive relationships for CSR in general and employee engagement in particular. This trend is also emerging in Australia; 20% of companies surveyed by CCPA and BCA reported that they ALWAYS prefer to deal with fewer rather than more partners. This specialization helps companies develop a more thoughtful and sustained approach to employee engagement and CSR, reduces the chances of dependency for NGO partners and results in the development of a long-term, reciprocal and mutually beneficial partnership. Such enduring partnerships and strategic alliances have a better chance of tackling some of the intractable social problems that corporations are expected to handle.

Focusing activity is also resulting in the development of formal policies and procedures, which are an important element in employee engagement programmes. Although most companies support employee engagement in principle, having formal policies and guidelines helps avoid confusion and resentment of employee absence. These policies give employee volunteers the support and structure they need to utilise all the time and resources they are eligible for in order to volunteer for social benefit.

One of the greatest challenges in developing an employee engagement programme is tailoring it to capitalize on the core competencies of the business. Companies like Microsoft are beginning to realise that with a highly trained and skilled workforce they can make valuable contributions to society by harnessing the skills and resources of their employees for social benefit. While some companies continue to conduct employee engagement programmes which do not always capitalise on their core competencies, others realize that the same skills and resources that gave them a competitive advantage in business can be used to implement a truly remarkable employee engagement programme. Most recently, Microsoft has partnered with Save the Children and Mercy Corps to co-ordinate community development and disaster response programs. Aside from financial support, Microsoft is also offering to develop software and provide training and technical support to these development organisations, which operate in some of the most remote and underdeveloped areas of the world. Among some of the products of this partnership are the application “KREDITS”, a system for tracking micro-enterprise loans, and the Food and Commodity Tracking Systems (FACTS), a web-based system that allows an agency to track any commodity from donor to end recipient.

Another emerging trend in employee engagement is the inclusion of retirees in corporate engagement programs. In many countries around the world companies have to consider the

impact of an aging workforce and identify means to retain senior employees. Employee engagement and community service programmes can be attractive for senior employees and encourage them to consider continuing employment after they had expected to retire. And retirement is no longer seen as the end of an employee's association with his/her company. Firms like Ford and GE that have a large retiree population are beginning to make a concerted effort to recruit them for their employee engagement activities. These retirees not only have valuable skills that can be employed for social benefit, but also more time at hand for engaging in CSR programmes. Furthermore, retired volunteers make excellent ambassadors for corporations as they represent the company's continued commitment to the community and its good relations with current and previous employees.

A number of companies are also opening their employee engagement programs to include customers. Take the example of Starbucks. In 2000, the coffee company launched its "Make your Mark" campaign to encourage Starbucks employees to volunteer in their communities. Today the company is also soliciting customer time for its volunteer programmes and reports that since its inception, employees and customers have volunteered nearly 150,000 hours in more than 900 projects. In the UK, YELL Group, the company which publishes the Yellow Pages, is also engaging consumers through promotional drives designed to encourage customers to recycle old books. In Singapore, The National Volunteer and Philanthropy Centre has a partnership with DBS Bank through which bank employees volunteer along with DBS bank cardholders. And in 2003, Dell USA collected almost 2 million pounds of computer waste from 7,500 customers through its 15 city "Dell Recycling tour".

Collective Action has always been a key IBLF approach. We encourage companies to work together to tackle social issues. These business coalitions are often led by national CSR membership organisations like BITC, BSR and PBSP. The Philippines Business for Social Progress for example is a business led social development foundation. Established in 1970 by 50 prominent business leaders the PBSP has grown to represent 160 member companies and 2,500 partner organizations. Its "Linking Worlds" programme brings together companies to work together on employee volunteering initiatives throughout the country. In the USA, Business Strengthening America has encouraged more than 500 companies both large and small to support employee engagement, and the City Cares initiative in the USA and UK takes a city-led approach to bring companies together on employee volunteering.

We are seeing a balance develop between employer led and employee-driven CSR activities. Initiatives like the GE Elfun society give employees the independence to select, structure and support the causes and programmes they choose for the employee engagement programmes. At KPMG in the UK, the company encourages and rewards employees for innovations that will help the firm become more socially responsible. They run competitions that are geared to selecting the best employee suggestion of an environmental or community development initiative that KPMG can deliver. A previous winning employee proposal led to the development of a collapsible case, which KPMG staff can carry with them to off site visits in order to collect any waste paper for recycling.

The impact of technology is also making a big difference in the development of employee engagement and CSR. The opportunities for using new technology to communicate and report socially responsible steps and practices are great. Technology also provides new ways for CSR managers to manage, track, measure and evaluate their CSR programmes in all kinds of ways and to offer a wider range of CSR and employee volunteering choices to employees. Volunteer Australia's Go Volunteer is just one example of this and ENGAGE Online features other examples from around the world.

I hope that my whizz through the trends in CSR and employee engagement has confirmed some of your expectations, inspired you to think about some new or different approaches and inevitably left you with questions. We're going to take a break now and after coffee; the panel would be delighted to take your questions.

Thank you