

CASE STUDY - British American Tobacco and Corporate Social Responsibility ?

In 2000, EQ Management was asked to help British American Tobacco answer the seemingly implausible question "is it possible for a tobacco company to be responsible". BAT is the world's second largest tobacco company with 15 per cent of the world cigarette market and operations in 180 countries. For the last two years, we have assisted, challenged and supported the company during one of the largest social reporting processes ever undertaken.

This summer British American Tobacco, along with thirteen of its Group Companies, will produce a social report as a first step towards better alignment with society's expectations.

A Corporate Social Responsibility Strategy is Born

In particular for a controversial industry sector like tobacco, corporate responsibility had to be based on a genuine willingness to listen and learn; it had to tackle some of the obvious social impacts relating to the product and had to be based on an external notion of responsibility. In the first year, an "outside-in" approach to social responsibility was chosen, based on widespread dialogue with stakeholders which would both lead to an internal understanding of external perceptions and needs as well as acting as a catalyst for internal change.

The initial milestone was to gain board approval for the initiative. In September 2000 EQ Management carried out a thorough review of BAT's internal operations including an in-depth study of fifteen group companies in all geographic regions. The review highlighted the systems, cultures and skills that would support a global CSR programme as well as identifying risks, reservations and resource implications. It also gave a valuable benchmark of company practices against international conventions and its own codes of practice in a CSR context. In December 2000 the BAT Board approved the adoption of a global social reporting programme using the AccountAbility standard AA1000, along with the Global Reporting Initiative (GRI) guidelines. It was hoped that these standards would help BAT adopt an approach that would be sufficiently robust to be credible with a sceptical public.

This year, thirteen of BAT's group companies will produce their own specific social report dealing with local issues and responding to local stakeholders. This is the first time any company has undertaken a truly global reporting process.

In February 2002 the board approved the expansion of this programme to a further set of group companies who will join the first wave of participants in producing a 2003 social report. me

To understand the significance of this decision one has to understand the history and federal structure of BAT which is based on a high level of local autonomy. The companies effectively volunteered to take social reporting into the heart of their business operations, not because it was fashionable (in most countries it is unheard of) nor because of a mandate from the head office. They have chosen to do it because these "first wave" companies have quickly realised the long-term business potential. To an outsider this is not obvious but to someone working in the highly complex and interactive area of tobacco growing, harvesting, manufacture and distribution, being out of step with society precludes the development of any of the complex partnerships that to many multinationals are essential. For BAT, stakeholder dialogue and social reporting is about rebuilding a degree of trust that could in turn generate win-win solutions to some of the difficult issues surrounding tobacco.

Making CSR Manageable

Throughout the year BAT and its group companies have undergone a programme of structured dialogue with a wide range of stakeholders. In each country these dialogues have been independently facilitated and verified. To support social reporting, BAT has created new roles, taught new skills and designed a number of international training programmes to support the managers responsible for implementation. Senior managers and most directors have undergone specific training in dialogue skills. This has included the use of actors to question existing company positions and activities and to help dialogue participants to maximise the opportunity to learn from stakeholders in a non-confrontational climate.

BAT has put in place an integrated management structure to support and monitor the CSR programme including a formal non-executive board committee with specific responsibility for CSR, a central steering group responsible for global co-ordination and cross-functional steering committees in each country. It is also examining ways to use its internal audit function to monitor non-financial aspects of its operations.

Issues arising from dialogues have been reviewed and responses have been developed, predominantly at local level. Many issues, particularly those relating to tobacco, require extensive thought and ultimately collaboration with stakeholders in order to bring about effective outcomes. BAT is responding in its social reports to all issues discussed at dialogue. Some issues such as the incidence of child labour on tobacco farms have already begun to be tackled through partnership development with local experts and a variety of other interested groups.

Key Lessons

- Board level support and governance structures are essential to empower management.
- A cross-functional management team is needed to make integrated decisions
- Perception of issues varies enormously between geographical regions so it is essential to develop local solutions for local stakeholders.
- Social reporting and AA1000 can work in the vast majority of cultures, so long as there is a degree of flexibility in approach and the language is demystified.
- It is essential to invest heavily in building a deep understanding of CSR through key internal managers