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How can Open Data impact Corporate Social Responsibility (CSR) Metrics and Performance?

The intersection of business and responsibility

Introduction

Do you remember how it felt to see the pictures of the people trapped when that

Bangladesh building in terrible conditions simply just collapsed last April?[1]

Looking at your clothes have you wondered if a 10 year-old child that has to work

to survive made them? Have you ever wondered how is it so cheap to produce

your "Mc happy meal"? Because if you think about it…it just simply does not add

up. We all have heard these stories and we – at least – feel concerned. However

we don't have a certain place to look for accurate and timely information

regarding what we are about to buy. Not only what it is made of but also where

does it come from or what is the real cost behind the products and services we

choose.

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[1] Julfikar Ali Manik and Jim Yardley, "Building Collapse in Bangladesh Leaves Scores Dead," *The New York Times*, April 25, 2013. http://www.nytimes.com/2013/04/25/world/asia/bangladesh-building-collapse.html?adxnnl=1&pagewanted=all&adxnnlx=1387517637-o98xEO8sVp4fzqE2XjEkiA

In the following lines I will talk about the importance of corporate responsibility metrics and sustainability reporting; explain how open data is already having an impact in these and introduce alternative uses of data to further improve companies' performance on society and nature.

Imagine if we as consumers could have a way to find out if the product or service we need is made or provided by a company who conducts its businesses in a responsible way or not. This would not only be useful for consumers but would hopefully have an impact in mainstream investors to pay more attention to the sustainability performance of the companies' they choose to invest in.

What is CSR?

Private-sector initiatives and partnerships aimed to positively impact society and nature are collectively labeled CSR initiatives. However, CSR means different things to different people. For some it is a companies' effort to act responsibly in the way they conduct their business, for others it is corporate philanthropy or at best exercises in public relations and at worst, smokescreens for irresponsible behavior.[2]

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[2] Corporate Social Responsibility. "CSR has nothing to do with charity," *The Economist Intelligence Unit*, March 2013.
http://ccdebates.eiu.com/sites/all/themes/twitter_bootstrap/CCDebate_Summary_Mar26_FINAL.pdf

Problem

Sustainability disclosure varies widely even though increasingly public companies are legally obligated to tell regulatory agencies and investors about the social, political and environmental risks they face. In addition, there is a rise in rating and reporting frameworks and multiple uncoordinated approaches to data gathering, which are limited in a number of reasons including that the studied companies are the primary source of the data used to evaluate them.

Why is it compelling?

The private sector is often seen as a driver of exclusionary processes rather than a partner in improving the health and welfare of socially excluded populations. However, private-sector initiatives and partnerships—collectively labeled corporate social responsibility (CSR) initiatives—may be able to positively impact social status, earning potential, and access to services and resources for socially-excluded populations. Today, the number of companies reporting on corporate responsibility has continued to rise and what once was considered an "optional but nice" activity now seems to have become virtually mandatory for most multinationals.[3]

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[3] KPMG. Internal Audit and CSR Reporting. Novermber, 2013.
http://www.aciiatpe2013.org/upload/files/download/20131101_52735f93eeb92.pdf

What behavioral change this might induce?

As Joel Gurin, founder and editor or OpenDataNow.com writes, we live in a new "see-through" society and companies are increasingly expected to report their impact on society and the environment. In addition, "investors are increasingly looking for companies that operate sustainably and have the data to prove they do. Sustainable companies aren't just good for society and the environment: they tend to be models of good corporate governance and low operational risk."[4]

In the other hand, organizations like Global Witness puts it this way: "What we as a campaigning NGO want is in the interests of big business too. At the moment, big companies face a risk when they're working in a corrupt country. They have to go into a joint venture with some other small company and they don't know who's behind it. You can guess it's probably a front for a corrupt minister who's looking to get money out of the project. They're dealing with risks they can't calculate, which they don't like. They need to know who they're doing business with."[5]

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[4] Joel Gurin, An Opportunity as Big as the Web," in *Open Data Now,* (McGrawHill Education.)

[5] Open Data Now, "Global Witness. Why We Need Corporate Open Data," December, 2013. http://www.opendatanow.com/2013/12/new-global-witness-why-we-need-corporate-open-data/#.UrSW8WTuKa4

Evidence is starting to show that companies would benefit from opening up the information about the way they conduct their businesses, which might lead to a behavioral change towards more responsible and sustainable operations.

Hypothesis

Open Data is already proving to have an impact in the way companies are expected to report about their social and environmental footprints. Transparency and streamlined reporting is a good start, but as Cary Krosinsky from the *Network of Sustainable Financial Markets* points out, "transparency is important, but there is a big difference between awareness and action." There are some questions that have been developed combining openness, participation and collaboration such as: What if companies opened up sustainability datasets so that outsiders could look for patterns or devise ways of better measuring impact? Or what if companies ask stakeholders to contribute data? Or even what if companies could map sustainability data in real time? All this is possible today through the emergence of new technologies.

Current efforts

Today there are important efforts to bring both: consistency in metrics and transparency in reporting. The **Global Reporting Initiative (GRI)**[6] is known as the global reporting standard with more than 5,000 companies (80% of the GG250 and 69% of the N100) around the world using its guidelines and its

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[6] https://www.globalreporting.org/Pages/default.aspx

Disclosure Sustainability Database who aims to be a "One stop shop for getting access to sustainability data." [7] However, it references sustainability reports such as the Carbon Disclosure Project, ISO 26,000, the OECD Guidelines for Multinational Corporations and the IFC Performance Standards.

Features:

The database includes both report and organization's metadata meaning information about weather a report is integrated or not and also links to PDFs and HTMLs. The database presents the company's profile and the sustainability reports and users/stakeholders can vote on the reports with a star rating system and provide comments as well. It also presents a quick overview about which GRI indicators have been covered and by which companies.

Why develop a single database of sustainability reports?

As explained, sustainability performance and reporting is increasingly important for society, governments and markets (especially for institutional investors who are now declaring their interest in companies' performance to build their investment portfolios.)

Database uses:

1. Help people find information in a single place.

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[7] http://database.globalreporting.org/

2. Compare and benchmark (check if organizations are reporting on a
   particular GRI indicator and their disclosure level: fully, partially or not at
   all including the reason for omission and also a graph of top reported
   indicators.)

3. Sustainability information to improve standards - Making it easy to
   compare sustainability performance, objectives and approaches by
   companies of several countries and sectors.

4. Useful for reporting organizations and stakeholders - both will learn about
   reporting standards across countries, sectors and companies. The use of
   social media tools will make it easier for stakeholders to engage with
   companies regarding their performance and reporting and companies will
   have the opportunity to engage with the audience and make more
   informed decisions about their concerns.

As well, there are efforts to publicize all kinds of data about companies – not just
about sustainability performance. ***OpenCorporates***[8] from the Open Data
Institute based in the UK has the mission to create a URL (universal resource
locator) for every company in the world and just launched a new website called
Open LEIs[9] with a user-friendly interface on the emerging Global Legal Entity
Identifier System, which shows the networks and relationships between some of
the biggest global companies.

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[8] http://opencorporates.com/

[9] http://opencorporates.com/viz/financial/index.html

Why are these efforts having an impact?

There are several reasons that drive reporting ranging from reputation, ethical considerations, employee motivation to innovation and cost saving. In addition, corporations are starting to realize that corporate responsibility enhances financial business value and therefore are increasingly are improving their data integrity and quality of information. Today some companies represent good examples of collaboration that are leading to positive social change by taking on the role of advocacy and leading the way in showing how corporate responsibility its not longer only a nice option but a smart decision for the number of reasons exposed in this paper.

The Project: You are What you Buy

I imagine the final product of this project as a platform and mobile app for consumers who are about to buy or contract a product or service with a certain company to look for updated information about their sustainability performance and their profile in general.

I will start with the garment industry in the US but my goal is to cover as many sectors and countries as possible.

This platform will obtain information from organizations such as the GRI, from companies such as OpenCorporates and from government's open data. There will also be a crowdsourcing component where consumers can share information about the products and companies with a voting system regarding the relevance

of the information consumers are providing. The most popular entries of information will rise to the top and will be posted en the entries of the different products and services.

The platform will offer different information about the product and about the company including:

- Environmental management

- Resource management

- Labor practices and Human Rights

- Supply chain sustainability

- Community engagement practices

- Product information

- Economic information

- Governance measures

Besides the crowdsourcing component and its voting system, there will be a governance structure composed of different stakeholders representing companies, regulatory agencies, consumers, investors, activists and NGO's.

This will hopefully impact the way we as consumers make decisions; the way companies conduct their business and the way institutional investors choose to

invest. I believe it is important to think about it in the following terms: We are what we buy.