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Which Standard for Your Company?

By Deborah Smith

ethics
communication
corporate
standards
company perspectives



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Executive Summary

Summary

The growing demand from various sectors of society for companies to demonstrate their commitment to being good corporate citizens is gradually finding a response from businesses large and small within the UK. A carefully selected and embedded external standard can help to reinforce corporate ethical policies and provide an additional tool for company reporting on corporate responsibility.

The perceived danger, of giving critics a larger target at which to shoot when things go wrong by publicly stating adherence to an external and public standard, is being slowly eroded.

The problem with standards

There is no single external standard that covers in a comprehensive manner all the issues of ethics and corporate responsibility. Many have a narrow focus on specific and technical areas such as environmental impact, while other global reporting standards are broader in scope but provide less guidance in how to implement them and operate at a level where legal support is very uneven.

The business advantages of adopting standards are often not stated or not compelling.

Are external standards really necessary?

Some companies feel they can claim to demonstrate corporate responsibility without recourse to an external standard.

This may be possible if a company's management knows its stakeholders, makes decision-making clear and open, and communicates its corporate responsibilities and actions clearly. The ongoing commitment and cost required for this approach to be successful can be daunting. Companies that are lucid about the difference between corporate aspirations and reality may see adherence to an external standard as a cheaper and easier option.

What is the right standard for your company?

The four key steps for choosing an appropriate standard are:

- Determine how effectively the company is dealing with corporate responsibility and current ethical issues, and how it knows its level of effectiveness
- Decide how an external standard will contribute to business goals
- Consider what the relative merits of the standards are
- Find out what other companies are doing

The pros and cons of verification

There are sound arguments in favour of verification. It can deliver:

- Assurance by an independent judge
- Added value/improvement of process
- Challenge – the quality of, and rationale for, the company's decision-making

There are also problems such as the adoption of a compliance-based approach to standards, meaningless language and the trustworthiness of the verifiers. There are, however, various options a company can choose to address these problems.

Standards for other sectors

Small and Medium-sized Enterprises are being brought into the debate around choosing standards. They are often the suppliers of bigger companies who demand of those in their supply chain the same standards that they themselves espouse. In addition, there are signs that government and NGOs – often the critics of business – will come under closer scrutiny in this respect. Objective standards will also be of value to them.

A standard is not a substitute for a company thinking through and putting into practice its own business values and ethics framework. This is a prerequisite of a company demonstrating good corporate governance and expressing how it wishes to undertake its business. The right external standard, however, is a valuable tool for a company that wishes to demonstrate its commitment and practice on ethical and corporate responsibility.