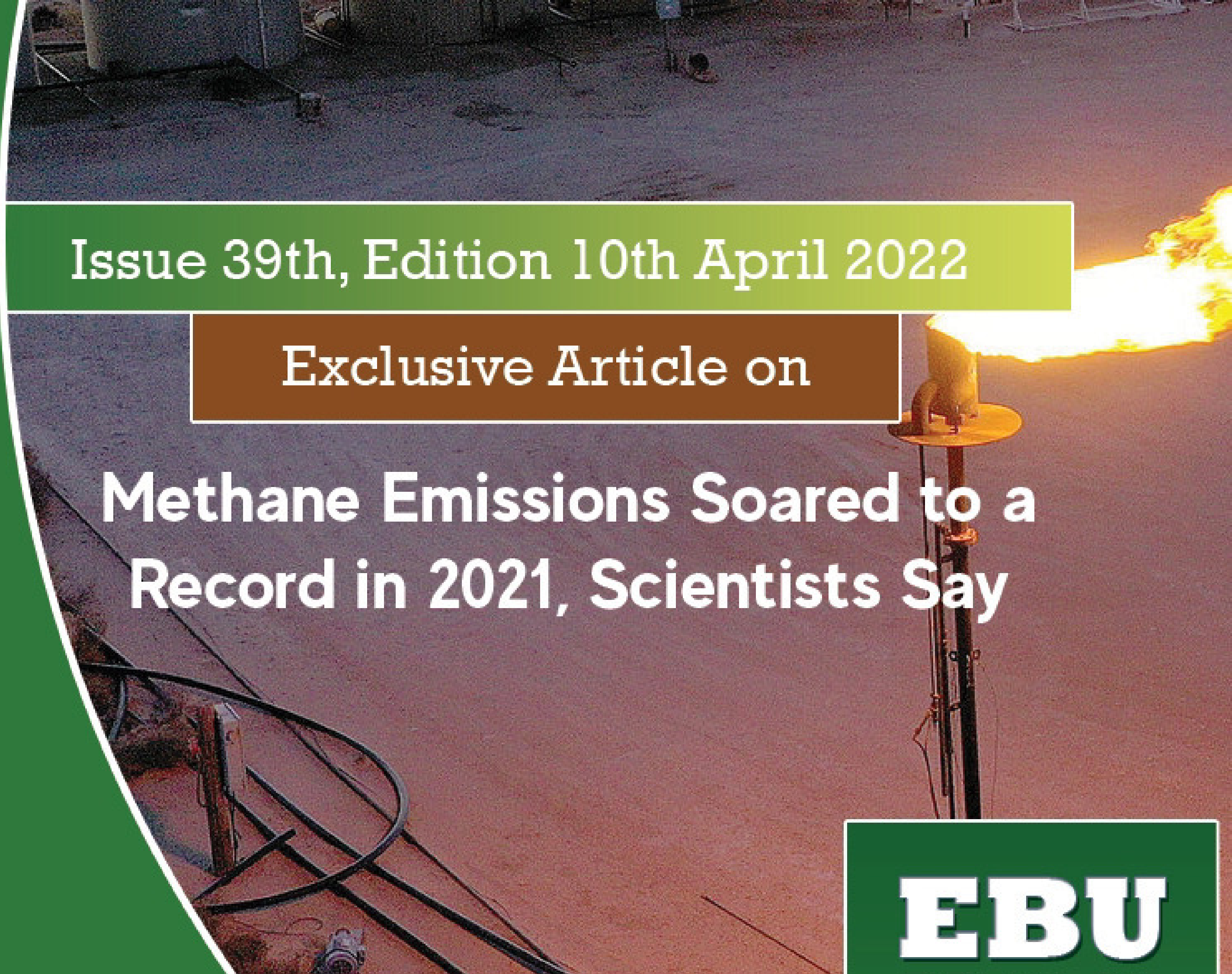

Issue 39th, Edition 10th April 2022

Exclusive Article on

Methane Emissions Soared to a Record in 2021, Scientists Say

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EBU
ETHICAL
BUSINESS UPDATE
The Magazine of
Corporate Responsibility

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EBU ETHICAL BUSINESS UPDATE is an online magazine with a strong heritage in the fields of ethics, governance, corporate responsibility and socially responsible investing.

Now available only on the web, but soon will be published and will be available for monthly subscription.

The mission of Ethical Business Update – now, as then – is "to promote ethical business practices, to serve that growing community of professionals and individuals striving to work and invest in responsible ways." We believe this is not only how to guarantee a future for all, but makes good business sense.

A lot has changed in the more than two decades, ethics and governance have emerged as front-page news and lead agenda items in corporate board rooms and the halls of Congress.

Good corporate citizenship is now studied, advocated and sometimes practiced. Sustainability has become a goal for well-meaning small businesses as well as many of the Fortune 500.

Whether that represents real progress is open to debate. The continuing fallout from the recent economic and financial crises is a constant reminder that many systems are not working. There's plenty to discuss. Ethical Business Update aims to serve as a guide.

We seek to do that by offering our readers information, opinion and cutting-edge analysis about business and the intersection of business and society.

We serve CSR, compliance, risk and governance communities with topical and insightful business intelligence and meeting places.

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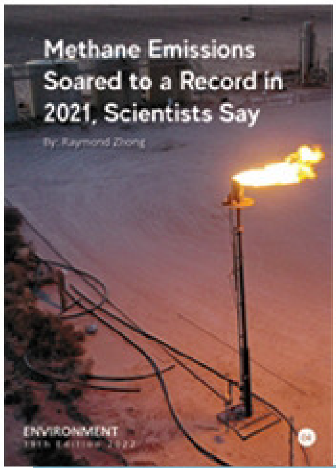
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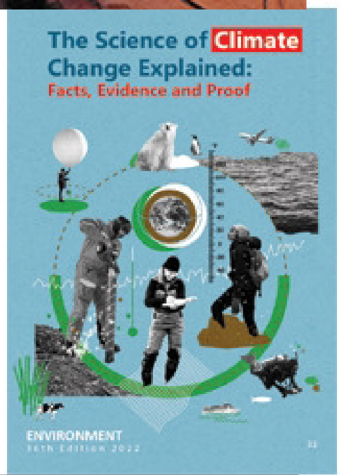
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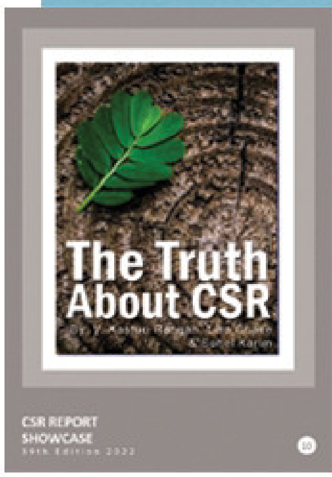
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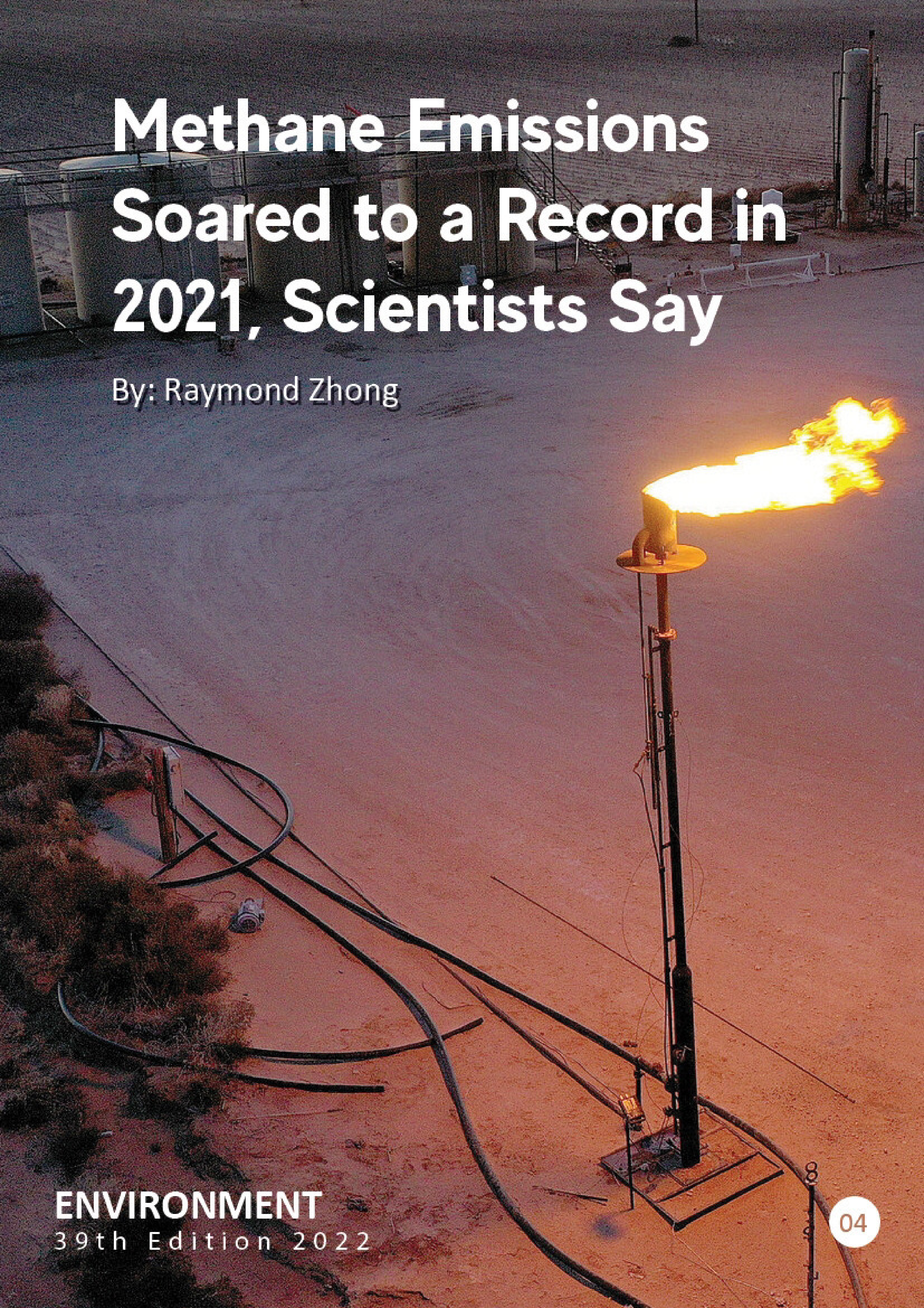


Methane Emissions Soared to a Record in 2021, Scientists Say

For the second year in a row, concentrations of the potent planet-warming gas jumped by the largest amount since measurements began four decades ago.

By: Raymond Zhong

Levels of methane in the atmosphere increased last year by the largest amount since measurements began four decades ago, government scientists said on Thursday, adding to concerns about the planet-warming gas, which spews from oil and natural gas operations.

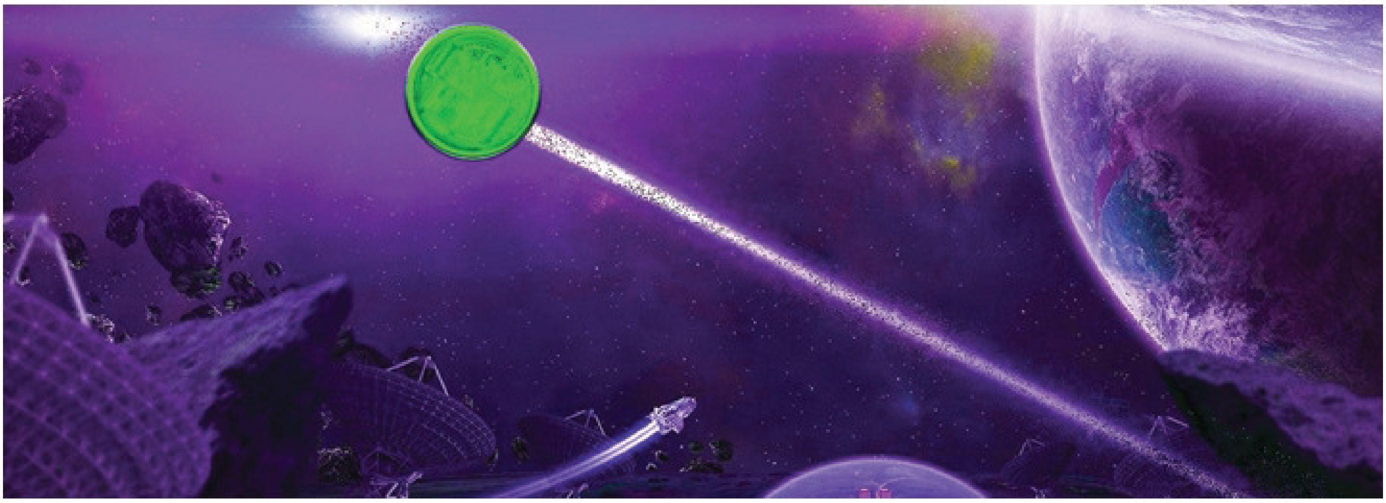
Methane is less abundant in the atmosphere than carbon dioxide, but it is more potent in its near-term effects on global warming. Large amounts of methane pour into the air from wells and pipelines, sometimes through unintentional leaks. Other sources include livestock, landfills and the decay of organic matter in wetlands.

Atmospheric concentrations of methane have increased steadily over the past 15 or so years, and in 2021, they rose by a record amount over the year before, reaching a new high, according to preliminary analysis by the National Oceanic and Atmospheric Administration. The previous record for annual increase in methane levels had been set in 2020.

“Our data show that global emissions continue to move in the wrong direction at a rapid pace,” said Richard W. Spinrad, the NOAA administrator. “Reducing methane emissions is an important tool we can use right now to lessen the impacts of climate change in the near term, and rapidly reduce the rate of warming.”

Surging methane emissions in recent years have brought increasing attention to the gas’s role in accelerating climate change.

Carbon dioxide still contributes much more to the warming of the planet over all. The NOAA analysis published on Thursday indicates that levels of carbon dioxide also continued to rise rapidly in 2021. During the past 10 years, carbon dioxide concentrations grew at their quickest pace in the six-plus decades since monitoring began, NOAA said.



However, because of how much more methane contributes to warming over shorter periods of time, scientists regard reducing methane emissions as a way to curb warming more rapidly.

And, unlike carbon dioxide, which is released into the atmosphere when fossil fuels are burned for energy, methane is the main component of natural gas, which means emitters have economic reasons not to let too much of it be released into the air through leaks. The energy industry accounts for about a third of global methane emissions, scientists estimate.

At a global climate summit last year in Glasgow, more than 100 nations joined together and pledged to slash global methane emissions 30 percent by 2030. The Biden administration has announced new rules governing methane from oil and gas rigs across the United States.

One factor that may have contributed to the rapid growth in methane emissions during the past two years might be increased rainfall in tropical regions resulting from the climate phenomenon known as La Niña, said Xin Lan, an atmospheric scientist at the NOAA Global Monitoring Laboratory in Boulder, Colo.

The added rain and moisture may have led to increased methane production by microbes living in tropical wetlands, she said. These micro-organisms are also more active in warmer weather, she said, so natural emissions from wetlands and other places may be generally increasing as the planet heats up.

Even so, limiting leaks from fossil fuel facilities should be an easier way to stabilize methane levels than trying to manipulate rainfall in the tropics, Dr. Lan said. “Fossil-fuel methane emission reduction seems to be low-hanging fruit to us,” she said, particularly given that emitters could be using this methane as fuel and making money from it.

That leaked methane is “a waste of pure energy,” Dr. Lan said. “It shouldn’t be there in the atmosphere.”

4 INTERNAL

COMMUNICATION

TRENDS TO PLAN FOR IN 2022

COMMUNICATIONS & REPORTING

39th Edition 2022

4 Internal Communication trends to plan for in 2022

By: Mark Miller

Technology continues to change almost every aspect of the business world, including companies' internal communication systems and processes.

One constant, however, is that business leaders should carefully consider what they're saying to their workforce—and how they're saying it. Unfortunately, effective communication often gets shoved to the bottom of the priority list. That's a huge mistake.

Your internal communications create the standard for how you want your employees to interact and how you want customers treated. Communication shapes your workplace culture. It also plays a key role in the nurturing and retention of top talent.

Of course, times have changed. Half-hearted newsletters and mass emails don't cut the mustard anymore. If you want to achieve more substantive internal communications results in 2018, consider these four emerging trends as you craft your strategy:

1. Begin with an audit of leadership and strategy.

It starts at the top. If your leaders aren't fully supportive of your internal communication efforts, your program will sputter. It's crucial to win their trust by using a data-backed approach to prove the return on investment of your work. Use the ability to measure ROI as a benchmark once you identify which initiatives to pursue.

Ideally, an organization's management should cultivate an environment where seamless communication is viewed as a linchpin to business success. Communicators must champion this idea. As you craft your 2018 strategy, keep key leaders in the loop. Ask for feedback, and identify which objectives would interest them. Giving people a voice increases buy-in and ownership.

Don't be afraid to cut initiatives or activities. Pursue only those that bring the best return on your investments of money, time and energy.

2. Consider boosting and consolidating enterprise social networks.

As organizations look to enhance collaboration and communication, enterprise social networks (ESNs)—or internal-specific communication channels—are becoming increasingly popular.

It's up to you to concoct a smart mix of tools and channels your team will use, whether it's Facebook's Workplace platform, Slack, Yammer, Google Chat or your intranet. Find a combination that makes it easy for remote and in-house workers to connect.

Many companies use a random, piecemeal, unregulated assortment of channels. Different departments often communicate on different platforms. In the new year, take strides to bring everyone onto the same platforms.

3. Account for the new face of employee engagement.

Boosting employee engagement is the fastest way to increase productivity, morale and retention.

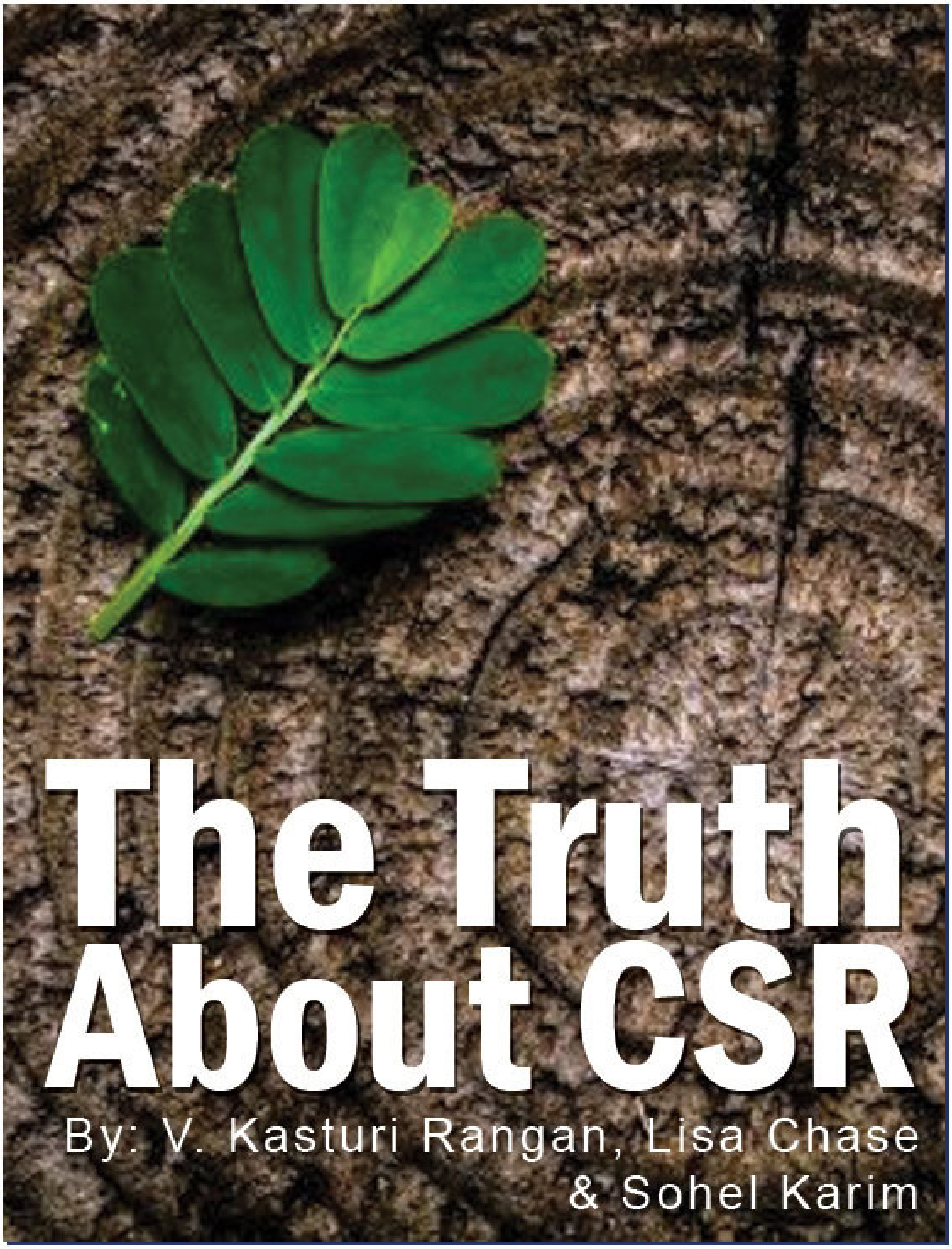
Communicators can help stoke engagement, but that takes getting to know your colleagues. As you plan for 2018, meet with workers in various departments to see which internal communications are most helpful and relevant for them. Also, consider meeting with HR to see how you can effectively communicate company benefits and perks to employees. You'd be surprised how many people simply don't know what the company offers. Perks and benefits are useful for boosting engagement only if people know how to access them.

Encourage employee feedback in all your efforts so your colleagues feel heard, respected and valued. Give them a voice.

4. Prioritize video.

Video is still the dominant content trend. It should top your internal communication docket for 2018.

From video conferencing to livestreaming corporate events to the creation of employee engagement and training videos, this format offers massive potential for streamlining internal messaging. As reliance upon remote workers grows, the need for more personal forms of communication will continue to increase.


The Truth
About CSR
By: V. Kasturi Rangan, Lisa Chase
& Sohel Karim

The Truth About CSR

By: V. Kasturi Rangan, Lisa Chase & Sohel Karim

Most companies have long practiced some form of corporate social and environmental responsibility with the broad goal, simply, of contributing to the well-being of the communities and society they affect and on which they depend. But there is increasing pressure to dress up CSR as a business discipline and demand that every initiative deliver business results.

That is asking too much of CSR and distracts from what must be its main goal: to align a company's social and environmental activities with its business purpose and values. If in doing so CSR activities mitigate risks, enhance reputation, and contribute to business results, that is all to the good. But for many CSR programs, those outcomes should be a spillover, not their reason for being. This article explains why firms must refocus their CSR activities on this fundamental goal and provides a systematic process for bringing coherence and discipline to CSR strategies.

To understand how companies devise and execute CSR, over the past decade we conducted in-depth interviews with scores of managers, directors, and CEOs who are directly or indirectly responsible for their firms' CSR strategies, and we have developed more than a dozen case studies on the topic. Most recently we surveyed 142 managers who attended Harvard Business School's CSR executive education program during the past four years. Our findings were remarkably consistent.

Despite the widely accepted ideal of pursuing "shared value"—creating economic value in ways that also create value for society—our research suggests that this is not the norm. Rather, most companies practice a multifaceted version of CSR that runs the gamut from pure philanthropy to environmental sustainability to the active pursuit of shared value. Moreover, well-managed companies seem less interested in totally integrating CSR with their business strategies and goals than in devising a cogent CSR program aligned with the company's purpose and values.

But although many companies embrace this broad vision of CSR, they are hampered by poor coordination and a lack of logic connecting their various programs. Although numerous surveys have touted the increased involvement of CEOs in CSR, we have found that CSR programs are often initiated and run in an uncoordinated way by a variety of internal managers, frequently without the active engagement of the CEO.

To maximize their positive impact on the social and environmental systems in which

they operate, companies must develop coherent CSR strategies. This should be an essential part of the job of every CEO and board. Aligning CSR programs must begin with an inventory and audit of existing initiatives. Our research and work with corporations across the geographic and business spectrum show that companies' CSR activities are typically divided among three theaters of practice. Assigning CSR activities accordingly is a crucial first step.

Theater one: focusing on philanthropy.

Programs in this theater are not designed to produce profits or directly improve business performance. Examples include donations of money or equipment to civic organizations, engagement with community initiatives, and support for employee volunteering.

Theater two: improving operational effectiveness.

Programs in this theater function within existing business models to deliver social or environmental benefits in ways that support a company's operations across the value chain, often improving efficiency and effectiveness. Thus they may—but don't always—increase revenue, decrease costs, or both. Examples include sustainability initiatives that reduce resource use, waste, or emissions, which may in turn reduce costs; and investments in employee working conditions, health care, or education, which may enhance productivity, retention, and company reputation.

Theater three: transforming the business model.

Programs in this theater create new forms of business specifically to address social or environmental challenges. Improved business performance—a requirement of initiatives in this theater—is predicated on achieving social or environmental results. Hindustan Unilever's Project Shakti ("empowerment") in India provides a good example. Instead of using its customary wholesaler-to-retailer distribution model to reach remote villages, the company recruits village women, provides them with access to microfinance loans, and trains them in selling soaps, detergents, and other products door-to-door.

More than 65,000 women entrepreneurs now participate, nearly doubling their household incomes, on average, while increasing rural access to hygiene products and thus contributing to public health. These social gains have been met by business gains for the company: As of 2012 Project Shakti had achieved more than $100 million in sales. Its success has led Unilever to roll out similar programs in other parts of the world.

As Project Shakti demonstrates, theater three programs need not be comprehensive. Most are narrow initiatives undertaken with a focused market segment or product line in mind, but with significant potential to alter the company's social or environmental impact and financial performance. Theater three initiatives almost always call for a new business model rather than incremental extensions.

Although each CSR activity can be assigned principally to a single theater, the boundaries are porous: Programs in one theater can influence and complement those in another or even migrate. For example, a theater one initiative might improve the company's reputation and consequently increase sales. Thus, while it was not designed to drive business results, it may end up doing so and as a result migrate to theater two. The valuable brand reputations of Tata in India, Grupo Bimbo in Mexico, and Target in the United States, to name just a few, are built in part on those companies' philanthropic and community engagement.

WHY WE NEED A SYSTEMS APPROACH TO STAKEHOLDER ENGAGEMENT

By: Nicole Skibola

Why We Need a Systems Approach to Stakeholder Engagement

By: Nicole Skibola

Every sustainable development consultant has found themselves in a conversation with a client desperate to preemptively or defensively placate civil society groups. I've been in countless conversations with clients and colleagues who roll their eyes at the mere mention of an NGO group and strategize as if they were preparing to negotiate a hostage crisis.

As a practitioner who has worked extensively with businesses — but started off my career in human rights advocacy — I understand the tension between stakeholders and businesses. Stakeholders can slow project completion, advocate for regulatory hurdles or demolish a business reputation in a matter of hours. It's how they push change forward.

I like to think of stakeholders as an integral part of a system of checks and balances, there to ensure that economic growth occurs in a sustainable way that benefits the largest segment of the population as possible. Whether or not you agree with the activities of NGOs, there is one thing for certain: They are here to stay.

Stakeholder "engagement" traditionally follows the same core principles of organizational change management (OCM). OCM is a framework for managing the effect of new business processes, changes in organizational structure or cultural changes within an enterprise. In simple terms, OCM is the process of supporting employees to understand how changes in business processes will affect their roles, relationships, and organizational culture — and to adjust accordingly.

Here's why a change management approach doesn't always work with stakeholders: They are not as easily managed. Stakeholders are, by definition, working outside of the organizational confines. They aren't afraid to lose their jobs or make you look bad and will even expose your efforts to bribe them into compliance.

The real sticking point: Think of the opportunities for inclusive, sustainable growth that companies often miss out on because they talk at stakeholders rather than actively engage them around solutions. A real world example is useful. Our firm had a client engaged in sustainable power generation. The client came to us after they had engaged in superficial messaging to the surrounding community.

Initial ethnographic research would have revealed that virtually all conflict could have been eliminated if the client had eliminated water usage from a nearby lake (sacred to the local indigenous community) and had settled land disputes associated with the project. Angry stakeholders reached out to Amnesty International, and a small militia group formed, threatening the security of the company's operations. In the end, the development was postponed indefinitely, causing a loss in the billions.

In addition to the client's oversight of understanding fully the economic, cultural and social fabric of the community, the client feared that early transparency would have hampered their plans. Rather, they took a management approach, shooting out messages that sought to appease, rather than engage.

Here's another real world example: A client (public affairs executive at a multinational pharmaceutical company) had consistently engaged with civil society groups through shared advocacy efforts, continuously consulting powerful NGOs for all of his community relations affairs. The company had a product recall and could have suffered a catastrophic blow to the relationship. However, because the client had built so much relationship capital with the relevant NGOs, they actually offered to help him divert the crisis. Because guess what? NGOs want to help companies become better corporate citizens, and they often will cooperate with players who they deem authentic in their efforts. Despite the fact that many businesses consider this tale of urban legend quality, I've seen it happen on multiple occasions.

Recent practitioners like Stephanie Draper from Forum for the Future have highlighted the importance of stakeholder engagement, rather than management. These newer schools of thought focus on collaborative problem solving that examines corporate impacts from a systems perspective. Relevant questions include: Where are the power dynamics in the systems? How do diverse stakeholders interact from a social, economic and policy perspective?

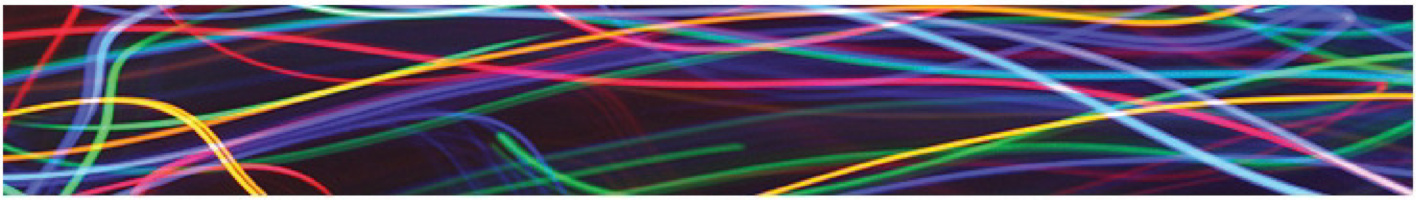
Where are the leverage points for change within the business ecosystem?

As a recent article from the Guardian Sustainable Business Blog pointed out, stakeholder engagement requires a new set of skills that many corporate professionals are not exposed to — that is researching the links and impacts from the systems to community and project level, understanding the business case for stakeholder relationships, and even realizing the true drivers of most advocacy groups.

That being said, I thought it would be useful to for readers to begin understanding what I think makes a successful stakeholder engagement strategy.

Know and respect your stakeholders

Stakeholders are not just communities who are directly impacted by corporate activities. They include families, local governments, and local and international advocacy groups. Map all of a project's stakeholder's — big and small — and understand their motivations. Motivations are a an important piece of mapping leverage points in a system. Don't forget to respect stakeholders through respectful, meaningful communication. Yes, most of the time they will know when you are not being authentic.



Do your homework

Ethnographic research is time intensive and expensive. The basic premise of this research is that it is qualitative — meaning it extends beyond data to understand the lives, and cultural and social fabric of a community. Revisit the first example above. Closer research would have revealed the supreme importance of the lake in the community, as well as the fact that land rights were at issue. Understanding all of the potential problems up front paves the way for coming to constructive solutions down the line.

Establish legitimacy

This may be self serving, but I consider one of my my powerful strengths as a consultant to be that I have worked in civil society. I understand the behaviors that cause communication breakdowns and misunderstanding. I believe that corporate actors and NGOs are essential actors in our society, but that both just need a little help speaking the same language. I consult my human rights friends regularly to get a sense of what issues are surfacing on the horizon. In short, I am a bridge. Make sure that there is someone in your organization who has a similar skill set, even if that person is a consultant.

Keep an open mind

While I by no means am an expert in Lean Startup methodology, I can say that I deeply respect the premise: leave attachments and expectations behind until you validate your hypotheses. In CSR terms, this translates to approach your NGO and community partners with an open mind. You do not necessarily know better because you have worked in business. There is always the possibility for a solution that shifts the paradigm or addresses a conflict in a way that you would not have expected. Be prepared to iterate programs or strategies and bounce new hypotheses/ideas back and forth. Judge your final strategy/program/product by the data, not by moral or value-based beliefs in what the wrong or right answer is.

Stakeholder engagement isn't easy. It's an exercise in patience, compromise, and periodic failure. Most of all, it's about knowing the system in which we our our business operates, understanding the drivers of all stakeholders in that system, and making decisions (or compromises) based on those underlying drivers. Systems theorist Donella Meadows sums it up quite beautifully. "We can't impose our will on a system. We can listen to what the system tells us, and discover how its properties and our values can work together to bring forth something much better than could ever be produced by our will alone."

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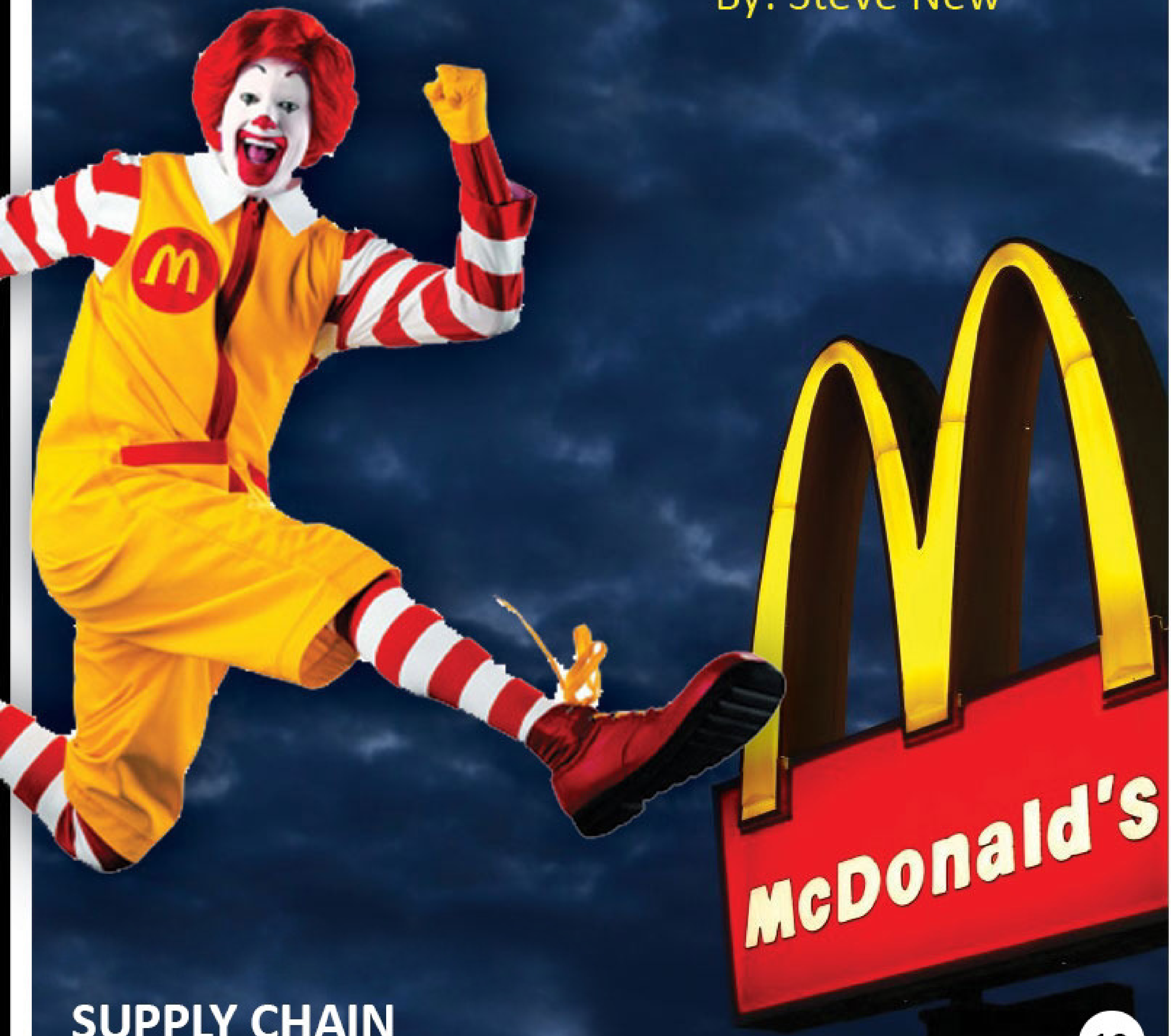
McDonald's

and the challenges of a modern supply chain

By: Steve New



McDonald's and the challenges of a modern supply chain

By: Steve New

Recently, McDonald's, the world's iconic largest food service provider, has been (forgive the cliché) through the grinder. Poor performance has led to the departure of its CEO and plenty of critical attention in the business pages. Part of this story relates to the provenance, or origins, of its products: Chains that provide more upmarket "fast casual" dining such as Panera, Chipotle, and Shake Shack have brands that speak of freshness, health, and trustworthy sourcing.

In 2010, I wrote an HBR article predicting increased interest in supply-chain transparency: firms needed to develop strategies for knowing and explaining where stuff comes from. Since then the idea of product provenance has steadily crept up the corporate agenda and is now a compulsory issue for boards and governments. In the UK, for example, legislation is in progress that would build on the California Supply Chain Transparency Act, potentially applying to wider range of firms. Across Europe, the 2013 horsemeat scandal generated widespread panic about contaminated meat. In a wide range of industries — electronics, software, toys, aerospace — provenance is increasingly a critical concern.

McDonald's woes offers three lessons for others about supply-chain transparency.

Transparency needs a long game; reputational problems don't mend fast.

Few firms have faced such reputational challenges as McDonald's. In the 1990s, an ill-judged legal case, the McLibel trial, saw the corporation acting against a tiny environmental group in one of the longest civil cases in UK history, with terrible reputational consequences. The movies Super Size Me and Fast Food Nationcemented the view that the corporation was complicit in promoting bad health, bad environmental practice, and food that was just, well, disgusting.

Faced with these challenges, McDonald's has not been idle. It has taken on its critics and made substantial changes to both its practices and its communication. Indeed, in the UK, the official government review of the horsemeat scandal, the Elliot Review, singles out the McDonald's supply chain for praise. In the United States, a series of documentary-style promo films with celebrity presenter Grant Imahara have tried to give customers a clear and unvarnished account of sourcing and production processes. You may still not like the firm or its products, but you can't deny it has made serious efforts.

The trouble is bad reputations aren't lost that easily. A generation of cynical middle-class customers have already decided that McDonald's is a tarnished brand. Supply-chain transparency is that kind of challenge: It's rarely the top thing on consumers' minds, but it is an issue that sticks in the imagination. And when newer, less tarnished players like Chipotle arrive, consumers can tacitly exercise the prejudices and cross the street. The lesson for other firms: If you have problems in your supply chain, don't let the critics get there first.

Global operations need consistent global standards.

Despite the great strides that McDonald's has made in some markets, its progress and practices have not been uniform. Last year McDonalds — and other major food companies — were plunged into a food safety scandal in China. This is a case of your defense being as strong as your weakest point. Bad headlines about foreign operations tell consumers, "This company still can't be trusted." And such bad news doesn't just reduce the impact of your good work elsewhere; it means that its credibility is fundamentally undermined. So firms need to be cautioned: Supply-chain transparency initiatives are not a normal program to be rolled out region by region.

Sometimes transparency has paradoxical consequences.

Let's return to those videos with Grant Imahara. "Look," they declare, "it's real wholesome meat!" Imahara holds up great chunks of flesh from the conveyor as if to say, "Appetizing!" But even hard-core carnivores like me blanch queasily at this amount of dead animal. OK, you've convinced me there is no pink slime, but you've reminded me that this whole process is kind of horrific. That's one of the curses of transparency of provenance: I might now approve of your food-safety practices, but you've just reminded me of things that, deep down, I don't want to know. This is a paradox that firms in a wide range of industries will inevitably need to grapple with. (Question: What does an unethical shirt factory look like to a naïve consumer? Answer: Appalling. Question: What does an ethical shirt factory look like? Answer: In truth, still pretty appalling.)

It may be that McDonald's future lies in yet further reinvention of the brand. The Corner, one of its experiments, is a "McCafé" that looks and feels nothing like a McDonald's restaurant. But even then, the provenance agenda is not going away: The new CEO (who holds an honorary visiting position at Oxford's Saïd Business School, where I teach) will need to tough out the current problems and stick to the mission of ever-greater openness.

What's HR Like?

PEOPLE & CAREERS

36th Edition 2022

What's HR Like?

This past week I had a very cool experience !! One of our Team Members is going to college and wants to go into Human Resources. He asked if it would be okay to meet. I jumped at the chance !!

I went out to the restaurant where he works and we sat in a booth after we made the obligatory introductions. As we settled in, I started, "So, how can I help you?" Out of the blue he gives the most massive question possible, "So, what's HR like ??"

I'll be honest. I was speechless for a moment. It wasn't the question I expected. He didn't want to hear the oddyssey of my career or honestly anything about me. It was incredibly refreshing !! He wanted to learn about the field, the profession, the ins and out as well as the ups and downs. By the way, he's a millenial.

According to the myriad of HR writing that exists in the blogosphere, this young man wasn't living up to his stereotype. He was engaged, interested and curious. He wasn't a slacker who was looking for something inane like work/life balance or how to make a gigantic salary while being a lone wolf who doesn't know how to communicate because he grew up with technology. Have I covered them all yet ?? But, I digress.

It was the best hour of my week. A chance to sit down and talk about how and why you can be passionate about HR and thriving in it as a career. So, what did I tell him HR was like ?? Here are a few of the key things I shared.

HR is Essential !!

This may seem a bit crass as an assumption, but it is a deep held belief by me. If an organization has humans, it has a need for human resources. I don't mean to belittle this at all because too often organizations think they can just wing it and hope that nothing horrid happens without HR. I understand that not all companies can have a full-time HR pro, but you can get HR resources that can assist you.

This reality of being essential gives HR a bright, tangible and valued future. This isn't about "how" HR is practiced. It is, however, the anchor for our existence !!

HR is NEVER the same !!

I explained that if you want to get into a field that is predictable, mundane and full of absolutes then don't go into HR. I did warn him that there are HR pros, and companies, who limit the scope, involvement and impact of what HR does for them. It saddens me that this exists, but I wanted him to have a holistic view of what he was pursuing. I think the constant ebb and flow of variety in HR is what sets it apart from most professions.

You have to remember that you're whole professional existence is surrounded by people. And people are NEVER the same . . . ever !! I explained that this can either be exhausting and frustrating or it can be energizing and exhilarating !! I think he knows which set I follow.

HR is a great career choice !!

I told him that this factor was hard to find and I appreciated that he was checking out the field by talking to HR pros. You see, I wasn't the first person he talked to. I was the third. I was geeked when he said, "I haven't heard this positive outlook about HR yet." I told him I wasn't surprised. I told him that I have a big, hairy audacious goal for ALL HR pros to be connected as well as passionate about who we are and what we do. He liked that and said THAT is what he was looking for in a career.

We closed the meeting by getting him connected on Linked In, adding him to my global HR network (The HR Net) and one more critical thing . . .

I told him that I'd be available for him whenever he needed me and for whatever other insight and advice he needed as he entered the world of HR.

You see, I didn't want him to see a stereotype of a generation either. I'm geeked for his present and his future !! And to think it all started with one question. If someone had to ask you, what would you say ?? What's HR like for you ??

I hope it's full of hope, positivity and passion because then you'll understand how incredible Human Resources really is !!

Do The Work !!

Do you enjoy meeting people personally and professionally ?? Does there have to be a compelling reason to do so ?? Is the only reason you meet people is because you read a blog post that tells you to ??

I've been thinking about this lately because I thrive on meeting new people. That's a fact. Whenever I go to a new environment, I reach out to meet people. I really want to get to know them, know who they are and something unique about them. I understand that this isn't the norm and I wouldn't recommend it unless you have the capacity to take in more and more folks.

You see, I'm not a collector. Many people who network are because they have some ulterior motive that is intended to result in a sale of their services or products. When this occurs, people are only scratching the surface of truly connecting and yet people continue to do this. Just last week a person who was a guest at the restaurant I work at came up to me and said, "You look friendly and are always smiling. Here's my card, I represent . . . ." I was floored. No name. No introduction. Just a chance to whip out the 30-second sales pitch because this is how you think it's effective to meet other people. I threw his card away.

Let me share an example of how networking has a lasting effect – as it should !! My best friend, Fred, calls me every week. Every. Week. He checks in to see how things are with me personally and professionally. He also just stepped up to run a monthly networking group, GETDOT Cincinnati, as their new President. By the way, he's officially "retired." Meeting new people really shouldn't matter to him anymore should it ??

Fred is not only a dear friend, but he's a great mentor and example that you need to have relationships with those in your network. That is the key !! If you can't tell others about a connection past a rectangular piece of paper, then they really aren't a connection at all. Remember, if you're too busy to make time for others, don't have them in your network and don't be in theirs. That may sound a bit harsh, but great connections encourage each other. They don't use each other.

The key to networking is to Do the Work !! I think that having a viable network and being an effective networker should be a mandatory skill for all business people and especially for those in HR. Let me be clear – this is a business skill and not a job hunting skill. We've lost sight that having a set of "go to" people makes you a stronger professional in your role both within your company and in your industry.

The challenge I see is that HR people are hesitant to reach out and meet others in our field. I don't understand this because I've only seen it benefit me personally and allow me to have access to incredible folks !! This isn't a factor of being extroverted or introverted. It is a factor that we don't see the value of taking the time to connect with others.

This week, I'd like you to start doing the work of connecting. Make a commitment to connect with one or two new people in HR. Send them a Linked In request with a personalized invitation. Be active on Twitter and connect with other HR folks and share HR blogs you read with others. Go to events and find a few people you don't know and take the time to intentionally meet them.

Be good with adding just a few people to your network each week. If you have a larger capacity, meet more people. However, commit to making sure they are connections and not collections. You'll be a stronger HR pro when you have others around you that can encourage you and share their experiences and knowledge.

I hope you understand that I know that this makes a difference. It will be some of the most meaningful work you'll ever do !!

Three Critical Mistakes Digital Businesses Make With Content

Three Critical

Mistakes Digital Businesses Make With Content

The world is drowning in content. As a business competing in the digital realm, it can be tempting to believe that the key to success is to produce better content to rise above the digital clutter. That kind of approach, however, represents a basic misconception about how the digital world works, says Bharat Anand.

“What digital technology is fundamentally good at is connecting people,” says Anand, the Henry R. Byers Professor of Business Administration in the Strategy Unit at Harvard Business School. “Most companies that have experienced digital success—Facebook, Amazon, Uber, Airbnb, and others—are not just creators of products, but connectors.”

Anand explores this phenomenon, and the tension between “content” versus “connections,” in a new book The Content Trap: A Strategist’s Guide to Digital Change . In it, he explores digital transformation efforts in media, entertainment, and related arenas that have experienced nearly a quarter-century of digital change, with a view to understanding what lessons can extend to other sectors.

The book traces its roots in part to a Harvard Business School Executive Education program on digital strategy Anand created many years ago with Felix Oberholzer-Gee, Andreas Andresen Professor of Business Administration in the Strategy Unit, for companies struggling to adapt to the digital realm. The professors saw the same problems repeated over and over, “many of which came from pursuing seemingly rational mindsets that turn out to be flawed.”

“Conventional wisdom is that the internet destroyed newspapers because online news is cheaper, faster, and better,” says Anand. Most newspaper companies responded by investing heavily in online news sites of their own. “But the real problem was losing revenue generated by classified ads to sites like Craigslist and Monster.com.”

One company that recognized the threat was Schibsted, the largest newspaper company in Norway and a company Anand has been studying for a decade. In 2000, while other newspapers were pulling money back from the internet following the dotcom crash, the company invested aggressively in online classifieds. “Their thinking was if we get this right, this could be a winner-take-all market,” says Anand.

After investing heavily in the business, it emerged as the most popular classified advertising site in Norway, drawing listings from neighboring countries as well. “There were more cars sold on the site than there are cars in Norway,” says Anand. From there, the company expanded into other countries. Today it is a leading player in the world in classified ads, which constitute the vast majority of Schibsted’s operating profits.

"More interestingly," Anand notes, "the company is taking lessons it learned by connecting people through ads back to the newsroom, where they ask a simple question when covering major news events: How can we help readers help each other?"

Anand elaborates on this idea of user connections using the example of one of the largest digital companies most Americans have never heard of: Chinese internet giant Tencent. The company began in 1998 as an instant messaging service, but has since expanded to create the microblogging product Weibo, online gaming, and the social media app WeChat.

What's particularly interesting about the company, says Anand, is how it has monetized the service. Facebook raises 90 percent of its revenue from advertising,Tencent makes less than 20 percent from ads. Instead, it relies on virtual currencies called Q coins that users can spend to customize their online presence, buying virtual clothing, jewelry, and pets, as well as wallpapers and ringtones.

"The heart of its success is going back, first, to a deep understanding of consumer behavior, and what people are willing to pay for," says Anand, "and then leveraging success from one product network to another—user connections."

The second problem Anand sees in digital strategy is when a company getstoo tied to one form of content or one product rather than embracing a more expansive view of its business. "We hear all the time in business that the way to be successful is to narrow product focus and leverage core competencies," he says. "One effect of digital technology is that value in one part of a sector often gets redistributed to another."

Take the music business. The common perception is that piracy killed the music industry: CD declines coincided with the rise of Napster in 1999. But value didn't flow entirely to consumers—instead much of it shifted to firms with complementary product and service offerings. Says Anand, "Think about how much money we spend on hardware such as MP3 players and smartphones, or on digital broadband access that has become increasingly important to streaming digital music. The perverse outcome was that companies would often benefit at the expense of their sister divisions." Even while Warner Music started suffering, Time Warner Cable's fortunes were going through the roof.

Then, there were concert revenues, which started skyrocketing at the same time revenues from CDs were falling and with a bigger portion going to the artist. "It's not a coincidence. Thirty years ago, concerts were advertisements for you to buy music; now with content prices harder to control, free or cheap music is the advertisement for seeing a live show," says Anand.

For companies operating in digital worlds, success requires recognizingproduct connections, too—complements, adjacencies, and spillovers.

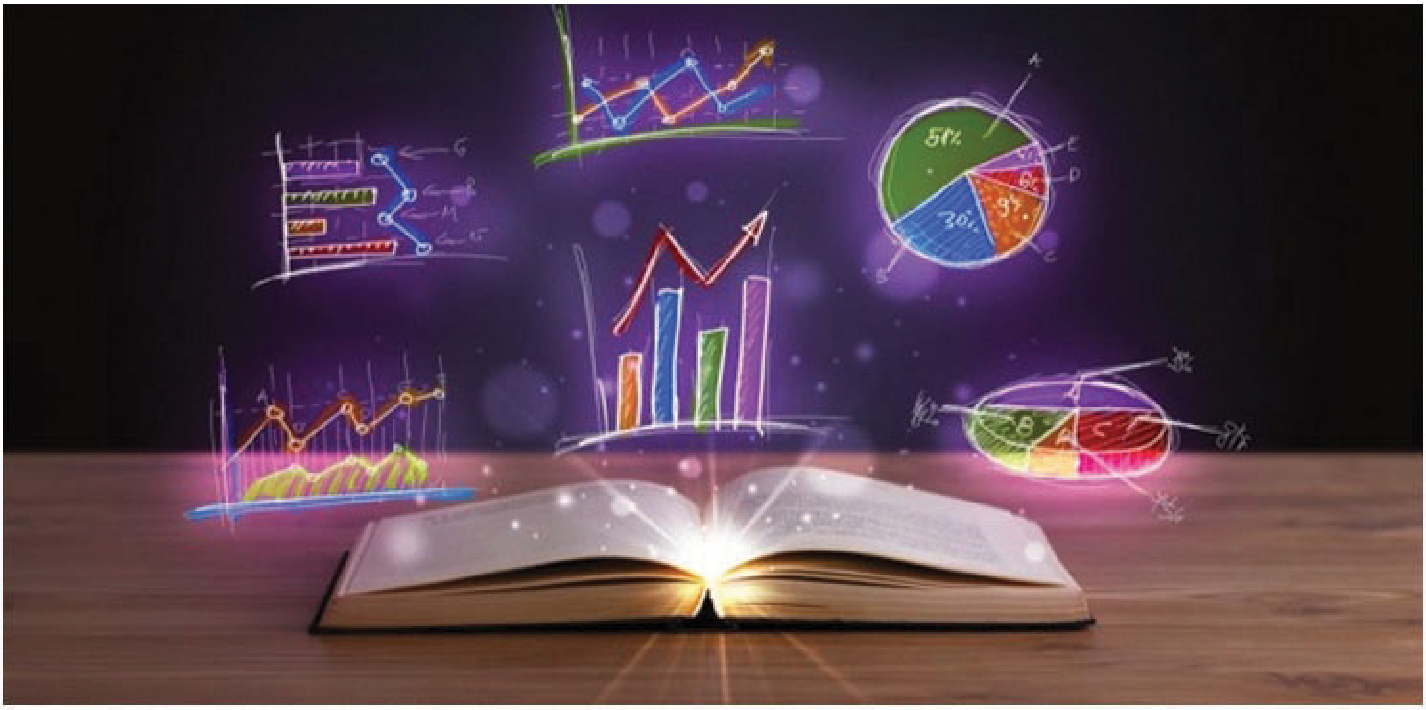
The third trap that Anand sees companies fall into is trying to follow the lead of other successful companies too formulaically. As different as digital is from the analog world, the essential points of strategy—determining what your customers want and how you are uniquely poised to provide it—remain the same. But this requires seeing and managing the interdependencies, the functional connections, across all parts of the organization. "Context matters. It's a simple idea, and yet we so often ignore it. The best companies, even in digital worlds, create unique strategies that tap into customer needs."

Tapping into the concept of connectedness requires a shift in organizational mindset. "Most companies find it very hard to break out of the trappings of product and content." says Anand. "But they should. Strategic success requires shifting focus from content alone to customers and connections."

During the last three years, and just as Anand began writing the book, he was drawn into a digital effort closer to home: online education. Together with some HBS faculty and staff colleagues, he helped create HBX (the school's digital learning initiative), and then lead it.

The ideas in the book shaped Anand's thinking around online education and certain decisions at HBX. "A few months into the effort, the team found itself settling into a rhythm of trying to build a great platform with great content. It was the same trap," Anand recalls. The HBX effort subsequently shifted towards leveraging the power of social learning, one of the features that is now thought to differentiate the HBX experience for its learners.

"Digital efforts in education and other sectors can benefit from looking at media firms and the experiences they've gone through. We'd do well to try to avoid the same mistakes that they've learned from."



EVENT SUMMARY 11TH ANNUAL CORPORATE SOCIAL RESPONSIBILITY Summit & Awards

HELD ON 2ND MARCH 2022 AT MARRIOTT HOTEL KARACHI

EVENT SUMMARY OF 11TH ANNUAL CORPORATE SOCIAL RESPONSIBILITY SUMMIT & AWARDS HELD ON 2ND MARCH 2022

11th Annual Corporate Social Responsibility Summit & Awards held on 2nd March 2022 at Karachi Marriott Hotel. The event was organized by The Professionals Network with the support of various trade organizations and NGO's. The event was attended by distinguish Guests and Speakers from various corporate companies and government organizations. The Chief Guest in the inaugural session was Dr. Aftab Imam, Chief Commissioner Corporate Tax office, Federal Board of Revenue. During his speech he emphasized on given jobs to the unemployed and termed it as the biggest CSR of the day. He said when the organizations will grow then they will be able to provide jobs. However he complained that the business community is hesitant in offering internships and also offer low pay scale. He further said that Karachi's big businesses and factories should arrange for Vocational Training Centers.

Sirajuddin Aziz, CEO, Habib Bank AG Zurich said that we donate but do not pay taxes. Karachi's entrepreneurs are enormously earning but are not enhancing salaries as per their income growth. CSR is not only giving donations but it does care the employees as such.

Zahid Saeed, CEO, Green Crescent Trust and Managing Director Indus Pharma specifically mentioned that given tax is also CSR. Governments can only work for welfare of the people once it has proper revenue collection. Green Crescent Trust is running 156 schools in Sindh and giving education to boys and girls. In our schools out of 29,000 students 42% are girls.

Anum Nisar, Former President Karachi Chamber of Commerce and Vice Chairman Businessmen Group said that we have to seriously look at the direction of Pakistan, where will be in next ten years. In practicing CSR we should prepare framework under logical requirements. For the development of the country we have to give attention to the education.

Ateeq Ur Rehman, CSR Activist, said Karachi being one of the largest city of the world contribute immensely and generously for philanthropy, community welfare, social work, financial help, donations, thus is doing a wonderful CSR and massively contributing to the patronage of humanity. We are proud of our city Karachi.

Mehmood Tareen, CEO of The Professionals Network briefed the audience about the importance of networking NGO's and Corporate / Public, Private Bodies, Financial Institutions in the conference. He also congratulated the NGO' and Corporate Companies for winning the CSR Award 2022.

Other prominent speakers of the conference were Mr. Favad Soomro, Head, Engro Foundation, Dr. Imran Muhammad Yousuf, Sitara-e-Imtiaz & Founder, Transformation International Society, Ms. Saira A. Khan, Director HR and CSR, National Foods (Pvt) Limited, Mr. Abdullah Abdur Rehman Khan, Head of Sustainability, Telenor Pakistan, Mr. Fahim Khalid, Manager Talent Acquisition, Mobilink Microfinance Bank Ltd, Mr. Rahat Hussain, Public Affairs & Media Relations, Nestle Pakistan Limited, Mr. Saquib Ahmed, Country Managing Director, SAP - Pakistan, Syed Suleman Hasan, Company Secretary & Chief Risk Officer, 1LINK (Pvt) Limited, Mr. Waqar Ali, Chief Executive Officer, School of Leadership (SoL) and Mr. Shahbaz Islam, General Manager Customer Facilitation, Sui Southern Gas Company Limited.

Chief Guest at the concluding ceremony Mr. Muhammad Iqbal Memon, Commissioner Karachi said that it is the collective responsibility of the Government, Corporate Companies, NGO's and NPO's to serve the underprivileged community of the country. In this connection the partnerships are playing a vital role and we need to create more partnership opportunities. At the end of the ceremony he distributed the CSR Awards to 54 corporate companies.

The major sponsors of the event were United Bank Limited as Platinum Sponsor, National Foods Limited as Diamond Sponsor, BankIslami Pakistan Limited, TPL Insurance Limited, Oil & Gas Development Company, Jubilee Life Insurance, Bank Alfalah Limited as Silver Sponsors. Shan Foods (Pvt) Ltd., Nestle Pakistan, 1LINK (Pvt) Ltd., Dubai Islamic Bank Pakistan Limited and Fatima Fertilizers Limited as Executive Sponsors.

The Science of Climate Change Explained:
Facts, Evidence and Proof

ENVIRONMENT
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The Science of Climate Change Explained: Facts, Evidence and Proof

Definitive answers to the big questions.

By: Julia Rosen

The science of climate change is more solid and widely agreed upon than you might think. But the scope of the topic, as well as rampant disinformation, can make it hard to separate fact from fiction. Here, we've done our best to present you with not only the most accurate scientific information, but also an explanation of how we know it.

How do we know climate change is really happening?

Climate change is often cast as a prediction made by complicated computer models. But the scientific basis for climate change is much broader, and models are actually only one part of it (and, for what it's worth, they're surprisingly accurate).

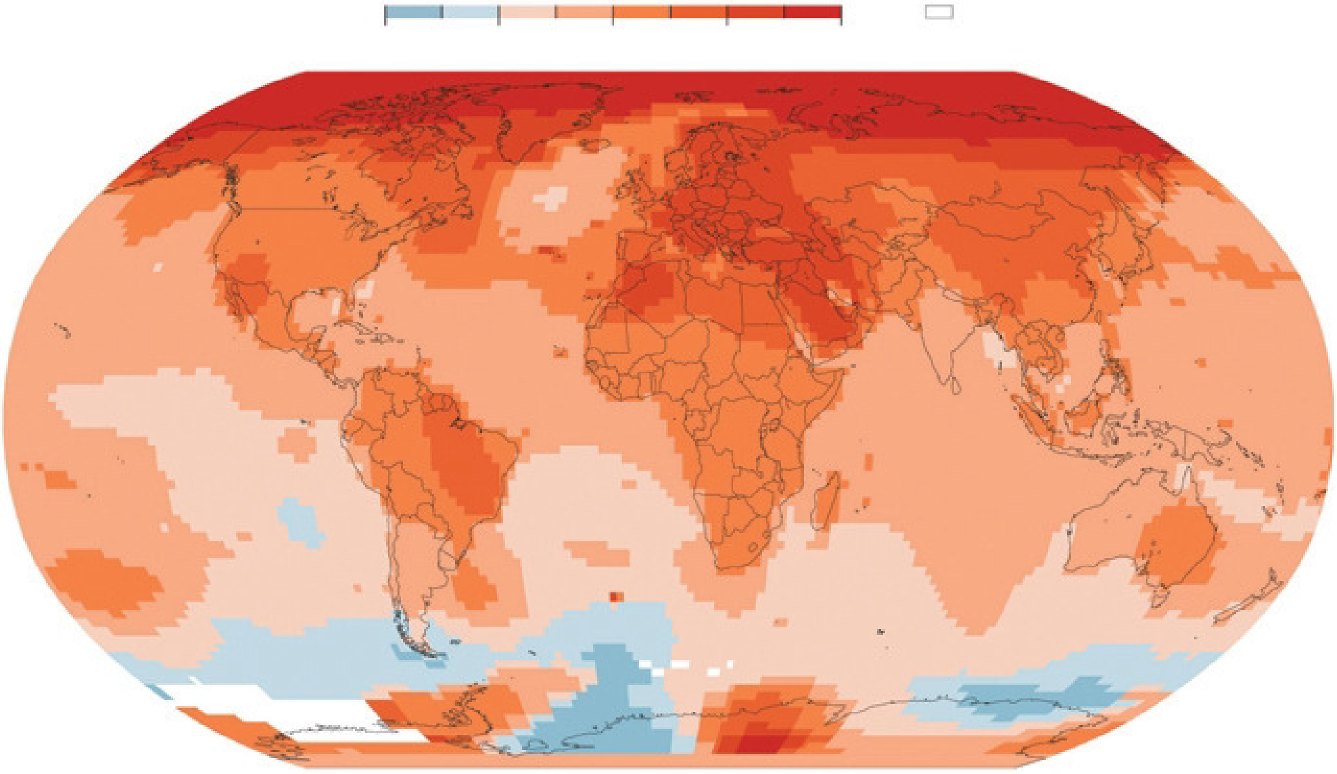
For more than a century, scientists have understood the basic physics behind why greenhouse gases like carbon dioxide cause warming. These gases make up just a small fraction of the atmosphere but exert outsized control on Earth's climate by trapping some of the planet's heat before it escapes into space. This greenhouse effect is important: It's why a planet so far from the sun has liquid water and life!

However, during the Industrial Revolution, people started burning coal and other fossil fuels to power factories, smelters and steam engines, which added more greenhouse gases to the atmosphere. Ever since, human activities have been heating the planet.

We know this is true thanks to an overwhelming body of evidence that begins with temperature measurements taken at weather stations and on ships starting in the mid-1800s. Later, scientists began tracking surface temperatures with satellites and looking for clues about climate change in geologic records. Together, these data all tell the same story: Earth is getting hotter.

Average global temperatures have increased by 2.2 degrees Fahrenheit, or 1.2 degrees Celsius, since 1880, with the greatest changes happening in the late 20th century. Land areas have warmed more than the sea surface and the Arctic has warmed the most — by more than 4 degrees Fahrenheit just since the 1960s. Temperature extremes have also shifted. In the United States, daily record highs now outnumber record lows two-to-one.

Where it was cooler or warmer in 2020 compared with the middle of the 20th century



This warming is unprecedented in recent geologic history. A famous illustration, first published in 1998 and often called the hockey-stick graph, shows how temperatures remained fairly flat for centuries (the shaft of the stick) before turning sharply upward (the blade). It's based on data from tree rings, ice cores and other natural indicators. And the basic picture, which has withstood decades of scrutiny from climate scientists and contrarians alike, shows that Earth is hotter today than it's been in at least 1,000 years, and probably much longer.

In fact, surface temperatures actually mask the true scale of climate change, because the ocean has absorbed 90 percent of the heat trapped by greenhouse gases. Measurements collected over the last six decades by oceanographic expeditions and networks of floating instruments show that every layer of the ocean is warming up. According to one study, the ocean has absorbed as much heat between 1997 and 2015 as it did in the previous 130 years.

We also know that climate change is happening because we see the effects everywhere. Ice sheets and glaciers are shrinking while sea levels are rising. Arctic sea ice is disappearing. In the spring, snow melts sooner and plants flower earlier. Animals are moving to higher elevations and latitudes to find cooler conditions. And droughts, floods and wildfires have all gotten more extreme. Models predicted many of these changes, but observations show they are now coming to pass.

How much agreement is there among scientists about climate change?

There's no denying that scientists love a good, old-fashioned argument. But when it comes to climate change, there is virtually no debate: Numerous studies have found that more than 90 percent of scientists who study Earth's climate agree that the planet is warming and that humans are the primary cause. Most major scientific bodies, from NASA to the World Meteorological Organization, endorse this view. That's an astounding level of consensus given the contrarian, competitive nature of the scientific enterprise, where questions like what killed the dinosaurs remain bitterly contested.

Scientific agreement about climate change started to emerge in the late 1980s, when the influence of human-caused warming began to rise above natural climate variability. By 1991, two-thirds of earth and atmospheric scientists surveyed for an early consensus study said that they accepted the idea of anthropogenic global warming. And by 1995, the Intergovernmental Panel on Climate Change, a famously conservative body that periodically takes stock of the state of scientific knowledge, concluded that "the balance of evidence suggests that there is a discernible human influence on global climate." Currently, more than 97 percent of publishing climate scientists agree on the existence and cause of climate change (as does nearly 60 percent of the general population of the United States).

So where did we get the idea that there's still debate about climate change? A lot of it came from coordinated messaging campaigns by companies and politicians that opposed climate action. Many pushed the narrative that scientists still hadn't made up their minds about climate change, even though that was misleading. Frank Luntz, a Republican consultant, explained the rationale in an infamous 2002 memo to conservative lawmakers: "Should the public come to believe that the scientific issues are settled, their views about global warming will change accordingly," he wrote. Questioning consensus remains a common talking point today, and the 97 percent figure has become something of a lightning rod.

To bolster the falsehood of lingering scientific doubt, some people have pointed to things like the Global Warming Petition Project, which urged the United States government to reject the Kyoto Protocol of 1997, an early international climate agreement. The petition proclaimed that climate change wasn't happening, and even if it were, it wouldn't be bad for humanity. Since 1998, more than 30,000 people with science degrees have signed it. However, nearly 90 percent of them studied something other than Earth, atmospheric or environmental science, and the signatories included just 39 climatologists. Most were engineers, doctors, and others whose training had little to do with the physics of the climate system.

A few well-known researchers remain opposed to the scientific consensus. Some, like Willie Soon, a researcher affiliated with the Harvard-Smithsonian Center for Astrophysics, have ties to the fossil fuel industry. Others do not, but their assertions have not held up under the weight of evidence. At least one prominent skeptic, the physicist Richard Muller, changed his mind after reassessing historical temperature data as part of the Berkeley Earth project. His team's findings essentially confirmed the results he had set out to investigate, and he came away firmly convinced that human activities were warming the planet. "Call me a converted skeptic," he wrote in an Op-Ed for the Times in 2012.

Mr. Luntz, the Republican pollster, has also reversed his position on climate change and now advises politicians on how to motivate climate action.

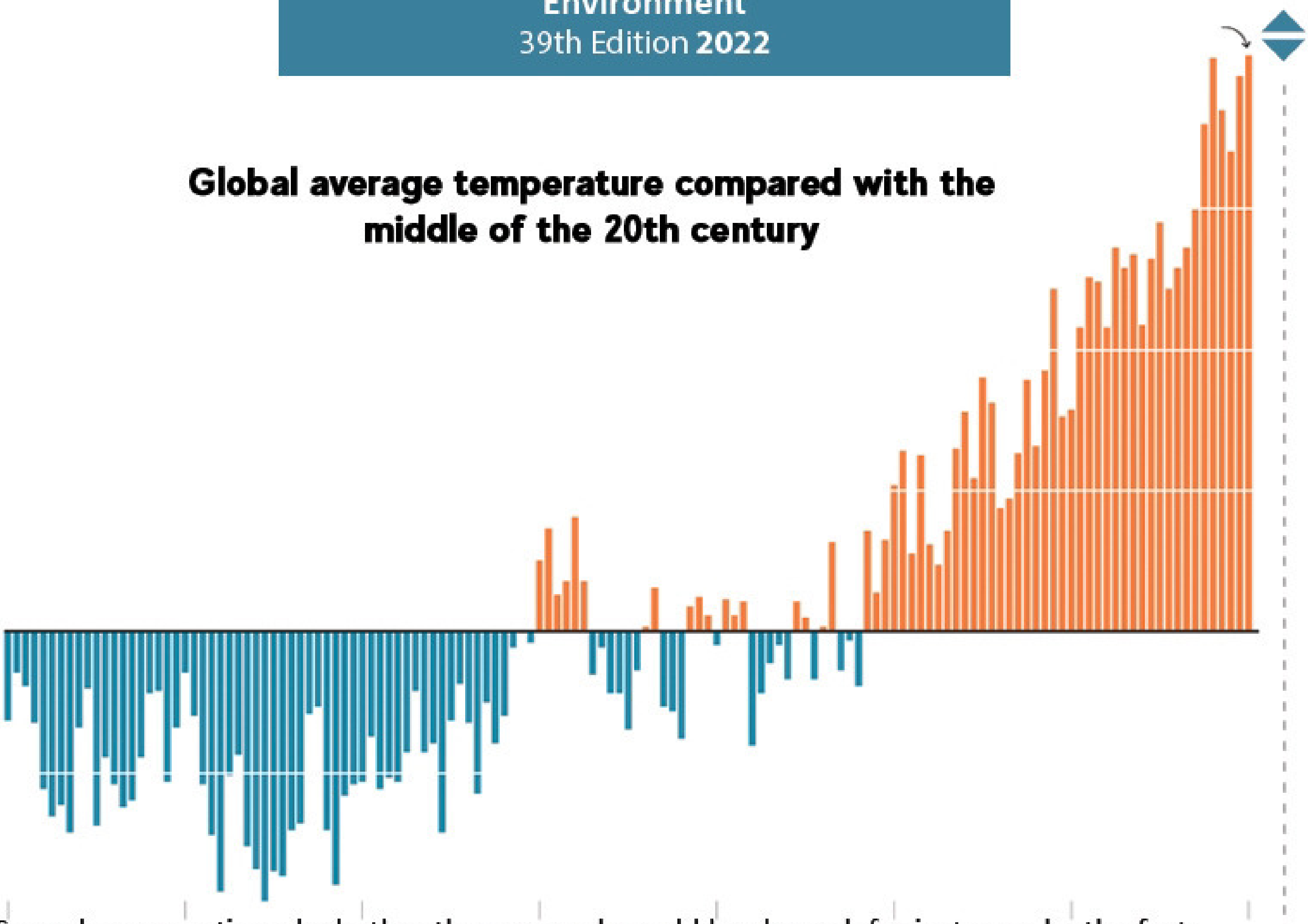
A final note on uncertainty: Denialists often use it as evidence that climate science isn't settled. However, in science, uncertainty doesn't imply a lack of knowledge. Rather, it's a measure of how well something is known. In the case of climate change, scientists have found a range of possible future changes in temperature, precipitation and other important variables — which will depend largely on how quickly we reduce emissions. But uncertainty does not undermine their confidence that climate change is real and that people are causing it.

Do we really only have 150 years of climate data? How is that enough to tell us about centuries of change?

Earth's climate is inherently variable. Some years are hot and others are cold, some decades bring more hurricanes than others, some ancient droughts spanned the better part of centuries. Glacial cycles operate over many millenniums. So how can scientists look at data collected over a relatively short period of time and conclude that humans are warming the planet? The answer is that the instrumental temperature data that we have tells us a lot, but it's not all we have to go on.

Historical records stretch back to the 1880s (and often before), when people began to regularly measure temperatures at weather stations and on ships as they traversed the world's oceans. These data show a clear warming trend during the 20th century.

Global average temperature compared with the middle of the 20th century



Some have questioned whether these records could be skewed, for instance, by the fact that a disproportionate number of weather stations are near cities, which tend to be hotter than surrounding areas as a result of the so-called urban heat island effect. However, researchers regularly correct for these potential biases when reconstructing global temperatures. In addition, warming is corroborated by independent data like satellite observations, which cover the whole planet, and other ways of measuring temperature changes.

Much has also been made of the small dips and pauses that punctuate the rising temperature trend of the last 150 years. But these are just the result of natural climate variability or other human activities that temporarily counteract greenhouse warming. For instance, in the mid-1900s, internal climate dynamics and light-blocking pollution from coal-fired power plants halted global warming for a few decades. (Eventually, rising greenhouse gases and pollution-control laws caused the planet to start heating up again.) Likewise, the so-called warming hiatus of the 2000s was partly a result of natural climate variability that allowed more heat to enter the ocean rather than warm the atmosphere. The years since have been the hottest on record.

Still, could the entire 20th century just be one big natural climate wiggle? To address that question, we can look at other kinds of data that give a longer perspective. Researchers have used geologic records like tree rings, ice cores, corals and sediments that preserve information about prehistoric climates to extend the climate record. The resulting picture of global temperature change is basically flat for centuries, then turns sharply upward over the last 150 years. It has been a target of climate denialists for decades. However, study after study has confirmed the results, which show that the planet hasn't been this hot in at least 1,000 years, and probably longer.

Is Corporate Social Responsibility CHINA'S secret weapon?

By: Meng Liu

Is corporate social responsibility secret weapon?

By: Meng Liu

Today, we hear a great deal about Chinese M&A deals, Chinese money and investment pouring into diverse markets, and even Chinese loans being used to bail out struggling economies.

Combined with press coverage of Chinese tourists and elites rushing abroad to spend lots of cash on real estate and luxury goods, the world must be wondering: Is China really that rich? The short answer is, yes – some Chinese companies and citizens have been able to use the country's remarkable development momentum and trade surplus to accumulate tremendous financial assets.

When you look at the 2014 Global Fortune 500 list, 95 companies from China made it onto the prestigious ranking, a big jump from only nine in 2000. However, the majority of these companies are state-owned enterprises (SOEs) and three giants in monopoly industries – Sinopec, CNPC and State Grid – rank among Fortune's top 10. So Chinese companies are getting rich, but are they actually competitive globally? This is perhaps a more important question when assessing the relative strength of Chinese companies in an increasingly globalized economy.

While the sales and financial assets of Chinese companies have continued to grow for the past decade, the spotlight has increasingly focused on their domestic and global performance in the realm of corporate social responsibility (CSR). While wealth has great influence, as reflected in the old saying "money talks", the leading companies from China have been forced to make a fundamental change in their strategic thinking.

The days when organizations focused solely on becoming the country's most profitable are long gone. Today, leading Chinese companies seek to become some of the world's most reputable and pre-eminent brands and view CSR as a critical part of their transformation. During face-to-face interviews carried out by the United Nations Global Compact, some Chinese business leaders echoed this sentiment, saying that being on the Fortune 500 list is not sufficient in maintaining competitiveness in global markets and that their companies must evolve, particularly in the area of CSR, if they are to achieve their lofty goals.

"Social licence to operate" under threat

CSR is widely seen as the way to help companies operate responsibly and in an environmentally sustainable way. Positive performance in these areas in return for consumer and local community support, or a “social licence”, is viewed as an informal contract between companies and local stakeholders. For example, an area of recent interest to the Chinese public is product safety, particularly regarding food and drug safety. This topic has caused heated domestic discussion and companies have faced a backlash amid broad public scrutiny since 2003.

More recently, a popular documentary on air pollution, "Under the Dome" – regarded as the Chinese version of “An Inconvenient Truth” – has sparked debate among hundreds of millions of people on how to save China from environmental catastrophe. These debates have further challenged corporations about their lack of responsibility over social impacts, which reflects a new chapter in Chinese public discourse.

Chinese companies also face higher expectations as they look to expand globally. With the growing presence and influence of Chinese companies abroad, host countries increasingly expect Chinese companies to contribute positively to their sustainable development objectives and not to merely profit from their investments (particularly on resource-extraction projects). For instance, despite not being the biggest investor in Africa, Chinese investments are frequently criticized and their projects are labelled as a form of neo-colonialism.

In response to this negative image and disconnect from local communities, some leading SOEs – including Sinosteel, Sinopec, China Minmetals and CNPC – have begun to disclose publicly their social investment and impact in Africa through their CSR reports with dedicated efforts to address and showcase sustainability activities in the region.

The rise of more conscientious domestic and global consumers and investors, the prevalence of social media and the increasingly competitive global marketplace can all be viewed as key initial drivers for Chinese attention to CSR.

Beyond philanthropy

In most cases, and not only for Chinese companies, CSR is interpreted as corporate philanthropy. Many examples published in CSR reports or examples from speeches at CSR-related conferences relate to a corporation’s donations to a charitable programme or participation in disaster-relief efforts. These actions are undoubtedly of great importance in aiding emergencies and helping those in great need. However, the core characteristic of CSR is not about how to spend money but, rather, about how to make money in a sustainable and responsible manner.

CSR is embedded in corporate policies and actions through respecting and protecting human rights, safeguarding the well-being of workers and communities, protecting the environment, and eliminating corruption through good governance. It is key for companies to strategically integrate environmental, social and governance issues into its core business and decision-making processes, which goes far beyond legal compliance and philanthropy.

In the past, when operating abroad, many new Chinese companies often worked in a silo due to language and cultural barriers. In addition, they often held on tightly to existing business practices as they viewed them as their key to success. But, it quickly became evident that companies from emerging markets like China had to make efforts to build a sound and stronger multi-stakeholder dialogue system and ensure timely communications with the communities affected by their operations.

Following suggestions, some of them started to change their business practices and took a bottom-up approach not only to focus on government relations with the host country, but more importantly, to build trust and long-term relationships with local residents, NGOs and other stakeholders. This bottom-up approach further minimized risks and helped to make sure operations ran more smoothly once the necessary support from the local communities was secured.

This also helped to foster a strategic alliance to advance business sustainability and prosperity for the entire community. It is encouraging to see, over the past years, that a growing number of Chinese companies have changed their practices and are more proactively leveraging two-way communications to respond to the concerns stakeholders raise instead of remaining silent. A number of Chinese companies have established an "Open Public Day" to allow relevant stakeholders and the general public to visit the company and voice their concerns and suggestions on their operations.

In overseas operations, an increasing number of local hires and more training opportunities – instead of bringing staff directly from China – have become the new trend. A more transparent and open corporate culture has started to shape up for Chinese companies and this has allowed CSR to further embed itself as a critical part of their businesses, particularly if they wish to succeed abroad.

Government support

The concept of CSR has been well supported by the Chinese government. The turning point came on 1 January 2006, when Chinese corporate law was revised to include formally the concept of CSR in legislation.

In the same year, the State Grid Corporation of China issued the first-ever CSR report by a Chinese SOE. On the one hand, the Chinese government was a strong supporter of the involvement of Chinese companies, mainly state owned, in advancing CSR to drive harmonious integration into the broader global market. But, on the other hand, China wanted to create its own CSR definition and guidelines that embedded its unique economic situation and business culture.

Besides including the concept of CSR in the Corporate Law of China and Labor Contract Law (effective 1 Jan 2008), the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) of China issued an important policy directive on Guidelines to the State-owned Enterprises Directly Managed under the Central Government on Fulfilling Corporate Social Responsibilities in 2008.

This directive was the highest priority for SASAC that year, reflecting a rapidly growing demand from society. In 2009, during a meeting with the leaders of SOEs, SASAC mandated that all SOEs under their management set up a CSR mechanism within their governance structures.

SASAC further mandated that all SOEs under its supervision publish their first CSR report by the end of 2012 if they had not already done so. This policy, and the subsequent momentum that was generated, led to the release of more than 1,600 Chinese sustainability reports. Half of these reports were from SOEs or listed companies and represented a significant jump compared to the 22 CSR reports from China between 1999 and 2005.

Today, SASAC is exploring how to build an internal system to evaluate the CSR performance of its member companies. This includes, for example, how a company's impact on the environment will affect its top leaders' remuneration, and setting incentives to serve as a next step to enhance corporate sustainability and global competitiveness.

Like many of their Western counterparts, Chinese companies faced a variety of societal and market pressures that prompted their CSR journey. However, perhaps more than their competitors, many Chinese companies view their futures as inextricably linked to their CSR performance and have begun viewing it as a potential competitive edge.

8th International Award on

ENVIRONMENT, HEALTH & SAFETY

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GLOBAL SUPPLY CHAINS IN A POST-PANDEMIC WORLD

By: Willy C. Shih

Global Supply Chains in a Post-Pandemic World

By: Willy C. Shih

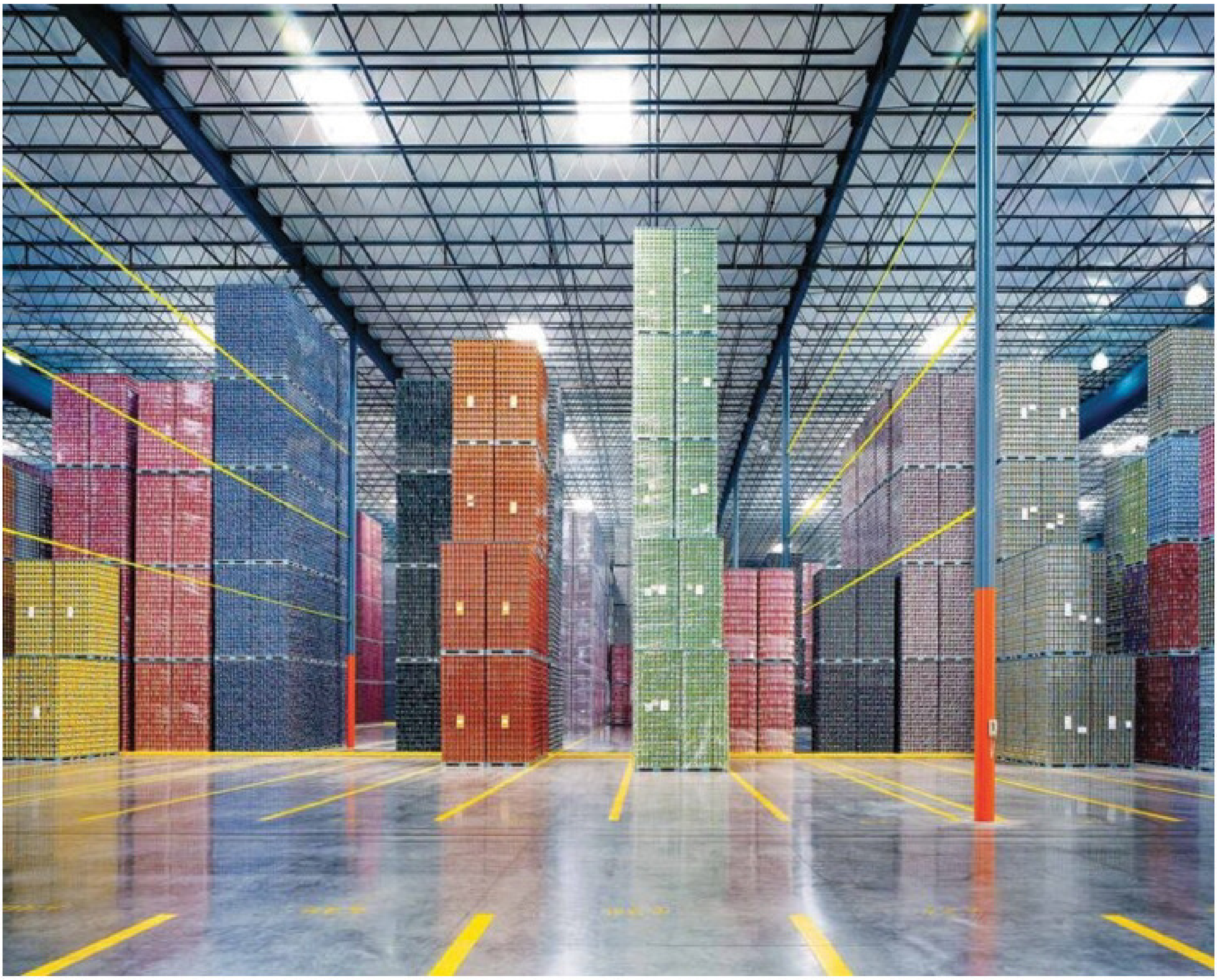
When the Covid-19 pandemic subsides, the world is going to look markedly different. The supply shock that started in China in February and the demand shock that followed as the global economy shut down exposed vulnerabilities in the production strategies and supply chains of firms just about everywhere. Temporary trade restrictions and shortages of pharmaceuticals, critical medical supplies, and other products highlighted their weaknesses. Those developments, combined with the U.S.-China trade war, have triggered a rise in economic nationalism. As a consequence of all this, manufacturers worldwide are going to be under greater political and competitive pressures to increase their domestic production, grow employment in their home countries, reduce or even eliminate their dependence on sources that are perceived as risky, and rethink their use of lean manufacturing strategies that involve minimizing the amount of inventory held in their global supply chains.

Yet many things are not going to change. Consumers will continue to want low prices (especially in a recession), and firms won't be able to charge more just because they manufacture in higher-cost home markets. Competition will ensure that. In addition, the pressure to operate efficiently and use capital and manufacturing capacity frugally will remain unrelenting.

The challenge for companies will be to make their supply chains more resilient without weakening their competitiveness. To meet that challenge, managers should first understand their vulnerabilities and then consider a number of steps—some of which they should have taken long before the pandemic struck.

Uncover and Address the Hidden Risks

Modern products often incorporate critical components or sophisticated materials that require specialized technological skills to make. It is very difficult for a single firm to possess the breadth of capabilities necessary to produce everything by itself. Consider the growing electronics content in modern vehicles. Automakers aren't equipped to create the touchscreen displays in the entertainment and navigation systems or the countless microprocessors that control the engine, steering, and functions such as power windows and lighting. Another more arcane example is a group of chemicals known as nucleoside phosphoramidites and the associated reagents that are used for creating DNA and RNA sequences. These are essential for all companies developing DNA- or mRNA-based Covid-19 vaccines and DNA-based drug therapies, but many of the key precursor materials come from South Korea and China.



Manufacturers in most industries have turned to suppliers and subcontractors who narrowly focus on just one area, and those specialists, in turn, usually have to rely on many others. Such an arrangement offers benefits: You have a lot of flexibility in what goes into your product, and you're able to incorporate the latest technology. But you are left vulnerable when you depend on a single supplier somewhere deep in your network for a crucial component or material. If that supplier produces the item in only one plant or one country, your disruption risks are even higher.

Identify your vulnerabilities.

Understanding where the risks lie so that your company can protect itself may require a lot of digging. It entails going far beyond the first and second tiers and mapping your full supply chain, including distribution facilities and transportation hubs. This is time-consuming and expensive, which explains why most major firms have focused their attention only on strategic direct suppliers that account for large amounts of their expenditures. But a surprise disruption that brings your business to a halt can be much more costly than a deep look into your supply chain is.

The goal of the mapping process should be to categorize suppliers as low-, medium-, or high-risk. To do that, Tom Linton, who served as a supply chain executive at several major companies, and MIT's David Simchi-Levi suggest applying metrics such as the impact on revenues if a certain source is lost, the time it would take a particular supplier's factory to recover from a disruption, and the availability of alternate sources. (Disclosure: I am on the boards of directors of Flex, a large manufacturing and supply-chain services provider where Linton is a senior adviser, and Veo Robotics, a company that has developed an advanced vision and 3D sensing system for industrial robots.) It's vital to ascertain how long your company could ride out a supply shock without shutting down, and how quickly an incapacitated node could recover or be replaced by alternate sites when an entire industry faces a disruption-related shortage.

The answers to those questions depend, in part, on whether your manufacturing capacity is flexible and can be reconfigured and redeployed as needs evolve (as is the case for many manual or semiautomated assembly operations) or whether it consists of highly specialized and difficult-to-replicate operations. Examples of the latter include production of the most advanced smartphone chips, which is concentrated in three facilities in Taiwan owned by the Taiwan Semiconductor Manufacturing Company; fabrication of exotic sensors and components, which happens largely in highly specialized facilities in a handful of countries, including Japan, Germany, and the United States; and refining of neodymium for the magnets in AirPods and electric-vehicle motors, almost all of which is done in China.

Once you've identified the risks in your supply chain, you can use that information to address them by either diversifying your sources or stockpiling key materials or items.

Diversify your supply base.

The obvious way to address heavy dependence on one medium- or high-risk source (a single factory, supplier, or region) is to add more sources in locations not vulnerable to the same risks. The U.S.-China trade war has motivated some firms to shift to a "China plus one" strategy of spreading production between China and a Southeast Asian country such as Vietnam, Indonesia, or Thailand. But regionwide problems like the 1997 Asian financial crisis or the 2004 tsunami argue for broader geographic diversification.

Managers should consider a regional strategy of producing a substantial proportion of key goods within the region where they are consumed. North America might be served by shifting labor-intensive work from China to Mexico and Central America. To supply Western Europe with items used there, companies could increase their reliance on eastern EU countries, Turkey, and Ukraine. Chinese firms that want to protect their global market share are already looking to Egypt, Ethiopia, Kenya, Myanmar, and Sri Lanka for low-tech, labor-intensive production.

Reducing dependency on China will be easier for some products than others. Things like furniture, clothing, and household goods will be relatively easy to obtain elsewhere because the inputs—lumber, fabrics, plastics, and so forth—are basic materials. It will be harder to find alternative sources for sophisticated machinery, electronics, and other goods that incorporate components such as high-density interconnect circuit boards, electronic displays, and precision castings.

Building a new supplier infrastructure in a different country or region will take considerable time and money, as China's experience illustrates. When China first opened its special economic zones in the 1980s, it had almost no indigenous suppliers and had to rely on far-flung global supply chains and on logistics specialists who procured materials from around the world and kitted them for assembly in Chinese factories. Even with the support of government incentives, it took 20 years for the country to build a local base capable of supplying the vast majority of electronic components, auto parts, chemicals, and drug ingredients needed for domestic manufacturing.

Shifting production from China to Southeast Asian countries will necessitate different logistics strategies as well. Unlike China, those locations often do not have the efficient, high-capacity ports that can handle the largest container ships or the direct marine liner services to major markets. That will mean more transshipment through Singapore, Hong Kong, or other hubs and longer transit times to reach markets.

In the long run, though, it would be a mistake to cut China completely out of your supply picture. The country's deep supplier networks, its flexible and able workforce, and its large and efficient ports and transportation infrastructure mean that it will remain a highly competitive source for years to come. And because China has the second-largest economy in the world, it is important that firms maintain a presence to sell in its markets and obtain competitive intelligence.

Hold intermediate inventory or safety stock.

If alternate suppliers are not immediately available, a company should determine how much extra stock to hold in the interim, in what form, and where along the value chain. Of course, safety stock, like any inventory, carries with it the risk of obsolescence and also ties up cash. It runs counter to the popular practice of just-in-time replenishment and lean inventories. But the savings from those practices have to be weighed against all the costs of a disruption, including lost revenues, the higher prices that would have to be paid for materials that are suddenly in short supply, and the time and effort that would be required to secure them.

Take Advantage of Process Innovations

As firms relocate parts of their supply chain, some might ask their suppliers to move with them, or they might bring some production back in-house. Either course—transplanting a production line or setting up a new one—is an opportunity to make major process improvements. This is because as part of the change, you can unfreeze your organizational routines and revisit design assumptions underpinning the original process. (One challenge for companies with existing production lines is that when those assets are fully depreciated, executives may be tempted to retain them rather than invest in newer, more competitive plants and equipment: Since the depreciation expense is no longer factored into the calculated cost of production, the marginal cost of boosting production at a plant with idle capacity is lower.)

Several years ago I spent a week at a new Chinese factory of a major American industrial-equipment company. When creating it, the company had started with the designs of its U.S. and Japanese factories and then improved on them by introducing newer equipment and ways of working. The result was a streamlined operation that was much more efficient than those in the United States and Japan. When the company built its next new factory—in the United States—it repeated the process, using the Chinese factory as the starting point. Another example is the Flex factory complex in Guadalajara, Mexico. When increases in productivity plateaued, the company often moved smaller assembly lines to another building (or part of the same building). During each move, workers redesigned steps to use less space and less labor, boosting productivity.

New technologies already or soon will allow companies to lower their costs or switch more flexibly among the products they manufacture, rendering obsolete the installed bases of incumbent competitors or suppliers. Many of these advances also present an opportunity to make factories more environmentally sustainable.

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