Sustaining Business and Peace:
A Resource Pack on Corporate Responsibility
for Small and Medium Enterprises

Foreword

As the world of business copes with global financial turmoil, survival mode is pervading every business. Budget cuts have impacted on corporate responsibility and sustainability work, as some companies view these as expendable in contrast to other 'core business' operations.

The question is, can an organisation afford to invest in corporate responsibility when it must first survive recession? We believe corporate responsibility, which includes a company's sustainable and ethical engagement with its environment, community and wider society, is not only desirable, but is essential for survival. As poverty, conflict and climate change dominate the global agenda, businesses now realise the need to combine profits with principles in bold and innovative ways.

Sustaining Business and Peace: A Resource Pack on Corporate Responsibility for Small and Medium Enterprises is excellent for companies that want to make a change for the better. It primarily addresses Small and Medium Enterprises (SMEs), and is based on experience from Sri Lanka. Considering how little space the international 'corporate responsibility debate' gives to SMEs, the authors felt, rightly, that this was a gap to fill. More importantly, given how seldom companies think about societal tensions and conflicts that surround them, its second focus is on contributing to peace, as well as sustainability. However, the relevance of this resource pack will be evident to businesses of any size, in peaceful and war-stricken countries alike.

This resource pack will give every business an opportunity to change its own sphere of influence. Irrespective of size, every business will have employees, operate in a community and depend upon it, impact on its surroundings and be impacted by them, in turn. Contained in the booklets that follow is a step-by-step approach to embedding corporate responsibility in this interface.

Ravi Fernando

UN Global Compact (Sri Lanka Network) Focal Point
CEO SLINTEC (Sri Lanka Institute of Nanotechnology)

Sustaining Business and Peace: A Resource Pack on Corporate Responsibility for Small and Medium Enterprises is promoted by the United Nations Global Compact in partnership with International Alert. The Global Compact has a long history of facilitating dialogue between business and other stakeholders to mitigate potentially negative impacts of corporate operations in conflict-affected environments and make a positive contribution to development and peace. To this end, the Global Compact and its partners have developed resources and public policy recommendations focused on maximising business contribution to peace, through Global Compact local networks, the UN and Governments. Since more than a half of the Global Compact's participants are SMEs, this resource package offers much-needed practical guidance to show why and how SMEs can make a contribution to sustainable peace.

International Alert.

Introduction
Section 1

Sustaining Business and Peace:
A Resource Pack on Corporate
Responsibility for Small and
Medium Enterprises

Understanding conflict. Building peace.

Section 1: Introduction

1.1 Getting Started

1.2 The Purpose of this Resource Pack

1.3 A New Model of Corporate Responsibility (CR)

1.4 The Benefits of CR for a Small or Medium Enterprise (SME)

1.5 CR in the Sri Lankan context

1.1 Getting Started

This resource pack contains five sections, including this introduction. Together they lead the reader through a three-step cycle of understanding and analysing, planning and doing, and checking and improving Corporate Responsibility (CR) activities.

Fast Facts can be found in the margins. They provide supplementary definitions, tips, examples, notes and quotes related to the subject matter discussed in the main body of the document. They are colour coded for easy reference, and are intended to help in understanding the issues better.

Understand & Analyse		Plan and Do		Check and Improve

Section1	Introduction	Explains the basic ideas underpinning CR, the benefits of CR for an SME and how CR can contribute to peace	
Section 2	Understanding and analysing your stakeholders and context	Explains how to analyse your context and identify potential partners in your CR initiative	Understand and Analyse
Section 3	Planning and implementing a CR-centred business model	Explains how to plan your CSR activities according to your analysis in Section 2	Plan and Do
Section 4	Checking and improving CR strategy and activities, and communicating success	Helps you think through ways of reviewing and improving your CR activities	Check and Improve
Section 5	Digging deeper: case studies and additional resources	Offers further resources, tools and websites	

Activities in Boxes Like This One

Throughout the pack you will find sub-sections with activities that are designed to aid understanding of the subject at hand. These offer practical tools to help plan-do-check-and-improve a CR-centred business model.

For best results these activities can be done together with employees in the company or with other business people. Where appropriate, they can and should be adapted to suit the different needs and interests of readers and discussion groups.

1.2 Purpose of this Resource Pack

Recently we have seen a growing number of Sri Lankan businesses embracing corporate responsibility, which is a vital part of **active corporate citizenship**. Society, government and the economic community itself have started to acknowledge that businesses have a role in addition to their core mandate of wealth and job creation. This realisation has recently brought the business community to the socio-economic and political forefront as an agent for change.

The substantial positive, or sometimes negative, impact businesses can have on our social, economic and political environment justifies a systematic approach. This is where CR comes in. It is a methodology that:

- Harnesses potential constructively and systematically
- Exceeds traditional corporate philanthropy and one-off charitable contributions
- Encompasses a larger social role for businesses
- Uses sustained strategic practices integrated into the core business model
- Influences business decision-making at strategic and operational levels

Larger often Colombo-based companies are becoming increasingly familiar with strategic CR. This is partly because most CR promotion initiatives and literature on the subject have been tailored to suit the needs of larger companies. Small and Medium Enterprises (SMEs) may find it difficult to relate to them. Unlike large corporations SMEs command fewer human and material resources and face different challenges in their communities. Therefore there is a need to adapt CR to each company's context, scale, sector, location, reach and comparative advantage, as well as constraints.

This resource pack will address this gap. It will help SMEs plan, implement and monitor their own CR approaches according to their own needs.

The importance of small and medium-sized enterprises

SMEs have a crucial role to play in driving sustainable development and supporting the stability of their communities. They play a critical role in a country's economy, be it job creation, entrepreneurship or income generation. In India SMEs account for 45 percent of all jobs, and contribute to 40 percent of the GDP. In the Philippines and South Africa, SMEs provide more than 60 percent of all jobs.

SMEs have played a key role in propelling forward some of today's most advanced economies. In Japan a rapid growth in the number of SMEs in the first few decades after the Second World War was a key factor behind the spectacular growth experienced in this period. Similarly in Taiwan (an economy with approximately the same number of people as Sri Lanka, but with 10 times higher average incomes) SMEs have been critical to economic growth and modernisation in the past five decades.

In Sri Lanka SMEs make up more than 80 percent of all businesses, and account for about 35 percent of employment and about 20 percent of total industrial value addition.

In a nutshell, the purpose of this resource pack is to introduce Sri Lankan SMEs to the concepts and approaches of CR. It presents a coherent framework that will help SMEs identify ways of adapting CR to their own context and purposes. Through this it aims to support a more stable and manageable business environment by:

- Strengthening the capabilities of SMEs to address challenges that they and their communities face
- Enabling SMEs to act on their concern for their own communities and environment
- Encouraging SMEs to analyse how their own actions (or sometimes inaction) form part of the context in which they operate

Active Citizenship
Active citizens are those who exercise both their rights and responsibilities in a balanced way.

Corporate Citizenship
Corporate citizenship is about a new contract between business and society, a vision of partnership between different sections of the community, which allies profitable companies with healthy communities, because what happens to societies happens to business.

Corporate Responsibility (CR)
is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large.[1]

1.3 A New Model of Corporate Responsibility

Past initiatives conducted in the name of CR have often been limited in their scope. Where this is the case, they have typically been confined to public relations exercises – the domain of isolated departments in companies such as human resources, legal affairs, marketing or communications divisions. In these instances CR activities have been customarily undertaken with the intent of enhancing the company image without altering the company's core business operations. The implicit objective of these activities was to strengthen market share and profitability by portraying the company as a 'good player'.

This is changing. The private sector has begun to see itself as an intrinsic part of the wider economic, social and political fabric of society. In boardrooms the emphasis is on playing a role in society, and the type of corporate leadership that this demands. **Strategic partnerships** with the private sector are increasingly being sought by governments and the not-for-profit sector towards achieving national and development goals of poverty reduction and economic growth. The CR methodology outlined in this resource pack supports private sector contributions towards these goals.

The primary objective of the new model of CR is to contribute to a sustainable business environment. To this end, business practice, profit-making and growth need to be **sustainable** and **inclusive.** The development of the nation and of the wider community and business is intertwined. One cannot exist without the other.
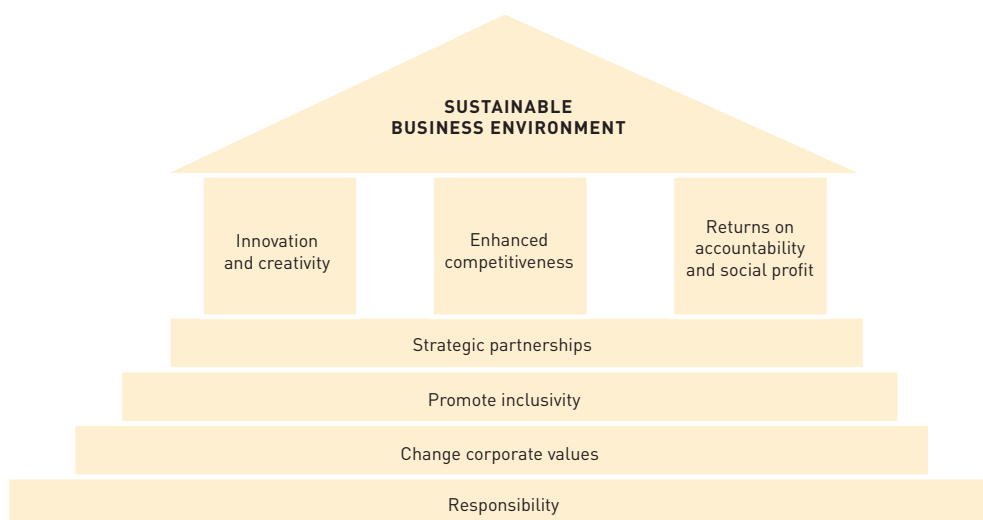
A company's business environment includes the people and institutions of the community. A business and its external environment have mutual impacts that can be both positive and negative. A company can create 'social profit' where it draws on the opportunities for mutual benefit this brings and successfully mitigates risks for both. In this way it can contribute to stability and sustainability in its business environment within its sphere of influence. Communities in turn will value the contribution and existence of a business that operates in this way.

Figure 1.1 depicts this shift from doing additional things that can be labelled 'CR' to thinking and conducting business differently. The new model of CR requires integrating social responsibility, corporate values, strategic partnerships and inclusiveness in a combined sense of purpose. These will contribute to creative innovation, enhanced competitiveness and increased **returns on accountability.**

Sustainable
A sustainable business is one that ensures that all its activities adequately address current environmental, societal and economic concerns while maintaining a profit. In other words, it is a business that 'meets the needs of the present world without compromising the ability of future generations to meet their own needs'.[2]

Inclusive
A business is inclusive when it considers the impact of business decisions on a community, shares the benefits of profit-making and growth, and ensures that its opportunities and services are equally accessible to all.

Figure 1.1: *Foundations of a sustainable business environment*

Several key principles and ways of working underlie this resource pack. They are briefly presented here, and guide and inform this resource pack throughout.

Responsibility

Responsibility calls for being true and accountable, to self and others, in managing resources and conducting operations in a way that will benefit both business and community. This goes beyond mere compliance with rules, regulations and standards. It means governing business affairs transparently, avoiding direct or indirect harm to wider society, and aligning the interests and needs of business and community.

Change corporate values

Managers routinely make decisions about what is best for the sustainability and profit-making capability of their businesses. These decisions are influenced by the **corporate values** and **corporate culture** of their organisations. Explicit and implicit corporate values and culture are what permit or inhibit corporate change, and dictate how employees and managers view and feel about their work and company. A CR-centred business model needs to be reflected in the values and culture of a company, so that employees naturally see it as 'the way we do things around here'.

Promote inclusiveness

In business decisions and growth strategies, CR-centred business has to consider the needs, expectations and potential benefits to the community as a whole. No part of the community is, purposefully or involuntarily, excluded from this concern. It also means extending services, activities, and opportunities for doing business with, or working in the company, to all equally. This will strengthen bonds across the community, and means that opportunities and dividends of development and growth, as well as the risks, are shared.

Strategic partnerships

Strategic partnerships must be created between the business and other actors, including employees, suppliers, producers, buyers, regulators, consumers and the wider community that sustains the private sector locally, nationally and globally. Such partnerships are based on jointly identified needs and interests and build on each other's strengths. Thus strategic partnerships are guided by a joint vision and sense of purpose. If dividends, burdens and risks are shared, then the challenge of doing business in a conflict context becomes more manageable. Beyond narrow objectives, strategic partnerships last and develop, and are mutually enriching, changing perspectives and ways of doing things. As a result each partner benefits from the experience.

These principles will result in:

Promoting innovation and creativity

Understanding the ways in which challenges and problems are shared by business and the wider community can help jointly identify not only small solutions for problems but new opportunities for conducting, improving and expanding the business. Working in partnership with others can introduce new ways of thinking and creativity previously closed to the business.

Enhanced competitiveness

This new model of CR will enhance competitiveness, as it helps identify new opportunities, fosters creativity, and helps businesses innovate in the face of challenges, instead of just coping with them. In this way CR can become a key driver of change in a company.
Planning **strategic CR** will help identify risks to the company, as well as to the surrounding communities. It will also help in finding ways to mitigate these risks and so again enhance a company's competitiveness.

Returns on Accountability refer to the benefits that accrue from society to the company as a result of its commitment to maintaining a track record that is ethical, socially aware and in the interest of people and the environment.

Corporate Values refer to the operating philosophies or principles that guide a company's conduct and its relationship with the external world.

Corporate Culture refers to the attitudes, beliefs and values which are a part of the business and the way in which it operates.

Strategic Corporate Responsibility refers to CR practices that are integrated into core business processes. Strategic CR aims to change business models to incorporate responsibility at all levels. Strategic CR seeks to be sensitive to the context of the community while aligning its work with national goals. Strategic CR implies a systematic approach with a natural progression from year to year. It involves the continual method of reflecting, learning and integrating responsibility into business goals of a company.

Create social profit and returns on accountability

The new model of CR calls for respecting people and institutions, and creating goodwill in the community. In turn the business will experience 'returns on accountability' in the form of stakeholders motivated to act in the interests of the business. This could include repeat customers or a wider network of supportive suppliers, lenders, investors and government institutions.

Social Profit
Value created in terms of societal respect and acceptance by being accountable to the community through responsible business practices.

Activity 1: Understanding CR
Drawing on your own experience and what you have read, discuss with your colleagues what CR means to you and the company you represent.

You can use the following questions to guide your discussion:

- What is your understanding of CR?
- Why is it important in the community in which you work?
- What are the benefits that CR could bring to the communities in which your company operates?
- What is the added value of incorporating CR practices into your core business?

Precedents and philanthropy

While we have focused on a new approach, CR is not an alien concept to Sri Lanka and its culture. There are traditional precedents all over Sri Lanka that mirror many aspects of modern-day CR. These include prominent business people acting as civic leaders in their societies and extending patronage to their workers and communities. The social role of business people as members and leaders of civil society is not unknown to SMEs operating at district and regional levels.

These precedents have sometimes overlapped with philanthropy. It is possible to use these entry-points and build on such traditional notions of community leadership.

Companies should think of CR not as a philanthropic 'add on' to their otherwise unchanged business practices. Rather CR enables businesses to think differently and enhance the nature of how their core business operations are run. This has to include an understanding of how communities and natural surroundings sustain the business – in other words, how they make up the conducive business environment in which business can flourish.

'Business is about problem-solving, but it does not always have to be about maximising profit. When I went into business, my interest was to figure out how to solve problems I see in front of me. That's why I looked at the poverty issue. I got involved in lots of things to address it, and one of them was money lending with loans and credits and savings accounts, and in the process I created Grameen Bank. So you can also have social objectives. Ask yourself these questions: Who are you? What kind of world do you want?'
- Muhammad Yunus

Activity 2: Philanthropy versus CR
Traditionally philanthropy has been the approach companies have taken in working in their communities. CR aims to go beyond the short term impact of philanthropy to have as wide and sustainable an impact as possible.

Looking at the examples below – identify which is a CR activity and which is a philanthropic act:

- Post-tsunami relief
- Offering a prize to the best student in the school in your area
- Providing enabling microfinance to women in the area and procuring products from them
- Providing women employees on the nightshift with transport home

What is it about a CR activity that makes it distinct from and more effective than a philanthropic act?

If it is a philanthropic act – are there ways in which you could build on it to turn this into a CR activity?

An Example from Trincomalee
A small business owner faced rising absenteeism. He investigated and identified that the bulk of absentees belonged to one community for which clean running water was a problem. He used his influence, and worked with the local government council and Water and Drainage Board to provide a pipeline to the village, by using some of his own funds to support it as a CR venture. Internal benefits were reaped in terms of decreased absenteeism and increased productivity.

The sub-sections above have explained the ideas and vision driving corporate responsibility. The rest of this chapter will delve deeper into what incorporating CR means for individual SMEs. It will then look at how CR can be responsive to the Sri Lankan context, including development and conflict challenges.

1.4 The Benefits of CR for an SME

The preceding sub-sections have explained how strategic CR can help improve the wider business environment, bringing benefits to the SME indirectly. However, strategic CR will also provide direct benefits to an individual SME.

Adopting CR makes good business sense. It can enable SMEs to[3]:

Better anticipate and manage risks to themselves and their communities by:
- Improving relationships with the community
- Improving relationships with regulators and local authorities
- Building up networks with like-minded business people

Improve innovation and competitiveness by:
- Recruiting, developing and retaining high quality staff
- Increasing staff loyalty, and promoting creativity, efficiency and productivity
- Accessing supply chains of larger companies that emphasise good business practice in their procurement and supply chain policies
- Attracting and retaining customers
- Operating more efficiently and saving costs

Promote sustainability and responsible consumption by:
- Increasing brand value, reputation and respect
- Creating goodwill and thereby retaining loyal customers
- Attracting more capital investment through enhanced credibility

Stakeholder
Any person, group or organisation with an interest in, or who may be affected by, the activities of another organisation.

Such benefits will have wider ripple effects beyond the company to include other **stakeholders**. This creates a 'virtuous cycle' between company CR improvement, broader benefits, and further benefits reflecting back on the company (see table below).

Stakeholders	Sample benefits to stakeholders	Sample benefits to the business
Customers	Reliability, quality, accountability	Higher consumer demand for products, accessing new end markets, better reputation
Investors and regulators	Proper accounting, transparency, compliance with rules and regulations, return on investments, anti-corruption	Better relations with regulators, good legal reputation, minimising legal liability, capital growth and increased investment
Local community	Investment in the community, helping diffuse problems that feed social instability (see example), engagement with NGOs to create better accountability practices, job creation	Social stability in the operating environment, and resulting lower levels of risk for business operations; better 'social license to operate' within community,

1.5 CR in the Sri Lankan Context

In Sri Lanka there are various challenges to the survival and growth of SMEs and their wider development. A key stumbling block was the violent conflict that affected the country over the last three decades and the root causes feeding it. It lead to an unstable business environment, which, in turn, erodes investor and consumer means and confidence. This resource pack, therefore, highlights this crisis where appropriate, and points out options for the business community to contribute to tackling some of the underlying economic, social and political challenges and impacts.

There are different root causes of instability that have direct repercussions on SMEs. These are presented throughout this resource pack. They include:

- Local instability that exacerbates existing regional and urban-rural disparities, making regional SMEs less competitive
- Socio-economic and regional inequalities and marginalisation at the community level, which if left unaddressed, will shrink the markets an SME can access and reduce its profits
- Social and environmental instability that threatens peaceful coexistence, which makes it difficult to plan and invest in growing a business over the long-term

The Business for Peace Alliance

In Sri Lanka there is an acute marginalisation of the peripheral areas. Most policies affecting the regions are made in the centre, in Colombo. When the prospects of peace were bright, the regional business community saw potential for market opportunities in new areas. They also realised that regions outside Colombo had many common issues, problems and challenges. They saw potential in sharing experience with other regions, identifying common issues and lobbying for common regional needs with policy-makers in Colombo.

The Business for Peace Alliance (BPA) with its 'bottom up approach' is distinctive among other chamber movements in Sri Lanka. All decisions taken at BPA and BPA projects are implemented by the regional representatives in order to cater to the specific needs of the regions. BPA's Committee of Management consists exclusively of regional business people.

BPA's membership now constitutes 22 regional business chambers, two of which are exclusively comprised of women entrepreneurs. BPA is made up of approximately fifteen thousand small and medium-scale entrepreneurs, scattered throughout Sri Lanka.

Members of business chambers from various regions meet to discuss local issues, brainstorm solutions and share best practices. It is often evident at these meetings that many regions, whether they are in the North, South, East or West grapple with common issues. Through discussion and brainstorming, common solutions to common problems are often discovered.

With its regional understanding for national unity, BPA has been able to respond to the government's request for proposals for constitutional reform from civil society groups. Further, through its understanding for regional economic empowerment, BPA has been able to provide a response to a call from the government for proposals for the national budgets for 2007 and 2008.

Website - www.bpa-srilanka.com

An Example from Galle Town, 2006
On the day before an international cricket match was to be played in the local stadium, a Muslim youth was beaten and killed by brothers of his Sinhalese girlfriend. Although Muslim practice is to bury the dead within 24 hours, the family could not recover the body because it was a public holiday and the morgue was closed. This situation exacerbated an already tense situation, threatening to spark riots. The Peace and Reconciliation Committee of the Galle Chamber of Commerce was called by the police to help. The Committee used their business contacts to reach specific business leaders who, in turn, used their influence as leaders of the community to get the morgue opened and the body released. This attempt by the Sinhalese-dominated chamber helped to quell tensions, allowed the police to carry out the murder investigation and let the cricket match take place peacefully without the town being thrust into crisis.

While SMEs will not be able to address problems at every level, they may be in a position to tackle manifestations and repercussions of wider problems within their own communities. Being more geographically dispersed than larger Colombo-based firms, SMEs are often 'closer to the problem' and in a better position to influence positive change by working individually, as well as collectively, at the local, district and regional levels. The BPA example describes an organisation that has banded SMEs together for collective lobbying, strategic partnerships and discussion of regional marginalisation issues.

It is clear that 'peace', 'conflict' and 'stability' are key factors affecting SMEs' day-to-day operations. This resource pack aims to help readers understand and work with such a challenging context. These are terms readily used in everyday conversations. It is therefore worth examining them in some detail before moving into subsequent sections.

1.5.1 What is conflict?

Conflict is a set of relationships between two or more parties, individuals or groups, who have, or think they have, incompatible goals. Conflict, in this sense, deviates from and is more than difference, competition or dispute.

It can be difficult answering this question. **Conflict** can mean different things to different people, including a debate, an argument, a struggle, turmoil or war. It is evident that conflicts are not necessarily all inherently bad. Conflicts are an inevitable part of living in society, and of the inevitable differences and tensions between people and between groups. A certain degree of conflict is essential for progress because progress requires change, and change generates conflict. It is large-scale violent conflict, rather than conflict per se, that suggests a deep social crisis.

In Sri Lanka there are many types and levels of conflict that manifest themselves in different ways. For example:

- Social and cultural gulfs that exist between peoples of Sri Lanka
- Economic, social and political inequalities, disproportionate access to resources between and within regions
- Ethnic and political disputes that occur at the local community level
- Economic and political concerns of young people, such as unemployment, underemployment and lack of opportunities
- Conflicts between political parties for control of power

The causes of conflict are entrenched in the fabric of our society. They manifest themselves in different ways. For example:
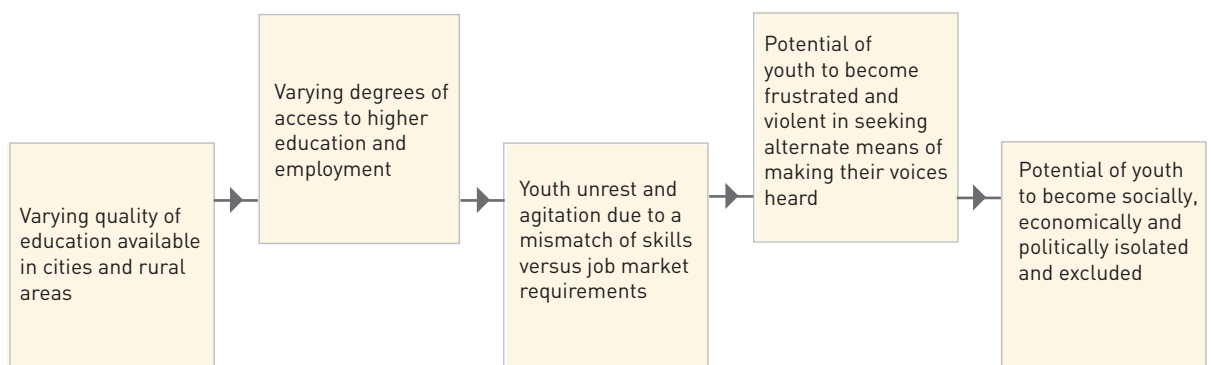
The challenge, therefore, is to channel conflicts in peaceful ways towards constructive ends, and to manage differences without violence. Conflicts can turn violent only when societal mechanisms and institutions for managing and resolving conflicts peacefully break down.

1.5.2 What is peace?

Peace is more than the absence of war. Peace exists when people anticipate and manage conflicts without violence, while engaging in inclusive social change processes that improve quality of life. They do so without compromising the possibility of continuing to do so in the future, or compromising the possibility of others to do so.

Peace exists at a personal, community and national level when individuals feel that there is a sense of balance between:

- The ability to access justice, and be protected by the law where injustice has been done
- Political representation of different regions, groups, political views, social needs and aspirations
- Safety of person and property.
- Security of one's livelihood and access to opportunities for income
- A sense of overall well-being

Figure 1.2: *Conditions for peace for each individual*
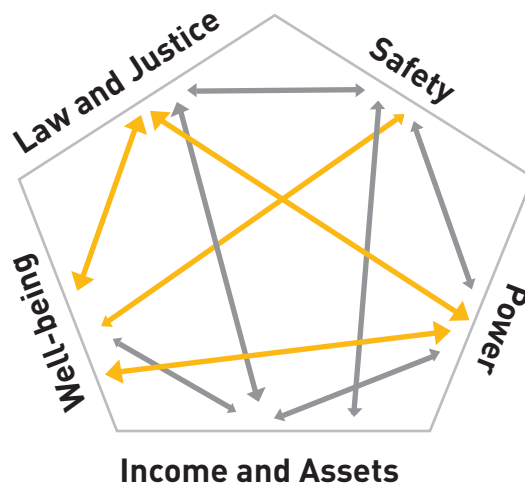
1.5.3 CR as a tool for 'peacebuilding'

'Building peace' covers a broad set of activities by different actors with the capacity and desire to foster a peaceful environment. How is 'peacebuilding' different from other areas such as development, humanitarian or diplomatic work?

- It is carried out with the purpose of promoting lasting peace;
- It is based on a sound understanding of the underlying factors which contribute to conflict;
- It works to mitigate and reduce the negative impacts of these factors.

Peacebuilding tries to transform deeply rooted social, economic or political problems in order to reduce the potential for violence. This may include working to change attitudes, behaviours and societal structures that can feed violence.

For companies this means that core business values and practices can directly and indirectly contribute to reducing conflicts and promoting social stability. Businesses can adopt new ways of thinking and operating so as to 'do no harm' to the business itself, its employees, the community and the wider environment (this is discussed in Section 2). This includes a business' responsibility **not to further aggravate social and economic tensions** that already exist, and help to alleviate them where possible. It also means avoiding the creation of new tensions. There are many examples where businesses were able to innovate by thinking and acting along these lines. Some detailed examples are explored in Section 5 of this resource pack.

Figure 1.3: *Peacebuilding components of CR*
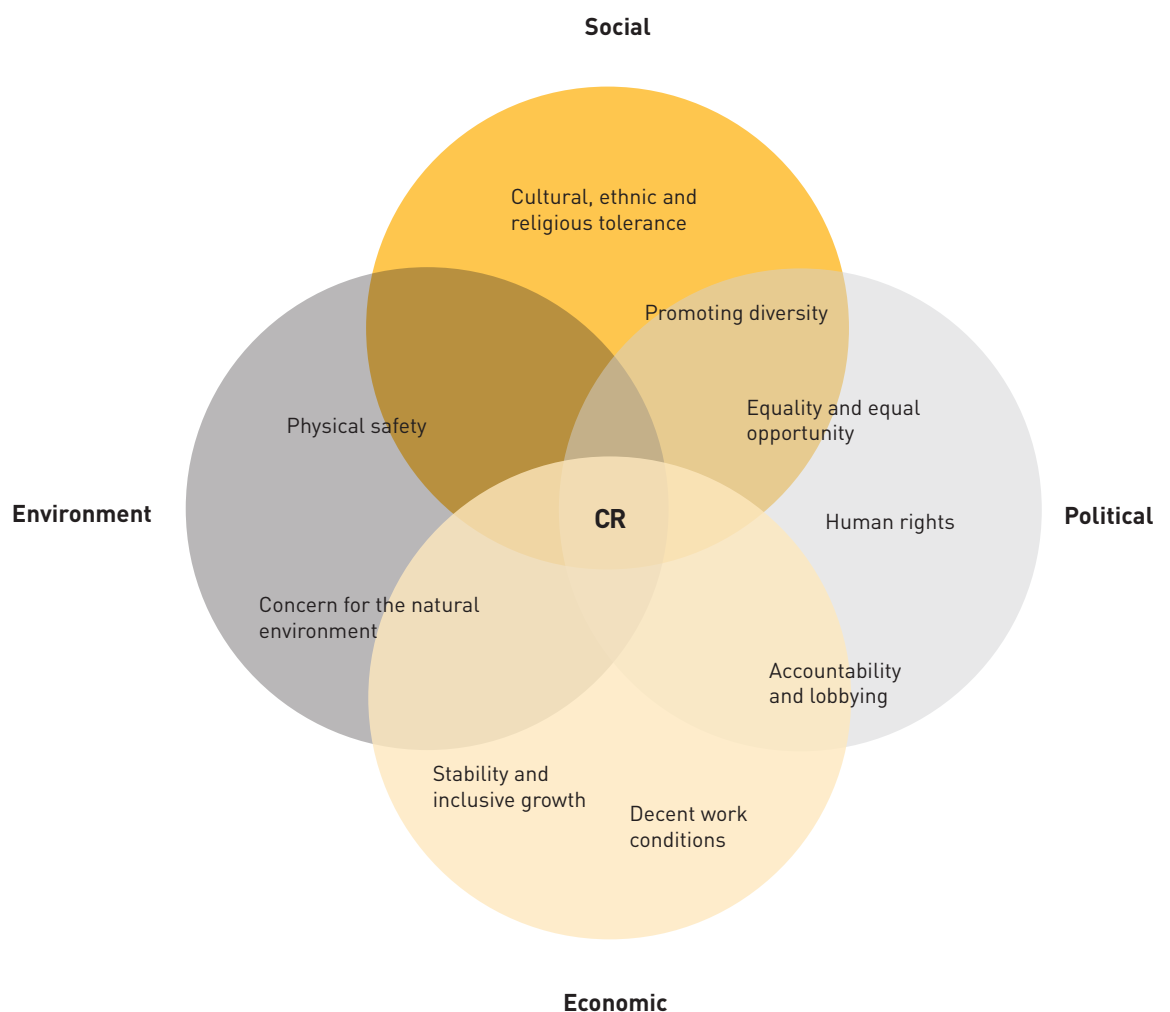
Activity 3: Developing a CR Vision for Your Business
A CR vision statement sets out the guiding principles, values and goals the SME commits itself to for your CR-centred business model. In other words it provides the 'compass' for your enterprise, against which all plans and activities should be checked and evaluated. This will have different components, such as: promoting peaceful relations, upholding human and labour rights, being conscious of the environment, and so on. The diagram below depicts examples of this.

CR Vision Statement
A vision statement outlines the responsibilities of an organisation towards an end goal. This would include principles, values and goals that guide the decisions, procedures and systems of an organisation in a way that (a) contributes to the welfare of its key stakeholders and (b) respects the rights of all parties affected by its operations.

Internal management: managing water, electricity and waste efficiently while also managing human resources at high standards

Employees' work-life balance: greater flexibility for skills and personal development, and safe working environment

Fair competition: Competing ethically where the rights of others are always considered, and anti-corruption and anti-bribery is practised

Integrating best practices: Constantly monitoring how the business is impacting its community through social auditing

CR vision and ethics that relate to the social and cultural norms of the community

Financial responsibility: Accountability and transparency of financial dealings including auditing and reporting accurately

Investing in stability: Harmonising business with context. Consciously doing no harm to create conflict inadvertently

Adhering to standards: Beyond basic compliance, regulations and industry standards to include human environment rights

Discuss what good practice would look like in your company for each of the elements above. You can use this discussion to generate statements that describe how your company is going to operate around each of these areas. These statements can then form the basis of a vision for your company. This vision will inform and guide your subsequent actions with regard to CR planning, implementation (Section 3) and evaluation (Section 4).

Summary
This section has presented the underlying principles and approaches of the CR model presented in the remainder of this resource pack. It has illustrated the benefits to an SME, and also argued that CR needs to be context-specific, i.e. be aware of and able to address some of the most pressing challenges a community or society faces, including conflict and instability.

The following sections will take readers through practical steps for understanding this context in more depth: planning, carrying out and improving their response.

Endnotes

[1] World Business Council for Sustainable Development

[2] Anderson, D. R. (2006) *The Critical Importance of Sustainability Risk Management.* Risk Management. vol. 53, no. 4

[3] Adapted from Potts, J. and Honen, P. (2007) Corporate Social Responsibility: An Implementation Guide for Business, IISD.

Notes:

International Alert.

Understanding Stakeholders and Context
Section 2

Sustaining Business and Peace:
A Resource Pack on Corporate Responsibility for Small and Medium Enterprises

Understanding conflict. Building peace.

Section 2: Understanding Stakeholders and Context

2.1 Understanding relevant stakeholders, including:
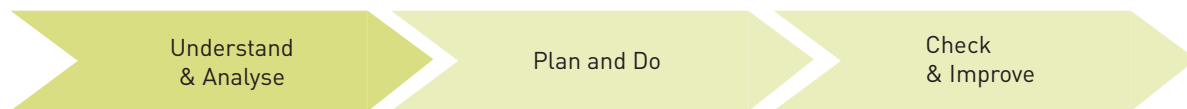
2.1.1 Identifying

2.1.2 Analysing

2.1.3 Prioritising

2.1.4 Engaging

2.2 Understanding context

2.3 Understanding risk factors to mitigate business impacts

2.4 Making sure that CR is 'conflict-sensitive': the 'Do No Harm' approach

Understand & Analyse	Plan and Do	Check & Improve

Section 1 presented the case that for an SME to be sustainable and prosper, surrounding communities need to be stable and sustainable as well. While SMEs may not be able to address all risks and challenges in their environment, they do have opportunities to address those within their sphere of influence.

A deep understanding of one's own context is key to any strategic CR initiative. Relevant stakeholders, issues, constraints and opportunities are also part of the context that needs to be understood. Without such understanding, SME operations and attempts at CR will, at best, be incomplete, and, at worst, do more harm than good. Therefore analysis and understanding are at the heart of a sound and successful CR-centred business model.

The 'Sphere of Influence' of a business entity includes the individuals to whom it has a certain political, contractual, economic or geographic proximity. Every business entity, whatever its size, will have a sphere of influence. Stakeholders often perceive the **Sphere of Influence** of a company as both broader and deeper than a company's own assessment of its influence.[2]

2.1 Understanding Relevant Stakeholders

Who are 'Stakeholders'?

At its most basic, CR is about seeing one's business as an integral part of society, the community and the environment that supports it. A business does not exist in isolation. It relies on a multitude of relationships with customers, employees, suppliers, the community, investors and others – in other words, stakeholders. These stakeholders constitute a company's **sphere of influence**.

Stakeholder engagement consists of the formal and informal ways in which businesses stay connected to the parties that have an actual or potential interest in, or effect on, the business. Engagement implies understanding stakeholder views and taking them into consideration, being accountable to them when necessary, and using the information about stakeholders' interests to drive innovation.

One way to understand the importance of stakeholder engagement is to look at what can happen when it is not done. Customers might see the company as unresponsive to their needs; employees might feel unappreciated; suppliers could have less trust in the company; local communities might be less cooperative; and investors could withdraw. In short, the company might miss important feedback about its profile and performance.

Identifying and engaging its stakeholders systematically will help an SME to:

- Build and extend its social capital, i.e. the web of relationships and support it relies on for its existence, and for successful CR

- Identify, manage and reduce risks to its own growth, and that of surrounding communities and wider society

- Identify and incorporate new ideas, i.e. innovate

- Identify potential CR partners in the wider community, and extend its sense of responsibility to all relevant actors

This section will help readers identify, analyse, prioritise and start to engage their most immediate stakeholders as part of their CR strategies. This resource pack also helps SMEs identify other parties beyond the most obvious individuals, groups and organisations, who may not have a direct interest in the company, but who do have an influence in wider society that supports the company's operating environment (for example, business associations and local government). In developing a CR strategy and plan of activities, SMEs may choose to work with their most immediate stakeholders or they may decide to involve other actors. These are typically those who can positively influence a particular problem that a company is trying to address in its business environment. In this way CR impacts can be amplified to benefit the company and its environment. (This is discussed in Section 4).

2.1.1 Identifying stakeholders

Identifying an SME's stakeholders and other 'actors with influence' is not a complicated exercise, if undertaken systematically. Key stakeholders will be familiar to the company already. Other, less obvious ones may emerge from asking the questions introduced in Activity 4. Thinking systematically about stakeholders is also likely to reveal gaps in existing types of stakeholder engagement of the company. In other words it will help to identify those who a company could be hiring or doing business with, but currently is not. These may be missed business opportunities. When thinking about stakeholders at this point, readers should ask themselves why they are currently not engaging with some actors, what the obstacles are, and how they can be overcome.

Activity 4: Identifying Stakeholders
This activity helps you to think about who your stakeholders are and your company's relationship with these stakeholders. It provides questions which may help you identify the different stakeholders. It will also enable you to reflect on which stakeholders you should be engaging with and why.

Take each question in turn and place it in the centre of a piece of paper. Brain-storm your responses by writing them down around the question. Be as specific as possible. These questions are not exhaustive. You may want to add to or change them according to how and where you work.

Questions:
1. Who is the company accountable and answerable to?

2. Who relies on the company's products and services? Who are your customers?

3. Who is on the company's pay roll? What is the composition of the company workforce?

4. Who does the company have regular business contact with? Who could be potential business contacts?

5. Who from the wider community is an 'actor with influence'? Who has the ability to influence, negatively or positively, specific social, political, economic or environmental problems?

Have a look at the stakeholders you have listed and ask deeper questions about the nature of the different relationships. For example:

- Does everyone in the community use your products and services equally?
- Are there specific groups that use them more than others? Why is that?
- Does the workforce reflect the diversity of the community the business is operating in?
- Does the company rely on specific business partners only?
- How does it select its partners?
- Are they from different locations and backgrounds?
- Does it do business with everyone irrespective of background or location, or does it rely on specific business partners only? Why is that? Can/should this be changed?
- Who could be new potential business contacts?

These questions will help you to explore the reasons behind your engagement with different stakeholders. It will also help you to check the balance of your activities, revealing whether there are people you are not working with that you could be, or should be.

Figure 2.1 *Sample SME stakeholders and 'actors with influence'*

2.1.2 Analysing stakeholders

To be able to reach out to and work with one's stakeholders more effectively, it is not enough to simply list them. Their potential role in helping develop and implement a CR-centred business model also needs to be understood. Some stakeholders may be natural partners for CR, while others may pose risks and challenges to a company's socially responsible performance. Working with the latter may be more difficult, but it is necessary if an SME's CR strategy is to be effective.

Therefore as part of analysing and understanding different stakeholders' potential roles, SMEs also need to ask themselves how to recognise possible 'spoilers', or mitigate their potentially negative effects (see boxes below). A degree of realism is required here: an SME on its own may not be able to tackle all potential spoilers. However, collective action may work better, or other SMEs may, in fact, be better placed to reach out to them. At this stage it is worthwhile going back to one's list of 'actors with influence' for reference.

There are different ways of analysing and understanding one's stakeholders. Three examples are given below. Other questions that are relevant might emerge as readers go through these and should be added on.

Analysing Stakeholders 1 – What do they really want?

In each situation different actors will hold different interests and needs that will affect their acceptance or opposition to your CR initiative. These may not be stated in public, where actors sometimes present positions to veil or distract from underlying needs. Understanding these can help SMEs identify how to engage them. It can also help SMEs understand better the impact they have on different groups of stakeholders.

- Positions: the solution to an issue, or demands, presented by actors publicly (e.g. demands made by employees)

- Interests: what actors want to achieve in a given situation, vis-à-vis others, and their underlying motivations (e.g. employees wanting to receive a fair wage for comparable work)

- Needs: most basic and essential requirements people must have or safeguard in a given situation and vis-à-vis others (e.g. employees' needs to protect their families, their own livelihoods and wellbeing)

Sometimes different actors' needs are more compatible than their stated positions. If underlying needs are known, SMEs can target CR to accommodate and address those needs. It is equally important to clarify one's own positions, interests and needs vis-à-vis others.

Analysing Stakeholders 2 – What are their attitudes, behaviours and values?

Social instability often reflects different groups' attitudes, behaviours and values. An SME's relationship with those groups can inadvertently mirror and reinforce these dynamics. SMEs should ask themselves the following questions:

- Which attitudes, behaviours and values underpin, and further feed, instability in the community and wider society (e.g. stereotypes, including caste notions that exclude certain groups from various employment categories)? Are these reflected in the SME's relationships and business operations?

- How might an SME influence them? Could it be feeding them? How can this be avoided?

- Could the SME help overcome them in any way (e.g. by being inclusive in hiring practices, or challenging negative stereotypes)?

- What attitudes, behaviours and values can an SME reinforce or reward that support stability (e.g. equitable sharing of resources, or tolerance)?

- What is within the power of the SME to influence or change?

Analysing Stakeholders 3 – What are their capacities to engage?

Depending on the issues and challenges a CR strategy is designed to tackle, different stakeholders will have differing degrees of capacity and willingness to join efforts to address them. Different types of 'capacities' can include resources, relevant expertise, networks and relationships, and social and political influence. In the same vein some actors may have an interest in maintaining the status quo, and for an issue or problem not to be resolved. They may use their capacities to that effect. This needs to be understood as part of the company risk assessment (explained below).

- How can different individuals and groups help an SME implement its CR strategy?

- What are their capacities to help solve societal problems? How can SMEs draw on these capacities?

- What can SMEs learn from other actors?

- Who has the potential to spoil CR efforts, or fuel wider social, political or economic instability? How and why? Are they inadvertent or intentional spoilers?

- Are there actors with the capacity to keep such spoilers in check, and diffuse tensions? How can SMEs work with them?

SMEs need to be clear about their own capacities and limitations that may need to be overcome.

2.1.3 Prioritising stakeholders

Conflict Sensitivity is an approach that seeks to understand the effects of development and humanitarian interventions on peace and conflict, and enables us to act on that understanding in order to maximise the positive impact and minimise the negative impact of our interventions.[3]

It will not be possible, or even necessary, for an SME to engage all of its stakeholders all at once or all the time in its CR practice. Engagement will depend on the relevance of different actors and the purpose within the SME's CR plan. Therefore business people need to systematically prioritise stakeholders, and identify criteria to do so. This process will need to be **conflict-sensitive**, while 'doing no harm' (this is explained in more detail in Six Steps to Do No Harm, below). Consider the following criteria and questions, to help the company prioritise stakeholders:

- How significant are the SME's operations and their impacts for particular stakeholders (e.g. employees and their families)?

- How important are particular groups for an SME's operations (e.g. customers and key suppliers)?

- What are the risks to the SME, its operations, and its CR plan of excluding certain groups?

- What is the likelihood of identifying new business and CR opportunities by engaging with certain stakeholders?

- Who is critical to the success of a CR intervention, without whom the objective of the company's CR plan cannot be achieved?

- Who will likely have similar agendas in addressing certain community needs and challenges, and may be able to share costs, making a CR initiative more effective and successful (for example, by partnering with another business, a civil society organisation or NGO)?

- Who has the knowledge, expertise and capacity to help address problems the company wishes to address? How can an SME draw on them?

- Is the SME able to engage with them effectively and constructively? Or does it need help from others? Is it possible to get such help?

- Are there risks involved in engaging with some actors to the SME or the actors themselves, and can they be mitigated?

Activity 5: Analysing Stakeholders
Activity 4 helped identify your current stakeholders. The next step is to understand more about those stakeholders and consider whom you should be working with to maximise the impact of your CR strategy.
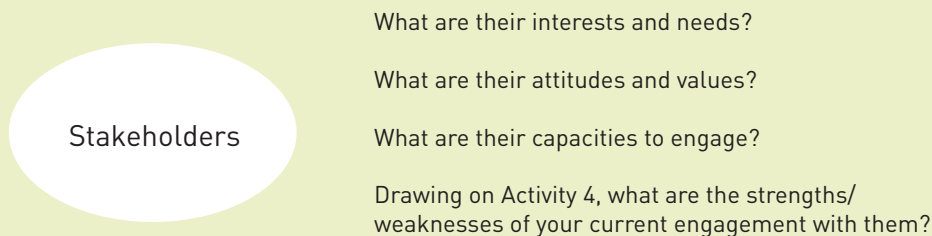
This activity will help you:
- Prioritise your stakeholders
- Understand their needs, capacities and attitudes

Go back to the brain-storm of the different stakeholders your company engages with. Using the questions listed in 'Prioritising stakeholders', select those that you consider key to your operations.

Think particularly about who is important to engage with to positively impact peace in your area. Make sure that included in your selection are those affected by instability and those with the ability to influence peace.

Once you have prioritised the stakeholders, map each one on a piece of paper. Referring to the guiding questions in Sub-section 2.1.2, discuss the needs, capacities and attitudes of each in turn.

Example:

Stakeholders

What are their interests and needs?

What are their attitudes and values?

What are their capacities to engage?

Drawing on Activity 4, what are the strengths/ weaknesses of your current engagement with them?

This will have helped you to build a picture of:
- Who you want to engage with for your CR activities and for what purpose
- The type of relationship you have with the stakeholder
- The perspectives of the stakeholder and how you can learn from this/impact this positively
- Their capacity to engage with you, how you can make use of their capacities/build their capacities

2.1.4 Engaging stakeholders

The company will already be engaging with some stakeholders on a daily basis (for example, employees). Others may be new. The question now is, how does the SME build new relationships, improve existing ones and capitalise on this for CR?

There are different ways and degrees of dealing with different stakeholders. The purpose should shape the mode of engagement, in other words, the 'why' should inform the 'how'.

This can include:

- **Consultations** to keep the needs of the community in mind and reflect them in the company's CR plan and activities

- More **sustained exchange and dialogue** to get a feel for the community's problems, and to begin to jointly identify solutions (for example, through community committees, or civic initiatives)

- **Seeking advice and learning** from certain groups on aspects of CR (from media representatives for public outreach and awareness raising, or other industries operating in the area)

- **Partnering** with them for the purpose of a series of or one-off CR activities that are strategic for both sides (e.g. with a local school, or teachers' association)

- **Networking** for CR purposes with businesses and others (e.g. through business associations, community events and festivals)

- Some groups will be key to **reviewing and evaluating a company's CR performance** (see Section 4)

Activity 6: Principles for Engaging with Others
In engaging with other actors, you need to consider the kind of relationships you wish to develop. These should be guided by sound principles for selecting and engaging different stakeholders.
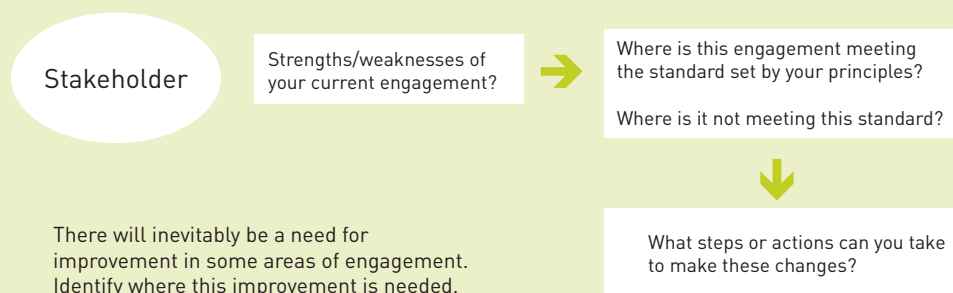
This activity will help draw up a set of principles for engagement which should include:

- Inclusiveness – ensures that particular stakeholders are not, intentionally or unintentionally, excluded from CR

- Transparency and openness – reasons for engagement, mutual benefits and responsibilities are clear and understood by all

- Equality and respect – all stakeholders are treated in the spirit of equality and with equal respect

- Collaboration, not competition – where possible, SMEs address community challenges jointly and in a collaborative way, without allowing competition to get in the way of solving wider problems

Discuss any other principles you consider important in your company's relationships with stakeholders.

Use this discussion to agree on a set of principles for your company. Keep them specific and targeted at stakeholder engagement.

Once you have agreed on your core principles, go back to the stakeholder map developed in Activity 5. Take each stakeholder in turn and consider whether interaction with each stakeholder meets the standards set by your principles. For example:

| Stakeholder | Strengths/weaknesses of your current engagement? | → | Where is this engagement meeting the standard set by your principles?

Where is it not meeting this standard? |

There will inevitably be a need for improvement in some areas of engagement. Identify where this improvement is needed.

What steps or actions can you take to make these changes?

2.2 Understanding the Context

In order for SMEs to identify CR options that address community needs and challenges, businesses first need to analyse and understand their context. This will enable them to identify risk factors to themselves, their stakeholders, and wider society.

Engaging with the SME's stakeholders will already have revealed challenges and urgent priorities for different groups. These can now be looked at in more detail to help the company decide which issues to work on, and how.

This section guides the reader through a set of questions to analyse the context. Answers to these questions developed by an SME, or a group of entrepreneurs, when gathered together in a suitable format will help them make subsequent decisions about CR strategies.

Activity 7: Analysing the Business Context
Using the questions below to guide you, discuss the different issues affecting your community. You will probably have other questions that are more relevant to your particular context. Feel free to change and adapt the questions below. Write down your answers as necessary. Record the results of your discussion, highlighting the key issues you agree are causes of instability.

Sample questions to analyse business context:

What are the causes of instability in the community?

Why do these factors create instability?

How does instability manifest itself? (E.g. through physical violence/discrimination/ lack of employment opportunities)

What other forces further feed such instability?

Are there identifiable trends?

What are new or emerging issues affecting the community?

What is the impact of instability on SMEs in the area?

Is business growth inhibited? How and why?

Does SME behaviour contribute to discrimination? How and why?

Are particular sections of the community affected by instability. Why?

What divides people and causes tensions?

How are women and men treated differently in the community? Why?

What connects people in the community?

What initiatives/activities are there to bridge divides/tensions?

2.3 Understanding Risk Factors to Mitigate Business Impacts

If the relationship between an SME and its context is symbiotic, then the underlying factors of community instability represent risks to a business' growth and existence. These risks have been identified through answering the questions on the preceding page. Now they need to be systematised, and looked at in more detail.

In addition, a company's own operations may inadvertently fuel such risk factors further, creating a vicious circle. In other words, certain business activities may feed risks that endanger their own operations. For example, environmental pollution threatens us all. Unless each feels responsible to do his or her bit for environmental protection, all members of a community and wider society will suffer the consequences, including SMEs.

Honesty and a willingness to change are, therefore, needed to make informed choices, and ensure that an SME's operations are not part of the problem. A sound CR strategy includes ways of understanding, and mitigating, such unintentional harm. Some examples of different types of risk factors and business actions that can exacerbate them are listed below. Others need to be identified.

Business risk environment		
	Sample risk factors	Sample business actions that worsen risk factors
Social	There is inadequate provision of training and education for local youth. As a result they cannot access local jobs and feel marginalised.	SMEs recruit trained and skilled staff from elsewhere, instead of training local youth. As a result young people feel further marginalised.
Political	Weak rule of law and institutions mean that government service provision is inadequate and cannot address community and business needs.	SMEs seek to avoid paying taxes and work around local institutions, instead of with them. This weakens them further.
Economic	There are tensions within the community over who can access economic opportunities and benefits.	SMEs do business with and hire only people from their own group, and do not reach out to others. This further exacerbates community divisions that in turn increase hostility towards the business community.

Security	Community members feel physically insecure, and there is inadequate security provision by authorities.	SMEs work with vigilante groups to provide security for their business, but do not think of the wider community's needs. Vigilante groups turn increasingly violent and become part of the problem.
Environmental	There is inadequate waste management, and pollution is seriously degrading the natural environment on which businesses and communities depend.	SMEs continue with business as usual, generating waste and pollution, exacerbating the problem, instead of acting jointly for collective impacts.

Activity 8: Risk Factors

This activity will help you think about some of the different risks to your business operations.

Following the examples given in Sub-section 2.3, complete the risk factor table for your company. Add a third column to think through how your business cannot only mitigate that risk, but also make a positive impact on the risk itself.

	Risk factors	Business factors that contribute to risks	Mitigation/positive impact
Social			
Political			
Economic			
Security			
Environmental			

## 2.4 Making sure that CR is 'Conflict-Sensitive': the 'Do No Harm' Approach

The trick for SMEs will be to 'turn around' such risk factors and purposefully seek to mitigate them, instead of fuelling them further. This will be a central component of a firm's CR strategy. There is much that companies can learn in this regard from the experiences and ways of working of development and humanitarian agencies, who have had to learn that sometimes their well-intentioned interventions result in creating harm because they were not based on a sound understanding of the context. The box below suggests ways for an SME to adapt and integrate such 'Do No Harm' approaches in its CR strategy.

What is 'conflict sensitivity'?

Often in Sri Lanka, the word 'conflict' is used to refer to the violent conflict in the North and East of the country. However, apart from this large scale, deeply rooted, and violent conflict, there are many other socio-economic tensions and conflicts – some of them resulting in violence, some remaining 'below the surface' - that affect our society. For this reason, it is important to ensure that CR activities are planned and executed in a 'conflict-sensitive' manner.

Conflict-sensitive CR is based on a sound understanding and analysis of the tensions and (open or latent) conflicts affecting an SME's context (Sub-sections 2.1. and 2.2. will have helped you with this). This will ensure that the business operations and CR activities do not inadvertently fuel them further and aggravate existing tensions. It will ensure that by addressing the root causes of these problems, business can maximise its positive impacts.

Figure 2.2: *Two-way impacts between an SME and its context*
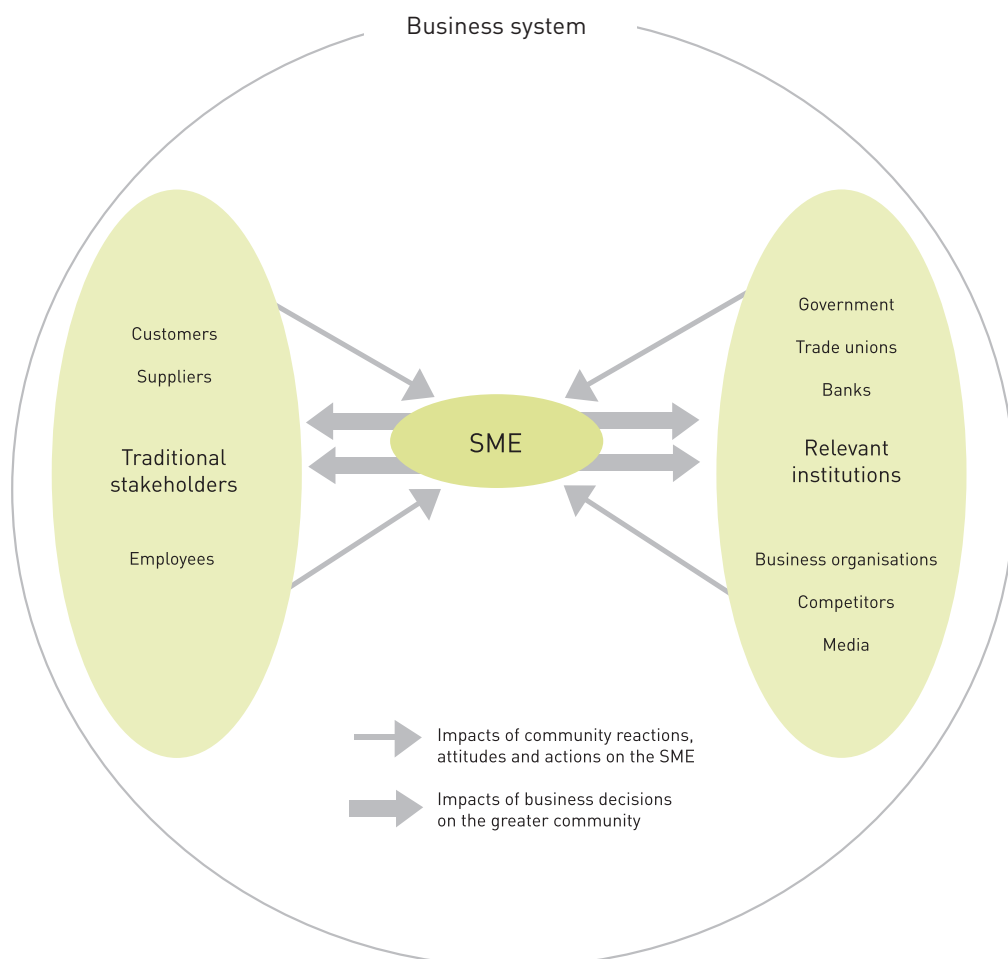
Six steps to 'Do No Harm'[5]

Companies can 'Do Harm'
The 'Do-No-Harm' approach recognises that companies' well-intentioned CR initiatives can become part of the problem, if they are not carefully planned and carried out. The box on 'Business risk environment' above has given examples of how this can happen. Overall, the Do-No-Harm approach identifies two ways in which companies engaging in CR can make things worse: CR can either feed already existing tensions or divisions in the community or it can weaken positive and peaceful dynamics and relationships, creating fresh tensions in turn. SMEs may find it useful to think of these as 'Connectors' and 'Dividers' that exist in its community or wider society:

What are 'Connectors' and 'Dividers'?
The sub-sections above on stakeholders and context have already introduced some 'Connectors' and 'Dividers'. For example, different groups' attitudes, values and behaviours that can strengthen, or in turn weaken, social stability and peaceful relationships. They include:

- Actors
- Institutions
- Mechanisms

These can either bring people together in the community and strengthen peaceful bonds, or drive them apart and create frictions.

Examples of 'Connectors' are:
- Systems and institutions: marketplaces, infrastructure, communication systems
- Attitudes and actions: of individual people, civil society groups
- Shared, and uniting values and interests: right to health services, food, love for children
- Shared and uniting experiences: common suffering during the war, alliances that unite people for a common cause
- Symbols and occasions: art, music, ceremonies, common cultural and/or national heritage, sports activities that are shared and bring people together

Examples for 'Dividers' include:
- Systems and institutions: armies, armed groups, infrastructure that is only available to some (e.g. energy, water), production and distribution of weapons, war propaganda
- Attitudes and actions: explicitly targeting one group, violence, torture, lawlessness, displacement, harassment, racism etc.
- Different and dividing values and interests: different religious values, struggle for land and resources, external interests
- Different and dividing experiences: interpretation of history, discrimination in law enforcement, salaries, access to jobs
- Symbols and occasions: imposing or preventing religious practices, destroying monuments or sites that are of value to others

Business System refers to an organised and purposeful structure consisting of interrelated and interdependent elements, which include the business entity, its stakeholders, institutions, processes, practices, people, government and community. These elements continually influence one another (directly or indirectly) to maintain the activity and the existence of the 'whole'.[4]

CR can highlight connectors and dividers within an SME's sphere of influence. The challenge for companies is to recognise connectors and find appropriate ways of supporting them, without increasing the existing tensions that are heightened by dividers!

Context of conflict

Dividers	Business environment	Connectors
Systems Institutions Attitudes Actors Values Interests Symbols Occasions	Why? Where? What? When? With whom? By whom? How?	Systems Institutions Attitudes Actors Values Interests Symbols Occasions
	Corporate Responsibility	

Implementing 'Do No Harm' principles – in six steps

The 'Do No Harm' principles laid out in this sub-section should inform a company's CR strategy, and can be included in a CR code of conduct or vision statement. The six steps outlined below summarise this sub-section and help an SME think about, and act on 'Do No Harm' principles systematically:

STEP 1: Understanding the context (see Sub-section 2.1. and 2.2)

STEP 2: Analyse dividers and sources of tension (see this textbox)

STEP 3: Analyse connectors (see this textbox, above)

STEP 4: Analyse your business within this context (see Sub-section 2.3 and 2.4)

STEP 5: Begin thinking about options (see Section 3 to identify options based on your analysis)

In most cases,

● IF the way you do business has a negative impact on dividers – strengthening/reinforcing dividers, feeding into sources of tension.

Or

● IF the way you do business has a positive impact on connectors – strengthening commonalities

THEN create a culture, over time, where your business promotes and incorporates the practices that CONNECT, and rejects the practices that DIVIDE.

STEP 6: Test options and redesign business ethics (see Section 4)

Review of progress and summary of section

Understand
& Analyse

Analyse stakeholders
Analyse context
Analyse risks and impacts

- Gather information on stakeholders and context, and analyse in relation to your company.

- Analyse societal risks, and the impacts your company operations may have on these.

- Think about 'Connectors' and 'Dividers' in your community.

- Collate them in a way that will help you identify options and make decisions in later steps.

Endnotes

[1] Adapted from Potts, J. and Honen, P. (2007) Corporate Social Responsibility: An Implementation Guide for Business, IISD.

[2] Business Leaders Initiative on Human Rights, (June 2006) 'Report 3: Towards a 'Common Framework' on Business and Human Rights: Identifying Components', BLIHR

[3] Source: Mayer, M. et. al. (December 2007), Do-No-Harm and Conflict Sensitivity in Development Assistance: Practical Training Report for GTZ-Nepal, B

[4] Adapted from www.businessdictionary.com

[5] This box is adapted from Anderson, M. B., (February 1999), Do No Harm: How Aid can Support Peace – or War, Boulder: Lynne Rienner Publishers; and Mayer, M. et. al. (December 2007), Do-No-Harm and Conflict Sensitivity in Development Assistance: Practical Training Report for GTZ-Nepal, Kathmandu.

Notes:

Notes:

International Alert.

Planning and Implementing
a CR-Centred Business Model
Section 3

Sustaining Business and Peace:
A Resource Pack on Corporate
Responsibility for Small and
Medium Enterprises

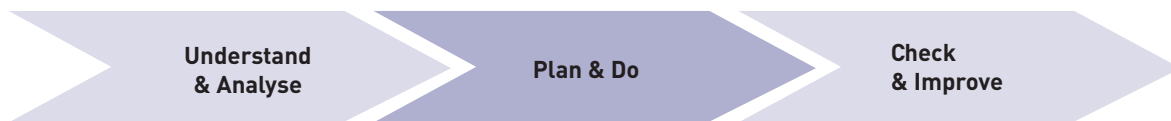**Understanding conflict. Building peace.**

Section 3:
Planning and Implementing a CR-Centred Business Model

3.1 Different Elements of CR

3.2 Setting an Agenda and Identifying Options for a New Business Model

3.3 Engaging Stakeholders

3.4 Setting Targets and Indicators

Understand & Analyse → Plan & Do → Check & Improve

3.1 Different Elements of CR

As discussed in Section 1, CR means much more than a single activity carried out by an SME. Strategic CR presents a different approach to doing business itself, not just CR projects. It has many elements that relate to different aspects of an SME's business plan, management and operations. The following sub-sections will guide the reader through choosing and applying appropriate elements of CR to their own business practices and context.

This does not require drastic changes to the way an SME operates. CR can be integrated into an SME's business model through small effective steps that are taken one at a time.

- Some of these steps are 'inward looking' and involve changing core business operations internally;

- Some steps are 'outward looking' and tackle wider community challenges that also impact on the business;

- Finally, some steps can also be taken to influence the wider business environment, through **advocacy, lobbying, compliance, dialogue** and **networking.**

The three types of steps and the different areas of the business, business environment and wider community to which they apply are listed in the three sub-sections in the following pages. In each case sample questions are provided alongside that will help readers decide their own specific approach, tailoring it to their own context. The questions are not exhaustive and should stimulate further ideas.

Advocacy refers to the act or process of pursuing the realisation of a cause or proposal. An organisation may carry out advocacy to increase public awareness of a particular issue or set of issues.

Lobbying is the act of promoting an agenda that will result in some specified reform, usually at government level.

Compliance describes a situation in which an SME fully meets the requirements of standards, laws, rules and regulations which mandate ethical and responsible business practice.

Networking is connecting with people of like interests for the purpose of uncovering opportunities, identifying potential threats and learning of best practices.

3.1.1 Sample elements of inward-looking CR: Changing core business operations

Core company values	• Do the values of the SME reflect its commitment to being sensitive to, and helping address, the needs and challenges of its stakeholders and wider community? Are these values clear and shared by all employees? • Are these values documented or clearly articulated in a code of ethics, standards, or a set of principles that creates a framework to plan, prioritise, track and review CR activities?
Health and safety	• Does the company provide a safe and secure workplace for employees? • Are employees able to reach their workplace, and go about their work in an atmosphere free of harassment, threats and risks to their personal safety? • Is the company adhering to relevant regulations and standards? • Do safety regulations cater to the different needs of men and women?
Human resources	• Does the SME refrain from using child or forced labour? • Can contractual relations with employees be improved? • Do employees receive comparable wages for comparable work? • Is it possible to enhance equality between women and men in the workplace? • Are employees exposed to discrimination in hiring and promotion practices in the SME? Is there a bias towards or against a particular ethnic group or gender? Are there opportunities for the disabled? • Are vacancies in the company equally accessible to all in the community? Can diversity in the workplace be proactively promoted? • Are there grievance complaint mechanisms for employees? (e.g. for sexual harassment) • Are there opportunities for employees to grow in their professions and can educational assistance be provided to them? • Are employees able to maintain an adequate work-life balance? • Are there ways of employing vulnerable members of the community (e.g. unemployed youths, disabled, ex-combatants)?
Products and operations	• Are the products and services offered by the company of adequate quality, and do they comply with existing standards? • Is it possible to improve customer service standards? • Can and should the company use more energy-efficient appliances and modes of transport? • Can and should inputs be sourced from local suppliers? • Are all potential customers able to access products and services equally? • Does the business adhere to standards of fair competition? • Are accounting practices transparent and appropriate? Does the SME adhere to anti-corruption and anti-bribery principles? • Is it possible to produce less waste and recycle it where possible? Can resources be used more efficiently and sparingly (e.g. paper)? • Are there opportunities to develop new environmentally friendly and socially responsible products and services? • Is it possible to help suppliers or producers to upgrade and innovate, in order to provide the company with better goods and services?

3.1.2 Sample elements of outward-looking CR: Tackling wider community challenges

Community relations	• Are there local community projects that the SME is well-placed to support? • Can local civic committees and forums tackle community challenges that company staff can participate in? • Are there tensions within the community between different groups that the company may be able to address, for instance, through its employees? • Can and should the company participate in and support community initiatives that promote tolerance, diversity, respect for human rights and civic education?
Social services	• Can the company support the provision of social services like water, education or health? • Are there ways in which employees can support local educational institutions (e.g. by providing training, or offering placements to students and trainees)? • Is it possible to extend business mentoring to young entrepreneurs or youth who want to start businesses? Can they become part of the SME's supply chain? • Is the SME able to help in improving physical infrastructure (e.g. roads or telecommunications) if it can benefit the community and improve the business environment? • Are there ways of providing relief for, and supporting victims of, natural disasters and conflict?
Local government and institutions	• Are there specific local institutions that would benefit from the SME's support? • Can SMEs provide support to help build the capacity of local government services? • Are there opportunities to partner with local government to tackle issues through public-private partnerships?

3.1.3 Sample CR elements to influence the broader business environment

Finance and investment	• Can and should SMEs help attract investment to a marginalised district or region? • Is it possible to engage in advocacy and lobbying with government, donors or business organisations to improve access to finance for businesses, especially for young entrepreneurs, others from disadvantaged backgrounds, or victims of natural disasters and conflict?
Rules and regulations	• Are there rules and regulations that apply to business that need clarifying? Can and should SMEs jointly advocate for government policy reforms? • Are there gaps in rules and regulations for responsible local business conduct? Can and should businesses take voluntary initiatives to fill them?
Social and political concerns	• How can SMEs engage in dialogue with other members of the community to jointly tackle social, political, security and economic instability? • Are SME owners and staff members well informed about existing social, political and economic instability, and potential risks to the SME?

Business networking for CR	• Can SMEs participate in existing business networks for CR or create new ones to exchange CR learning? Can they engage in dialogue with peers and identify joint business responses to issues like corruption, regional marginalisation, or economic inequalities? • Can CR lessons be accessed and learnt from others (e.g. larger companies, other regions and countries)?

Activity 9: Different Types of CR

This activity explores the different types of impacts CR can have. Two different examples are provided below. These examples demonstrate some of the different focus areas for CR activities:

Inward-looking CR

Suwa Shanthi Hospital (Pvt) Limited, in the Anuradhapura District, lies close to villages bordering the conflict zone. The hospital caters to the needs of the vulnerable population in the area.

In this region, there is a critical shortage of employment opportunities for men and women, outside of agriculture. Recognising this need, the majority of nurses have been hired from areas which have high unemployment. Realising the difficulties faced by young women in finding low-cost accommodation in the town, 'Shanthi' provides free residential facilities to all nurses in the hospital compound and in adjoining buildings – a safe and secure environment.

Most of the nurses are from low-opportunity backgrounds and have been trained at the private nursing school in Kurunegala. 'Shanthi' provides three months of additional residential training, free of charge. While primarily focusing on practical on-the-job training, the programme also includes a theoretical component, with regard to internal or external CR activities. In addition to trainees from this province, the success of this programme has attracted nurses from other areas, including the Kurunegala District in the Wayamba Province.

Outward-looking CR

Thiru, the proprietor of Selvam Traders Limited (STL), believes that change in society can be brought about by improving children's education. He believes that children are the most vulnerable part of socially and economically disadvantaged groups, and when children are supported, a cycle of change will be started. Good access to education for children will later provide good opportunities for employment. There will be less disparity within the regions, which will help prevent problems like conflict, riots and violent activities.

STL mainly targets Grade Five students in four villages and provides educational support in a number of ways to better prepare them for the government scholarship examination. These children have directly and indirectly experienced the impact of the conflict, and during late 2006 experienced displacement that severely disrupted their education.

One of the main problems with regard to education in the region is the shortage of teachers. On every weekday evening from half-past six to half-past eight, STL teaches over 100 Grade Five students the core subjects of Maths, Science, English, Sinhala, and Tamil free of charge. To better equip them to teach young children, Thiru spent six months in India on a teacher-training programme, and upon his return, trained his sister and three other staff members.

What are the differences in these two case studies?

What is it in each case that promotes sustainable CR?

Discuss other examples of CR activities that you have heard of, or in which you are engaged.

Are there parallels with the way your company would like to develop its CR approach?

3.2 Setting an Agenda and Identifying Options for a New Business Model

The previous sub-sections have guided readers through different elements of CR they can adopt. These have included:

- Inward-looking, outward-looking, business-environment related options

- Understanding stakeholders, and ways of working with them

- Understanding context

- Identifying and mitigating risks and impacts

Based on this information, SMEs can begin to develop a CR agenda and identify options for a business model that reflects it. While developing such an agenda, business leaders and managers should ask themselves:

- **What** is the SME hoping to achieve, given the challenges and risks identified? What are the guiding values and CR vision for the company (See Activity 3)

- **How** is the SME going to do it? What is its action plan?

- **Who** is the SME going to do it with, given the context and engagement of other actors?

- **How** will the SME know that it is helping, and how will it make sure it does not cause harm, given its understanding of risks and impacts?

SMEs also need to consider the following questions:

- What are the company's relative strengths and weaknesses with regard to good CR practice? What are the strengths and weaknesses in decision-making, management, and operations? How can gaps be filled?

- What good practices does the company already have, and how can this be built upon and systematised?

- What internal and external changes need to take place, and who within the company should be responsible for them?

- What capacities and opportunities are there to work collectively with other SMEs to address challenges jointly?

- What resources are needed (material, financial and human), and are they available?

- What targets and timelines does the company want to set itself? (This is further discussed on the following pages).

Activity 10: Setting Your CR Agenda
It is not possible for you to address all the problem issues in your area. If you want to maximise the positive impact that CR can have on social challenges and conflict in your area, you will need to:

- Identify where it is that you can make a difference;

- Identify what you want to achieve;

- Identify how you are going to do it;

- Identify who you need to engage with to achieve this.

This activity will help you to:

- Identify your CR goal(s).

Take a couple of the issues identified in Activity 6 that you think a CR activity by your company may be able to address. Now you need to gain a deeper understanding of this issue in order to work out how you can address it.

Place the issue at the centre of your paper, and, as branches off it, brainstorm and discuss the issue further around questions relating to that factor. Ask the questions what, why and how in order to gain a more in-depth understanding of the issue:

- Why is this a key issue?

- What lies underneath and contributes to this issue – why is it causing instability? What does this aspect of the conflict look like?

- Who is involved?

- How is it manifested?

- Why is this happening?

- Where is it that your business can affect change on this issue?

Now take the issue(s) that you want to address and place them on the left-hand side of your paper. This is the situation as it is now.

Discuss the change you want to see after engaging on this issue. This becomes your goal. Write this change on the right-hand side of your paper. These form the two points of your action plan.

NOW   **GOAL**

Describe the   Describe the change you
situation as it is now   want to see

For example, you may have discovered that one of the drivers of instability is high levels of unemployment amongst young people in your area. A possible CR goal for this would be to join with other businesses to create more employment opportunities. This goal could be achieved, for example, through a CR activity that offers more vocational training schemes for young people.

3.3 Engaging Stakeholders

Engaging the right stakeholders in the right manner is key to the success of the SME's CR strategy. Sub-section 2.1 in the previous chapter explained how to identify, analyse and prioritise the company's stakeholders with a view to engaging with them. It described how the SME can develop a set of principles for engaging with stakeholders. Now we take this further by developing a specific action plan for engaging with relevant stakeholders.

Activity 11: Developing an Action Plan for Engaging Stakeholders

This activity gets you to think about the stakeholders who can impact peace positively or negatively. Which of these do you need to engage to ensure that your CR strategy has the maximum positive impact on peace? It will help you to:

- Identify **who** your key stakeholders are, given your agenda;

- Define **why** you are engaging with them;

- Design **how** you are going to engage;

- Plan **when** to engage with them;

- Understand **what** successful inclusion of stakeholders looks like.

Start by looking back at your stakeholder map **(Activity 5)**, your context analysis **(Activity 7)** and the issue you want to address **(Activity 9)**.

Think about the CR strategy you have planned and consider the following questions:

- Who do you need to engage on this to maximise its positive impact?

- What are the capacities of the identified stakeholders to help implement your strategy?

- What would motivate them to engage with you? What do they need in order to do this?

List the stakeholders you plan to engage with and ask the following questions about each stakeholder:

- Who do you need to engage with to ensure successful and sustainable impact?

- How will you engage with them?

- At what stage – when?

- How will you know you have been successful – what would indicate that you have developed a successful relationship?

Use the table below to record your discussions.
This forms your action plan for working with different stakeholders.

The example provided is based on Selvam Traders Limited (STL) in **Activity 8**

Who	Why	How	When	Success
Head teachers of schools in target villages	To partner on best methods to contribute to education gap in schools	Meetings and consultation forums	Throughout whole project from beginning	Head teachers actively engaged and encouraging attendance of pupils
Grade Five students	Education disrupted by displacement Current shortage of teachers	Using STL staff to teach Maths, Science, English, Tamil and Sinhala	Weekly	Students participate in the extra classes Exam success rate increases

3.4 Setting Targets and Indicators

So far readers have analysed stakeholders, context, and risks (Section 2), and assessed and prioritised options while developing a CR agenda and action plan for the company (Sub-sections 3.1 to 3.3). As with the business plan of a company, the CR strategy and action plan needs to be reviewed and revised. This is in order to:

- Understand if the CR strategy and interventions have had the intended impacts, and determine what gaps remain;

- Assess whether they continue to be based on a relevant analysis and prioritisation of stakeholders, and their issues, or if they need updating;

- Review if the strategies and actions chosen were the right ones in retrospect, or if they need to be redirected;

- Assess whether there have been unintended, and possibly harmful, consequences from CR activities;

- Assess whether the stakeholders think that the company is creating social profit.

SMART Targets

Specific
A specific goal has a much greater chance of being accomplished than a general goal. It is helpful to consider: who, what, where, when, which and why.

Measurable
Establish concrete criteria for measuring progress toward the attainment of each goal you set.

Attainable
Goals must not be too far out of reach, but they also need to push your limits, and requires a real commitment.

Realistic
To be realistic, a goal must represent an objective toward which you are both willing and able to work.

Time-bound
A goal should be grounded within a time frame. With no time frame, there is no sense of urgency.

Evaluating these five points will require a clear picture of:

- **What** the CR strategy is setting out to achieve (i.e. 'targets')

- **How** to assess whether targets are achieved (i.e. 'indicators')

3.4.1 Setting targets

The next step is to set targets to monitor progress over time. In other words there is a need to decide what specific objectives must be achieved. Ideally these should be identified and agreed with stakeholders and partners. It is useful to think of targets that are 'SMART'. Targets should be:

S	Simple
M	Measurable
A	Achievable
R	Reliable
T	Time-bound

3.4.2 Selecting indicators

Some indicators are then needed to establish whether targets are being achieved. It is useful to think of indicators as **signs of change and success** brought about by CR intervention. They could reflect:

- Reduced risk from certain factors of social instability to the company and the community

- Changed behaviour within the company, in the wider community, or both

- Improved relationships between the company and different stakeholder groups

- A reduction in **negative externalities** from business operations (e.g. less waste, more efficient use of energy)

- Changes in the policy environment (e.g. changes in the way the local government manages business or community related issues)

- An improvement in social services

- Increased levels of customers and sales, and establishment of a 'good name'

It is important to keep in mind that in order to be useful in monitoring the performance of the CR strategy and activities, indicators need to:

- Be observable and verifiable

- Include both objective indicators (e.g. quantifiable changes like number of products sold), and subjective indicators (e.g. the community holding the company in higher esteem)

The indicator toolbox suggests some examples that can help determine types of indicators that may work for your planned targets.

Negative Externality
An externality is a consequence of an economic activity that is experienced by unrelated third parties. An externality can be either positive or negative. For example, pollution emitted by a factory that spoils the surrounding environment and affects the health of nearby residents is an example of a negative externality. An example of a positive externality is the effect of a well-educated labour force on the productivity of a company.

Indicator Toolbox

Sample indicators of inward-looking CR

Human resources:

- A balanced workplace profile (race, gender, disability, age)

- Percentage decrease of staff absenteeism

- Number of positive compliance to standards (on health and safety, equal opportunities for men and women, legislation)

- Percentage decrease of staff grievances and staff turnover rate

- Percentage decrease in number of sexual harassment complaints and related resignations

- Types and number of training and skill development opportunities given to staff

- Locally equivalent pay and conditions for both men and women

- Regular evaluations of staff conditions with reports back to management and staff

- Opportunities for staff to join unions and other associations

- Perception and opinion polls on how employees view the company

- Contributions to pension funds and welfare funds

- Balanced responses from both men and women about feeling safe in the workplace

Environmental impact:

- Reduction in overall energy consumption

- Efficient water usage

- Disposal and management of solid waste

- Recycling paper and waste through the local municipality or urban council programme

- Keeping the environment clean

- Number of opportunities given to staff to participate in 'community clean-up projects' or 'shramadhanas'

Sample indicators of outward-looking CR

Community relations:

- Cash values of support to the community as a percentage of pre-tax profit

- Impact assessment of projects and activities: number of new students with access to schooling, number of families with a higher percentage of savings, number of new jobs created, number of community organisations supported

- Perception and opinion polls on the how the community perceives the business as a valuable part of the community

- Positive and negative media representations

- Value of individual staff time and management costs volunteered towards community-projects

- Frequency of formal and informal dialogue, and opportunities for feedback between stakeholders

- Increased capacity within communities to tackle factors of social instability (e.g. community mediation efforts, discussion forums tackling problems)

- Observable change in peaceful interactions between different groups in the community

Joint business activities and partnerships:

- Number of joint community-project initiatives by local chambers of commerce and trade associations

- Increased number of meetings and joint ventures with businesses across ethnic and other group lines

- Number of joint initiatives of patronage for local religious institutions and schools

- Number of activities done with civil society organisations outside immediate locale, or both

- Number of activities done together with apex business bodies and business associations

Business environment indicators:

- Frequency and quality of dialogue between businesses and local or national policy and decision-makers on issues of social instability (e.g. local government and political representatives)

- Number and impacts of policy and regulatory changes resulting from business lobbying that address issues of social instability (e.g. to improve access to finance for young entrepreneurs)

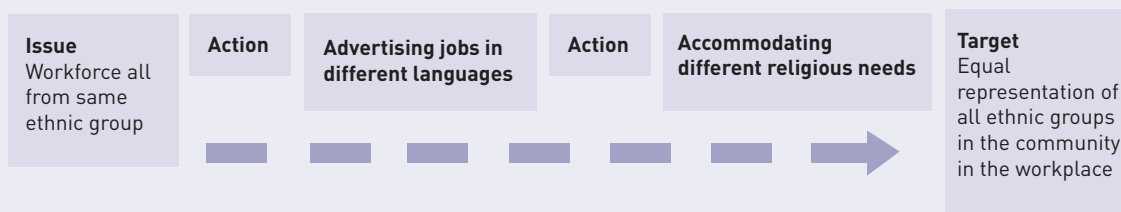### Activity 11: From Goals to Targets, Actions & Indicators

This activity will help you to:
- Break down your goal into achievable target(s);
- Identify the different steps (actions) you need to take in order to achieve those target(s);
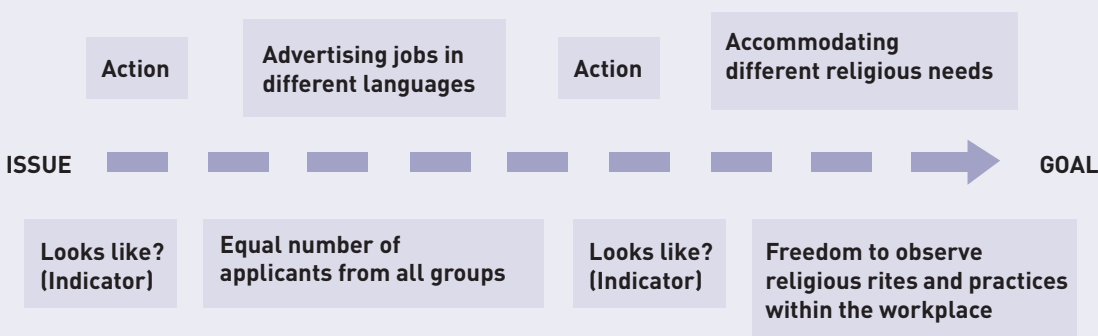- Set indicators to show whether you are on track.

In Activity 9 you identified the issue your CR activity is addressing and the goal that the activity is working towards. In order to design a plan to move from where you are now, to achieving your goal, first identify the target(s) that will help you achieve your goal. For example, if your goal is to 'improve ethnic diversity in the work place', your target could be 'equal representation of all ethnic groups in the community in the work place'.

Issue
Workforce all from same ethnic group

→

Target
Equal representation of all ethnic groups in the community in the work-place, across all job levels

→

Goal
Improving the ethnic diversity in the workplace

You then need to establish each step (action) that will move the situation from where it is now, to achieving the target. These steps form the plan of the different activities the CR project will undertake. Place these steps along your action line, e.g.:

Issue
Workforce all from same ethnic group

Action

Advertising jobs in different languages

Action

Accommodating different religious needs

Target
Equal representation of all ethnic groups in the community in the workplace

Finally you will need to think about how you will know that you have achieved each of these steps. What will it look like when you get there? These form the indicators from which to identify whether you are on your way to success or if you are going off track. These can be numerical, proxy events or direct results of actions.

Action

Advertising jobs in different languages

Action

Accommodating different religious needs

ISSUE → **GOAL**

Looks like? (Indicator)

Equal number of applicants from all groups

Looks like? (Indicator)

Freedom to observe religious rites and practices within the workplace

---

Goal
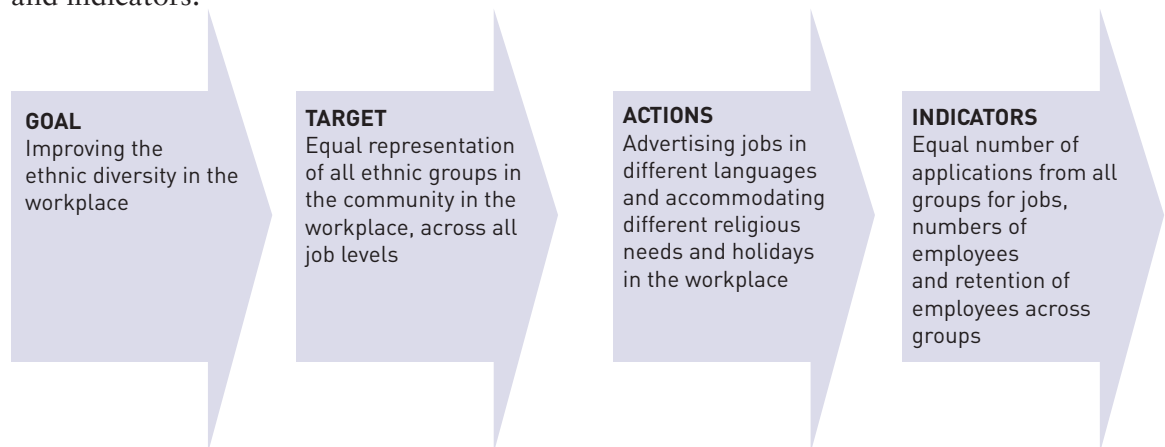A goal is a statement of aspiration about a longer-term outcome that an organisation wants to achieve.

Target
A target is a specified level of performance at a predetermined point in time (i.e. achieve 'x' by 'y' date). Goals translate into shorter-term achievable targets which are specific and measurable.

Indicator
An indicator is a measure we use to quantify a change in performance (the progress, quality and achievements). The key is to make sure that the indicator is a reasonable, useful and meaningful measure of the intended outcome.

Below is an example showing how a particular goal has been translated into targets, action and indicators.

GOAL
Improving the ethnic diversity in the workplace

TARGET
Equal representation of all ethnic groups in the community in the workplace, across all job levels

ACTIONS
Advertising jobs in different languages and accommodating different religious needs and holidays in the workplace

INDICATORS
Equal number of applications from all groups for jobs, numbers of employees and retention of employees across groups

---

Communal unity through business action for peace

SiThaMu is a company that owns and operates a rice mill in Trincomalee, a district that has been plagued by communal unrest for decades, and where Sinhalese, Tamil and Muslim communities live in close proximity to each other. The name SiThaMu is created from the words 'Si(nhalese)', 'Tha(mil)' and 'Mu(slim)', but interestingly, it also means "let's think" in Sinhala.

The Trincomalee Chamber of Commerce supported this rice mill project as a business venture marrying the need for social consciousness and economic viability. The company boasts 11 directors and investors from the Sinhala, Tamil and Muslim communities, and has employees from each of the three ethnic groups. It has local government support and is registered with the Board of Investment of Sri Lanka.

SiThaMu responds to several needs in Trincomalee. By supporting a rice mill in the area, farmers enjoy lower transport costs, and often receive a better price than if they sell to out-of-town buyers. SiThaMu also provides employment to youth and revitalises the rice industry after decades of conflict. The most powerful impact, however, is that the tri-community ownership enables the company to ward off threats against the functioning or sustainability of the business that may emanate from negative elements in any one of the ethnic groups.

Investing in the rice mill is also investing in peace for these business people from Trincomalee. As a jointly owned business, it is an example of a responsible business model that targets, integrates and manages risks as part of the very nature of its existence. It mitigates political, economic, security and social risks by setting itself a goal that addresses one of the root causes of conflict in the area – ethnic disharmony and mistrust.

Review of Progress and Summary of Sections 2 and 3

Understand & Analyse	Plan & Do
Analyse stakeholders Analyse context Analyse risks and impacts	Clarify goals, commitments and timeframes Draft a strategy Implement commitments

Understand & Analyse

- Gather information on stakeholders, and context, and analyse in relation to your company

- Analyse societal risks, and the impacts your company operations may have on these

- Think about 'Connectors' and 'Dividers' in your community

- Collate them in a way that will help you identify options and make decisions in later steps

Plan & Do

- Analyse your own CR capacities and needs

- Identify CR roles and responsibilities within the company

- Engage stakeholders in CR decision-making

- Prioritise actors and issues

- Identify potential solutions that fit your company, for inward-looking, outward-looking and business-environment related CR

- Enter into CR partnerships

- Agree goals, targets, actions, and timeframes with stakeholders

- Draft a simple CR action plan

- Identify and include targets and indicators

- Allocate needed human, financial and material resources

- Make needed internal and external changes

- Begin implementing inward looking, outward-looking and business-environment related elements of your CR plan

Notes:

Checking and Improving
CR Strategy and Activities,
and Communicating Success
Section 4

Sustaining Business and Peace:
A Resource Pack on Corporate
Responsibility for Small and
Medium Enterprises

Section 4:

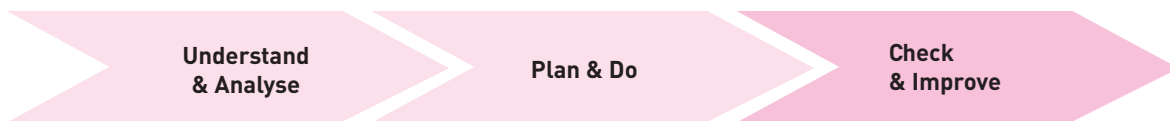**Checking and Improving CR Strategy and Activities, and Communicating Success**

Understand & Analyse → Plan & Do → Check & Improve

4.1 Creating a Monitoring Strategy: Identifying Goals, Commitments and Actions

In order to survive and grow, a business needs to be conscious of and respond to both positive and negative feedback from its entire business system. There are benefits to such reciprocation, mainly in the form of respect and 'protection' that the wider community can offer the SME and its operations. However there needs to be a systematic and easily accessible method to measuring, validating and evaluating whether the business has achieved the planned goals and commitments. This monitoring mechanism must include the different stakeholders analysed in Section 2 (individuals, groups and institutions that form the context in which the business operates).

A CR-centred business continuously strives to learn and innovate. This process must take into account factors that have been covered in previous sections. Among them:

- Business values and ethics

- Internal and external motivations for the business to undertake a more systematic approach to CR

- Key CR issues that are affecting, or could affect, the business and the community in which it operates

- Key stakeholders who are, or who need to be, engaged

- Current corporate decision-making structure, and its strengths and weaknesses, in terms of rolling out a more CR-centred business model

- Human resource and budgetary benefits (and costs) of integrating a CR-centred business model

- Existing CR-related initiatives of the company, other local organisations, and recurring gaps that impact the business environment negatively

Evaluation is about learning. Learning organisations are ones that adapt for sustainable advantage. They do not simply attempt to achieve narrowly defined objectives, but remain alert to changes in the overall business context. They respond to changing circumstances and find ways to improve their approaches. By doing so they identify new business opportunities. This will help a company innovate and prepare it to face the dynamic environment of today's changing business culture.

Figure 4.1: *Cycle of learning and innovation*
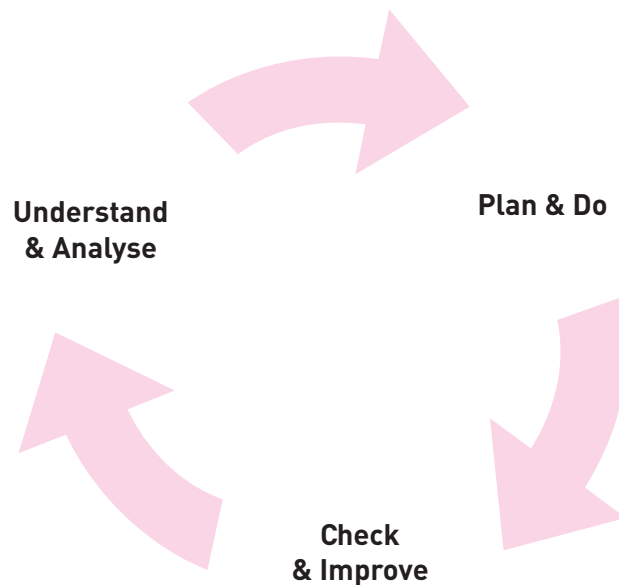
4.2 Reviewing Performance

To recap from Section 3, the following points will help gauge performance and degree of success:

- Assessing whether the analysis and prioritisation of stakeholders and their issues are still relevant, or need updating

- Reviewing to decide if the strategies and actions chosen were the right ones in retrospect, or if they need to be redirected

- Understanding whether CR strategy and interventions have had the intended impacts, and what gaps remain

- Assessing whether there have been unintended, and possibly harmful, consequences of the company's CR activities

- Assessing whether stakeholders think that the business is truly creating social profit

Section 2 introduced the idea that societal and other risks affecting a business and the wider community may be exacerbated by a company's own operations, if it does not carefully assess and address such reciprocal impacts. Indicators, explained in Section 3, will also help assess how far impacts are positive or negative.

Activity 12: Checking that Targets are Being Met
Reviewing your progress regularly is essential. It will enable you to monitor whether you are reaching your targets and whether the work is having the impact you intended. Reviewing progress also enables you to take appropriate action when things are not going as planned.

This activity will help you to:
- Check whether you are meeting the targets you set;
- Adjust your strategy according to the situation.

In Activity 11, you identified the different targets you need to meet in order to reach your goal. Go back to the action plan you drew up. Review your targets so far. Then use your indicators to assess whether progress is moving as it should do.
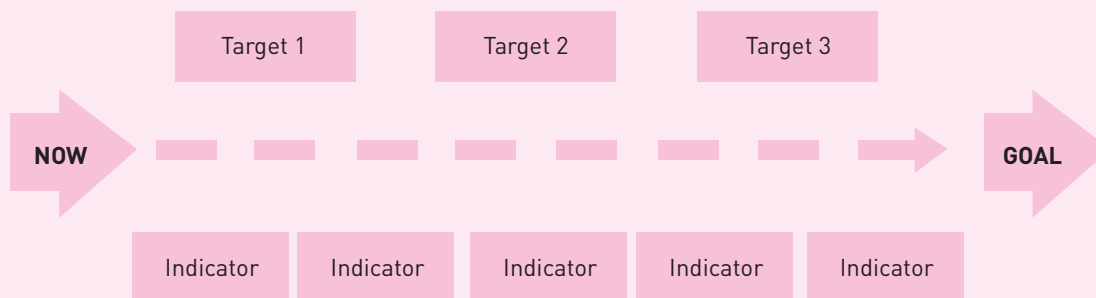
- Describe what each step of your progress looks like in reality.

- Are you meeting the targets you set?

- If not how far have you got?

If your activities in reality match the success indicators you have set for your targets, this is an indication that you are on track.

Sometimes the situation changes as CR activities unfold. Your original target may not have been ambitious enough, or it may have been too ambitious. Alternatively the situation in which you are working may be impacting detrimentally on your activities, or vice versa, your activities may be impacting detrimentally on the situation. If this is the case, you will need to revisit the process of setting your targets and indicators, and adjust them according to the changing situation. You will also need to evaluate your activities to work out why they are not having the intended impact and whether they are the right activities to address the given situation.

Activity 13: Evaluating Your CR Activities

This activity will help you to:
- Identify what has worked and what has not;
- Gather learning from the experience to apply to your future CR programmes.

Using the action plan you developed for your CR activity in Section 3, look back at your original targets and goals. Think about the following areas, using the questions to guide your review:

Successes
What has succeeded?

In what areas did the business meet, or exceed, targets?

Were there factors within or outside the business that helped it meet its targets?

Which partnerships worked well, and which did not? Why?

Were there positive consequences that you had not expected?

Learning
What did the business learn from this experience?

What should continue, and what should be done differently?

What interventions were sustainable (i.e. had lasting impacts beyond the activity)?

How can we ensure sustainability in future activities?

How will you build on your success?

Challenges
What did not work well?

In what areas did the business not meet its targets?

Why were these areas problematic?

Were there factors within or outside the business that made the process more difficult?

Were there unintended negative consequences of your CR activities?

Planning
How will this experience influence your future CR priorities?

Based on this experience, is it possible to identify CR priorities for the coming year?

4.3 Communicating Change and Reporting to Those Who Matter for Your Business

CR is ultimately about performance. A business can build strong relationships in the community and gain recognition in the business world from engaging in CR. It can also encourage learning among the wider business community, through open sharing of approaches and lessons. Reporting and communicating innovative CR practices can be helpful in this regard. It is important, however, to be clear about the difference between communicating, and sharing CR lessons and achievements, and advertising.

Is it fair to advertise about CR as a marketing strategy? This is a question that concerns many. Advertising is purely aimed at financial profit, whereas communicating and sharing CR lessons is aimed at informing stakeholders, like the community, in order to invite their feedback, improve CR and business conduct.

There is no problem with communicating CR or a company's best practices for the purpose of creating social profit. Such ethical corporate reporting can be a component of accountability to stakeholders.

However some businesses carry out activities under the label of 'CR' for the sole purpose of marketing a product or the company. This is aimed at creating a false and superficial impression rather than to report genuine progress or improved business conduct. This is rightly met with cynicism and seen as unethical by stakeholders. It is also unethical to share altered or untrue information about CR, value-based business practices and the social impact of CR.

How can businesses share information about CR with their stakeholders in a transparent and responsible manner? There are various channels of communication, such as:

- Annual reports

- Annual general meetings of shareholders

- Annual meetings with other stakeholders (e.g. sales and distributor conventions)

- Notices in regional newspapers that show activities over time

- Company notice boards

- Community meetings

- Through local government and religious institutions

- Brochures and pamphlets

- Company newsletter to employees and business partners

However some SMEs may prefer to do things discreetly, especially if there are risks of adverse effects to the company or CR initiatives if they become too public. For instance, in some countries, companies who hire ex-combatants do not necessarily want others to know about it. Ultimately it is up to the company to decide if communicating CR activities is desirable. Activity 14 on the following page will support in identifying a corporate communication strategy on CR.

Ethical Corporate Reporting
Reporting that is fair, truthful and balanced. Corporate reporting to stakeholders is ethical when it has agreement from those it speaks about, is respectful to the people involved and is transparent about subjects that may positively or negatively affect stakeholders.

Activity 14: Communicating Your CR Activities

This activity will help you to:

- Consider the impact of your communication strategy.

It may be that you choose not to communicate your activities at all. However if you do, the following questions will help you think through the impact of your communication strategy. Discuss first which forms of publicity are suitable for this activity and for your business.

Consider:

- What are you trying to achieve through your communication?

- Where will you communicate these messages?

- How will you communicate these messages? What channels will you use?

- What are the implications of your communication strategy? What are the positive consequences or possible negative consequences, for your company and for your stakeholders?

- How will you know that your communication is reaching the right targets in the right ways?

4.4 Incorporating and Institutionalising CR Success Factors

Developing and internalising a CR-centred business model will require time and real change to the way an SME understands its own operations. It will require an assessment of the benefits to the company, as well as the community, of integrating CR into business processes. It will also require aligning profit-making motives with creating social value. Incorporating and institutionalising CR and building momentum around it can only happen if the following factors are in place.

CR Success Factors	
Values, vision and goals	They are CR-centred, based on a strong understanding of the company's context. They provide the 'roadmap' for a company's CR-centred business model.
Leadership	Impetus for change is driven by business leaders who buy into the idea of a CR-centred business model.
Buy-in from stakeholders	Stakeholders feel that the company takes their views and needs into account when conducting business. Their participation and contribution is encouraged by the company. Stakeholder buy-in is an asset for CR and a successful business.

Seeking profits with principles	The company seeks profit in a principled way, factoring in social impacts and value addition to society.
Welcoming change	The company is open to innovation, seizing the opportunities presented by CR.
Sharing with others and continuous learning	The company is a 'learning business' that processes and shares lessons with other businesses and partners. They can influence change in others directly or indirectly through sharing best practices.
Understanding and communicating benefit	The benefits of CR are clearly understood, and communicated by the company and stakeholders.

Activity 15: Checklist for CR Activities

Issue	Check Progress
Have you made a long-term commitment to work in the specific community and on particular issues?	
Is there ongoing consultation and involvement of all stakeholders?	
Does the proposed intervention meet the needs and interests of as many stakeholders as possible, not just those of your business or one particular group?	
How have you ensured that the interventions are not going to create or support further instability, such as inequality between groups in the community?	
What specific efforts have you undertaken to improve the lives, and reduce barriers to entry of women and other disadvantaged groups?	
What steps have you taken to coordinate and work with others?	

How does your intervention encourage dialogue between the diverse groups in the community?	
Do all your internal and external operations reflect your CR commitments?	

Review of progress and summary of Sections 2, 3 and 4

Over the last four sections, this resource pack has provided a 'road map' on how a CR-centred business strategy can mitigate and address systemic issues that give rise to socio-economic conflicts in Sri Lanka, while ensuring that the business is sustainable and dynamic.

Section 1 explored the underlying principles and approaches of a CR model that will sustain both business and peace. It provided tools to analyse the political, social and economic operating context of a small or medium business. It looked at the negative or positive impact that SMEs can have on their operating context, and demonstrated the ways in which SMEs can become part of the solution by addressing some of the challenges faced by their community. Building on this, Sections 2, 3 and 4 offered practical steps to help SMEs understand and analyse the context in which they operate; plan and implement a CR-centred business model which can support and promote a peaceful environment; and finally, methods which can check and improve this approach.

Section 5 provides examples and case studies of CR practices that highlight some of the concepts dealt with throughout the resource pack. It will demonstrate how social concerns and challenges can be aligned with profit motives successfully at community, national and international levels.

By incorporating a CR approach, entrepreneurs will become part of the broader social leadership of the country, building their businesses while contributing to peace.

Understand & Analyse

Analyse stakeholders
Analyse context
Analyse risks and impacts

- Gather information on stakeholders and context, and analyse in relation to your company

- Analyse societal risks, and the impacts your company's operations may have on these

- Think about 'Connectors' and 'Dividers' in your community

- Collate them in a way that will help you identify options and make decisions in later steps

Plan & Do

Clarify goals, commitments and timeframes
Draft a strategy
Implement commitments

- Analyse your own CR capacities and needs

- Identify CR roles and responsibilities within the company

- Engage stakeholders in CR decision-making

- Prioritise actors and issues

- Identify potential solutions that fit your company for inward-looking, outward-looking and business-environment related CR

- Enter into CR partnerships

- Agree on goals, targets, actions and timeframes with stakeholders

- Draft a simple CR action plan

- Identify and include targets and indicators

- Allocate human, financial and material resources

- Make needed internal and external changes

- Begin implementing inward-looking, outward-looking and business-environment related elements of your CR plan

Check & Improve

Track and verify progress
Check against targets and evaluate performance
Review and improve goals, commitments and timeframes

- Measure and clarify performance. Is the plan on track?

- Are your CR activities contributing to resolving the issues they are meant to address?

- Do they have unintended consequences or negative impacts?

- How can this be mitigated?

- Discuss your progress with CR partners and stakeholders to receive feedback

- Evaluate your performance based on review, feedback and discussions

- Which elements of your CR plan need improving?

- Which should continue the way they are?

- Which have become irrelevant?

- What are new and relevant ideas that can be integrated?

- Re-evaluate your CR vision and business model to impact internal and external changes to core business practices

Notes:

International Alert.

Digging Deeper: Case Studies and Additional Resources
Section 5

Sustaining Business and Peace:
A Resource Pack on Corporate Responsibility for Small and Medium Enterprises

Understanding conflict. Building peace.

Section 5: Digging Deeper: Case Studies and Additional Resources

5.1 Identifying the Right Strategic CR Focus:
The UNGC, MDGs and Peace Through Business

5.2 Responding to Socio-economic Challenges in Sri Lanka:
Four Case Studies of Context-sensitive CR

**5.3 Developing a Tool for Impact Assessment of Corporate Responsibility
in the Private Sector:** Case Studies of Selected Companies

**5.4 Small and Medium Enterprises Working on Peace Through Corporate
Responsibility in Sri Lanka:** A Case Study of the 'Unity Through Business' Award

5.5 Glossary of Terms
5.6 List of Helpful Websites
5.7 References

Sections one to four presented concepts, analytical tools and activities to develop a CR-centred business model that can support SMEs to identify their role in society and the positive reciprocal impacts of such practices.

This section provides additional information through case study material of large, medium and small businesses as well as collective action by business organisations that illustrate the value of CR and CR-centred core business practices. It offers some critical reflection and lessons from specific initiatives. The case studies also illustrate the wide dispersion of context-sensitive business practices in Sri Lanka, and proactive efforts of businesses in working towards social stability and cohesion.

The case studies can be referred to as stand-alone material to be read in conjunction with preceding sections or used as resource material in awareness-raising and training exercises. The case studies illustrate some of the key points made throughout this pack:

- Context-sensitive CR in practice (5.1)

- Thinking about and assessing CR-centred business impact (5.2)

- Collective CR efforts and mobilisation of SMEs (5.3)

- Aligning one's CR efforts with wider developmental priorities and global standards (5.4)

The section closes with a glossary explaining terms related to CR and a list of useful websites containing further information.

Triple Bottom Line
This promotes measuring the overall performance of a company on its combined contribution to economic prosperity, environmental quality and social capital. The Triple Bottom Line (TBL) focuses corporations not just on the economic value they add, but also on the environmental and social value they add or destroy.

5.1 Identifying the Right Strategic CR Focus: the UNGC, MDGs and Peace Through Business
By Ravi Fernando and the UN Global Compact Office, New York

5.1.1 Introduction

We live in a world that is unsustainable in every way. Whilst the world of business is focused on short-term economic profit at any cost, most governments ignore the world's social and environmental issues unless these issues affect their home countries directly.

Whilst half the world's population lives on less than US$2 a day, environmental degradation has caused unprecedented climatic changes. This has led to major social and environmental issues such as poverty, terrorism and disease. The world faces a looming crisis, unless businesses and governments focus on 'sustainable development through sustainable consumption'.

The concept of sustainable development is gaining popularity in both global importance and significance. While organisations strive to increase shareholder value, there is a need to do so in a manner that is environmentally, socially and economically acceptable. This need has given birth to the concept of a **triple bottom line**, which refers to the creation of economic value, while also sustaining the environment and being responsible in the societal context that the organisation operates in. However there is an absence of an effective 'economic reward system' that recognises and rewards both business and government in a tangible way for committing to sustainable development. As a result there is little impetus for either business or government to solidly support sustainable development.

The only way such a system can emerge is if 'sustainable consumption' drives individual consumption decisions each time a consumer has to make one. It has to start in the developed world, where over 70 percent of the world's consumption happens. The prerequisite for this is the education and enlightenment of the end consumer as to how she can make the 'sustainable choice' every time. So how can they be educated to do so, and who must take the responsibility of doing so?

Millennium Development Goals
Create partnerships with civil society and government to support a company's development goals and objectives in alignment with the Millennium Development Goals (MDGs). The MDG provides a blueprint, agreed to by the member states of the United Nations, to achieve global development targets in areas of poverty alleviation and reducing hunger, providing universal education, supporting gender equality, improving mother and child health, improving water and sanitation, combating HIV-AIDS eradication, ensuring environmental sustainability and encouraging justice and good governance through global partnerships by 2015.

5.1.2 The United Nations Global Compact: Stimulating collective action and advancing implementation of the 10 principles in conflict-affected countries

Launched in 2000 the UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, the environment and anti-corruption.

Business simply cannot thrive if society fails. Proactive policies and practices that respect human rights and ensure safe and decent workplace conditions, environmental protection and good corporate governance are creating sustainable value and benefits for companies, workers, communities, investors and society at large. They also are enabling business to attract and retain skilled workers, save costs, enhance productivity, create trust and build brands.

Increasingly business executives understand that the moral case for corporate responsibility has been complemented by a strong business case. Environmental and social issues are material to a company's long-term performance, and the Global Compact provides a unique strategic platform for business to address these and advance their commitments to sustainability and corporate citizenship.

This understanding is reflected in the growth of the Global Compact, which today stands as the largest corporate citizenship and sustainability initiative in the world, with over 6,000 corporate participants and stakeholders from over 130 countries. Approximately half of Global Compact's participants stem from developing countries and over half of the Compact's business participants are Small and Medium-sized Enterprises (SMEs) with less than 250 employees.

The UN Global Compact has two objectives:
- Mainstream the 10 principles in business activities around the world;

- Catalyse actions in support of UN goals, including the **Millennium Development Goals (MDGs).**

With these complementary objectives, the Global Compact has shaped an initiative that helps to facilitate collaborative solutions to the most fundamental challenges facing business and society.

The UN Global Compact offers participants a number of platforms for action and innovation, and to demonstrate leadership on critical issues. From Caring for Climate to The CEO Water Mandate, from The Principles for Responsible Management Education to The Principles for Responsible Investment, these are some of the Global Compact initiatives which aim to advance practical solutions and public policy development.

As a voluntary initiative using dialogue and learning to help improve companies' environmental, social and governance performance, the UN Global Compact Office has a long record of advocacy and engagement on the role of business in conflict prevention and peacebuilding. This work is rooted in the assumption that the private sector can be a potentially valuable partner in conflict prevention and post-conflict reconstruction efforts. Raising awareness and mobilising the private sector around universal values can thus help mitigate negative impacts and make a meaningful contribution to sustainable peace.

Beginning in 2001 the UN Global Compact has undertaken efforts to foster a constructive dialogue between business and other stakeholders on these issues and has developed a number of practical resources to support participating companies in adopting and implementing conflict-sensitive business practices. One example of this work is the 2005 publication Enabling Economies of Peace, which assesses the achievements and limitations of private sector initiatives and makes public-policy recommendations on how to maximise the business contribution to peace.

The UN Global Compact Office has recently embarked on a process that will make a contribution to the ongoing investment-divestment debate. Working with a wide network of experts from the investment community, business, civil society, academia and the UN System, the objective is to develop policy guidance to clarify what constitutes Responsible Investment in Conflict-Affected Countries. A new report will outline ways of better identifying and mitigating investor risks, and help companies from different sectors to better understand the expectations, risks and rewards of responsible business practices in conflict-affected countries around the world. It will also explore the conditions under which private investment may lead to economic development and peace.

At the same time, the UN Global Compact Office has been supporting efforts by several of its Local Networks to take this work forward at the country level. Global Compact Local Networks serve as a much needed forum for business – both domestic and international – to come together with other stakeholders in society to seek practical solutions to the specific challenges of operating in conflict-affected countries. To strengthen the capacity of Local Networks to engage Global Compact participants on these issues, the UN Global Compact Office develops and disseminates resources to assist companies – both large and small – to implement the Global Compact principles in difficult operating environments and to make a meaningful contribution to development and peace.

5.1.3 The 10 Global Compact principles

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

5.1.4 Sustainable consumption

Committing to a CR approach requires investment. This presents a cost to the company that will reduce the company's profit margins and make it less competitive when compared to companies that do not see the need to do so.

The only way these companies can be competitive is if the end consumer supports the higher cost by voting for it, while rejecting the lower-priced less responsible products and services until they are forced to adopt more responsible business ethics. If this situation is brought about, responsible businesses will enjoy a level playing field.

This concept is today acquiring a new status in the world, increasingly as a mainstream strategy element when organisations develop corporate strategy. If the end consumer is educated on this aspect, then the case for strategic CR becomes strong. In order for it to do so, organisations must graduate from simple CR to strategic CR with a view to embedding corporate responsibility in its business strategy.

Brands such as Bodyshop, Toyota and General Electric have championed a cause, and raised awareness of the need for ethical purchase, taking up issues such as no animal testing, human rights and the environment. Starting in the 1980s Bodyshop was the first brand to raise the social conscience of end-consumers, urging them to 'buy ethical' successfully on the 'no animal testing' platform. Since then many organisations and brands come forward with compelling reasons why they should be supported. In January 2006 Marks and Spencer announced the launched its 'Look Behind the Label' campaign, urging all end-consumers towards sustainable consumption, claiming an ethical supply chain. In November 2006 the apparel retail company Gap Inc. launched a label ,'Red', to support the efforts of Bono in helping the AIDS victims in Africa.

These are attempts to raise consumer awareness of how their consumption can contribute to a more sustainable world. The world has begun to measure the performance of organisations on their tangible commitment to sustainable development.

Given below is a matrix which encompasses the UN Millennium Development Goals (MDGs), The UN Global Compact principles and its categorisation of all UNGC Signatory Organisations, which can help identify the 'right' focus to impact sustainability.

5.1.5 Strategic corporate responsibility

Strategic CR involves the strategic investment in sustainable CR initiatives, which supports the achievement of an organisation's strategic vision and goals, while impacting its employees, the communities in which it operates and the cause it champions in society.

A new global trend that supports sustainable consumption is emerging. This is the development of many 'ethical brands' that cater to the 25 to 28 percent of consumers who say they will pay the premium required for ethical brands (Edelman 2004). There is a growing trend where end-consumers are willing to make socially responsible purchase decisions that are supportive of sustainable development. End-consumers are being challenged to make purchase decisions that are ethical and a host of organisations are positioned on the ethical platform. In the past 30 years major global support has contributed to the creation of ethical supply chains.

FOCUS CLUSTER	Poverty, hunger & health (Healthcare, consumer goods and services)	Education (Banking & Finance/ IT, Communication)	Women's Empowerment (Apparel Manufactur- ing, Fashion Brands)	Environmental Sustainability Tourism/ Manufacturing/Oil/ Automotive)
UNMDG Goals	Goals 1/4/5/6	Goals 2	Goals 3	Goals 7
UN Partnerships	Global	Strategic CSR	Partnerships	Goal 8
UN Global Contact Principles 1-9	Human Rights	Labour		Environment
UN Global Contact Principles 10	ANTI-CORRUPTION			
● Global Compact ● Sector Clusters	● Agriculture ● Food & Drink ● Services & Supplies ● Personal care & Household ● Pharmaceuticals & Biotechnology	● Education ● Finance & Insurance ● Internet & E-Commerce ● IT Consulting & Software ● Media Communications & Entertainment	● Cosmetic ● Textile, Apparel & Luxury Goods	● Chemical ● Commerce & Distribution ● Construction Materials ● Industrial Conglomerates ● Metals & Mining Machinery ● Paper & Forest Products ● Plantation Sector

Commitment to triple bottom line reporting is becoming mandatory to get a listing on the following three initiatives: Global Reporting Initiative, the Dow Jones Sustainability Index and the Financial Times Securities Exchange for Good. Organisations must be transparent and report its specific initiatives in each of the three facets of the triple bottom line, with the Chief Executive officer demonstrating his leadership and commitment to the principles of sustainable development.

UN Global Compact is well poised to drive sustainable consumption by creating awareness and driving affirmative action amongst end-consumers to support responsible business and vote in responsible governments. The UN Global Compact local networks summit held in September 2006 began the work of energising the networks towards driving simultaneously for building responsible business and responsible consumption in each of the countries where they operate. Corporate Responsibility will no longer be a 'nice to do' initiative, but a mandatory requirement for all organisations, as they interact with the environment and society. Strategic CR has become the way organisations do so in today's global business environment. "Doing well and doing good" is the way forward.

5.2 Responding to Socio-economic Challenges in Sri Lanka: Four Case Studies of Context-sensitive CR
By Rishana Haniffa with Radhika Hettiarachchi

5.2.1 Introduction
CR refers to business practices intended to have a positive impact on society – not just the company's bottom line. They can range from encouraging employees to volunteer in the community to providing humanitarian aid through a corporate foundation; from developing production strategies that are environmentally friendly to respecting the human rights of employees[1].

In Sri Lanka business leaders, both in Colombo and the regions, are traditionally respected as community leaders within a well established system of social leadership and patronage. They support their communities through donations, renovation of public buildings, and assistance during emergencies. This kind of corporate philanthropic activity has been motivated by individual conviction rather than formal public relations or social responsibility policies. Over the past few years, in keeping with global trends, such activities have been reconceptualised as 'Corporate Responsibility', especially by big businesses in Colombo. However even within this particular segment of the business community, CR remains a diversely understood term.

Corporate Responsibility and peacebuilding
The negative impacts of violent conflict on business makes a strong case for the strategic involvement of the corporate sector in peacebuilding and conflict prevention. While both international and local corporate entities of various sizes and types can play a role in conflict transformation, the unique role that locally owned business can play will differ from those that answer to foreign management. Similarly the impact of conflict on local business is far more damaging than on their foreign counterparts, since local businesses do not have the option of moving their investment to another country.

Despite some businesses making tremendous gains through aiding and abetting conflict, for the large majority, conflict is bad for business, and affects operations and performance in a number of ways. This is the fundamental motivation and justification for the private sector's involvement in peacebuilding. Destruction of infrastructure, loss of skilled workforce, reduction or complete collapse of foreign investment, prohibitive security and insurance costs, loss of markets, regulatory confusion and diminished support from the government all make doing business in conflict zones a matter of survival rather than growth. However local private sectors have much to contribute through their economic influence and political contacts, their financial resources, their skilled workforce, their capacity to drive balanced development and their connections at all levels of society. The challenge then for the business sector, as well as for the government and civil society interested in conflict transformation and peacebuilding, is to identify ways of harnessing this potential.

---

[1] Lawton, D., (2003) Corporate Social Responsibility and Peacebuilding: A Case for Action in Israel and the Palestinian Territories, A White Paper from the Institute for Global Ethics. Available at: *www.globalethics.org*
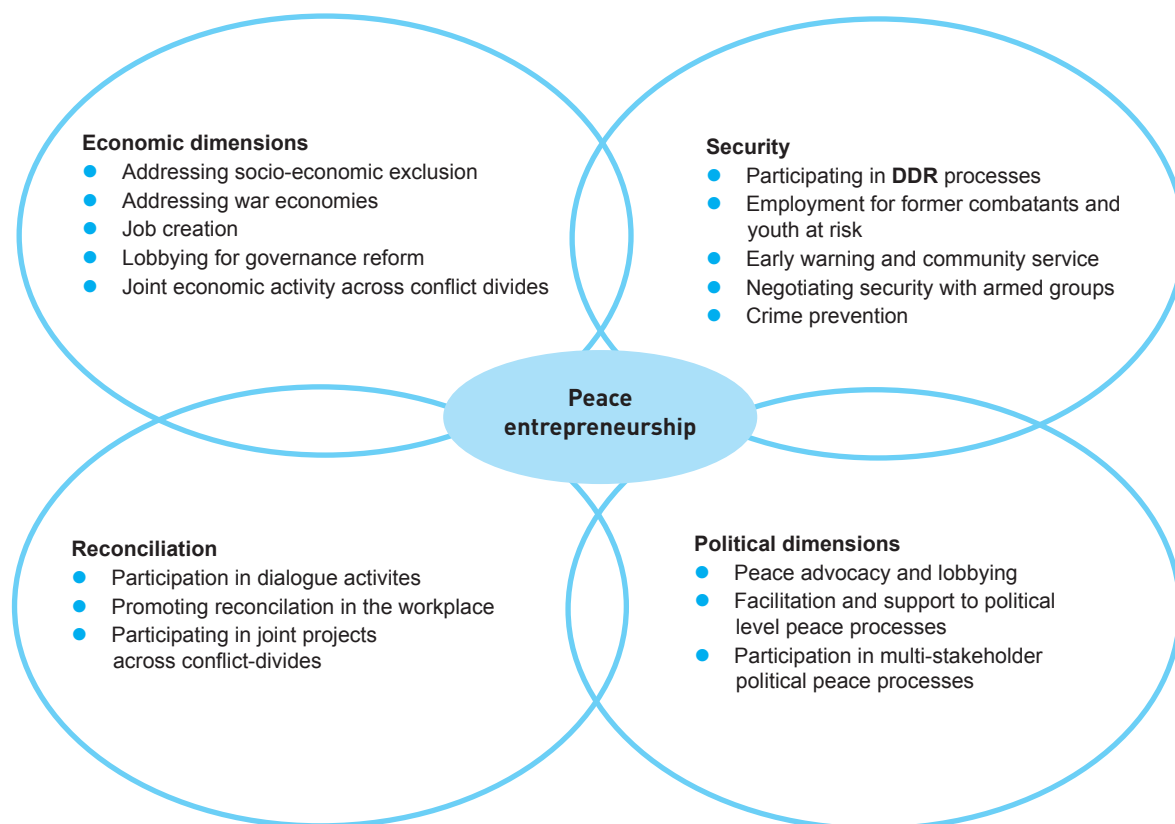
Concept and methodology

There is a growing trend and commitment within the private sector in Sri Lanka to not only practise CR but practise it strategically to lobby, promote and build consensus on issues of peace. However little research has been done in Sri Lanka on CR as a vehicle for peacebuilding. This section documents some examples of 'good practice' where businesses in Colombo and the regions have attempted to incorporate context-sensitivity into their CR projects. The case studies look at context-sensitive CR and business practices that take peacebuilding into account, in terms of addressing root causes of conflict, such as regional inequality, discrimination in access to markets and suppliers, unequal distribution of resources, youth marginalisation and unemployment. Addressing root causes of conflict is critical to the creation of a socio-economic basis for a lasting 'social peace', especially at the grassroots level.

Businesses sustaining peace – global examples

Previous research conducted by International Alert in a number of countries reveals a range of interventions undertaken by businesses to promote social stability and peace, across a variety of conflict settings. Businesses have made important contributions to socio-economic conditions for peace, political peace processes, reconciliation and better understanding between communities, and contributing to improving the safety and security of their communities. Figure 1 provides a summary of these efforts, illustrating the innovation and value-addition businesses are capable of through CR[2].

Figure 1: Businesses sustaining peace through 'peace entrepreneurship'

Economic dimensions
- Addressing socio-economic exclusion
- Addressing war economies
- Job creation
- Lobbying for governance reform
- Joint economic activity across conflict divides

Security
- Participating in **DDR** processes
- Employment for former combatants and youth at risk
- Early warning and community service
- Negotiating security with armed groups
- Crime prevention

Peace entrepreneurship

Reconciliation
- Participation in dialogue activites
- Promoting reconcilation in the workplace
- Participating in joint projects across conflict-divides

Political dimensions
- Peace advocacy and lobbying
- Facilitation and support to political level peace processes
- Participation in multi-stakeholder political peace processes

DDR is an acronym that describes the process of Disarmament, Demobilisation, and Reintegration of ex-combatants in the transition from war to peace. DDR is complicated in a post-conflict environment, when different fighting groups are divided by animosities and face a real security dilemma as they give up their weapons, when civil society structures have been weakened, and when the economy is stagnant. DDR supports the transition from war to peace by ensuring a safe environment, transferring ex-combatants back to civilian life, and enabling people to earn livelihoods through peaceful means instead of war. (Adapted from www.beyondintractability.org).

---

2 Adapted from International Alert, (2006), Local Business, Local Peace: the Peacebuilding Potential of the Domestic Private Sector. London: International Alert

The search for case studies did not prove very fruitful, as few businesses engage in conflict-sensitive CR with a longer-term strategic vision. Nevertheless the four case studies identified demonstrate several context-sensitive, socially responsible programmes and initiatives undertaken by regional and Colombo-based businesses:

- **Hambantota Youth Business Trust:** documents the efforts made by the Hambantota Chamber of Commerce to address youth unemployment in the district;

- **Business for Peace Alliance project on Networking for Conflict Transformation:** demonstrates the efforts made by the Business Chambers of Galle, Kalutara and Kegalle to prevent and mitigate community-level communal conflicts, in partnership with other stakeholders in those districts;

- **Sampath Bank:** provides an example of a large financial institution in Colombo contributing towards employment generation and regional entrepreneur development;

- **Small and Medium Entrepreneurs:** while capacity and resources constrain many SMEs from undertaking strategic CR programmes, the examples from Anuradhapura and Trincomalee indicate the potential for SMEs to adopt context-sensitive business practices.

5.2.2 Case study 1: The Hambantota Youth Business Trust

Background

In Sri Lanka while the potential of the youth population is recognised, there is a general suspicion of unemployed rural youth. They are sometimes perceived as a potentially negative force within society due to their association with the unrest in southern Sri Lanka and the erstwhile armed conflict in the North. One of the causes of these conflicts that affect a large percentage of young people is that youth perceptions and experiences of injustice, social marginalisation and discrimination contributed to these violent uprisings (among other systemic problems)[3]. In addition the concentration of social and economic opportunities at the centre, at the cost of the periphery, also fuelled the anger and frustration felt by rural youth.

Unemployment in Sri Lanka currently stands at 5.6 percent. However as the statistics below point out, youth unemployment constitutes an alarming percentage of this figure, with young women's unemployment far exceeding that of young men. Despite a continued faith amongst many policy-makers and major international donors that the private sector would be the 'engine of growth' that would provide employment opportunities for youth, it has yet failed to provide opportunities in terms of scale, quality or accessibility that significantly meet the needs of young people.

---

[3] Ibarguen, C., (2005) Youth perceptions: Exploring results from the poverty and youth survey. Working Paper Series No. 05, CEPA: Colombo.

Table 1: *Unemployment rate by age group and sex – third quarter 2007*

Age group	Total	Male	Female
5.6	**4.1**	**8.5**	
15-19	25.4	22.8	30.4
20-24	22.4	16.9	30.8
25-29	6.5	4.2	11.3
30+	1.5	0.9	2.6

Table 2: *Unemployment rate by level of education – third quarter 2007*

Level of Education	Total	Male	Female
5.6	**4.1**	**8.5**	
Below Grade 5	1.0	0.6	1.6
Grade 5-9	5.2	4.2	7.3
GCE O/L	7.1	5.5	10.2
GCE A/L and above	10.5	5.6	15.5

Hambantota District is located along the southern coastline of Sri Lanka and currently ranks as the third poorest district in the country, recording 32 percent of its people as poor. It is part of a region that was twice the stage of large-scale unrest of rural Sinhalese youth. Although the district has not experienced conflict in the past 15 years, poverty and unemployment, especially among rural youth, is rife.

This situation was compounded by the tsunami which had a debilitating impact on the towns and villages located along the district's coastline. Official statistics indicate that the tsunami impacted over 16,000 families, caused more than 3,000 deaths and damaged or totally destroyed more than 4,000 houses in the district. The total damage was estimated to be SLR 23 billion. The Ministry of Fisheries reported that 92 percent of the fishing fleet was affected by the disaster and the damage to the agricultural sector included damage to about 350 hectares of paddy and 36 hectares of other field crops[4].

Hambantota Youth Business Trust: Overview
The Hambantota Youth Business Trust (HYBT) was formed in 1997 as an initiative of the Hambantota District Chamber of Commerce. The HYBT aims to enable disadvantaged, unemployed or under-employed youth between the ages of 18 and 35 to make the most of their talents by helping them to set up and develop their own businesses. The programme includes a credit component and provides business development services through the appointment of a business mentor for each client. By capitalising on the creativity, ideals, courage, self-confidence and spirit of youth enterprise in the district, HYBT aims to enhance the quality of life of the community, achieve sustainable development through entrepreneurship, and contribute towards employment provision and poverty alleviation.

---

[4] IWMI (2005). Bringing Hambantota Back to Normal: A Post-Tsunami Livelihoods Needs Assessment of Hambantota District in Southern Sri Lanka. Colombo: IWMI

The Hambantota District Chamber of Commerce (HDCC) was keen to proactively address some of the root causes that led to the youth unrest and insurgencies in the South. Bearing in mind the vulnerability of the business community, the HDCC also recognised that limits to young people's access to resources, jobs and other opportunities can breed resentment, distort development and lead to violence. Thus the HDCC was motivated by mitigating the larger socio-economic issues that led to the emergence of a dissatisfied youth constituency in the South as well as the effects of the tsunami in 2006.

Support for local enterprise development is an important development tool, particularly in countries where high unemployment and social deprivation are significant contributory factors for social unrest and conflict. While this has long been the focus of state as well as donor interventions in Sri Lanka, less thought has been given to how targeted economic initiatives can be given an explicit peacebuilding objective. The HYBT aims to address one of the root causes of the conflict by providing self-employment opportunities for disadvantaged and marginalised youth.

The specific objectives of the HYBT are to:

- Reduce unemployment among youth;

- Alleviate poverty through income generation ;

- Reduce youth unrest and avoid conflicts;

- Develop an entrepreneurial culture among young people;

- Recycle the experience and energy of business people into their local communities.

Figure 2 *: Sectoral distribution of HYBT*

AGRICULTURE: 4%

ANIMAL HUSBANDRY: 6%

FOOD AND BEVERAGES: 12%

GARMENTS: 12%

HANDICRAFT AND JEWELS: 9%

INDUSTRY: 23%

MARKETING AND SERVICES: 16%

MOBILE TRADING: 5%

REPAIRING: 5%

GROCERY: 5%

RESTAURANT: 3%
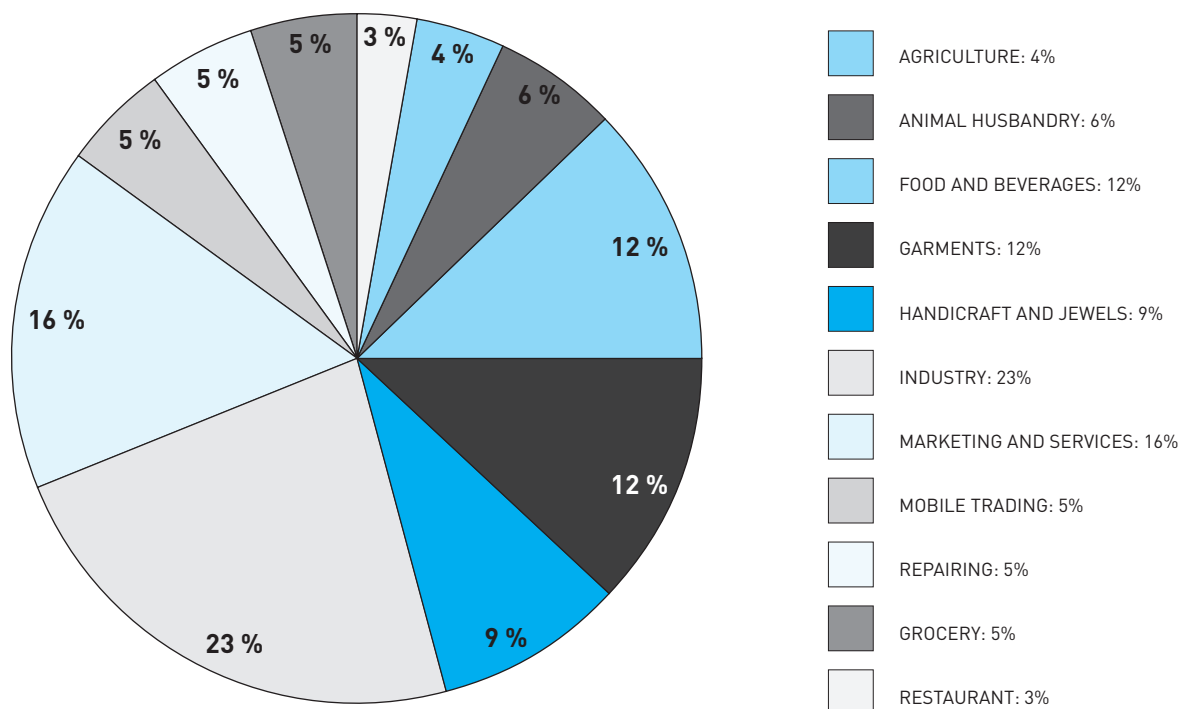
During the past 10 years, the HYBT has had a direct impact on the lives of 250 youth, and their immediate and extended families. 30 percent of those supported are female. Their economic situation has shown a marked improvement and this has resulted in improvements in their access to services, social status and standard of living. Parallel to this, the development of self-confidence has expanded the opportunities and life chances available to the growing body of entrepreneurs. Each entrepreneur also provides employment to two or three other persons. Although the numbers are not hugely significant as a percentage of the district population (which is estimated at approximately 525,000), the programme has contributed towards addressing unemployment and poverty in the district, and having a positive demonstrative effect of youth self-employment.

Through the HYBT, the local Chamber of Commerce has been successful in encouraging a culture of youth entrepreneurship in the district. This is important as Sri Lankan youth have traditionally not shown interest in becoming self-employed, mainly due to the high status placed on public sector employment. The shortage of jobs in the public sector has, however, slowly changed youth perceptions about self-employment[5]. A poverty and youth survey conducted by the Centre for Poverty Analysis in 2005 revealed that a majority of young people admired and respected their peers who had achieved success through self-employment. Self-employment was also their first preference if they had the option of selecting an occupation of their choice[6]. In Hambantota too the gradual increase in young people taking up self-employment ventures can be related at least in part to attitudinal change that has been brought about through the successes achieved by the majority of HYBT clients.

As a result of the mentoring process, a new and productive relationship has developed between youth and the more established business community in the Hambantota District. Previously business people, though influential in the community, did not have a direct link with youth groups and had no entry point to discuss issues and grievances that might lead to conflict.

Lessons learnt
A number of important lessons have been learnt during the past ten years of operations, which are significant for the future of the Hambantota programme as well as for the national and district-level programmes.

Leadership and collective action: The success or failure of initiatives like the HYBT is directly tied to the personal strength and commitment of the individuals leading it. The Board of Trustees and the Chairman have been committed to the ideals and objectives of the HYBT since its inception in 1997. The continuity and vision provided by this team has greatly contributed towards the success and sustainability of the programme.

Welfare mentality: During the initial stages of the project, difficulties were experienced in loan repayment due to the welfare mentality prevalent in many parts of the country. This was compounded by other organisations providing grants (and not loans) for entrepreneurs. In addition young persons with ambition and drive were also hesitant to take up the more risky option of self-employment and preferred to continue agriculture activities or petty trade. These challenges were overcome with time through HYBT and Chamber officials encouraging attitudinal change, and because many people witnessed the life improvements of the entrepreneurs who did take the risk and start up their own businesses.

---

[5] Amarasuriya, H., (2008) Discrimination and Social Exclusion of Youth in Sri Lanka. Forthcoming.

[6] Alailima, P., (2007). *The Conventional Approaches: An overview of poverty in Sri Lanka*. In: A. Abdul Cader & F. Remnant, Eds. Fresh perspectives: Exploring alternative dimensions of poverty in Sri Lanka. Colombo: CEPA, pp 29 - 53.

Proactive engagement with youth: In addition to encouraging disadvantaged youth with business ideas to approach the HYBT for credit and mentoring services, the Chamber has realised the need to develop its own business ideas which can then be matched to potential entrepreneurs. This has been necessitated by the relatively small numbers of individuals who have come up with viable business plans in the past several years. A number of HYBT entrepreneurs said that poverty, lack of self-confidence and a sense of apathy are hindering their peers from applying for credit, which is a gap HYBT is filling.

Snapshots of HYBT supported youth enterprises

Tailoring business - Chammi was widowed in 2003 at the age of 27. She started a small-scale tailoring business in Hambantota town in May 2004. She lost her mother and her brother to the tsunami, as well as her business and her home. While she was living in a camp for the displaced, she borrowed a sewing machine from a relative and started a small business sewing clothes, as many women lacked proper attire. It was in 2006 that she moved into her new home provided by an aid agency and continued her business with a machine she received from an NGO.

Having heard about the loans provided by the HYBT through friends, at the end of 2006, she was successful in her application for a loan of Rs. 100,000. This was utilised to expand her business by purchasing a special sewing machine and materials to manufacture ready-made clothes, bags, pillow cases and cushion covers. In March 2007 Chammi used the profit from her business to rent a shop closer to the town and has successfully attracted a larger number of clients. She also employs two other full-time tailors.

> "My mentor is a member of the Rotary Club. She gives me good business ideas and designs. She also advised me about the machine I should buy. I meet her at least once every month". (Chammi, 31 yrs)

Chammi has been able to improve her living conditions as a result of the income earned through her business. She is fully responsible for her father and supports the education of her nephew.

Welding business - Nandasiri is a welder and was working for a daily wage before he started his own business. He had approached every bank in Hambantota for a loan but had not been successful. He had learnt of the HYBT through a reputable commercial bank. At first he received Rs. 75,000, with which he purchased the initial equipment to start his business. Once he had completed repayment, he received another loan for Rs. 100,000 to buy more sophisticated equipment. He now employs three other welders for a daily wage and maintains a close relationship with his mentor, who provides business development advice as well as tips on how to treat customers and staff.

> "Because of the improvements to my business, I am now ahead of my competitors. I make sure I do a good job so that more clients will come to me. If not for HYBT, I would still be working for a daily wage". (Nandasiri, 35 yrs)

Yoghurt business - Since 1998 Sampath has been manufacturing yoghurt from buffalo milk and supplies to a number of retail shops. In 2002 he obtained a loan from the HYBT to expand his business and currently produces 800 cups of yoghurt each day, along with 300 cups of *wattalappan*, a popular local dessert. He employs two assistants on a daily wage and buys his milk from eight farmers whose livelihood depends on the regular supply of milk to Sampath.

While at the beginning he hired a three-wheeler to distribute his products, he now owns a three-wheeler and a van. Sampath wishes to further expand his business, but the shortage of buffalo milk is hindering his progress. He has therefore planned to buy some buffalos and start a farm to supplement the milk he buys from the farmers.

> "At the beginning I had a lot of problems. The Chamber is like my shadow, always standing behind me. My mentor helps me to find new markets, and encourages me to take calculated risks to expand the business". (Sampath, 36 yrs)

According to Sampath, his business success has translated into higher social status, economic stability and improved living conditions for him and his family.

5.2.3 Case study 2: Networking regional business for conflict transformation

This case study will look at the efforts made by the Chambers of Commerce in Galle, Kalutara and Kegalle districts to manage and prevent community-level conflicts in their respective districts. This is a project supported by the Business for Peace Alliance with financial support from the FLICT initiative.

Galle District

Galle District is a commercial hub located along Sri Lanka's southern coastline and is home to the country's second largest harbour. The District Chamber of Commerce, though formed in the early 1980s, became active in 1989 in the wake of the JVP insurgency in the South. The business community in Galle, as in other locations, was directly and indirectly affected by the insurgency due to the destruction of shops and property, as well as the loss of business that resulted from frequent forced closures. Business people were often caught in the middle of the power struggle between the authorities and the insurgents. At this juncture the business community realised that the Chamber would be a useful forum through which a dialogue process could be initiated between the two groups. Thus it was in 1989 that concerted efforts were made by the membership in the areas of conflict management and resolution.

The Reconciliation Committee (RC) in Galle District was set up under the auspices of the Chamber of Commerce in April 2007, systematising these previous efforts. The 46 members include businesspeople, government agents and officials, the police, religious leaders and representatives of civil society organisations. Community leaders from the conflict-prone areas are also members of the Committee. Through the Reconciliation Committee, a two-pronged approach was adopted to address and prevent communal disharmony in the district:

Prevention and mitigation activities: Before the RC was formed, when communal incidents took place in the vicinity of Galle town, Chamber Directors representing the communities in question would go to the affected area and discuss the causes and possible solutions for the dispute with community members. It was essentially a reactive exercise. Once the RC was formed, an early warning mechanism was instituted to prevent incidents from taking place. RC committee members resident within the various communities were assigned the responsibility to establish contact with a range of community members so as to create information channels that will alert the RC representative to any potential disturbances. He or she then informs other members of the RC that are influential in the affected community, who intervene through dialogue and discussion, to prevent tensions and incidents turning violent. The recent incident that took place at Lunuwilawatte demonstrates the success of this early warning system in preventing large-scale communal violence:

> **Lunuwilawatte**, located on the outskirts of Galle town, is home to both Sinhalese and Muslim residents. During the Ramadan fasting period, disputes occurred in the area over the drumming that took place during early hours of the morning to alert Muslims to their nocturnal meal. The RC member living in the area was alerted to the fact that some of the Sinhalese residents were planning to beat up the Muslim drummers to protest the disturbance caused to the Sinhalese residents. The RC member promptly informed influential Muslim business leaders who belonged to both communities about the plan to resort to violence. As the news reached the Muslim businessman at night, he contacted the community members by phone and asked them to hold off on the drumming the next morning as anger was brewing within the Sinhalese community. On the following day, Sinhalese and Muslim businessmen as well as other members of the RC met with the community and succeeded in resolving the problem by requesting the Muslims not to use the drums in Sinhalese areas. Detailed discussions were also held on the importance of respecting and understanding each other's religious and cultural practices.

Peacebuilding activities : In addition to intervening to prevent or curb communal incidents, the RC proactively engages in peacebuilding activities that bring together the three communities to foster mutual understanding, friendship and trust. Since it began functioning as a committee in April 2007, the RC has supported a number of celebrations to mark Buddhist, Muslim and Hindu religious festivals.

> In October of 2008 the RC organised an unprecedented event in the history of Galle town, titled Building Peace through Cultural Exchange. The event brought all religious communities together through cultural and religious activities including traditional food festivals, dance and musical performances. Two days of festivities helped develop a better understanding about and respect for the other groups and their respective cultural/religious practices. The event drew large crowds, fostered integration between the different communities and was a very good publicity initiative for the Reconciliation Committee. It was also used as a fundraising opportunity so that the RC can eventually become a self-sustaining initiative with support from the Galle Chamber.

Similar RCs were set up in other districts. As part of the project, through cross-learning and exchanges between the different Chambers, these RCs are networked and supported.

Kalutara District

Kalutara is home to a multi-ethnic community of Sinhalese, Muslims and Tamils, and has experienced large-scale communal violence in the recent past. The project began in March 2006 and the 23-member Reconciliation Committee includes business persons, representatives from the police, the provincial council, other government bodies, religious leaders and community members from the identified target areas.

Since the appointment of the RC, the project has focused on building relationships with other key stakeholders and within the communities in the pocket areas. This was to ensure that peacebuilding activities undertaken by the RC are not conducted in isolation, but in concert with other important actors.

> In July 2007 Muslim residents in a village in Panadura complained to the police about an illicit alcohol sales centre operated by a group of Sinhalese youth. The police arrested the traders, but this resulted in a number of Muslim houses in the vicinity being attacked and vandalised. A young Muslim boy was shot dead while an onlooker suffered a heart attack and died. Through the RC, businessmen and the police managed to contain the situation. This was not an inter-communal incident per se, but sparked by opposition to the illicit alcohol trade that was frowned upon even by the Sinhalese residents. However, recognising the potential for this kind of incident to be deliberately misconstrued by trouble makers as an ethnic issue, the RC and community members are planning future activities to foster social integration and harmony in the area.

Kegalle District

Similar to the Kalutara Chamber, the members of the Kegalle Chamber of Commerce decided to replicate the efforts made by the Galle Chamber at community level conflict transformation. Triggered off by an argument between two individuals, communal violence had erupted between the Sinhalese and Muslim communities in Mawanella in 2006. Two persons lost their lives while 16 shops and eight houses were set ablaze, in addition to looting and the destruction of mosques and a Buddha statue.

In March 2007 the Kegalle Chamber, with support from the BPA, brought together government officials, members of the Chamber, businessmen from trade associations, civil society representatives, religious leaders and other community leaders to discuss the creation of a Reconciliation Committee for Kegalle District. This committee now meets regularly and has succeeded in reducing tensions in various hot spots in the district as the members in their

different capacities have been advocating for peaceful co-existence. Although there have been no communal incidents to resolve since March 2007, there now prevails better recognition of diversity and the acceptance of different cultures and practices.

Joint activities and building relationships with Eastern Chambers

A critical component of the Networking Regional Business for Conflict Transformation project is to encourage the three Chambers to make use of the opportunity provided by the project for joint planning and sharing of knowledge, experience and resources. An additional component of this project is that through interaction with their southern counterparts, Eastern Chambers in Trincomalee, Batticaloa and Ampara will learn from their peers' experiences to acquire the skills and knowledge to start addressing ethnic or religious tensions that affect human security and businesses in their respective districts.

Helping the Trincomalee Chamber to become more inclusive

The Trincomalee Chamber of Commerce traditionally has a greater representation from the Tamil community. When riots broke out in 2005 between Sinhalese and Tamil residents, the Chamber could not intervene to prevent or mitigate the damage since they had no linkages with the Sinhalese community. Business establishments were greatly affected during these riots and led to many businesspeople leaving the country.

When BPA's plans to assist the Southern Chambers in their reconciliation activities was discussed, the President of the Trincomalee Chamber voiced his concern regarding the lack of inclusiveness and ethnic balance in his Chamber. As a way of building relations between the East and the South, and to encourage Sinhalese traders to join the Trincomalee Chamber, a delegation of business persons from Galle, Kalutara and Kegalle visited Trincomalee in 2007. The Galle Chamber had previous experience in making the themselves more inclusive by bringing in more Tamil and Muslim businesspeople as members. They held detailed discussions with Sinhalese traders about the benefits that could be derived from joining the Chamber, from a business perspective as well as a peacebuilding perspective. The community-level reconciliation efforts and successes achieved in Galle were explained and the critical need for such a mechanism in Trincomalee was discussed. As a result, over 40 Sinhalese traders have now joined the Trincomalee Chamber and discussions are underway on the structural changes that are necessary to sustain these initial gains. Recently a Sinhalese woman was elected as one of the directors of the Trincomalee Chamber.

5.2.4 Case study 3: Entrepreneur development project at Sampath Bank

Background

Sampath Bank began operations in 1987 and has rapidly expanded in recent years. It is now one of the largest commercial banks in Sri Lanka, commanding a seven percent share of banking system assets. In 2006 the Bank earned Rs. 1,028 million profit after tax, an increase of 25 percent over 2005. It has one of the largest networks with 110 branches spread throughout the country.

The bank's CR policy

For Sampath Bank, CR is about how businesses align their behaviour and values to meet the expectations and needs of stakeholders. The Bank considers CR an integral part of the organisational process and believes that it needs to go beyond fulfilling its financial responsibilities to its stakeholders by addressing identified social needs. The Bank's CR initiatives are governed by corporate ethics and guided by shared values and professional standards of behaviour set by the Bank for its team members. Based on a directive from the CEO, the Bank does not use the CR initiatives for image-building or to secure business for the bank. Advertising CR activities in any form is not undertaken.

The CR projects undertaken by the Bank focus on four areas: 1) empowerment of the community; 2) entrepreneur development; 3) environmental protection and conservation; and 4) education of future leaders. Empowering and building human capital in the regions has also been prioritised by the Bank and staff are encouraged through a system of incentives to initiate and participate in CR activities. While peacebuilding is not a stated objective of the Bank's CR policy, through its entrepreneur development project it is strategically addressing issues of economic empowerment and unemployment, root causes of socio-economic conflicts in Sri Lanka.

Overview of entrepreneur development project

Sampath Bank's entrepreneur development project, initiated in 2006, aims to assist potential entrepreneurs from rural and semi-urban areas to start up and establish sustainable business enterprises. The bank targets individuals who are unable to obtain credit from commercial lending organisations due to the lack of collateral and other reasons such as the lack of confidence which is often exacerbated by little awareness of the procedures involved in obtaining credit.

The bank has set aside one percent of its net profit to finance the entrepreneur development project, and financial assistance to each selected beneficiary is usually up to Rs. 100,000. While each individual is required to demonstrate some talent and initiative, 90 percent of grants or loans are given without collateral or security.

Selection process

To encourage employees' active involvement in the Bank's CR initiatives, staff members have been asked to proactively identify talented and deserving entrepreneurs in their communities from around Sri Lanka, who could benefit from the bank's assistance and expertise.

Once potential beneficiaries are identified, in-depth interviews are conducted to learn about the individual's potential and identify available opportunities as well as the limitations faced by him or her. The bank staff then assists in putting together a detailed business development plan which includes a feasibility study of the project, production planning, finding viable markets, financial analysis, training, estimating resource requirements and project implementation based on milestones.

Once the project implementation plan has been approved, the bank closely monitors progress and provides technical expertise as and when necessary. The financial assistance received by beneficiaries varies according to their needs: often interest-free grants are provided and machinery and equipment is directly purchased by the bank; cash is handed out only if required as working capital. Special training and development opportunities are identified and facilitated to encourage skills development and diversification. Once the basic milestones are reached, continuous advice and guidance are provided to encourage expansion and access to newer and bigger markets, including export opportunities.

Impact

Sampath Bank's entrepreneur development project has improved the economic situation of all its beneficiaries. Continuous dialogue and assistance from the various branches has boosted the confidence of rural youth and contributed towards the evolution of an entrepreneurial culture in many parts of the country. A number of entrepreneurs have expanded during the

first year of operations and have begun to provide temporary and/or permanent employment to one or two others. This project has therefore slowly begun to contribute towards addressing the unemployment problem in Sri Lanka, one of the root causes of youth unrest and conflict in many parts of the country.

To promote social consciousness and leadership, the bank has included involvement in CR activities as an integral part of the staff performance appraisal system and core business values. This together with the Bank's CR policy has created a lot of interest and staff members across the country are closely involved in identifying and assisting in the implementation of CR projects.

Snapshots of Sampath-supported young entrepreneurs

Supply of ornamental fish - S. H. S. Priyantha started learning about the ornamental fish industry by working for an expert who owned an aquarium and a fish farm in Colombo. After mastering the trade, he started his own business in his hometown in the Matara District, situated on Sri Lanka's southern coast.

Priyantha's relationship with the Sampath Bank branch in Matara began in March 2007 when he first opened a bank account. Priyantha put together a proposal to meet the Bank's requirements for the entrepreneur development programme. Once the proposal was accepted by the CR Task Force, the Bank purchased a generator, fish tanks, nets and other essential equipment needed by Priyantha to expand the existing facilities for the breeding of ornamental fish. Approximately Rs. 200,000 was spent on this equipment over a period of several months. This far exceeded the general ceiling of Rs. 100,000 set aside for each entrepreneur. The larger outlay was approved by the CR Task Force due to growing evidence of Priyantha's potential, and the rapid and successful business expansion witnessed during the initial months.

Priyantha acknowledges the significant developments that have taken place in his personal life resulting from the assistance received from Sampath Bank. He has been able to buy some land and is currently building a house through a housing loan he has obtained from the bank. He and his wife jointly run the business and plan to employ at least 10 others once he expands further and starts regularly supplying ornamental fish to Colombo. Priyantha is a dynamic individual and has set his sights on exporting his fish as he is aware of the large demand overseas.

Plastic recycling - Lalith Prasanna was first introduced to the Sampath Bank by the Industrial Development Board's (IDB) entrepreneur skills development programme. Lalith had registered for a training programme on plastic recycling, and recognising his talent and potential, the IDB had referred him to the Bank's entrepreneur development programme.

Before he was introduced to the bank in January 2007, Lalith was supplying raw materials to plastic recycling organisations as he himself did not have access to a recycling machine. Once the proposal to assist Lalith was accepted by the Bank's CR Task Force, a recycling machine, known as the plastic crusher, was purchased for Lalith and he began recycling plastic waste in April. The bank also provided Lalith with a number of contacts (for example, in the garment industry) through whom he broadened his plastic waste collection contact base.

After using the machine for several months, he has now invested his own savings to upgrade the machine so that he can recycle bigger pieces of plastic in a shorter time frame. Lalith is also determined to improve quality so that he can then supply his recycled plastic to a larger number of buyers. Lalith is preparing to register his business and obtain a loan to expand into plastic manufacturing. The bank is willing to consider his application once he has proved his sound financial management at the end of the first year of operations. Lalith has also recognised the need to develop his marketing and financial management skills, and the bank is planning to assist him in finding suitable training opportunities.

5.2.5 Case study 4: SME case studies
This case study describes two CR activities in Trincomalee and Anuradhapura Districts. Both districts are heavily militarised and have been affected by the armed conflict directly or indirectly. While these two businesses illustrate the very different ways in which SMEs internalise Corporate Responsibility, their best practices (especially in relation to conflict-sensitive CR) illustrates the potential for individual peace entrepreneurship in the regions.

1) Selvam Traders Private Limited (STL), Trincomalee District

Background
Trincomalee is a multi-ethnic district strategically located along the north-eastern coast of Sri Lanka and is home to the country's largest natural harbour. It is of major historic, cultural, religious and economic significance to all three main ethnic communities. In 2005 the district's total population was over 400,000; 40.89 percent of them Muslim, 34.73 percent Tamil, 24.35 percent Sinhalese and 0.03 percent others. All three major communities have directly and indirectly experienced the conflict throughout the past two decades. In general relations between the communities are strained and divisive, and a number of communal incidents have taken place and often resulted in extreme violence.

K. Thiruchelvem (Thiru) started his business in 2003 with a grocery, rapidly diversified and soon owned the largest rice mill in the Merged Northeastern Province. He is a member of the Trincomalee Chamber of Commerce since its inception in 2002. He has been closely involved in the formation and evolution of the BPA since 2002 including being a member of BPA's Board of Directors.

He has experienced the impact of the conflict in many ways. He has been compelled to close his rice mill in which he had invested over Rs.65 million, and has shifted his business from his village to Trincomalee town due to the insecurity and constant harassment caused by armed groups. In 2006 Thiru was compelled to flee to India due to threatening phone calls received at a time when the security in Trincomalee had rapidly deteriorated after a bomb in the market place affected over 35 businesses.

Education support programme
Motivated by his personal desire to make a strategic contribution towards lasting social change and cognisant of the leadership role he plays within the community in which his company operates, Thiru feels a strong sense of responsibility to address some of the social issues in the Thambalagamam Division. Thus in 2002 he introduced an education support programme for scholarship students from four villages in the Division. Thiru decided to provide educational support to disadvantaged children as he firmly believes that education increases the opportunities available to children and youth, and as a result, has the potential to steer young people away from involvement in conflict and violent activities.

Through this programme, STL mainly targets Grade 5 students in four villages and provides educational support in a number of ways to better prepare them for their scholarship examination. To contextualise the efforts of STL, it is important to understand the social and economic conditions of these villagers. The majority of villagers are poverty stricken, with their main income earned through daily labour. They have directly and indirectly experienced the impact of the conflict and during late 2006 experienced displacement which severely disrupted children's education.

To ensure that parents and children are aware of the programme, STL went from village to village to raise awareness. The education support provided by STL has several components:

- **Providing additional teaching through evening classes** - One of the main problems with regard to education in the region is the shortage of teachers. In addition due to the large number of students in a class, one teacher is frequently unable to manage these students. During the week every evening from 6:30 p.m. – 8:30 p.m., STL teaches over 100 Grade 5 students the core subjects of Maths, Science, English, Sinhala, and Tamil. Parents are also invited to sit in, and this opportunity is used to raise awareness among parents about the value of education and the importance of providing a conducive environment for children's education, especially within their homes. To better equip him to teach young children, Thiru spent six months in India on a teacher-training programme, and upon his return, trained his sister and three other staff members from STL. Since then the five of them have been continuing with this programme.

- Rewarding success - STL awards a bicycle to each child who passes the exam. In addition, they also award Rs. 500 to each child who receives over 100 marks and deposits this in a bank account. According to Thiru the objective of these rewards is to encourage students to perform better in their studies.

- Encouraging teachers - To acknowledge and recognise the contribution made by the teachers, as well as to encourage their continued dedication, STL provides a valuable gift to every Grade 5 class teacher in the school. In addition to this, each year he provides a donation to the school to improve the facilities. STL spends approximately Rs. 150,000 each year on this project.

Impact
In an economically deprived and socially marginalised community, STL has taken the initiative to provide additional education services to young students. This has provided some level of motivation for these students who are struggling to complete their education in an extremely difficult, conflict-affected environment. STL has also observed that the school drop-out rate is slowly reducing in the area.

Resulting from frequent discussions with the parents, greater awareness has been raised among the villagers about the importance of education. Thiru was clear that it is difficult to quantify the impact and believes in the value that doing good will result in returns for his business and community.

Inclusive business practices
Within his organisation, Thiru strives to be inclusive and sensitive to the conflicts that can take place, especially during times when there is heightened tension in the district or country. To ensure a good ethnic and gender composition among his staff, and valuing diversity, Thiru employs 16 Tamils, eight Muslims and two Sinhalese, even though his business is located in a conflict-affected Tamil area. Out of the 26 employees nine are women.

> *"As the Managing Director, I am very concerned about the impact this business has on society and the environment. So I spend time regularly with my staff to understand the issues and problems they face. The main purpose of this is to make the workplace more enjoyable and also understand issues concerning the environment".*

In recognition of his social service, Thiru has been awarded the Deshabandu title and received the Deshamanya title in 2008. He has also received the Singapore Excellency award for social service in 2008.

2) The Suwa Shanthi Hospital, Anuradhapura

Background

The Suwa Shanthi Hospital (Pvt) Limited provides private residential medical care as well as specialist consultation services to the people of the North Central Province. The hospital is located in Anuradhapura town, the capital of the North Central Province. It is one of four private hospitals currently operating in Anuradhapura and is the largest in the entire province. The stated objective of the hospital is to provide essential high quality medical care to the people of the North Central Province at affordable prices within a pleasant, comfortable and secure environment.

In 1997 Shanthi and her husband realised the critical need in Anuradhapura and the North Central Province for convenient, reasonably priced, comprehensive private medical care. Another motivation was to provide efficient and specialist medical care to the population who lived outside of the town in remote, poverty-stricken villages bordering the conflict zones. Commonly known as 'border villages', people living in these areas face a number of hardships including lack of water for cultivation caused by seasonal drought, bad road conditions and unreliable transport services, and the damage to crops and livelihood assets caused by wild animals.

In relation to health care, despite the Government's efforts to provide quality medical care to all its citizens, specialists care is still difficult to get in remote areas. As such residents of these border villages and other remote areas have to come into Anuradhapura to access specialists.

The project was started with personal funds in 1997 as a medical centre with four consultation rooms. In 2001 this was expanded into a hospital providing comprehensive medical care and the business was incorporated as a company and registered under Sri Lanka's Board of Investment (BOI).

Supporting deprived populations through core business

The Suwa Shanthi Hospital (Pvt) Limited has adopted a number of special measures to be more socially responsible and to address some of the causes and symptoms of the erstwhile armed conflict. However the organisation had not maintained sufficient records to be able to present this in terms of numbers or statistics.

- **Employment** - Recognising the critical shortage of employment opportunities for men and women outside the agriculture sector in remote areas of the province, Shanthi now makes a special effort to employ permanent and temporary staff from border villages and other remote areas. The majority of nurses are from areas outside Anuradhapura. Due to the difficulties faced by young women to find low-cost accommodation in the town, Shanthi provides free residential facilities to all nurses in the hospital compound and in adjoining buildings. This provides the young women with a safe and secure environment away from their homes. As most of the nurses are from deprived backgrounds and trained at the private nursing school in Kurunegala, Shanthi provides three months of residential training free of charge. While primarily focusing on practical on-the-job training, this programme also includes a theoretical component. In addition to trainees from this province, the success of this programme has attracted nurses from other areas including Kurunegala district in the Wayamba Province.

- **Patients** - At times special allowances are made for some of the extremely poor and destitute patients. Doctors often waive the consultation fee and provide medication if the patient cannot afford to purchase the required medicines. Other charges for blood tests, x-rays, etc. are often waived or reduced. If the patient is from a distant village and is unable to access public transportation in the evenings, free accommodation is provided at the hospital premises because these villagers have no means of finding alternate accommodation. If the patient has to undergo surgery or any other specialised treatment, together with the doctor an introduction is made to the government hospital and the patient is assisted in accessing their services. There is however no system to screen patients and their socio-economic condition. For example, an extremely poor single mother had pawned some jewellery to pay for the high transportation costs and consultation fees to ensure her son gets good treatment. Shanthi or her assistants had no idea of the economic conditions of this patient. Although the will is present, the hospital needs to improve its CR strategy and screening systems to be strategic.

- **Clinics** - Free medical clinics have been conducted in border villages and remote areas on common illnesses. Travelling to these areas has ceased due to the escalation of the conflict but the conduct of free clinics on diarrhoea and other illnesses continues at the hospital.

Impact

These two case studies demonstrate the very different ways in which individual entrepreneurs in the regions are practising CR that is responsive to their environment and the community's needs. While Thiru is committed and determined to address lack of education – one of the structural causes of conflict Shanthi is sensitive to the context in which she operates her hospital, providing appropriate facilities for her clients and employees from border villages, as a result reducing their social vulnerability.

5.2.6 Conclusion

This collection of case studies sets out to document context-sensitive business practices that seek to address social and economic marginalisation, especially outside Colombo. The case studies documented here demonstrate the potential that exists amongst the corporate sector in the regions that contribute to strategic peacebuilding. While individuals in the driving seats of SMEs shape respective organisations' response to social issues, these case studies demonstrate that coordinating bodies like the Business for Peace Alliance and other NGOs can play a significant role in linking these business people across sectors and regions. Although a blanket approach cannot be adopted, given the complexities of each business enterprise and the socio-economic and political context in each region, district and town, coordination will, in addition to forging business linkages, also encourage coordinated peacebuilding efforts and learning from each other's experiences.

5.3 Developing a Tool for Impact Assessment of Corporate Responsibility in the Private Sector: Case Studies of Selected Companies
By the Centre for Poverty Analysis

5.3.1 Introduction

Background
The recent years have seen a growing momentum of Corporate Responsibility (CR) activities in the Sri Lankan corporate sector. Having received a huge boost in its successful engagement during the 2004 tsunami, the private sector is engaging ever more proactively and creatively in what was traditionally a domain of government and aid givers.

CR however leaves the development community divided. There is a great deal of recognition of the resources that could be put into CR and the potential social changes this may influence. This enthusiasm is tempered by the trade-off between appreciating the good that companies do through their CR, and the concern about core business practices of companies.

This debate should not be allowed to obscure the reality that many companies, as a result of internalising ideas of social responsibility, are simultaneously changing the way they engage in their core business while also engaging in other initiatives that may impact on poverty. Continued engagement with CR would require a continued appreciation of this dual role. Encouraging companies to think about their business practices as well as their other CR initiatives and maintain this balance should be at the heart of the engagement. At the same time, the need for wider impact monitoring has been articulated by several companies. The dominant role of the private sector in fuelling the economy and its outreach into the socio-political sphere increasingly requires a level of accountability and public recognition of the social impact of private sector activity. This requires developing methods and tools for monitoring whereby private sector companies can assess the wider social and economic impact of their CR efforts.

This case study looks at four companies to better understand their approach and implementation towards assessing their CR impacts. This first review can be a step towards developing a monitoring method, and to translating lessons learned into guidelines that can be shared and applied by other companies.

5.3.2 Case studies

Hemas Holdings: Piyawara – Early Childhood Care and Development Project

Company profile
Hemas Holding is a conglomerate that unites a diverse group of companies under its umbrella, engaged in healthcare, transportation, fast moving consumer goods (FMCG), leisure and power. Hemas is a publicly listed company and ranks among the top 25 listed companies in terms of turnover in Sri Lanka.

The company was founded in 1948 as Hemas (Drugs) Limited to trade in pharmaceuticals and chemicals in newly independent Sri Lanka. Since liberalisation the company ventured into new areas, with recent forays into healthcare and power provision. It is best known for its leisure sector investments in hotels and the marketing of popular consumer products such as baby products and health products.

Description of CR activity

The project works on three main areas:

- Developing infrastructure to create child friendly preschools
- Provision of training to teachers and caregivers
- Conducting awareness campaigns on early childhood development for parents to create a conducive home environment

The project now supports 32 model centres spread throughout the country, including Jaffna and the East. It has provided training for 150 teachers and supported over 3,000 children since is inception.

A unique feature in the implementation of the project is its crucial partnership with government. At the central level the project counterpart is the Ministry of Children's Development and Women's Empowerment (previously known as the Ministry of Women's Empowerment and Social Welfare). As childcare provision is a devolved policy area, the company also liaises closely at the field level with local authorities and provincial councils.

Hemas has set up a foundation (Hemas Outreach Foundation) which funds its CR. Contributions are made by the holding company as well as from overseas donors, especially after the tsunami.

Planning and design

According to the company the identification of Early Childhood Care and Development (ECCD) as the main focus of Hemas CR was the outcome of discussions with the Ministry of Social Welfare. The field of preschool education was identified to be falling below national standards of education. It was also more under-resourced than higher levels of education. The choice of ECCD was also in keeping with one of the company's core business areas, namely baby products.

In preparation for the project, Hemas undertook a survey of a sample of preschools in all 24 districts to map out current conditions and identify shortcomings. The results of the survey fed into the planning of activities and input areas. The survey included discussions with teachers, school principals, and district level ECCD officers. While the survey identified current conditions and needs, the selection of preschools to receive Hemas support, was undertaken by the Ministry. A total of 10 schools were selected by the Ministry that were to be turned into 'Model Centres'. Following the December 2004 tsunami, a further 20 preschools were added.

Through its consultations with the Ministry, teachers and school principals, Hemas can be seen to have engaged in a process of stakeholder engagement at the project design stage. In particular its strong collaboration with the Ministry is a fulfilment of development management 'good practice' as it involves working with institutional partners.

Implementation of project activities to a large extent is done by the government counterpart at the central and local levels. Project steering, monitoring and 'quality control' is overseen by a CR manager at the corporate office, with the support of two field officers covering the East and the South.

Monitoring and evaluation

To a large extent formalised monitoring occurs by way of completion of activities, or 'annual goals' identified for the year. Targets include activities such as the construction of preschools and playgrounds, conducting training and awareness programmes, and organising award ceremonies for exemplary teachers. These targets are reviewed on a half-yearly basis and the result documented in an annual progress report which is submitted to the Board of Directors and the trustees of the Hemas Outreach Foundation.

Given the scale and number of activities undertaken under the Piyawara project, and the small CR unit (one manager and two field officers) it has not been possible to embark on a comprehensive effort to capture project outcomes and impact.

At present monitoring comprises of information gathered by monthly visits to the field by the CR Manager and verbalised feedback from the field officers. During these visits, the CR Manager visits the schools supported by Hemas as well as the district officers in charge of ECCD in the local authorities and provincial councils. However little of this is documented and it is difficult to draw a conclusion on the wider impacts of Piyawara. Nevertheless it is evident that substantial information, including on project impact, is gathered from these visits which could be fed into a systematic monitoring system.

Some formalised feedback on the project is also provided by the partner Ministry on an annual basis. This takes the form of an annual 'appreciation' letter from the Ministry to Hemas. The letter refers to the valuable contribution of Hemas towards enhancing ECCD in Sri Lanka, often accompanied by requests for continued and enhanced support.

In an effort to obtain an independent verification of CR progress, in 2007 Hemas commissioned an independent study to evaluate the project. The study evaluated the training received by the preschool teachers and the facilities of the preschools, and made positive conclusions on the progress of the project. The report also documented impacts on the teachers, such as "increased confidence and self-respect" and "enhanced knowledge and skills".

Hemas is also currently in discussions with students at the University of Ruhunu to obtain their support in conducting similar independent studies on Piyawara. The company has expressed an interest in delving further into verbalised feedback on the impact of the programme – such as the observation of "more intelligent children" coming from the model schools, and the advancement of the careers (for instance through promotions) of teachers that have received training.

Brandix Lanka Limited: 'Care for Our Own'– Women and Water

Company profile

Brandix Lanka Ltd is the holding company for a group of companies engaged in the manufacture of export apparel. Brandix specialises in the production of high-end clothing for the overseas market. Its range of clothing products encompasses casualwear, intimate apparels, 'activewear' and 'comfortwear'. Brandix traces its origins to pre-liberalisation Sri Lanka, starting with the setting up of Lux Shirts in 1972. The company embarked on a rapid path of growth through a series of acquisitions. In 2007 Brandix was ranked as the country's largest apparel exporter by the Export Development Board.

Description of CSR activity

Since 2006 Brandix has reorganised its CR under the umbrella of 'Women and Water'. As described in its Corporate Review 2007, 'Our associates [employees] are mainly women and it is these women who have the burden and responsibility of obtaining clean water for the home'.

The choice of providing access to clean water as its CR flagship is also rooted in the technical expertise the company has in clean management and waste management, in particular, water management owing to the high utilisation of water and resultant water discharge in the fabric printing process.

While the 'Care for our Own' project targets Brandix employees (referred to as associates) under the water theme. Brandix also supports hospitals in upgrading water and sanitation facilities. The project locations are generally situated in the area of its 20 Strategic Business Units (SBUs or factories). Under the 'Care for Our Own' programme, associates have been provided with tube wells, water storage tanks, water filters, and even entire water supply systems. The access is open to the entire village or community. The company also conducts awareness programmes on water conservation.

In addition to the water focus, Brandix supports 10 selected schools that have received support in upgrading their respective water and sanitation facilities, to implement the '5S' quality management system. 5S is a philosophy, and a way of organising and managing work space and work flow, eliminating waste, improving flow and reducing process unevenness.

Other CR projects conducted under the water theme include setting up water supply schemes in a number of villages throughout the country including in the post-tsunami context, the construction of a desalination plant in Seeduwa and the setting up of a Water Resources and Training Centre in Anuradhapura[1].

Planning and design

Much of the CR project identification and implementation is done internally by the Brandix CR unit in its Colombo Head Office together with its 17 CR coordinators from its SBUs in the field. The coordinators are drawn from its regular workforce and comprise factory supervisors, engineers, etc. The CR unit in Colombo comprises three members, a CR Manager and two assistants. Brandix has no continued partnership with other NGOs or government Ministries in project implementation.

In addition to internal identification of projects, the CR unit also acts on requests for support received from the public or publicised in the newspapers.

Under the 'Care for Our Own' programme, selection of beneficiaries is done according to an application procedure. Applicants are invited to fill a form stating their profile and need, and estimate of cost for the project. Selection of applicants is based on the years of service and the assessment of need. Shortlisted applicants are visited in person for verification and technical feasibility assessment prior to commencement. In 2006 Brandix supported 500 projects and a further 500 in 2007. Currently the 'Care for Our Own' component forms two-thirds of the CR budget of Brandix.

Monitoring and Evaluation

Most projects implemented under the Water and 5S programmes have a one-year duration. Hence monitoring comprises tracking project implementation. This is done by the field based coordinators who visit beneficiary schools and families. All coordinators meet half yearly at the head office to exchange views and report progress.

Brandix has the stated objective of contributing to the Millennium Development Goal (MDGs) for water and sanitation; 'to halve by 2015 the proportion of people without sustainable access to safe water and basic sanitation'.

In terms of MDGs monitoring, however, CR representatives say it is too early to measure the impact of its water project on higher goals such as the MDGs. Since both the 5S and Care for Our Own programmes are at an early stage, monitoring is focused on target achievement. Reporting of CR activities goes to financial partners such as GAP Inc. and selected members of the Board. Financial disbursements are done against achievement of physical progress targets. Updates of project progress are issued on a fortnightly basis. The stories of selected beneficiaries together with updates of ongoing projects are documented in a newsletter titled 'Reach' published by Brandix on a quarterly basis.

Project sites are visited during implementation by technical officers, field coordinators and head-office officers. Informal feedback from coordinators and beneficiaries reveal a high rate of success according to the head office CR staff. Due to the fact that the projects have a direct impact on enhancing the quality of life of individuals and families, the Care for Our Own project is perceived to have the highest positive impact from all the CR programmes. In addition the scale of beneficiaries reached, some 1000 in two years, also spreads the reach of impact.

Dialog Telekom PLC: Embedding Corporate Responsibility

Company profile

Dialog Telekom PLC is Sri Lanka's flagship telecommunications service provider, which operates Dialog GSM – the country's largest mobile network. A subsidiary of the Axiata Group Berhad, Dialog is one of the largest listed companies on the Colombo Stock Exchange in terms of market capitalisation. Since the late 1990s Dialog GSM spearheaded the exponential growth of the country's mobile telecommunication sector, propelling it to a status on par with the developed world. Dialog operates on 2.5G, 3G and 3.5G communications networks that support the very latest in multimedia and mobile internet, coupled with the distinction of being the first to launch commercial 3G operations in South Asia. With a customer base of over five million, Dialog provides wide mobile coverage, with over 1,200 base stations spanning all provinces. In addition customers are linked to over 200 global destinations via international roaming, including 3G services.

In addition to its core business of mobile telephony, Dialog Telekom operates a wide portfolio of multi-sensory connectivity services. This includes Dialog TV, a direct-to-home satellite television service, and Dialog Broadband. Dialog holds leadership positions in almost all its business spheres, with innovation, superior technology solutions and world-class customer service serving as catalysts for growth.

Description of CR activity

Dialog describes CR as 'a holistic definition of our [Dialog] commitment towards our stakeholders, society and sustainability'. Its CR approach rests on two pillars: Integral CR and Outreach CR.

Integral CR 'focuses inward on 'how we do business' as a responsible organisation and filters into our business 'operations' (Annual Report 2006). Hence it is termed 'business integral CR'. The second pillar looks outward and supports national development goals through strategic community investments, and is therefore termed Outreach CR.

In executing integral CR, Dialog strives to put into place business decision making that factors in stakeholder impact and "brings society to the decision making table". Practising business-integral CR means that Dialog innovates and develops services and products with a high social value. An example of this is the development of Sri Lanka's first interactive online learning management network, and the country's first disaster and emergency warning network. Dialog cooperates with the University of Moratuwa in this venture.

Dialog's outreach efforts focus on 'human needs' and national development goals, and are also cognisant of the MDGs. Dialog is a signatory to the Global Compact. Outreach CR encompasses community investments in projects for the differently abled, youth, education, environment and humanitarian needs. Examples include the setting up of an audiology centre at Ratmalana, the Dialog Scholar programme and the Disaster and Emergency Warning Network. At present Dialog implements some 42 CR projects.

Planning and design

Dialog's 'integral CR' concept follows the 'Bottom of the Pyramid' philosophy which points to the responsibility of companies to the lower socio-economic strata, which at the same time represents high economic potential for companies. Packages such as the 'cell-based tariffs' for rural consumers, expansion of coverage to cover rural areas and local language services are some examples. Many of the ideas for its CR are attributed by the CR team to the CEO of Dialog. Since 2004 outreach projects have become more systematic and are chosen within the five identified themes of its outreach component. In selecting individual projects Dialog tries to look at technology and investment gaps at the national level; hence the selection of audiology, which also fits well with the 'communication' theme of Dialog. Suggestions from the public and other stakeholders are also entertained under its 'philanthropy' CR budget.

Dialog has partnerships with the University of Moratuwa, Ministry of Education, IFC and the Central Environmental Authority in executing its outreach projects.

Monitoring and Evaluation

The Dialog CR team comprises 10 persons representing varied professional backgrounds representing HR, engineering, environmental science and marketing.

Reporting on the progress of CR projects to shareholders takes place through updates in the annual report and to the management and Board of Directors through periodic project progress reports. Monitoring data on project progress is mostly based on figures; for instance financial disbursements and physical progress of projects.

In monitoring the progress and outcomes of its more strategic CR projects, such as the audiology unit and distance learning project, Dialog collects user data to gauge utilisation levels. For instance in the case of the audiology unit, the CR team keeps track of the number of

patients receiving treatment, and with the distance learning programme it tracks the number of schools and students that have participated. This level of monitoring could be seen as output level monitoring. With the non-strategic, philanthropic projects such as supporting orphanages, Dialog has a less rigorous monitoring in place and relies on informal feedback. On its website, the company updates status of projects according to three categories: a) change area to be established; b) initiated, c) project complete.

Holcim Lanka: Aiming to 'Give Back'

Company profile
Holcim Lanka is the market leader in the cement industry in Sri Lanka and is a member of the global Holcim Group. Holcim Lanka owns the country's fully integrated cement manufacturing plant in operation in Palavi, Puttalam. Limestone deposit is obtained from a quarry based 41km from its Puttalam plant. The company also owns Ruhuna Cement Works (RCW), a grinding plant in Galle. In 2007 the company manufactured some 1.25million metric tonnes of cement. It operates in all nine regions of the country with cement and related services, employing and contracting over 15,000 people. The company recorded an annual revenue of Rs. 12 billion in 2007.

Description of CR activity
Holcim identifies three 'platforms' for its CR engagement: economic, environment, and social platform. In each of these the ethos underpinning CR activities is articulated as 'giving back': as described in its Annual Review and Sustainability Report in 2007, for example, its environment platform strives to 'give back' to the environment what its business impact takes out. It focuses on climate change, environmental protection and conservation, and waste management. Its social platform works with the community on developing education and skills, livelihood support, community health and safety, and infrastructure development.

Holcim Lanka launched a partnership agreement in 2007 for a five year environmental conservation plan at an investment of US$ 1 million with the International Union for the Conservation of Nature (IUCN). Four projects are underway under this programme. They include a biodiversity conservation initiative at Holcim's limestone quarry, rehabilitation of mined corals, development of bio-fuels, and solid waste management for Puttalam.

On its social platform Holcim identifies four thematic areas: (1) community health and safety; (2) water and housing infrastructure; (3) education and skills development; and (4) livelihood support. In 2007 the company supported electrification of a village, established a vocational centre, and supported educational enhancement through infrastructure equipment and facilities for schools in difficult areas. The company spent close to Rs. 30 million on social impact projects in 2007.

Planning and design
Among the four case studies Holcim has in place a relatively sophisticated approach to identifying and following up on its sustainability activities. The approach, described as a Stakeholder Engagement Cycle and formulated by Holcim global, comprises the following steps.

- Identify stakeholders
- Identify needs of stakeholders (needs assessment)
- Identification of impacts (what impacts do we have with our operations?)
- Appointment of community advisory panel
- Assess viable CR project to fulfil needs of stakeholders
- Integrate into business plan
- Implementation of the projects
- Measure performance
- Feedback and re-evaluation

The stakeholder engagement cycle is used to involve communities in identifying their needs. The communities are selected from the location of Holcim manufacturing plants, predominantly in Puttalam and Galle. Following the identification of needs, a prioritisation is done by the Holcim sustainability team. During the identification and implementation phase, the Holcim team has consultations with the community advisory panel, which includes community leaders such as principals and religious leaders. The identification of impact consists of anticipating potential impact, which together with proposed time frames and required funds, form project selection criteria.

The company has a relatively high intensity dialogue with its stakeholders. In its environment projects Holcim has regular meetings with partners from the Ministry of Environment, Provincial Environmental Authority, Central Environment Authority and other specialist groups. In implementing its social projects, the company meets on a bi-annual basis with the community advisory panel and has quarterly reviews with the local community.

Implementation of Holcim Lanka's sustainability activities is undertaken by a 17-member Sustainable Development Group, headed by the CEO and a Vice President for Sustainable Development. They are supported by coordinators at each of the plants for the different activities.

Monitoring and evaluation

Holcim Lanka publishes an Annual Review and Sustainability Report which follows the guidelines laid by the Global Reporting Initiative (GRI). Under it, the company reports on a wide range of aspects such as economic performance, environmental indicators, labour practices, human rights and social aspects that encompass corruption and public policy indicators.

In addition Holcim Lanka has recently adopted an IT-based tool known as the Social Engagement Scorecard, developed by the company's head office to measure performance. A survey is sent out to stakeholders who report back on their perceptions of how successful Holcim Lanka is in achieving their CR indicators. After factoring in these perceptions, the scorecard is applied at different stages of the project and uses a series of key performance indicators. The indicators comprise physical and non-physical aspects. The tool has been piloted in Latin America and Asia and will soon be applied to some of Holcim Lanka's larger projects in Sri Lanka. Since the company has only just started to implement the tool, detailed information on it was not available at the time of writing. However, a preliminary glance at the potential indicators reveal a move towards assessing broader results, including impact.

5.3.3 Lessons Learnt

This section has covered four companies. One is a global company (Holcim), one a local company with foreign ownership (Dialog), one local with a number of foreign partners (Brandix), and one a family owned company that has recently gone for a public listing (Hemas). The nature of business of the three case studies is diverse, ranging from baby products to mobile telephones, from garments to cement. They have one thing in common, an involvement in Corporate Responsibility projects that is over a decade old, and an evolution of this involvement to more sophisticated stages. All have received additional impetus and commitment after the tsunami and all remain committed to taking CR to new heights in the future. Some key lessons can be drawn from their practice.

Nature of Corporate Responsibility: The rationale for embarking on Corporate Responsibility projects can be distilled as two-fold. One is a sense that as a company grows and profits, **it owes something in return** to those who have made its success possible. The other rationale is that of enhancing the company's public image to **attract discerning consumers as well as discerning employees** who increasingly look to companies with an ethical track record when making consumer and career decisions.

In terminology terms **most companies refer to Corporate Responsibility** rather than philanthropy. The rationale for this is a growing internalising, or 'embedding' as one company describes it, of corporate ethics. As distinguishable from before when companies followed a more philanthropic, charity based format, they are now more conscious of practising principles of good corporate ethics within their own business. This ranges from employing differently-abled workers to reducing emissions through energy efficient production technologies. Some companies also include worker welfare schemes within CR, such as provision of housing and water schemes to employees.

The focus of CR projects on specific themes are closely linked to the company's core business or potential hazards caused by the business. So for instance, in the case of Hemas, children and healthcare is the core focus of CR since the company is a producer of baby products and is venturing into healthcare provision. In the case of Holcim, the company works on areas such as bio-diversity regeneration, owing to the extractive nature of its core business. Global companies such as Holcim follow themes identified by their head offices, but select projects locally.

When it comes to creativity and innovativeness of CR projects, the findings are disappointing. While the companies reviewed have dedicated personnel and teams that concentrate on CR, the large majority of companies stick to themes such as education (supporting schools), provision of training in IT, environmental conservation and the like. While one can argue that these are indeed gaps that need to be filled, it also leads to an overlap of resources and dilution of impact. Some companies are a step ahead, by identifying gaps at a national level and seeking to support institutional structures for instance at the level of government, but these are few and far between.

Planning and design: All the sampled companies have **dedicated personnel covering CR, none of which received specialised training on CR planning and evaluation.** The main criteria for recruitment into CR teams are personal commitment and motivation and/or subject matter knowledge such as in environment science. Many come from an HR background. Barring two persons the rest of the teams interviewed have had prior experience in the corporate sector and hence little interaction or contact with the 'development sector' whose nature of work closely corresponds to CR work. All admit they 'learn on the job'. Hence, understanding of

issues such as impact, effectiveness, sustainability, 'do no harm' (core requirements in the development sector) needs to be improved. On the other hand, CR projects appear to work at a high degree of efficiency in terms of time and output. Since performance and budget commitments are on an annual basis, pressure for speedy implementation of outputs is high. A 'non-bureaucratic' decision making style and format aids this.

Project suggestions come from within the staff, management, NGOs and the public. The projects are then assessed against the financial commitment required, time duration (with a preference for shorter projects) and fit with the core CR themes. Rarely are the projects assessed against a macro analysis or context analysis.

When selecting projects all companies require project proposals that are drawn up by the CR officers and go for approval to senior management or Board of Directors. The proposals detail the scope and nature of the project, and elaborate broad objectives that the project is intended to contribute to. However, **none of the companies follow a log-frame structure** where activities feed up in a logical manner to the overall objectives. This poses a challenge to undertaking monitoring to ensure that the project is on track to achieve its goals.

All the companies interviewed implement projects through partners in view of the limited human resources within the company. In many companies the partners are drawn from government, the Ministry of Education, Ministry of Health, technology training institutes, Wild Life Department, to name a few. In addition many collaborate with specialised NGOs. The role of the CR teams is to do the initial design and thereafter consolidate feedback and ensure targets are on track.

Monitoring and evaluation: 'Accountability' in the case of CR relates to financial accountability to the management and/or Board of Directors. While shareholders were mentioned by some, this was not considered an important object of accountability. In contrast to the mainstream 'development sector' (NGOs, multilateral agencies, bilateral donors) whose funding comes from public taxpayers, **primary accountability in companies is to the management,** since corporates obtain their funding from investors or internal profits.

As befitting the corporate sector, all companies have in place formal reporting mechanisms on the progress of the CR projects. **Performance is measured for financial disbursement via output completion targets.** Since budgets and fresh allocation of resources are assessed against these factors, there is very little documented need for achievement of impact.

Given limited exposure to development terminology, the **understanding of impact among CR teams is closer 'outputs' rather than substantive changes achieved.** They are convinced that simply conducting these activities would have the impact they desire. They are not immediately concerned with measuring or assessing impact in relation to the wider changes caused by their initiatives. Information about changes at this impact level does not also feed into scaling up initiatives or the design of new CR projects.

Consequently, **CR teams report a high rate of satisfaction with the effectiveness of projects.** This is attributed to positive feedback received from beneficiaries, cooperating partners, requests for continuation as well as additional support. Moreover since it is seldom that CR budgets are cut by management, this is often cited as an indicator of success, as it continued requests for support by implementing partners.

While some companies were **open to collaboration on impact assessments** of selected 'high budget' projects, it was **not seen as essential or necessary.** There was also limited enthusiasm to pay for external evaluations since there was a high degree of satisfaction with ongoing monitoring. One company mentioned that paying for an evaluation would make it biased.

5.3.4 Conclusions

It is clear that in potentially engaging with the corporate sector for impact assessment, there is a need to first take a step back and look forward. One of the assumptions of this case study was that there was a clear interest among the corporate sector to look at wider impact monitoring. While it is true that all companies reviewed are keen to see a 'return on funds invested', what this entails needs to be dissected and discussed further. Clearly an image enhancement impact is important, accepted and should not be understated.

Much of the critique of CR seems to lie in the suspicion about the motives for conducting CR. In order to move towards dispelling this suspicion, it is vital that both the corporate and the social aspects of CR are considered integral. Corporate actors clearly have corporate interests and agendas but this should not be perceived as negative.

Some preliminary suggestions for ways of opening channels of communication, creating interest and stimulating discussion are:

- Invitation of CR officers to discussions and events among research institutes

- Invitation of CR officers on field research trips

- Setting up of an interactive web portal that can serve as a discussion site for research, development and CR personnel

- Developing a handbook or checklist of issues when designing and monitoring CR projects, aimed specifically for the private sector

There needs to be greater exchange of ideas and issues between the corporate and development sectors. There is substantial knowledge that can be shared, both ways, and this should take place in a mutual learning, non-antagonistic atmosphere.

5.4 Small and Medium Enterprises Promoting Peace Through Corporate Responsibility in Sri Lanka: A Case Study of the Unity Through Business Award
By Radhika Hettiarachchi

5.4.1 What is the role of the provinces in supporting Corporate Responsibility (CR)?

Although awareness and practice of strategic CR is encouragingly wide-spread at the level of national businesses, chambers and other business networks at the national level, it is still a newly emerging area for regional and rural business. Although traditionally corporate philanthropy has been practised at the regional level, most often it remains as one-off instances of charity. There is less awareness of the potential and practical impact of how to sustain business and peace through strategic CR at the regional level. Developed and nurtured over time, this is a critical area for CR, given the conflict dynamics existing at the regional level. Of course the very existence of the Unity through Business awards and the interest it generated shows that at least some regional business people are thinking seriously about impact, and this is a positive sign.

At the same time companies do seek and benefit from the profile that their CR initiatives can add to their business, and respond to external incentives for improved company conduct and tackling societal challenges. Different types of business award initiatives seek to provide such incentives to business, highlight and reward commendable efforts, and encourage their uptake by others. They therefore play an important role in many companies' CR practice.

Against this background the regional Chambers of Commerce, led by the Central Province Chamber for Commerce and Industry, decided to institute a special award titled 'Unity through Business Award'. This is an award by the regions specifically for regional SMEs, entrepreneurs and community businesses. Initiated in February 2008 this initiative fills a critical gap left by other major, often Colombo-based awards mechanisms that do not necessarily highlight smaller, more community-oriented CR activities for national-level recognition. Its focus is specifically peace-related company initiatives.

At the very outset it is necessary to place rewarding and understanding CR at any level in Sri Lanka in context. This is especially so in the case of an award that specifically targets strategic CR at a regional level meant to highlight, educate and promote specific corporate action for peace-related work. Within the current Sri Lankan context, the public role and actions of private companies become very necessary. Increasingly, big businesses participate in peer discussions or civil society fora on the role of business as an agent for peace.

The role of business in peacebuilding then is the role of business in addressing the root causes of conflict. 'Conflict' here is defined broadly, with the ethnic conflict being only one aspect and area of engagement. Conflict also derives from the socio-economic vulnerabilities and marginalisation of social groups that exist at the community level. Conflict is inherent in the rural-urban inequalities in access to resources that form some of the nagging problems and potential conflicts of our country in the context of youth unemployment, frustration, violence and lack of opportunities. As such CR programmes, public statements and activities of business people and companies reflect their growing awareness that businesses have the power to influence social, attitudinal and structural change in government, business partners, and employees in a more comprehensive manner.

5.4.2 The Unity through Business Award

The Unity through Business Award was instituted in February 2008, organised by the Central Province Chamber of Commerce in Kandy together with support from the Business for Peace Alliance and International Alert. The event was held at Earl's Regency Hotel in Kandy, breaking with the usual practice of holding major national level award ceremonies, even regional events, at Colombo-based locations.

Out of 114 applicants from around Sri Lanka, 49 applications (43 percent) from 14 districts[7] satisfied the selection requirements to receive commendation from the evaluators to pass to the next selection stage. Some districts were not successful in receiving any awards, as they fell short of the selection threshold. Eighty-one percent of the qualified applications and 35 percent of the total number of applications were successful in winning awards, leaving 57 percent of the total number of applications unsuccessful in fulfilling the selection criteria.

Altogether there were 40 awards won including 19 gold, 14 silver and seven merit certificates, where applicants from 14 districts were represented. They included special awards for Muslim, Tamil and Sinhalese trade associations from Kandy as well as members of the women's chamber in Galle for special recognition[8].

5.4.3 What gets evaluated, and how?

The application form was developed as an open-ended questionnaire focusing on how entrepreneurs and companies outside Colombo understand strategic CR in the context of building peace within their communities. Essentially it aimed to understand how they view the role of business as a part of society and what they perceived was the extent of the work possible to address the deep-rooted causes and impact of conflict in Sri Lanka as it affects communities and the business environment.

Application components include:

- **Part 1:** General Information (name of company, name of proprietor, district, registration and date of establishment, size of company identified through staff composition and financial/tax/audit information)

- **Part 2:** Unity initiatives/projects and core business practices that are context-sensitive as well as evidencing continued community leadership and investment

- **Part 3:** Corporate Responsibility project information

- **Part 4:** District chamber verification:

  - These applications are for members of chambers who wish to apply for the award. Each chamber must verify and place their seal on applications that comply with these conditions in Part 1 before submitting it for an award.

  - The chambers must also provide a paragraph with the application highlighting the most crucial social conflict in that region

---

[1] Hambantota, Galle (plus special awards for the Women's Chamber), Matara, Trincomalee, Vavuniya, Kurunegala, Matale, Anuradhapura, Nuwara Eliya, Ampara, Polonnaruwa, Moneragala, Kalutara and Kandy (Muslim, Tamil and Sinhalese traders associations).

[2] The special award for the Women's Chamber recognises that successful businesswomen have greater barriers to entering the business. Those that aim to overcome these challenges, not only through business but by addressing these tensions through CR, need special recognition for their efforts to be context-sensitive.

Unity initiatives

Four types of initiatives are awarded, and equal value is placed on any one of these business activities:

Social integration through business practices: This category covers core business decisions and activities that aim to change internalised attitudes and behaviours of staff and others to develop strategies and activities that consciously address social needs.

External initiatives : This category covers initiatives that promote harmony through community cultural and religious projects, problem-solving or resolving conflicts through community leadership and patronage of community actions – including ethnic harmony but also caste/creed/religious togetherness, gender and youth relations as well as those that can lead to conflict. So all these areas constitute 'unity'.

Responding to regional needs: This category includes collective or individual actions by business actors in response to urgent community needs resulting from conflicts, e.g. disasters, regional problems with security or trade problems due to conflict and so on.

Inter-regional activities: This category rewards activities such as business exchange visits, inter-regional investments, inter-regional cultural or religious work and inter-regional advocacy on conflict-related issues.

Corporate Responsibility

Equal value is placed on any type of CR activity related to conflict such as youth issues, gender issues, regional interaction projects, education projects, ethnic harmony projects. This component tries to establish answers to the following questions:

- What special projects are being carried out?

- How much funds are spent on projects as a percentage of profits?

- What are the impacts of the projects and what are the timeframes?

- Is it a one-off project or is it a long-term project?

- Does it respond to an immediate social need of the community?

- Does it build ethnic, caste, racial or social harmony?

Evaluation Process – the evaluation process involved three stages:	
Stage 1	1. Chamber verification: all applications selected have come through the chamber and/or have been verified as accurate by members.
	2. Each application is read/checked by two external evaluators of supporting organisations with expertise in business-led conflict transformation and peacebuilding (Business for Peace Alliance and International Alert).
	3. Each application was evaluated according to the criteria derived from the application questions based on a point system.
	4. All applications in a single district were marked in relevance to each other only and were not compared to other regions as contexts, needs and conditions are different.
	5. CR – is defined broadly, which includes inward CR towards employees; extensive amounts of charity and time spent by sole proprietors of small businesses; peacebuilding activities; strategic and visionary activities that address social issues in the community; consideration that longevity of business is linked to feedback and response from society; understanding the impact/responsibility of business to lobby with local government on community needs.
	6. All applications that were awarded above 20 of a total of 35 points were considered for stage 2 as they comply with basic standards and possess an understanding of CR.
Stage 2	1. Both evaluators discussed the selected applications, selected within each district so that subjective opinions could be managed and standardised.
	2. The selected applications were ranked as Gold, Silver and Merit certificate based on the points received, and on discussion about the quality of the initiatives, the extent of impact, the strategic perspectives of business people on development and social stability in their community, the institutionalisation of good corporate practices, and the recognition that conflict sensitivity and responsibility to communities through daily business practice is vital.
	3. The recommended candidates are then considered for Stage 3.
Stage 3	1. Based on the recommendations and points achieved in stage 2, the qualified applicants were evaluated by a panel of judges comprising academics, accounting and legal professionals, chamber officials and eminent business personalities.

5.4.4 Lessons learnt from the inaugural Unity through Business Award
Regional initiatives are strong catalysts to further mobilize regional voices

The Unity through Business award was created and organised as a non-Colombo centric, national-level event by the regions. The extent of regional participation, chambers and individuals from around Sri Lanka, is a testament to the importance and pride placed on a truly 'regional' event. The awards filled a vacuum as even at in Colombo, although many entrepreneur and CR awards exist, a regional award combining business and unity was unprecedented. At a post-event evaluation workshop, regional chambers, such as Vavuniya, Moneragala, Kurunegala, Kegalle, Kandy and the Business for Peace Alliance (a network of regional chambers) unanimously agreed on the importance and need for such an award. For example, the Kegalle Chamber cited the awards as 'a marvellous opportunity to give the regions a voice for peace' and the Moneragala chamber suggested that the awards recognise the CR work of the chamber with a 'Best Chamber' for Unity through Business award category. It highlights the importance SMEs and regional businesses place on peer recognition and the potential professionalism that exists in the regions.

Unity through Business Awards surfaced the impressive efforts of small and medium businesses

Although some of the larger awards organised by apex bodies or the state are non-exclusive and impose no barriers to entry for small and medium enterprises to apply, most SMEs may not qualify for the awards due to the scale of their enterprises. The volume of turnover of the company or the percentage of profit a company invests in CR cannot compete with bigger blue-chip companies and therefore SMEs may miss out on the opportunity to be recognised at a national level. These were the first national level awards that highlighted the achievements and contributions of smaller businesses outside Colombo. This signifies and validates the value-addition that CR and socially conscious entrepreneurship brings to business in terms of respect and recognition that businesses associate with the 'public role of a private company'. The success of the awards illustrates the strong potential of such 'bottom up' initiatives.

Regional enterprises recognise and embrace the nexus between sustaining business and peace

There are also no major award schemes that recognise the contributions of businesses towards unity and peace in Sri Lanka. The recognition of 'unity' through business was a unique feature and the response by businesses in terms of applications as well as in showcasing their victories through the media[3] is testament to the degree to which businesses are concerned about peace and stability. In a context where winning the peace in a potential 'post-conflict' Sri Lanka may be of high importance in the future, SMEs and regional business people are more vocal and willing to work on unity and peace through CR projects or business practices. This implies a growing understanding about the urgency of building peace in Sri Lanka and potential of business people to contribute towards it. Businesses also saw the benefits in linking up with relevant chambers of commerce, the Business for Peace Alliance and NGOs to create unity or at least a space for dialogue on the importance of peace, social integration and stability for business functions.

SMEs can drive positive societal change

The Unity through Business awards showed that business people place high importance on winning not only entrepreneur awards and business process awards but also CR awards that highlight their social consciousness. This also indicates the overall level of respect and peer recognition for a business from gaining a peacebuilding award. It also shows that businesses working for unity and peace are not isolated incidents or unusual practices. In effect it demonstrates the importance of non-business links and activities for the sustainability and

progress of the business entity itself. A business owned and operated by a sole proprietor, who takes time out of his business to join a service organisation, carries out a CR project with his community, or supports the education of his employees is as valuable as a large-scale CR project worth millions of rupees.

> A businessman from Trincomalee noticed that his employees, mostly coming from one village, constantly fell ill, impacting the productivity and profits of his business. When investigating further he realised that the problem was a lack of clean drinking water in the village. Working with the Urban Council and the Water Board, he supported the expansion of the water supply system to this village. This not only brought him praise and respect from the community, but increased employee loyalty, and generated a higher attendance level and better productivity in his workplace. This is a true example of how socially conscious business can affect change in society, which in turn is also good for business. Thus the sphere of influence of an SME or a regional business person extends beyond the daily business activities to the wider business system and thus mitigating business risks also include the stability of this entire business system.

Regional understanding of CR varies significantly, and requires further strengthening
Perspectives on CR vary greatly. About 40 percent of the award entrants showed an understanding that CR is meant to enhance the potential of business to survive negative social challenges, conflicts, and security challenges by building in social and political impacts into its assessment of risk. For example, a proprietor from Matale involved in the tea business supported the security of the city by setting up a police post, and by helping the Matale Urban Council to clear away garbage for the benefit of all residents.

These are the same businesses that understood the importance of working as a symbiotic part of their community and building relationships with other actors. A hardware store owner from Kandy aims to solve the growing problems of unemployment in the village by holding training programmes on basic skill development on masonry, carpentry etc. in village temples together with the *gramasevaka* (local civil servant) and the *Samurdhi* (government welfare) programme. This not only promotes his shop, it also provides a possibility for some to develop careers based on this initial sampling.

They also understand the value of strategic CR in business practices and continue to work in the same areas of social need while assessing its impact (at least in terms of the positive feedback from the community and visible changes in society). A business person from Anuradhapura working in the agri-business sector has identified language as a barrier for unity in his community and his employees that come from border villages. He therefore holds free language classes in Sinhala and Tamil for traders and associates.

The rest of the applicants assumed that charitable donations to children's homes, one-off contributions to army rehabilitation funds, or patronage to religious organisations qualified as CR. For example, a proprietor from Kandy who 'freed' a bull being taken to slaughter, which is a meritable action in terms of Buddhist culture but has no wider social impact on the business or community, assumed that this was CR. This indicates that although there is potential for SME contributions to peace, development and stability through CR, there is still a great need for education on CR and the strategic value of doing so for the sustaining of a business. However this also indicates that there is a great potential to create a business culture that recognises 'peacebuilding' as an important social responsibility of Sri Lankan business practices.

SMEs and regional-based entrepreneurs have strong motivations to invest in CR

CR and business activities of SMEs and regional entrepreneurs have immediate impacts on the community and therefore immediate feedback from the community because of the proximity of businesses, to their stakeholders. Because SMEs are smaller than conglomerates or big businesses, their impact is also judged from an inter-personal point of view by the community and therefore encourages personal and immediate affirmation or backlash. As community based business, SMEs are also not far removed from the social, security and political tensions that affect the community; they are in fact either part of the problem environment or part of the solution.

Further support is needed for SMEs and regional business people to develop their knowledge base of how CR practices can become more effective and strategic

The interest from SMEs and regional chambers to continue and develop the Unity through Business awards further indicates that business recognise the opportunity to become a prominent part of the social leadership of the country. As such, a knowledge gap exists on strategic CR and business actions for peace, which needs to be filled and requires accompaniment from organisations with the expertise in understanding CR and training on business and peace. This requires an overall shift in the ideology of CR, including:

- Factoring in how 'change' happens into CR understanding and training – where the necessity to know what expected outputs are so that business input or activities can target change towards outputs in a strategic, less ad hoc manner. Therefore 'input' needs to be understood, managed and monitored systematically if certain 'outputs' are expected;

- Do-No-Harm principle – CR needs to move away from one-off projects or initiatives that do not realise that business practices themselves can affect social tensions negatively;

- Greater understanding on peacebuilding needs to be addressed explicitly. Therefore awareness raising on peacebuilding skills and appropriate entry points for business for peace interventions through CR needs to be promoted;

- Greater understanding of peace factors and drivers needs to be provided. Therefore the relationship between causes, solutions and effects together with some analytical skills to understand stakeholders, strategy, behavioural change within organisations and external relationships through actor-mapping techniques needs to be supported.

Greater linkages between SMEs and regional business people need to be developed

Business people especially from the provinces in Sri Lanka are not alone in their efforts on unity and peace related CR. They are also not too small to cause ripples of change, in attitude or concrete acitivites to impact Sri Lanka as a whole, especially if they link up with other businesses from the rest of the country through networks that facilitate such linkages.

The Business for Peace Alliance is a network of regional chambers of commerce and champions CR as a way in which to build peace. Annually since 2007 BPA submitted comments on the national budget from a regional needs perspective, thus raising the profile and voice of the regions to national policy fora. BPA has also supported the chambers of commerce in Trincomalee, Kegalle and Galle. The ethnic unity within these business apex bodies have been harnessed to quell communal tensions and prevent violence from disrupting the stability of business. The BPA also organises 'Peace Bridge' intitiatives meant to showcase products of businesses from around Sri Lanka while allowing business people to build personal friendships regardless of ethnicity. These are also examples of the impact on stability that business people can secure when working together.

Therefore the development of inter-regional relationships among the regional chambers must be supported by business apex bodies as well as civil society organisations.'This will not only create more unity among ethnic groups from different regions, but will also create a critical mass of business people that form a loose network or community that believes in the need to create unity in Sri Lanka and the power of business to do so. The Unity through Business Award in 2009 should highlight the value of SMEs as a 'unity community' in Sri Lanka that works across boundaries and divisions towards a better Sri Lanka.

5.5 Glossary of Terms

Accountability 1000 - a systematic, inclusive and credible approach to improving social and ethical accountability and overall performance. The AA1000 framework was developed in the UK to address the need for organisations to integrate their stakeholder engagement processes into daily activities.

Active Citizenship - active citizens are those who exercise both their rights and responsibilities in a balanced way.

Advocacy - the act or process of defending or maintaining a cause or proposal. An organisation may carry out advocacy to increase public awareness of a particular issue or set of issues.

Benchmarking – the comparison of environmental and social management processes, performance and reporting. It can be used to provide detailed comparisons of operating divisions within a company or companies within a particular sector. Benchmarking can also enable comparison of global trends between highly diverse organisations and sectors.

Business Case - the positive business rationale for working in the public interest.

Business System - an organised and purposeful structure consisting of interrelated and interdependent elements that include the business entity, its stakeholders, institutions, processes, practices, people, government and community. These elements continually influence one another (directly or indirectly) to maintain their activity and the existence of the 'whole'.

Code of Conduct - a formal statement of the values and business practices of a company that may include a declaration of minimum standards, together with a pledge by the company to observe them, and to require its contractors, subcontractors, suppliers and licensees to observe them.

Conflict - a set of relationships between two or more parties, individuals or groups who have (or think they have) incompatible goals. Conflict in this sense deviates from, and is more than, difference, competition or dispute.

Conflict-Sensitivity - an approach that seeks to understand the effects of development and humanitarian interventions on peace and conflict, and enables us to act on that understanding in order to maximise the positive impact and minimise the negative impact of our interventions.

Compliance - a situation in which an SME fully meets the requirements of standards, laws, rules and regulations that mandate ethical and responsible business practice.

Corporate Citizenship - the management of the totality of relationships between a company and its host communities, locally, nationally and globally. Corporate citizenship is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Its aim is to create higher and higher standards of living, while preserving the profitability of the corporation, for its stakeholders both within and outside the corporation.

Corporate Culture - the attitudes, beliefs and values which are a part of the business and the way in which it operates. 'The way we do things around here'.

Corporate Governance - a system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. It also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.

Corporate Responsibility (CR) - the continuing commitment by business to behave ethically and contribute to economic development in a sustainable way, while improving the quality of life of the workforce and their families, as well as of the local community and society at large.

Corporate Values - the operating philosophies or principles that guide a company's conduct and its relationship with the external world.

CR Vision Statement - a vision statement outlines the responsibilities of an organisation towards an end goal. It includes principles, values and goals that guide the decisions, procedures and systems of an organisation in a way that contributes to the welfare of its key stakeholders, and respects the rights of all parties affected by its operations.

Ethical Corporate Reporting - reporting that is fair, truthful and balanced. Corporate reporting that has agreement from those it speaks about, is respectful to the people involved, and is transparent about subjects that may positively or negatively affect stakeholders.

Externality - a consequence of an economic activity that is experienced by unrelated third parties.

Goal - a statement of aspiration about the ultimate CR outcome that an organisation wants to achieve.

Inclusiveness - a business is considered to be inclusive when it considers the impact of business decisions on a community, and shares benefits of profit-making and growth with it.

Indicator - a measure used to quantify a change in performance in order to monitor progress, quality or achievement; a quantitative numerical representation of something relevant.

Lobbying - the act of promoting an agenda that will result in some specified reform, usually at a government level.

Millennium Development Goals (MDGs) - Create partnerships with civil society and government to support its development goals and objectives in alignment with the Millennium Development Goals. The MDGs provides a blueprint, agreed to by the member states of the United Nations, to achieve global development targets in areas of poverty alleviation and reducing hunger, providing universal education, supporting gender equality, improving mother and child health, improving water and sanitation, combating HIV-AIDS eradication, ensuring environmental sustainability and encouraging justice and good governance trough global partnerships by 2015.

Networking - connecting with people of like interests for the purpose of uncovering opportunities, identifying potential threats and learning of best practices.

Returns on Accountability - the benefits that accrue from society to the company as a result of its commitment to maintaining a track record that is ethical, socially aware and in the interest of people and the environment.

SMART Targets - goals that have the five characteristics of being specific, measurable, attainable, realistic and time-bound.

Social Accountability 8000 (SA8000) - the international standard for social accountability is an initiative by Social Accountability International (SAI), a body created out of the Council on Economic Priorities Accreditation Agency (CEPAA) in the US. The objective of SA8000 is to ensure ethical sourcing of goods and services. SA8000 is a voluntary standard and can be applied to any size of organisation or business across all industries. The standard can replace or augment company or industry specific social accountability codes. SA8000 sets basic standards for: child labor, forced labor, health and safety, freedom of association and the right to collective bargaining, discrimination, disciplinary practices, working hours, compensation.

Social Auditing - the systematic evaluation of an organisation's social impact in relation to standards and expectations. A method to evaluate the non-financial performance of an organisation. Although a voluntary process at present, there is some evidence that it may become a statutory requirement of business in the future.

Social Profit - the value created in terms of societal respect and acceptance, as a result of a company being accountable to the community through responsible business practices.

Social Report - non-financial data covering staff issues, community economic developments, stakeholder involvement and can include volunteerism and environmental performance. Multinational companies have increasingly started to report on their social impacts in addition to their financial bottom line performance. With specific indicators more and more on the rise, companies are reporting on the following nine issues: mission, vision and values; workplace climate; social dialogue; human rights; community involvement; local economic development; environment and marketplace.

Socially Responsible Investing (SRI) - integrating personal values and social concerns with investment decision is called Socially Responsible Investing (SRI). SRI considers both the investor's financial needs and an investment's impact on society. With SRI 'Investors can put their money to work to build a better tomorrow while earning competitive returns today'. Three key SRI strategies have evolved over the years: screening shareholder advocacy, community investment and social venture capital.

Sphere of Influence - the individuals to whom, and institutions to which, the business entity has a political, contractual, economic or geographic proximity.

Stakeholder - a person, group or organisation who may be affected by, or have an interest in, the activities of another organisation.

Strategic Corporate Responsibility - CR practices that are integrated into core business processes. Strategic CR aims to change the business model to incorporate responsibility at all levels. It is sensitive to the context of the community while aligning its work with national goals. Strategic CR implies a systematic approach with a natural progression from year to year. It involves the continual method of reflecting, learning and integrating responsibility into the business goals of a company.

Sustainable - a sustainable business is any organisation that ensures that all its activities adequately addresses current environmental, societal and economic concerns while maintaining a profit. In other words, it is a business that 'meets the needs of the present world without compromising the ability of the future generations to meet their own needs'.

Target - a specified level of performance at a predetermined point in time.

Transparency - a transparent organisation promotes openness, communication, and accountability. Transparent procedures include open meetings, financial disclosure statements, the freedom of information legislation, budgetary review and audits.

Triple Bottom Line - the idea that the overall performance of a company should be measured based on its combined contribution to economic prosperity, environmental quality and social capital. The triple bottom line (TBL) focuses corporations not just on the economic value they add, but also on the environmental and social value they add or destroy. At its narrowest, the term 'triple bottom line' is used as a framework for measuring and reporting corporate performance against economic, social and environmental parameters. At its broadest, the term is used to capture the whole set of values, issues and processes that companies must address in order to minimize any harm resulting from their activities and to create economic, social and environmental value. This involves being clear about the company's purpose and taking into consideration the needs of all the company's stakeholders – shareholders, customers, employees, business partners, government, local communities and the public.

Triple P - Short expression of Triple Bottom Line referring to the three Ps of people, planet and profit. Sustainable development involves the simultaneous pursuit of social equity, environment quality and economic prosperity.

5.6 List of Helpful Websites

American Alliance for CSR-based Business
www.empresa.org

Asia Case Research Centre
www.acrc.org.hk

Business and Human Rights Resource Centre
www.business-humanrights.org

Business Fights Poverty Network
www.businessfightspoverty.ning.com

Business for Social Responsibility
www.bsr.org

Business in the Community
www.bitc.org.uk

Business Link – Practical Advice for Business
www.businesslink.gov.uk

Caux Roundtable/Moral Capitalism for a Better World
www.cauxroundtable.org

Centre for Business Relationships, Accountability, Sustainability and Society
www.brass.cf.ac.uk

Centre for Ethical Business Cultures
www.cebcglobal.org

Collaborative for Development Action, Corporate Engagement Project
www.cdainc.com

Economic Opportunity, Social Inclusion and Good Governance in the Americas
www.trustfortheamericas.org

Eldis – Resource Guide on Corporate Responsibility
www.eldis.org/csr

Ethical Corporation Magazine
www.ethicalcorp.com

Fortune Magazine
www.fortune.com

Global Reporting Initiative
www.globalreporting.org

Global Sullivan Principles for CR
www.globalsullivanprinciples.org

Green America
www.coopamerica.org

Greener Choices
www.eco-labels.org

Institute of Private Enterprise
www.kenaninstitute.unc.edu

Interfaith Centre on Corporate Responsibility
www.iccr.org

International Alert, Peace and Economy
www.international-alert.org/peace_and_economy

International Business Leaders Forum
www.iblf.org

International Institute for Environment and Development
www.iied.org/theme/6/Business+and+Sustainable+Development

Organisation for Economic Cooperation and Development
www.oecd.org

Philippine Business for Social Progress
www.pbsp.org.ph

Social Accountability International
www.sa-intl.org

Social Investment Forum
www.socialinvest.org

Swisspeace, Business and Peace Programme
www.swisspeace.ch

The European Business Network for CSR
www.csreurope.org

The Financial Times
www.ft.com

The Magazine on Corporate Responsibility
www.business-ethics.com

UN Global Compact, principles
www.unglobalcompact.org/AboutTheGC/TheTenPrinciples

UN Millennium Development Goals
www.un.org/millenniumgoals

Your Ethical Business
www.yourethicalbusiness.co.uk

5.7 References

Alailima, P., (2007) *The Conventional Approaches: An overview of poverty in Sri Lanka. In*: A. Abdul Cader & F. Remnant, Eds. Fresh perspectives: Exploring alternative dimensions of poverty in Sri Lanka. Colombo: CEPA, pp 29–53.

Anderson, D. R., (2006) *The critical importance of sustainability risk management.* Risk Management. vol. 53, no. 4

Anderson, M. B., (February 1999), Do No Harm: How Aid can Support Peace – or War, Boulder: Lynne Rienner Publisher

Amarasuriya, H., (2008) Discrimination and Social Exclusion of Youth in Sri Lanka. Forthcoming.

Business Leaders Initiative on Human Rights, (June 2006) 'Report 3: Towards a "Common Framework" on Business and Human Rights: Identifying Components', BLIHR

The Business Dictionary. www.businessdictionary.com

The Ceylon Chamber of Commerce. *CSR* Handbook. Ed. Lalith Gunaratna. Colombo 2005

Ibarguen, C., (2005) *Youth perceptions: Exploring results from the poverty and youth survey.* Working Paper Series No. 05, CEPA: Colombo

International Alert, (2006), Local Business, Local Peace: the Peacebuilding Potential of the Domestic Private Sector. London: International Alert

International Alert, (2005) Peace through Profit: Sri Lankan Perspectives on Corporate Responsibility. Colombo: International Alert

IWMI (2005). Bringing Hambantota Back to Normal: A Post-Tsunami Livelihoods Needs Assessment of Hambantota District in Southern Sri Lanka. Colombo: IWMI

Killick, N., Srikantha VS and C. Gündüz, (2005) The Role of Local Business in Peacebuilding. Berghoff Research Centre for Constructive Conflict Management. Available at: www.berghoff-handbook.net

Lawton, D., (2003). Corporate Responsibility and Peacebuilding: A Case for Action in Israel and the Palestinian Territories, A White Paper from the Institute for Global Ethics. Available at: www.globalethics.org

Mayer, M., et. al. (December 2007), Do-No-Harm and Conflict Sensitivity in Development Assistance: Practical Training Report for GTZ-Nepal, (Kathmandu)

Mayer, M & Salih, M., (2006). Sri Lanka: Business as an Agent for Peace. In: International Alert, (2006), *Local Business, Local Peace: the Peacebuilding potential of the Domestic Private Sector.* London: International Alert

Potts, J. and Honen, P., (2007) Corporate Responsibility: *An Implementation Guide for Business, IISD.* World Business Council for Sustainable Development www.wbcsd.org

Notes:

Notes:

About International Alert

International Alert is an independent peacebuilding organisation that has worked for over 20 years to lay the foundations for lasting peace and security in communities affected by violent conflict. Our multifaceted approach focuses both in and across various regions, aiming to shape policies and practices that affect peacebuilding, and helping build skills and capacity through training. Our regional work is based in the African Great Lakes, West Africa, the South Caucasus, Nepal, Sri Lanka and the Philippines. Our thematic projects work at local, regional and international levels, focusing on commonly shared issues critical to building sustainable peace. These include economic recovery, gender, governance, aid, security and justice. Since 1999, International Alert has been working at both in-country and international policy levels, to improve company conduct in conflict-affected countries through conflict-sensitive approaches, and to promote a peacebuilding role for the private sector. This project forms part of this extensive body of work.

Acknowledgements