



The Modified Delphi's Inception and Evolution

Over the past 10 years EthicScan Canada Limited has developed, implemented and refined its CSR Modified Delphi to update the change definitions and societal standards for corporate social responsibility. The Delphi consists of a panel of 50 recognized experts in business and consumer ethics, and social activism charged with identifying current and evolving CSR issues, as well as the corporate business and management practices that reflect and impact on these issues.

To implement the first Modified Delphi Panel in Canada in 1989, EthicScan invited corporate executives, senior industry association representatives, academics, unionists, lawyers, financial analysts, media executives, consumer rights specialists and regulators to serve as Delphi panelists. These experts were asked to examine CSR issues and corresponding corporate practices on a regular, on-going basis, and to respond to the issues as individuals, rather than as representatives of their organizations.

The 1999/2000 Canadian Modified Delphi Panel laid the groundwork upon which current CSR research in Canada can be conducted in a credible and consistent manner. The intent is to create a broad and varied cross section of opinion, interests and expertise, so that when CSR issues are raised and debated, criteria developed, and choices ultimately made, these choices inform and reflect societal values as much as possible.

The Research Process

The Modified Delphi ensures that CSR research is conducted in as consistent, open-minded and transparent a manner as possible.

The Panel's Role

- Identify CSR issues and concerns.
- Identify corporate practices that reflect and have an impact on these issues.
- Comment on the rating system.

EthicScan's Role

- Ensure that a balanced cross-section of stakeholders is fairly represented on the Modified Delphi Panel.
- Develop CSR survey instruments and questions that accurately address the issues and concerns of all the stakeholders on the Modified Delphi Panel.
- Develop a rating system used to prepare corporate rating reports.
- Test the accuracy of information supplied by each corporation and any third party contributors.

The Corporation's Role

- Respond accurately and candidly to the survey questions received from EthicScan.
- Review the information about their corporation to ensure that it is accurate.

Your Role, as End User of the CSR Research Information

- Readily apply the research for your own evaluation purposes.
- Develop your own rating system that more accurately reflects your own values and priorities.
- Use the data to dialogue, confront, or assess individual corporation's behaviour.
- Inform yourself about other CSR standards and support the ones that make most sense to you.

The 1999/2000 Canadian Modified Delphi Panel (MDP)

Academics

- Leonard Brooks, University of Toronto
- Vincent Di Norcia, Laurentian University
- Shawna O'Grady, Queen's University
- Neil Shankman, York University

Business

- Eric Alexander, Canadian Chemical Producers' Association
- Mary Choquette, Conference Board of Canada
- Jim Cooney, Placer Dome
- Rifka Khalilieh, Body Shop Canada
- Brenda Jean Lycette, Motorola
- Hugh Porteous, Alcan
- Courtney Pratt, Miller Dallas
- David Selley, (formerly) Ernst & Young
- David Stewart-Pattison, Business Council on National Issues
- Carol Tulk, Better Business Bureau, Mainland

Consultants and Individuals

- Susan Abells, The Abells Group Inc.
- Larry Colero, Crossroads Consulting
- Bill Davis, United Church
- Eugene Ellmen, Ellmen Shaw Public Relations
- Moira Hutchinson, Labour and Church Consultants
- Robert Scott, ethical consumer
- Ann Svensen, Core Relations

Diversity

- Richard Kramer, Lesbian and Gay Community Appeal
- Wynet Smith, Kitikmeot Inuit Association
- Bev Wybrow, Canadian Women's Foundation

Environmental Organizations

- Liz Evarhaus, Pollution Probe
- Rob Kerr, Independent Environmental Author/consultant
- David Love, Environmentalist
- Mike Magee, Sierra Club
- Karen Mahon, Greenpeace
- Bea Olivastri, Friends of the Earth

Financial Institutions

- Priscilla Boucher, VanCity Credit Union
- Genna Louie, Ethical Funds
- Adine Mees, Citizens Bank
- Brian Palfreyman, Bank of Montreal
- Jonathan Rudin, Metro Credit Union

Government

- Nicola Fletcher, Industry Canada
- Steve Chapman, Health Canada

Human Rights Organizations

- Duff Conacher, Democracy Watch
- Carole Samdup, International Council on Human Rights and Democratic Development
- John Tackeberry, Amnesty International
- Bob Thomson, Fair Trade Mark Canada

Labour Unions

- Tom Kukovica, UFCW
- Diane Goulet, Communications Energy and Paperworkers Union

Media

- Milton Moskowitz, 100 Best Employers
- David Olive, National Post
- Heather White, Verite

Social Responsibility Organizations

- Dan Gennarelli, Task Force on Churches and Social Responsibility
- Tobi Davidge, Canadian Business Council for Social Responsibility
- Maude Barlow, Council of Canadians
- Chris Pinney, Canadian Centre for Philanthropy
- Rosalie Todd, Consumers Association of Canada
- Daryl Peck, Change Canada

CSR research areas of concern:

Our researchers gather information in 10 key areas of CSR concern:

1. Equity and Family Issues
2. Community Responsibilities
3. Ethical Management Practices and Consumer Relations
4. Environmental Performance
5. Environmental Management
6. Employee Relations
7. Progressive Staff Policies
8. Sourcing and Trading Practices
9. Corporate Governance
10. Candour

The following two categories are not included in the overall scoring and rating system. However, the information in these categories is very important to many of our users, so we developed a separate rating system of 0 to 5 to indicate the level of involvement of the company in each of these two key areas of interest:

- Canadian Content
- Sensitive Business Activity Ranking

Thoughts on the 1999/2000 Modified Delphi Panel Process

By *Paul Pellizzari*

Research Associate, EthicScan Canada Limited

How do consumers, managers, employees, investors and concerned citizens understand and measure a company's social responsibility?

At EthicScan, we use a broad range of corporate social responsibility categories and criteria to probe corporate policy, the plans implemented to reinforce policy, the firm's actual practice, and the extent to which management consults with and discloses itself to people outside the company.

EthicScan does not make up its questions and grading schemes alone. To devise the criteria and indicators used to gather information and query companies, we rely on the experience and

knowledge of others. We consult a variety of experts, from business ethics professionals, social activists and environmental experts, to business executives, regulators, lawyers, and academics. Collectively, these people form the Modified-Delphi Panel. With their advice, EthicScan can best reflect the contemporary realities of employment issues, governance procedures, environmental standards, human rights developments, and equity initiatives.

The 1999/2000 Delphi was expanded to include almost sixty panelists, a sizable increase from the fifty people consulted in 1996. The Delphi reveals the dynamic growth of the CSR field. New areas of inquiry emerge, old ones disappear, and more detailed and exacting questions are articulated to build each section. Over time, priorities change as more companies adopt higher levels of policy and practice, and commensurately, the standards that we should expect as researchers, consumers and investors should also rise.

A stronger emphasis has been placed on performance and results, along with systems of disclosure and reporting. Generally, a higher proportion of grades are given to these areas than are given to policy. In a few areas (diversity targets, environmental standards) we ask companies to report whether or not their managers' yearly performance appraisals include the attainment of specific goals. The inclusion of other stakeholders, such as employees, NGOs, community groups, has also been demanded in a number of sections (Community Responsibilities, Progressive Staff Policies, Ethical Management).

Moderating the Delphi process is a fascinating challenge. Organized by research category, here are some of the changes that resulted from this year's Modified-Delphi process.

1. *Equity and Family Issues*

Overwhelmingly, the Delphi members insisted that family issues (daycare referral, flex time, extended maternity) be inserted in the Equity section, and not in Progressive Staff initiatives. Although many of these issues affect anyone with a family, the panelists agreed that women still bear most of these responsibilities. We have also added some new disabled criteria to this section and included age, race and sexual orientation in the terms of harassment policy. One of the biggest controversies involved the inclusion of same sex benefits, reflecting society's ambivalence on this issue. While a few panelists argued for this term's removal, the majority of respondents argued vociferously for keeping it.

Please see the Corporate Ethics Monitor Reprint: "Equity and Family Issues", by Paul Pellizzari, Volume 12, Issue 1, January-February 2000 for more information.

2. *Community Responsibilities*

More companies are concentrating their charitable contributions in one or two areas, so a number of panelists were critical of our existing practice. To give marks based on each area of giving penalizes a company that has worked to innovate an effective but more narrowly targeted corporate citizenship programs. To accommodate the growing range of corporate citizenship strategies that exist, we added criteria for companies with extensive but more narrowly focused programs. The Delphi also stressed the importance of including community groups and employees in the design of corporate citizenship

programs and external stakeholder consultations. Public reports on activities, donations, and clear procedures for groups interested in donations were another priority. New fields on the accommodation of aboriginal groups were also added in 1999.

Please see the Corporate Ethics Monitor Reprint: "Corporate Community Responsibilities: From Giving to Engagement", by Paul Pellizzari, Volume 12, Issue 2, March-April 2000 for more information.

3. *Ethical Management Practices and Consumer Relations*

The Delphi panel emphasized training, reinforcement, verification and protection systems in 1999 while reducing the relative importance attached to policy statements. They argued that practical mechanisms more meaningfully affect ethical behaviour in the workplace. Furthermore, a good portion of industry has already adopted some kind of basic ethical management policy. Between 1992 and 1998, the number of companies in EthicScan's database that reported a written code of ethics rose from approximately 40% to almost 67%. When particular policies and practice becomes commonplace, they cease to distinguish a firm's ethical management, so generally we reduce the grades they earn.

Please see the Corporate Ethics Monitor Reprint: "Ethics Management and Consumer Relations", by Paul Pellizzari, Volume 12, Issue 3, May-June 2000 for more information.

4. *Environment Performance*

More detailed criteria were added to show how firms manage all stages in the product life cycle: from design to waste. A section detailing the establishment of reduction targets and environmental goals has been separated from the programs implemented for reduction, recycling and restoration. According the Delphi's suggestions, this program section is worth almost 45% of the section's marks.

Please see the Corporate Ethics Monitor Reprint: "Environmental Sustainability", by Paul Pellizzari, Volume 12, Issue 4, July-August 2000 for more information.

5. *Environmental Management*

Important questions arose about the implications of creating standardized criteria for all companies in our database. How can elements of environmental policy apply with equal significance across all sectors of industry? How can steelmakers be compared to clothing retailers? There are at least three answers. Every sector has some kind of environmental challenge for which it must design policy, practice and follow-up. If a steelmaker needs to reduce carbon dioxide emissions to the air, then a clothes retailers should be minimizing the packaging it uses to safely and effectively ship product from the warehouse to store shelves. Second, our research procedures and reports are conceived to lead people to comparative reading: consider your company of interest within its sector, so that the best practices emerge from firms facing similar challenges. Finally, we have added new criteria that indicate the degree of impact that each company's production has on the environment.

Please see the Corporate Ethics Monitor Reprint: "Environmental Sustainability", by Paul Pellizzari, Volume 12, Issue 4, July-August 2000 for more information.

6. *Employee Relations*

Today, job security provisions no longer exist, so the methods that companies use to mitigate the effects of layoffs, as well as expanded provisions for health and safety, receive a higher grading priority. Almost all of the panelists also agree that information about union representation should not be graded.

Please see the Corporate Ethics Monitor Reprint: "Employee Relations", by Paul Pellizzari, Volume 12, Issue 5, September-October 2000 for more information.

7. *Progressive Staff*

Two new sections were added based on Delphi recommendations. The "worklife" section, which includes initiatives such as job-sharing, flex-time, telecommuting, along with the "human development" (education and skills development programs) account for 40% of this section's grades.

Please see the Corporate Ethics Monitor Reprint: "The Workplace in Transition", by Paul Pellizzari, Volume 12, Issue 5, September-October 2000 for more information.

8. *Sourcing and Trading*

Along with the changes to Equity, this category has received more attention and growth than any other in the last three years. Extensive work by activists, corporate managers and government regulators has contributed to a wide range of new standards, audit verification ideas, and rectification and recourse procedures. Much more reporting is done by NGOs, unions, and lobby groups. In fact, so many labour standards have emerged that one of the Delphi's union members insisted that we broaden the list of examples cited.

Please see the Corporate Ethics Monitor Reprint: "Sourcing and Trading Practices", by Paul Pellizzari, Volume 12, Issue 6, November-December 2000 for more information.

9. *Corporate Governance*

Shareholder activists have gained a great deal of attention in recent years, and greater accountability is now demanded of board directors. The governance section has expanded, and most of its criteria was unanimously accepted by the Delphi. Two areas of disagreement surrounded the inclusion of "poison pills" (stock-related conditions which make a publicly-traded company less susceptible to a hostile takeover), and "minority shareholder resolutions tabled at the Annual General Meeting." While in some cases, poison pills may serve as protection for workers who might lose their jobs after a hostile takeover, other Delphi panelists observed that these pills can also provide lucrative "golden parachutes" for executives who guard their own remuneration in the event of a takeover. Given these nuances, how should a poison pill be graded? Similarly, if minority shareholder resolutions (on issues like increased female representation on boards, and caps on executive salaries) are being tabled, then we should note that concerned

shareholders are critical of company governance. Most would say marks shouldn't be awarded for this response. We solved both questions with the same solution: information but no marks are provided. Any reader concerned about these items is informed of their existence, but they are left to draw their own conclusions.

10. *Candour*

Since the whole process is based on voluntary disclosures from the corporations, we must try to gauge how honestly and candidly the corporations are responding. With the Delphi's new emphasis on performance and results with systems of disclosure and reporting, and with our new, very visible presence on the Internet, the ability to test the veracity of their responses will increase dramatically. For now however, what we can judge on face value is their candour, which is calculated in a very straightforward way: companies are graded according to the percent of total questions answered.

Canadian Content

The Delphi participants agreed that the extent of Canadian ownership in a company should not be graded as part of the overall rating/scoring system. The 0 to 4 ranking, which describes all levels of ownership and operation from zero Canadian presence to total ownership and significant job creation, remains the same.

Sensitive Business Activity

Many people interested in CSR want to know about corporate involvement with tobacco, weapons, nuclear energy, and gaming. However, the issues surrounding these types of production and investment are not easy to grade. One ethical investor may want to avoid a company that engages in any kind of contract (including food for service people) with any nation's military complex. Someone else might only want to screen a company that produces weapons sold to despotic leaders in unstable political regimes. Given all the complications related to scoring business activities, all of which are legal economic concerns, the panel decided that we should create a basic ranking for levels of involvement. So, similar to our Canadian Content section, we devised a 0 to 4 scale that shows the extent of activity in sensitive areas, but remains outside of our overall rating/scoring system.