

NEC's 2006 CSR report

A breath of fresh air

By Kathee Rebernak

In its third corporate responsibility report, electronics giant NEC eschews platitudes and cuts to the heart of corporate responsibility

NEC's 2006 corporate responsibility report opens with the theme "Empowering Society With Innovation", then proceeds, fact by fact, to tell readers how it is doing just that. Pleasant design, a soothing colour palette and judicious use of white space make it an easy read. And liberal use of graphics to depict corporate responsibility management, activities and performance contribute to the report's credibility.

The report's greatest strength is the effort to tie all of NEC's corporate responsibility activities to business operations. The report discusses how NEC's varied products and services – from fingerprint scanners to eco-friendly mobile phones – are keeping customers safe and reducing their environmental impacts. It links improvements in employee morale to improvements in customer service and quantifies the economic impacts of NEC's environmental initiatives.

Improving picture

NEC appears to take seriously stakeholder feedback and is dogged in its follow-up. For example, an employee survey conducted in 2000 revealed that half of respondents felt the company had no stance on ethics. NEC produced a book of 100 ethics case studies asking how employees would respond to certain ethical dilemmas and launched its ethics education programme. By 2005, only 13% of respondents perceived that the company had no stance on ethics.

The report falls short, however, in linking NEC's social performance to economic impacts and financial results. Readers might be interested to learn, for example, whether NEC's work-balance and employee health programmes increase employee retention, the number of women in management positions, productivity, and, in particular, profitability.

Judging by NEC's year-end results, perhaps not yet: net sales rose by only half a per cent and profit plummeted a stunning 84%, driven in part by lower sales in its higher-margin products and the cyclical nature of sales of some of its products, in particular mobile phones. NEC should include in future

reports goals and targets for community and employee initiatives to enable it to gauge their progress and economic benefits.

Murkier still is the discussion of diversity. The chairman mentions its importance but the report offers precious little evidence of NEC's commitment to a more diverse workplace. And while NEC cites efforts to make itself more attractive to women, such as reduced work hours for employees with child-care responsibilities, readers will want to know if those who avail themselves of such programmes pay a price in terms of advancement and pay.

NEC's environmental reporting is top-notch. It helps, of course, that some initiatives – such as closed recycling systems for modems; radio-frequency identification tags in NEC's procurement process; and an eco-friendly mobile phone, which NEC launched in pink to attract women – are innovative and a little sexy.

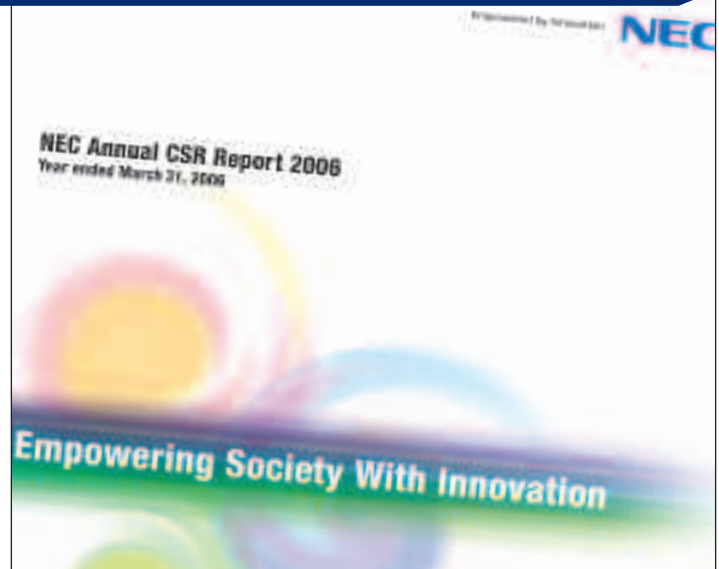
But most exciting is the quantification of environmental goals, targets, and progress, as well as the direct economic impacts of these programmes. An effective mass-balance diagram depicts NEC's environmental impacts, and an environmental accounting chart details investments in, costs of, and cost savings around, NEC's environmental programmes.

And this is just a taste: NEC's website hosts a separate, more extensive environmental report.

Where to go from here?

NEC has set several important goals for 2007 and beyond, including one to survey suppliers to determine their compliance with new corporate responsibility guidelines. Another, which it calls a vision, is to achieve zero net CO₂ emissions by 2010. To that list should be added goals, targets, and economic impacts around community and employee development initiatives.

In all, NEC's report leaves no doubt over the company's commitment, management, and progress on most corporate responsibility fronts. Many readers will be cheering for the company's likely return to profitability, perhaps spurred on by those pink mobiles. ■



Snapshot: the NEC annual CSR report 2006

Report covers 1 April 2005 to 31 March 2006

Follows GRI? Yes

Assured? Independent review conducted by the International Institute for Human, Organization and the Earth, a non-profit organisation.

Goals? Yes

Targets? Yes

Stakeholder input? Yes, via survey results, employee comments.

Seeks feedback? Yes

Key strengths: Effort to tie nearly every corporate responsibility activity to core business and financial objectives and strategy.

Chief weaknesses: Lack of goals and targets in discussion of social programmes.

Pleasant surprise: Quarterly environmental activity reports, published on NEC's website.

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