

Corporate Sustainability Management (CSM): The New Must-Have Management Tool

Companies are facing a number of social, economic and environmental challenges, collectively known as Corporate Social Responsibility (CSR). As these challenges mount, due to regulation and competing stakeholder needs, companies can no longer afford to rely on reactive, fragmented CSR approaches and must shift to make CSR a core competency: integrated into how they make decisions and run their business. Otherwise they will be ill-equipped to transform CSR into a source of opportunity, innovation and competitive advantage in the emerging high-cost carbon economy.

A comprehensive CSM strategy that is underpinned by a clear

understanding of stakeholders needs and risks represents an opportunity to improve decision-making, lower business risk, protect brand equity, and find new markets and profits. For several Future 500 companies working on the Beijing Olympics, billion-dollar technology leader Salesforce.com, the world's largest manufacturer of building and home furnishing products, StakeWare CEO Natan Zaidenweber and its President Robin Baker, CSM represents the "new management frontier."

Corporate Sustainability Management (CSM) is an offensive strategy for achieving competitive advantage in the emerging high-cost carbon economy. The starting point for CSM is Stakeholder Risk Management.

Enter the New Management Discipline: Stakeholder Risk Management

No management responsibility today is more complex and risk-laden for companies ranging from multinational behemoths to small and medium enterprises than managing the push and pull of often-competing stakeholders.



Why is Stakeholder Risk Management (SRM) being called the new management frontier? Is it the source of lower business risk, unfound brand equity, new markets and profits? For several Fortune 500 companies working on the Beijing Olympics, billion-dollar technology leader Salesforce.com, the world's largest manufacturer of building and home furnishing products, and StakeWare CEO Natan Zaidenweber and its President Robin Baker, the answer is a resounding "yes."

With today's multifaceted mandate for corporations to master the requirements of Corporation Social Responsibility (CSR), StakeWare reviews and refines performance in relation to internal and external stakeholder feedback, ensuring a process that takes into account all material impacts from social, economic and environmental factors.

All company stakeholders—employees, customers, vendors, lenders, shareholders, governments, communities—compete for attention, money, assets, control. Unmanaged, stakeholder risks can undo a company's best work, kill brands, destroy assets, incense regulators, damage communities and chase away key employees. But managed as an enterprise discipline, stakeholder relationships build brands, grow assets, enable eco-efficiency, promote sustainable business practices and become a significant competitive advantage. That is the simple premise behind a cutting-edge management concept now known as Stakeholder Risk Management, or SRM for short.

THE SRM COMPETITIVE ADVANTAGE

To date, companies have struggled with the critical SRM challenge: tracking and analyzing environmental, compliance and other stakeholder-impact data from far-flung operations. Enterprise resource planning (ERP) solutions providers have made valiant attempts to incorporate the inputs into their finance or supply chain solutions. But with the significant IT resources, capital expenditures and management time required to implement these ERP tack-ons, companies are often throwing up their hands, surrendering the

growth and risk-management opportunities that SRM represents.

Enter Natan Zaidenweber. For 15 years, Zaidenweber trained on sustainability's front lines. For the government of Mexico and the World Bank, he outlined the basis for environmental principles. When Shell Oil faced challenges with the social and environmental impacts of its operations in the Amazon Basin, Zaidenweber was brought in to offer a solution. But it wasn't until 2002 that the sustainability pioneer realized that the ultimate stakeholder management tool had yet to be created—a software solution. It was that year that Zaidenweber introduced what has become known as StakeWare, the first prototype of which he presented to the UN Earth Summit in Johannesburg.

In 2003, the Global Reporting Initiative (GRI), which was to become the gold standard for sustainability reporting, was preparing an RFP for software companies to help with the development of its reporting framework. Zaidenweber became involved at that early stage, with the RFP evolving into StakeWare becoming part of the GRI Tech Partnership in 2006. That partnership gave StakeWare a competitive advantage in CSR and Sustainability because the company zeroed in on GRI's G3 taxonomy before its general release.

Stakeware's approach was simple: automate the reporting of data based on the newest generation of the GRI, the top level now known as G3. But the sustainability pioneer knew that software alone was not the answer. An enterprise software approach, with its giant up-front license fees and mega burden on company IT resources for implementation and maintenance, had become unmarketable.

By 2006, On-Demand solutions, led by success stories such as that of Salesforce.com, were all the rage. With its variable-expense per-user-per-period fee model and over-the-Web interface, software-as-a-service, or SaaS, had become the technology platform of choice for new business applications. And developing the new SaaS applications had become easier, quicker and highly cost-effective with the advent of software-by-module architectures like those of Force.com, Salesforce.com's platform. So when Zaidenweber got the opportunity to build StakeWare's Sustainability-On-Demand program as a native application on Force.com as part of Salesforce.com's incubator program, he jumped at the chance. As Salesforce.com's CEO and Founder Marc Benioff puts it, summarizing the philosophy of many in the new SaaS movement, "the end of software means the end of focusing on giant IT infrastructures and the beginning of delivering real value."

"At Salesforce.com, we recognize that energy conservation and sustainability are vital parts of doing business in the 21st century," says Sue Amar, Sustainability Manager, Salesforce.com. "By creating a full-time sustainability manager position, we hope to demonstrate our commitment to reducing our impact on the earth and to promote a company culture where environmental excellence is second nature."

Amar continues: "The StakeWare tool, built on our Force.com Platform, provides entry points for a company to define its requirements from a sustainability-governance perspective and meet the GRI standards. This provides valuable insight in developing a comprehensive sustainability plan."

In 2007, using a dedicated Mexican-based programming team on the Force.com platform, StakeWare became the first full application for sustainability built native on the Force.com backbone. As a result, StakeWare was able to focus single-mindedly on companies' challenges in managing stakeholder risks and reporting. "We are a company that dives deeper into materiality," says StakeWare President Robin Baker. "Because we are on the Force.com platform, we're worried less about technology than about the data and innovation in the use of that data. We bring together the performance-management aspect and enhanced collaboration with stakeholders, and we integrate the two elements. You don't see other technology companies doing that."

A NEW GENERATION OF ON-DEMAND CSM APPLICATIONS

StakeWare delivers Corporate Sustainability Management applications on-demand that accelerate customers' ability to achieve sustainable performance and growth through corporate responsibility (See Figure 1):

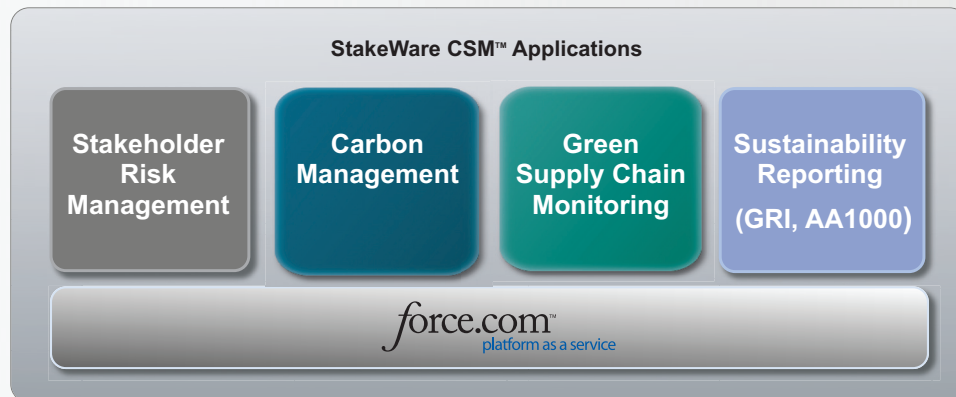
With its Corporate Sustainability On-Demand solutions and

Figure 1:

StakeWare Solution Packaging



We deliver Corporate Sustainability Management applications on-demand that accelerate customers' ability to attain sustainable performance and growth through Corporate Social Responsibility:



modules—including Stakeholder Risk Management, GRI Reporting, Carbon Management and Green Supply Chain Monitoring—StakeWare's offerings benefit clients because StakeWare provides light, easy-to-deploy solutions that can be up and running in weeks rather than months. Unlike traditional sustainability or Governance, Risk and Compliance (GRC) software applications, StakeWare is faster to deploy because the user is not buying software, it is accessing a "no software" service that simply delivers results. With the added benefit of the certainty of a variable-cost model that delivers reasonable operating costs, StakeWare facilitates centralized and distributed stakeholder engagement and collaboration.

And on the innovation front, StakeWare was the first company to fully automate the GRI Handbook, the "Gold Standard" for corporate responsibility and sustainability reporting, for small and not-so-small organizations.

One of the numerous StakeWare success stories involved a Fortune 500 company that is the world's largest manufacturer of buildings and home furnishing products. The challenge for that company was that it wanted to engage stakeholders while assuring them that it was on pace to phase out a toxic chemical compound in one of its products.

Within six weeks of deciding on the particulars, StakeWare provided its client with risk-management dashboards across the entire enterprise, stakeholder risk management tools, and multi-issue analysis.

The result? The manufacturing company increased stakeholder support for its policies, gained the ability to track multiple organizations with far less overhead, and reduced its costs in tracking stakeholder relations.

Figure 2:

Problems We Solve and Value Proposition by Application



StakeWare Applications	Problems We Solve	Value Proposition
Stakeholder Risk Management	<p>Gap between company CSR policies and stakeholder expectations:</p> <p>IBM survey "Attaining Sustainable Growth Through Corporate Social Responsibility" found that 68 of C-Level executives saw CSR as an opportunity, but more than 75% percent of respondents don't understand their customers' [Stakeholders] CSR concerns.</p>	<p>Help customers understand & differentiate stakeholder expectations through risk assessment and materiality analysis; and prioritize impact on performance from each stakeholder then define and execute plan of action to address these needs.</p>
Carbon Management	<p>Limited understanding of enterprise-wide carbon footprint and common approach to measure and track usage.</p>	<p>Carbon information gathering and metrics (including setting up baseline and targets for reduction) that provide companies' with capability to put in place the 'right' carbon strategy to support voluntary or mandated carbon reduction goals/targets.</p>
Green Supply Chain Monitoring	<p>Lack of information across supply chain hinders companies' ability to establish and manage green supply chain practices</p>	<p>Ability to embed social, economic and environmental objectives into company business strategy/operations and then coordinate and collaborate on these objectives with customers and supplier networks.</p>
Sustainability Reporting	<p>Lack of visibility and alignment of CSR initiatives with day-to-day business practices and decision-making</p>	<p>Comprehensive set of CSR Performance indicators and analysis that support decision-making, and help customers to optimize social, economic and environmental trade-offs to attain sustainable growth and meet reporting standards.</p>

All in six weeks from concept to delivery. (See Figure 2)

But StakeWare's expertise isn't limited to helping manufacturers.

"We can go into the aluminum industry or a cement manufacturer—companies that have widely divergent ways of measuring carbon—and rapidly come up with a solution that leverages all the data we have in the platform," says StakeWare Founder and CEO Natan Zaidenweber.

And, as StakeWare's Baker puts it, in contrasting On-Demand with on-premises solutions: "Our time is not spent on infrastructure or scalability because we already have that. We focus on the substance."

With a grant from the Mexico government that led to the formation of a development center in Guadalajara, StakeWare.com code-writers are skilled in developing applications on the Force.com platform. The workforce in the development center, created to foster ties between Mexico and Silicon Valley, can be ramped up in dramatic fashion, drawing in more developers as needed, when the situation and client requirements demand it.

FUTURE 500 TAKES STAKEWARE TO OLYMPIAN HEIGHTS

One of the notable organizations that have tapped into StakeWare's SRM expertise is Future 500, with offices in San Francisco, Tokyo and Beijing. Numbering among its ranks corporations like Coca Cola, Owens Corning, Mattel, Molson Coors, the Walt Disney Co., Wal-Mart, Dell, HP, Dow, the Home Depot and many more, Future 500 embarked on a China Stakeholder Initiative tied to the Olympic Games in Beijing and deployed StakeWare tools to map strategic stakeholders, track their stance on key issues, and monitor corporate campaigns revolving around the Olympics.

"For industries that operate on the global stage, anything said by anyone anywhere—true or not—can impact your brands everywhere," according to Future500.org. That will be increasingly impor-

tant by August 2008, when 3 billion people tune into television and the Internet to watch the Olympic games. There, center stage, will be not only the athletes, but corporations, as well.

In providing the technology for Future 500's China Stakeholder Initiative, StakeWare offers real-time tracking of stakeholders' concerns and faster response to stakeholder claims, thus lowering costs in stakeholder relations and boosting support for corporate policies.

"Most stakeholder management tools are complicated and overburdened," says Bill Shireman, President and CEO of Future 500. "Some are based more on academic theory than real-world practice. StakeWare is of immense value as a practical day-to-day tool. It gives us what we need."

Shireman adds: "It is easy and intuitive for a technophobe like me. It keeps track of thousands of stakeholders, prioritizes and maps them, lets me know each morning who I need to call and why, and keeps a record of my calls and e-mails. I can access it via the Internet, so if my machine crashes, my contacts are all intact."

Shireman contrasts StakeWare with most other stakeholder maps, which he terms "interesting, but impractical."

"StakeWare is highly useful—it conveys clear information about which stakeholders are strategic high priorities, and which are not, depending on our needs," Shireman says. "Instead of spending hours on PowerPoint-based stakeholder maps, we can create maps automatically by entering in the criteria we are looking for."

StakeWare's focus on stakeholders is another key differentiator. "The financial GRC guys look at the balance sheet and which particular controls to monitor," Baker says. "We are doing some of the same thing, but fundamentally from the stakeholder perspective. To form a strategy, a company needs to know who the key players are on environmental matters. If I treat all of them the same, it could cause an even larger problem."

Zaidenweber expands on that theme. "We have a purpose-built application," Zaidenweber says. "This is all we do. In the global economy, CSR mandates don't disappear when there is a downturn. With StakeWare, companies get more cost-effective solutions in part because they can pay for individual modules. And we can deploy across a department, and expand very rapidly."

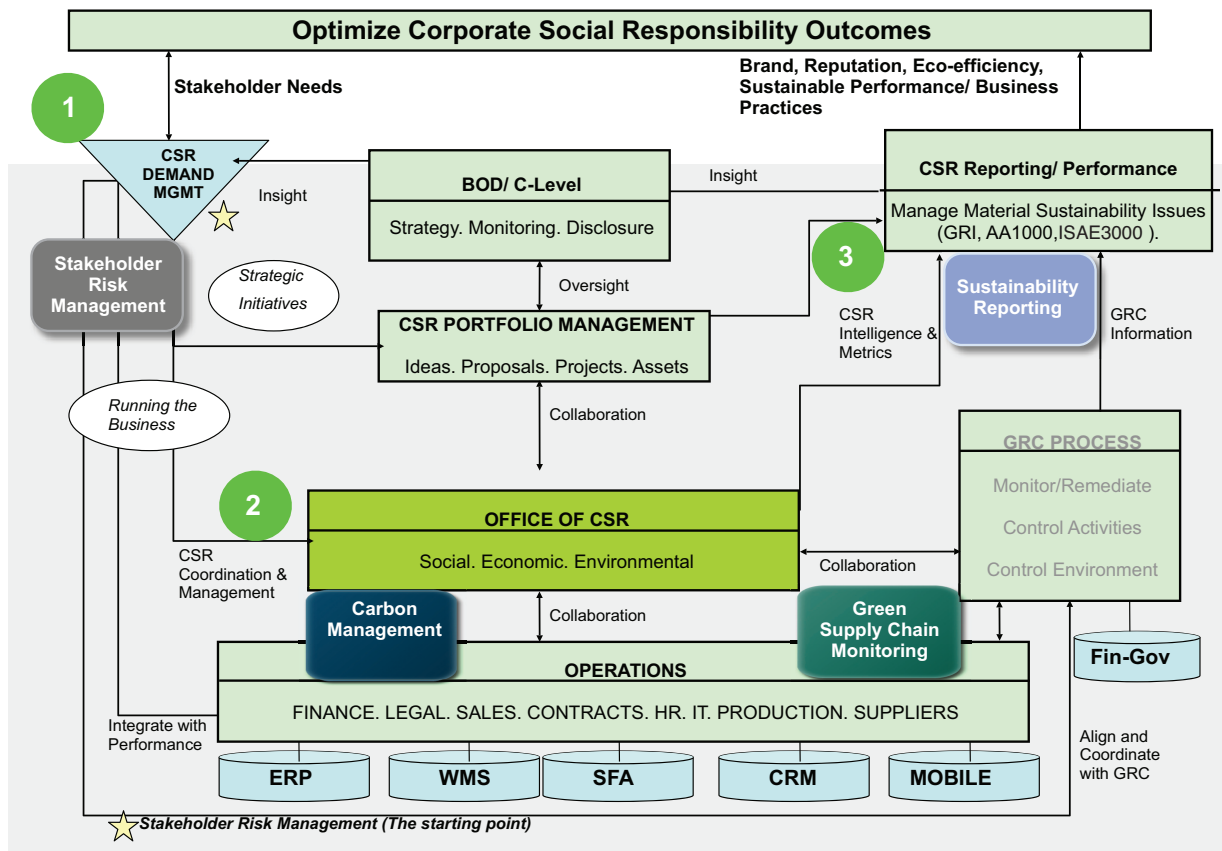
STAKEWARE CSM GOVERNANCE FRAMEWORK

CSM Governance Framework (See Figure 3)

Sustainability and stakeholder management can be a daunting task. For sustainability to work across an entire enterprise, the policies and processes must be embedded into the day-to-day operations and seamlessly integrate with employee responsibilities. Otherwise, sustainability becomes an initiative on the margins of the business. To move from the margins to common practice the CSM Governance Framework provides the context for managing sustainability. This

Figure 3:

Overlay of Applications on Governance Framework™



common practice begins with stakeholder risk assessment, which in turn drives CSR demand management, as described below:

Among the challenges in this era of job-hopping and mobility is what happens when a key employee leaves the company. That person may exit the firm along with years' worth of stakeholder risks and knowledge.

StakeWare captures and automates that knowledge base for the good of the company.

Then there is the massive effort required to measure impacts across an organization, and integrate and share the data. With StakeWare's arrival, the days of tracking these sorts of metrics on Excel spreadsheets are long gone.

StakeWare takes up these and numerous other challenges and empowers companies' CSR and sustainability efforts through four stages.

StakeWare enables companies to engage stakeholders through the telephone, mail, e-mail, meetings and surveys; facilitates collaboration throughout the enterprise and supply chain; delivers metrics that matter including targets and thresholds; and accommodates multi-issue reporting that engenders informed decision-making.

For example, one of the greatest obstacles for applying green supply chain practices is the lack of information and collaboration across supply chain. Working with direct suppliers becomes a challenge if you consider that some corporations have many hundreds of direct suppliers, and immense supplier networks. Wal-Mart, for instance, has a worldwide network of over 60,000 suppliers.

With StakeWare, companies with extensive supplier networks can rapidly deploy a common approach and standards, such as assessing suppliers based on key risk risk factors (location, process, relationships and company information). This is followed by self-

assessments and onsite audits, where the suppliers' operations and working practices are reviewed.

StakeWare, too, is a true Web 2.0 firm. Its CSM Alerts facilitate the remote entry and uploading of carbon/energy usage data so an executive at a meeting with suppliers or other stakeholders can access that data anywhere, 24/7, and on-the-go.

And, the ability to offer a laser-like focus on best practices in sustainability and stakeholder engagement sets StakeWare apart.

"The GRC software vendors have a big footprint around compliance, but we take a stakeholder perspective," Baker says. "They take a financial, accounting perspective. We move away from the spreadsheet. The advantage of a stakeholder perspective is that we move beyond the balance sheet into sustainability and stakeholder engagement."

StakeWare's consultants take a highly hands-on approach, customizing StakeWare installations to meet companies' particular requirements.

The process begins with an assessment of where a company stands on its stakeholder relations, and a detailed review is performed of that company's existing stakeholder engagement strategy. Then, StakeWare works with its clients to determine precisely what kinds of reporting the company will need. That is accomplished by identifying stakeholder groups and their concerns, and loading this data into the system.

After this, the issues get prioritized, metrics and indicators are configured and the reports get customized on the StakeWare application.

G3-level GRI reporting and collaborative stakeholder engagement, supported by 15 years of front-line sustainability practitioner experience. Per-user variable pricing. No software. StakeWare, instead. ■