



Photographer: Ashu Mahesh, Courtesy of the Architectural Commission of India

take responsibility



CoreNet Global UK has initiated a major pan-European research programme to address the integration of corporate social responsibility, sustainable development and corporate real estate. **Charlie Hughes**, Managing Director of Miller Hughes Associates, looks at how these elements link together

By the end of its 2002 Lyon meeting, members of the international think-tank, the Aspen Group, concluded that, despite the events of 11 September 2001, the greatest threat to western democratic society is not from Al Qaeda, but from the failure of transnational corporations to apply mature policies of corporate social responsibility.

To many observers, this conclusion seemed both over-dramatic and of little relevance to the day-to-day practice of business. However, a contemporary debate on future trends in international business, held by leading commentators, took the following view:

“The anti-capitalist movement and fundamental terrorism are both reactions to a purely economic

form of globalisation. Since 11 September, global business has been vulnerable, particularly in an interconnected world. Before 11 September, business discourses in places like Silicon Valley were dominated by fairly narrow economic concerns. In spite of growing social and political resistance to the consequences of globalisation, most business people avoided the broader implications of the debate and dealt with the issues on more comfortable economic grounds. 11 September has revealed the vulnerability and brittleness of the global economic infrastructure.”

The potential negative impacts of globalisation were a central theme at the 2002 Johannesburg World Summit and were again highlighted by Nelson

Mandela’s daughter at the 2003 CoreNet Global Summit in Amsterdam. The Mumbai CoreNet Global Summit this March will no doubt witness much debate on the vast influx of back-office jobs to India from USA, Ireland and the UK. However, in a context where the global location strategies of major multi-nationals have been often heavily influenced by how quickly and cheaply they can exit a country or region if the political or economic climate changes, what long-term benefits will India and its people derive from what may prove to be a transient global adjustment in the face of increasing competition from China and the Far East.

The vast expansion of the European Union this year will not only open new markets, but provide

new opportunities for corporate insensitivity or misbehaviour, as the potential for exploitation is driven by national and regional desperation to attract inward investment. The EU’s trans-national fiscal structures and environmental regulations will do little to control this trend, placing ever-greater stress on corporate behaviour at a time when businesses are, themselves, under increasing competitive pressure.

Not surprisingly, the EU is placing heavy emphasis on the potential positive impacts of CSR upon the enlargement process, for a number of reasons. Firstly, it recognises that corporate reaction to economic opportunity, environmental impact and the socio-cultural interests of stakeholders and the wider community will be driven more by recognition of the bottom-line benefits of an integrated approach, rather than by legislation or proscription.

Secondly, it recognises that the high-quality corporate governance and financial transparency which CSR embodies are critical elements of the enlargement process, if integration is to be achieved and future conflicts and abuses avoided.

Thirdly, it recognises that, for many, the most tangible expression of CSR is sustainable development, a prime focus of EU policy and one where the interface with corporate real estate is most obvious.

In the post-Enron/WorldCom business landscape, there is both factual and anecdotal evidence that companies are increasingly facing the challenge and the obligation to self-regulate, perhaps principally due to increased recognition of direct impact upon shareholder value. However, in general, the real estate

function has been slow to follow the trend. This is partly because many corporations do not see real estate as central to core business activities and also because, in the past, the link between CSR and CRE was not clearly understood. The link between CRE and sustainable development, however, is more transparent and is undoubtedly acting as a catalyst for CSR in the real estate industry.

Despite this, recent polls, including the NOP/CoreNet UK survey, reveal that CSR/sustainable development is recognised by CRE executives as a key issue, but that there is no clear understanding of either what this means or what

constitutes best practice, and which tools or metrics are available to assist

integration with mainstream real estate processes. While advances are undoubtedly being made, perhaps not surprisingly they tend to be selective and applied to only parts of the process.

For example, where a number of companies are now focusing on ‘smart’ or sustainable workspace, with an emphasis on waste and energy design and facilities management, few take a fully-integrated approach which aligns CSR/sustainability with all aspects of CRE, from mergers and acquisitions, through to divestments, incorporating brownland regeneration, adaptive design and reuse of facilities.

Equally, while environmental and economic issues

are increasingly incorporated, measured and reported upon, there is still little evidence of socio-cultural issues being fully incorporated within a holistic approach to CRE and CSR. As one example, it could reasonably be said that a best practice approach to sustainable development must incorporate social inclusion and, therefore, accessibility. Yet how many CRE executives can truthfully say that disability access was fully integrated within their processes before the onset of the UK’s Disability Discrimination Act created a crisis management reaction?

Though this specific issue is only a piece of a

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much bigger picture, the point here is that CSR and sustainability should be part of an integrated approach to CRE, rather than as a bolt-on in reaction to corporate scandal or new legislation.

New international accounting and reporting standards, the increasing application of ethical investment models and a heightened awareness of risk and human rights issues all place CSR and sustainability at the centre of future real estate practice. This is crucially important, not just in terms of the future effective management of the real estate function, but in the leveraging of the status and relevance of corporate real estate to core business.

