



Sustainable Enterprise QUARTERLY

Reinventing Today's Business for the Challenges of Tomorrow

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Strategic CSR

By Kellie McElhaney

Currently the global public's expectation that business will operate in society's best interests has rapidly increased to an all-time high, while the public's perception that business is operating in society's best interests has rapidly declined to an all-time low. Several key factors have caused corporate social responsibility (CSR) to explode and finally make its way into mainstream business thinking in recent years:

- The rise of technology giving citizens immediate access to transparent information and news
- The NGO sector's increasing sophistication in targeting corporate malfeasance
- Workers demanding that their employers contribute to bettering the world
- Pockets of consumer pressure
- Generation Y proving to be the most cause-focused generation in decades

While CSR is not meant to be presented as the panacea to all that ails the world or global business, it is increasingly being viewed as a viable component of overall business strategy, along with marketing, branding, research and development, innovation, talent management, and operations.

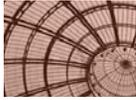
I view CSR from the lens of corporate strategy, and encourage firms to use CSR as part of their portfolio of overall business strategies designed to create both top - and bottom-line growth. My definition of strategic corporate social responsibility is: a business strategy that is integrated with core business objectives and core competencies to create business value and positive social/environmental value, and is embedded in day-to-day business culture and operations. To be effective, CSR must be aligned with two things:

- Core business objectives of the firm
- Core competencies of the firm

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Strategic CSR (continued from page 1)

If CSR is to be treated as a part of an effective corporate strategy, then its definition should in fact be unique to each firm based upon that company's specific objectives, risks, opportunities, and competencies.

Putting Strategic CSR into Practice

While there has been an explosion of CSR activity over the past five years, there are few good examples of smart, strategic CSR. As companies develop CSR strategy, there is a set of good practices on which they need to focus:

1. Senior leadership must make an authentic, firm, and public commitment to CSR. Often CSR will be born more organically among lower levels of employees. But, at some stage, senior executives have to be brought on board, commit, and engage. This clear vision of CSR needs to be embedded within and reflect the core values of the firm, and linked to the mission, vision and values of the organization. And this core vision needs to openly recognize not only that CSR is core to creating social or environmental value, but that it is core to creating business value as well. Firms must be unabashedly unapologetic about that. CSR should be treated, and managed, as a core business strategy just as are the strategies of marketing, research & development, capital expenditures, and talent management.

“Firms should seek social/ environmental strategies for which they own part of the solution.”

2. The firm should clearly define the specific business objectives it seeks with CSR strategy. Defining business objectives is not as easy as it may appear. Often five business managers from the same firm will give five different answers as to their business objectives and priorities. For example, a CEO might say the most pressing objective is increasing market share or increasing sales. The hu-



Kellie McElhaney is a professor and Executive Director of the Center for Responsible Business at UC-Berkeley's Haas School of Business. She teaches a two-day "Strategic CSR" seminar as an MBA elective at UNC Kenan-Flagler Business School each Fall.

man resource leader might say that recruiting and attracting the very best in talent or improving employee satisfaction are pressing goals. The corporate affairs leader will reply with an eye towards corporate reputation and trust. Marketing folks will respond with distinguishing a brand differentiator. CSR can be an effective strategy to meet each of these objectives, but one business strategy - CSR - cannot be all things to all corporate needs. These objectives must be prioritized.

3. CSR strategy must be aligned with the firm's core competencies. This requires focus and discipline. Typically, CSR is executed in a very ad hoc, non-integrated fashion. CSR initiatives emanate from all over the place, and if mapped, are often not at all linked to the firm's business expertise. Firms should instead seek social/environmental strategies for which they own part of the solution. The classic error is, for example, an automotive company that decides to champion the cause of cancer research. There's no doubt that this is a worthy cause with significant needs, but there is not a clear linkage between making and selling cars to cancer research. Automotive companies know cars, transportation engineering, and design, and perhaps alternatively-fuelled vehicles and the global environmental challenges around gasoline dependency are more fitting to the firm's core competencies and business objectives of selling more cars. They may well be in a better market position if they focus on more strategically aligned causes.

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Academic Editor Albert H. Segars, PhD
Senior Editor Katie Kross
Contributing Editor Ruth Tolman

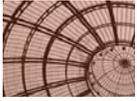
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Mailing address: Center for Sustainable Enterprise, CB 3440, Kenan Center, University of North Carolina, Chapel Hill, NC 27599-3440,

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The Conservation Fund	Nokia	



Strategic CSR (continued from page 1)

4. **CSR should be fully integrated into the governance of the company and into existing management systems.** For example, if CSR is not built into the performance appraisal system for employees, it will not be fully embraced and executed with as much precision as are the more commonly measured functions such as sales and staff management.
5. **Companies should view CSR as both a risk mitigation strategy and an opportunity-seeking strategy.** They should seek to find the “sweet spot” that is the intersection between business and social/environmental returns. Firms should seek out partners in the community who have developed deep expertise in the cause or issue they are targeting, and work with these organizations - usually in the non-profit sector - to develop the best solution and build capacity. These non-profit partners are also in a better position to help the company communicate its CSR efforts, because non-profits enjoy a much higher level of global trust.
6. **Companies should develop clear performance metrics to measure the impact of their CSR strategies.** These metrics should be both internal metrics like reputation improvements, gains in market share, brand perception, increased sales, decreased operational expenditures, and employee satisfaction, as well as external metrics focused on society and the environment. If there are no performance metrics in place, there will be no way to prove that the strategy was effective and it will not be sustainable. ☞

Excerpted and modified from: “CSR Catechism,” written for the Ernst & Young (Ireland) Entrepreneur of the Year CEO Retreat held in the Dominican Republic/Haiti, June 2007.

Strategic CSR is...

- ▶ endorsed by the firm’s senior leadership
- ▶ linked to specific business objectives
- ▶ aligned with core competencies
- ▶ fully integrated into management systems and incentives
- ▶ both a risk-mitigating and an opportunity-seeking strategy
- ▶ tied to clear performance metrics

Student Spotlight:

Katherine Jennrich, MBA 2008

Katherine Jennrich was in her first year of the Master’s of Environmental Management program at Duke’s Nicholas School when she decided to add an MBA at UNC Kenan-Flagler. “I have a strong background in environmental science and policy,” she says, “but I came here to learn how to integrate those skills into a business setting.”

She had the chance to put her skills to the test with a summer internship in Wal-Mart’s Energy Department, where she conducted a pilot Supply Chain Greenhouse Gas (GHG) Analysis. She found the experience of integrating environmental and business goals both exciting and challenging. “This job truly gave me a chance to see the business of the environment—it is possible to make or

save money while accomplishing environmental goals.”

Katherine is impressed with Wal-Mart’s sustainability initiative. CEO Lee Scott “seems to be one of the most powerful allies of corporate sustainability that I’ve ever encountered.

While he remains steadfastly accountable to shareholders, he’s made environmental improvement one of the priorities for Wal-Mart.”



... [link to more about Katherine](#) ...





Sustainability Consulting: Lessons Learned

An Interview with Kelly Boone

For the past three years, Kelly Boone has been managing the Center for Sustainable Enterprise's CSE Consulting program. In this innovative program, MBA interns work directly with organizations to develop solutions to real-world sustainability challenges. CSE Consulting was recognized with

a North Carolina Sustainability Award in 2006. As CSE Consulting enters its fourth year, we asked Kelly Boone to take a look back.

What makes a sustainability consulting project successful?

The keys to a successful *sustainability consulting* project are no different than the keys to any type of successful consulting engagement. This seems obvious, but sometimes we have to remind ourselves of this simple truism as the enthusiasm for sustainability skyrockets.

Successful sustainability consulting can be summarized in one word – honesty – with three modifiers: honesty with the client, honesty with your team, and honesty to the process. *Honesty with the client* refers to developing a clear understanding of a client's needs and being straightforward about your ability to deliver solutions. This kind of honesty results in a well-scoped project with a realistic timeline and deliverables, identification of a champion on the client side, access to necessary client personnel and resources, and few or no surprises during presentation of final deliverables. *Honesty with your team* includes effective team management, communication and leadership. To be successful, you and your team must be clear about your strengths and weaknesses and create an effective work plan that addresses any weaknesses. *Honesty to the process* means you stay true to a detailed step-by-step process of research, analysis, evaluation, and recommendation; there are no shortcuts.

What are the unique challenges of managing sustainability consulting projects, versus other types of consulting engagements?

One challenge I see related to sustainability consulting is the difficulty of balancing objective triple-bottom-line analysis with one's own per-

sonal beliefs and passions about some very challenging environmental and social issues. Sometimes you have to be content to move the dial a little bit here and a little bit there for big business, even when your conscience is screaming for more drastic change.

Venture capitalists often use a baseball analogy to describe a similar challenge they face in achieving their required return on capital: they love to talk about the home runs, but in the end, they all admit that it is management of the singles, doubles and triples that allow the home runs to occasionally occur. Similarly, in the realm of sustainable enterprise, it's fun to imagine "silver bullet" solutions – but I believe it's the concrete solutions to specific business challenges in the near term that will allow us to transition sustainable enterprise from advanced business practice on the edges to standard business practice in the not-to distant future.

What are the key lessons you have for MBA students interested in working on sustainability consulting projects?

Key lesson #1: Go into the project with an open mind, be willing to listen to other views, and don't try to circumvent the required research work. Make the most of the unique opportunity to apply, and at times revise, the standard MBA "toolkit" with respect to this type of project work. Key lesson #2: Communicate! Communicate with your team, internal and external experts and advisors, potential customers and competitors, and, of course, your client. The final key lesson: Stay true to the consulting process of problem definition, research, analysis, conclusions, reporting, and iteration. No shortcuts!

What, in your opinion, are some of the most useful books or other resources for sustainability consulting projects?

For guidance on how to be an effective consultant: *Flawless Consulting* (Peter Block). For a guide to business planning: *New Venture Creation: Entrepreneurship for the 21st Century* (Timmons and Spinelli, 7th ed). For sustainability strategy, with a focus on decision-making in the context of environmental business risk: *Green to Gold* (Esty & Winston). ☪

Working with CSE Consulting

Is your organization facing
a strategic social or
environmental challenge?

CSE Consulting is currently
accepting projects for
Summer 2008. To discuss,
contact Kelly Boone at:
(919) 962-5625, or
Kelly_Boone@unc.edu.

CSE Consulting - Summer 2007

2007 Partners & Projects:

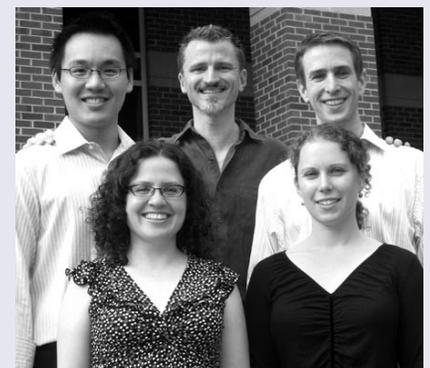
Progress Energy - Plug-in Hybrid Electric Vehicle
Impact Study

U.S. Partnership for Education for Sustainable
Development - Organizational Value Proposition

NC Department of Commerce - Industry Sector
Reports & Policy Benchmarking Study

Johnson & Johnson - Emerging Market Entry Strategy,
with a Focus on the Internet Landscape

Advanced Energy - SystemVision Business Plan



Consultants (clockwise from top left):
Pira Panitpon, Tom Outlaw, Mike Waters,
Jessica Meyer, and Valeria Orozco



Notes from the Field *Faculty & Student Projects*

In conjunction with a new BSBA class on Microfinance taught by **Lisa Jones Christensen** last spring, UNC students created the **Carolina Microfinance Initiative (CMI)**. This summer, six students travelled to Juliaca, Peru to work with and invest in local entrepreneurs through microfinance. CMI will continue to raise money for what they hope will become an ongoing microfinance investment fund and annual student trip. [Read more for details or to donate.](#)

Fortune Small Business quoted professor **Lisa Jones Christensen** in "[Anita Roddick's entrepreneurial legacy](#)," about the legendary founder of The Body Shop. (Sept. 13)

UNC is one of a handful of select universities participating as official university commentators for the **Nike/Ashoka "Sports for Social Change" Changemakers competition**. Lisa Jones Christensen, assistant professor of sustainable enterprise

and entrepreneurship, is a faculty commentator. [Visit the competition online.](#)

Adjunct professor **John Lott** joined the Board of Directors of Sustainable North Carolina, a non-profit organization working to promote sustainable business in the state. Dr. Lott and CSE executive director **Katie Kross** served as judges for the 2007 North Carolina Sustainability Awards, hosted by Sustainable North Carolina.

UNC Kenan-Flagler's sustainable enterprise program was featured in *The Chronicle of Higher Education* in "The Sustainable University: People, Profit, and Planet," including interviews with student **Tom Outlaw** (EMBA 2008), CSE Consulting program manager **Kelly Boone**, and CSE Director and faculty member **Al Segars**. (Sept. 7)

The *Citizen-Times* of Asheville quoted **Andrew Jones**, adjunct entrepreneurship professor, in "Advocate for sustainability focuses on world from WNC." (July 11)

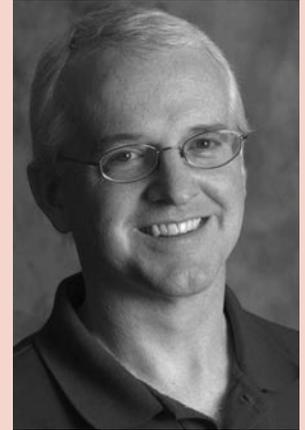


September 17, 2007

Seeking leading innovations that use sport to improve community, accelerate development and drive social change. The competition provides entrants with the opportunity to access resources including new ideas, collaborative partners and investors.

in partnership with:  NIKE

CSE Events



CSE Distinguished Speaker
Martin Eakes,
Founder & CEO, Self-Help

["Subprime Lending, Social Justice, and Self-Help"](#)

Oct. 11
5:30 pm
Koury Auditorium,
UNC Kenan-Flagler Business School
Chapel Hill, NC
Free & open to the public
Free parking available
RSVP appreciated: cse@unc.edu

Fall Conference Calendar

Oct. 2
[Women's Network for a Sustainable Future Annual Summit](#)
New York

Oct. 9-10
[Responsible Business in Emerging Markets Summit](#)
London

Oct. 9-10
[World Bank's 12th International Business Forum](#)
Washington DC

Oct. 12-20
[Solar Decathlon](#)
Washington DC

Oct. 18-19
[Ethical Sourcing Forum Europe 2007](#)
Paris

Oct. 21-24
[12th National Renewable Energy Marketing Conference](#)
Philadelphia

Oct. 23-26
[BSR Annual Conference](#)
"Designing a Sustainable Future"
San Francisco

Nov. 1
[Clear Profit '07](#)
London

Nov. 1-3
[2007 Net Impact Conference](#)
Nashville

Nov. 3-6
[SRI in the Rockies Conference](#)
Albuquerque

Nov. 7-9
[Greenbuild Conference and Expo](#)
Chicago

Nov. 7-9
[Co-Op America's Annual Green Business Conference](#)
San Francisco

Nov. 13-14
[Summit on the Future of the Corporation](#)
Boston

Nov. 15-16
[TBLI Europe](#)
Paris

Dec. 3-5
[Employee Engagement & Responsible Business Conference](#)
London

Local/Regional Events

Oct. 1

[“Making Private Capital Work for the Poor”](#), Sir Mark Malloch Brown
UNC, Chapel Hill, NC

Oct. 4

[Speaker: John Hatch](#),
[Founder of FINCA Village Banking](#)
Duke, Durham, NC

Oct. 4

[Annual Sustainability Workshop](#)
Foundation for Sustainable Community
CH Public Library, Chapel Hill, NC

Oct. 6

[NC Solar & Green Home Tour](#)
Communities Statewide, NC

Oct. 9

[“Biodiversity and Conservation in the Face of Poverty”](#)
Friday Center, Chapel Hill, NC

Oct. 16

[Discussion on the “Green” Millennium, with Charlie Rose](#)
NC State, Raleigh, NC

Oct. 22

[2007 NC Sustainability Awards](#)
Friday Center, Chapel Hill, NC

Oct. 23

[Training: SCORE Sustainability Certification](#)
Research Triangle Park, NC

Oct. 24-25

[Southeast Solar Summit](#)
Oak Ridge, TN

Oct. 25

[Local Sustainable Business Awards](#)
Chapel Hill, NC

Oct. 26

Campus Sustainability Day
(Nationwide)
UNC Events: sustainability.unc.edu

Nov. 4-5

[Conference: “Wealth Inequality and the Eroding Middle Class”](#)
UNC, Chapel Hill, NC

Nov. 15

[“Forces for Good: The Six Practices of High-Impact Nonprofits”](#)
Duke, Durham, NC

CSE Program News

CSE has been awarded a CEI Innovations Fund grant to launch a new flagship sustainable entrepreneurship program called **BASE - Business Accelerator for Sustainable Enterprises**. This exciting program will connect sustainable business entrepreneurs with UNC students (graduate and undergraduate), faculty, and institutional resources. BASE will give students a unique learning experience while supporting the growth of triple-bottom-line businesses. CSE Research Associate **Jessica Thomas** will lead the BASE program through a pilot-scale launch. For details, contact Jessica at Jessica_Thomas@unc.edu. Thank you to CEI for making this possible!

Students graded UNC Kenan-Flagler’s sustainable enterprise program highly in **Net Impact’s “Student Guide to Graduate Business Programs.”** Of over 50 schools surveyed, Kenan-Flagler ranked 4th among opinions that the “program adequately prepares Net Impact students for ethical and socially responsible leadership” and 4th in “administrative support of Net Impact themes in the curriculum,” among other high marks. [Read the full guide online.](#)

Andrew Winston, environmental strategist and co-author of *Green to Gold*, gave an inspiring speech to an audience of 250 people at Kenan-Flagler Business School on Sept. 19. He also met with students and faculty during his visit. One community member called the presentation “the best speech I’ve heard in a decade.”

The sustainable enterprise curriculum includes 13 electives this year, including two new ones: **“Climate Change: Turning the Heat Up on Business”** taught by adjunct professor John Lott, and **“Design for Sustainability”** taught by CSE Director Al Segars.

The *Wall Street Journal’s* 2007 business school rankings rated UNC Kenan-Flagler **No. 5 in Corporate Social Responsibility** ([see list](#)).



Welcome, Tracy!

The CSE is pleased to welcome Tracy Triggs-Matthews as our new Program Manager. Tracy has spent the last 12 years working for The Nature Conservancy in roles including Education Coordinator, Director of Volunteers and Outreach, and, most recently, Donor Relations Manager. Prior to TNC, Tracy was an Education Program Coordinator for the Virginia Museum of Natural History. Tracy has a wealth of experience managing programs, publications, and educational events. We are thrilled to have Tracy join our team.

Tracy takes over from Ruth Tolman, who has recently joined the Center for the Advancement of Social Entrepreneurship at Duke’s Fuqua School of Business. Many thanks to Ruth for three and half years of wonderful contributions to the CSE and the UNC Kenan-Flagler sustainable enterprise program!

Alumni Spotlight:

Brian Chossek, MBA 2001

Growing up in a Wisconsin farming town, Brian Chossek didn’t have any idea he’d end up back on a farm after business school. Now 31, Brian is the president of Seven Oaks Ranch, a twelve-acre ranch in California that grows and distributes organic produce, including the Garlic Gold® brand of products. The self-described “values-based business” has been recognized as one of the Top 20 Organic companies by *Ode* magazine.

With founder Rinaldo Brutoco, Brian helped create Seven Oaks Ranch from its inception, and he has since helped the ranch seek out strategies for integrating sustainability into many aspects of the business.

Brian believes sustainability is, underneath it all, about “the infinite potential of the human spirit and the need for business to play a role in unleashing it. When we can tap in to the human potential, we’ll begin to see paths to sustainability and new business models that truly create sustainability, rather than incremental improvements based on current economic models.”

... [link to more about Brian](#) ...



News from around the World



Target, PepsiCo, Motorola, and Volkswagen were among the companies added to the [Dow Jones Sustainability Index](#) in Sept.

Nike announced the launch of the [Nike Air Native N7 shoe](#), a first-of-its kind shoe designed for Native Americans. Profits will benefit "Let Me Play" programs on Native American lands.

Marriott International received a [World Savers 2007 award](#) from *Condé Nast Traveler* magazine for its outstanding Community Engagement and Social Responsibility program.

The **Global Reporting Initiative** invites readers to identify the best sustainability reports worldwide in the [GRI Readers' Choice Awards](#).

Within five years, **Royal Phillips Electronics** plans to [double the amount of revenue](#) generated from the sale of its green products.

Procter & Gamble's Children's Safe Drinking Water Program is among the projects recognized by the [2007 Tech Museum Awards](#) for technology benefiting humanity.

The *Wall Street Journal* looked at innovation and investment opportunities in "[The Global Water Crisis: Innovations to Watch For](#)" (Sept. 24).

The new [Green Media List](#) service launched to help companies share their environmental stories.

Chase opened its [first green bank branch](#) in the U.S. in Aug.

In energy innovation news...

Dow Corning's Solar Solutions Group announced the introduction of [three new materials](#) to support photovoltaic module manufacturing.

Supermarket company **Kroger** announced plans to [sell VeraSun-brand E85 fuel](#) (85 percent ethanol and 15 percent gasoline) at 20 locations in Ohio.

Wells Fargo announced the company's largest equity investment in solar energy to date, a [\\$266 million, 64-megawatt solar project](#) in Nevada.

Sony has developed a new [bio-battery](#) that uses sugar in carbohydrates to generate electricity.

Merrill Lynch announced the addition of a new [energy efficiency index](#) comprised of companies that the firm believes should benefit from the growing momentum to reduce CO2 emissions.

Dynamotive Energy Systems and **Mitsubishi** will [work together](#) on development and strategic opportunities for cellulose-based fuels.

Toyota's new hydrogen powered fuel-cell car has completed a long-distance road test and is [25 percent more fuel-efficient than earlier versions](#).

In business & climate change news...

Carfax announced its carbon-neutral plans by hosting the [first carbon-neutral stock car race in history](#) – the Aug. 18 Carfax 250 NASCAR Busch Series race at Michigan International Speedway.

Dussault Apparel pledged to be the [first apparel company to be 100% carbon neutral](#), and created a line of "Carbon Conscience" t-shirts.

Volkswagen will offset the [carbon emissions for one year of every new Volkswagen](#) purchased in the U.S. from Sept. 1, 2007 thru Jan. 2, 2008.

Morgan Stanley and **DNV** have created a [Carbon Bank](#) to offer fully-integrated carbon auditing and offsetting services to clients.

Dell announced plans to be the first computer manufacturer to make its global operations [carbon neutral by 2008](#).

ING announced it [will purchase wind power for 100% of its electricity usage](#) at ING locations throughout the U.S. The company plans to be carbon-neutral as early as the end of 2007.

Resources

[OpenEco.org](#)

New web portal enabling participants to share, track, and compare business energy management and climate change strategies.
(Sept. 2007)

[Greening of Corporate America SmartMarket Report](#)

McGraw Hill report on trends in the green building market.
(May 2007)

[The State of Responsible Business: Global corporate response to ESG challenges](#)

EIRIS study examining the extent to which companies around the world are addressing environment, social, and governance impacts.
(Sept. 2007)

[SustainableLifeMedia.com](#)

Portal for sustainable business news, blogs, resources, networking, events.

[JustMeans.com](#)

Social networking site for sustainable jobs, news, contacts.

[At the Crest of a Wave: A Proactive Approach to Corporate Water Strategy](#)

Report from BSR and Pacific Institute describing global water trends, business implications and response strategies.
(Sept. 2007)

[ICARUS Toolkit for Greening Business Travel](#)

Toolkit to help businesses reduce the carbon footprint of travel.
(Aug. 2007)

[Reporting the Business Implications of Climate Change in Sustainability Reports](#)

KPMG and GRI research report about how top companies report on the business risks and opportunities of climate change.
(July 2007)