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A different paradigm for CSR

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Companies can contribute to social progress more effectively if they embed social issues in the business models

Several years ago Charles Handy wrote: “Companies that survive longest are the ones that work out what they uniquely can give to the world — not just growth or money but their excellence, their respect for others, or their ability to make people happy. Some call those things a soul”.

Over the last two decades at least, commercial enterprises have been challenged by academics, consultants and NGOs to go beyond the obvious parameters of financial and competitive metrics and build a more holistic framework of assessing business performance.

Concepts such as 'the triple bottom line' (coined by the British consultant John Elkington in 1994), seeded the notion of generating profit in a way that is good for both the people and planet; 'creating shared value' (Michael Porter in 2011) was seen as the link between competitive advantage and CSR — the idea being to re-connect business with social progress; 'conscious capitalism' (Raj Sisodia and John Mackey in 2013), presented the idea of the four essentials, namely, higher purpose, conscious leadership, conscious culture and stakeholder orientation, coming together to differentiate companies that work for more than just economic profit.

From time to time, chairmen of companies have talked about “doing well by doing good”, and sustainability updates are increasingly finding their place in annual reports. And yet, big issues affecting the well-being of the people and planet are not being addressed with the resolve and attention they deserve. This, despite the fact that we have enough knowledge to at least analyse, understand and address some of the more endemic social and environmental concerns of today.

The criticality of multiple players such as the government, civil society, development agencies, private sector, etc., aligning on a common platform, is further confounded by a lack of trust among them and inadequate conviction that they all can — and must —work towards a shared goal.

In India, the Companies Bill 2013 stipulated that all companies with a net worth of more than 500 crore, or revenue more than 1,000 crore, or net profit in excess of 5 crore, must spend at least 2 per cent of the average net profit of the last three years on CSR, with a further definition of the broad categories in which this expenditure must occur.

Money, ideas and execution

We know companies are struggling to “spend” the stipulated CSR funds on programmes that fit the criteria and can be operationalised. This has lead to two sub-optimal realities: first, most companies are searching beyond their own competencies to create programmes in categories specified in Schedule VII of the Companies Act 2013, even though the categories are fairly broad; second, there is not enough capacity or capability in the existing NGOs to meet this incremental demand from companies.

More fundamentally, the approach begs the question of enduring impact versus fleeting progress, apart from the scale and scope of coverage. It also omits a critical insight that social development programmes require endurance and long periods of investment in capability and delivery to make any meaningful difference.

Time to change

What if we were to simply think of CSR more comprehensively — and encourage companies to embed social issues in their business model itself? That would obviate the need for compartmentalising business responsibility and social responsibility, and we would end up with sustainable corporate practices.

The idea of combining social and environmental issues as part of the business enables companies to work with their core competencies and, therefore, achieve enduring socio-economic outcome. An example of this is Tom's Shoes, founded by Blake Mycoskie, who, while travelling in Argentina in 2006, saw many children without shoes. That seeded the idea of creating Tom's Shoes, a company that matches every pair of shoes purchased with a new pair of shoes for a child in need. Thus was born 'One for One', a business model that helps a person in need with every product purchased.

Mandatory CSR, on the other hand, has created parallel structures in most companies, separating business and CSR teams, with the latter struggling to either identify right development partners or NGOs to “manage” CSR programmes, or, worse still, running programmes on their own, in sectors where they neither have deep knowledge nor adequate experience. The basic flaw in separating CSR from what is (or, should be) corporate responsibility is that it ignores the core idea that business is a microcosm of society and must contribute to social progress even as it generates economic growth and employment.

In a discussion on business strategy for example, we would not expect pharmaceutical companies to diversify into primary school education, or car companies to diversify into healthcare, but when it comes to CSR, that is approximately where we end up! The irony is that the small CSR team feels really good about its contribution to improving some lives, whereas the business people miss the much bigger opportunities of improving significantly more lives and in a much larger context.

Take the success of the universal salt iodisation programme in India, which started in the mid-1970s and has significantly reduced iodine deficiency and consequent conditions like goitre. It was based on the insight that if an item of mass consumption such as salt was enriched with iodine, it could reduce the pervasive iodine deficiency in our population. We now have empirical evidence to prove that it has.

Links with the ecosystem

If business truly related to its ecosystem of employees, customers, communities and the environment, we would not have situations where, say, companies empty effluent into rivers and expend CSR funds to clean the very waters.

If business truly related to employees, it would take care of their well-being and not be exploitative by hiring contract workers, so they could be paid less than regular workers. If business truly related to its communities it would perhaps prioritise innovation on solving the needs of the poor, more than it has.

Take the example of “Swachh Bharat” and how long it is taking just to get garbage off our streets and landfills. Consider the fact that in urban India, bulk generators like large offices and residential complexes, academic institutions, hotels, hospitals, municipal markets, etc., account for over 60-70 per cent of all garbage.

If they thought about reducing, re-using and re-cycling the waste they generate as their responsibility, we could reduce by at least 50 per cent of the garbage that is either flung and left on our streets to clog our drains, or taken to landfills. I say this from conviction and experience, having implemented in three weeks at the Britannia office in Bangalore, complete re-cycling and composting of all garbage generated.

In conclusion, CSR must not substitute what companies should be doing anyway as part of socially responsible behaviour. And, if we are to live with the minimum 2 per cent target as currently defined, a bigger impact will be created, if the categories are reduced and made more specific; if CSR programmes emanate from the core competencies of respective companies; and if implementation encourages the formation of public-private partnerships to create systemic solutions for the delivery of social benefits.

This simplification will also enable better monitoring and assessment of programmes delivered, and in fostering the virtuous cycle of an inter-related eco-system.