

CSR - How to do it?

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Corporate Social Responsibility (CSR) ever since it has become mandatory is being looked upon by many as a compliance burden. It is also true that regardless of how corporates see it, it does end in actualizing a greater social good. While few companies in the past, always went beyond the call of law and duty and did commendable CSR, most companies are slowly coming to accept it as the new normal with which they would have to engage and comply. Companies are now in the process of budgeting and planning for CSR. Since most companies are doing it for the first time, they are struggling to plan and implement the CSR agenda often resulting in socially or legally sub-optimal outcomes. Companies also don't realize the business benefits that legitimately should accrue to the company for doing social good and this in no way includes camouflaging regular business activities as CSR. We are referring here to the genuine CSR activity realizing the lawful and morally ethical business benefits for the company. The central question amidst all these issues that companies are struggling with is, How to do CSR?

How to do CSR?

Company as it plans to do CSR has to consider the following issues,

- 1) Creating a CSR Strategy
- 2) Congruence of the Corporate Strategy and CSR Strategy
- 3) Creating Structure, Systems and People framework within the company for CSR
- 4) Ascertaining the Return to Society (on lines of RoI) on the CSR budget spent
- 5) Ascertaining the business benefit to each functional area be it Marketing, Production, Finance and Human Resources from the CSR activity
- 6) Creating creative CSR programmes learning from established best practices and success stories
- 7) Creating for future an Idea Bank from current CSR experience and sharing the same with Development fraternity as 'best practices'.

1. Creating a CSR Strategy

Companies can do CSR in broadly two ways. One way is to do it on an ad-hoc basis from year to year, wake up in the month of February and in a crisis mode, call any NGO and donate it the money or give it to a hospital or an academic Institute. Second way to do CSR, is a more systematic way of planning the CSR activity for the next three years and then execute that plan systematically. Such planned execution provides a long term direction and synergy to the CSR intervention and gets much better results both for society and for business.

It is necessary hence to create a long term CSR strategy which will deal with issues like,

- a) What is the budget the company is likely to allocate to CSR over next three years?
- b) Which areas of social development should the company engage with?
- c) Should the company implement the CSR activity by itself or should it outsource it to an NGO or a group of NGOs?

- d) Should the company join with other company or companies to create a larger pool for CSR and then implement it?
- e) Should the company join with International donors and do a long term CSR, leveraging their experience of managing social programmes?

2. Congruence of the Corporate Strategy and CSR Strategy

Companies would naturally like to derive legally and morally legitimate business benefits coming out of CSR. It calls for ensuring congruence between the corporate strategy and the CSR strategy to ensure it. Let us take some examples of business benefits that have happened to companies arising out of their CSR engagement.

- a) An automobile company has been training poor unemployed youth (within 50 kms radius of the plant) in automobile repair or assembly (not necessarily for employing at one's own company) and in the process the company is creating three things, one employment for the poor, two skilled manpower for the sector which indirectly will benefit the company and three a goodwill among the community and the repair chain which will help the company have a good word of mouth and enhance its brand.
- b) An LPG gas company started the concept of a 'community kitchen' in one of the slum development programmes as a part of its CSR. The Slum dwellers could not buy a cylinder and gas stove and so a 'community kitchen' was started where the inhabitants could use the facility to cook and pay by the hour (time). It reduced the usage of wood for cooking, improved the health of women who were saved from smoke and also reduced time and energy otherwise invested in cooking enabling the women to work one hour more and improve the condition of their families. When the income rises the first thing the slum inhabitants do is to upgrade to a gas cylinder and stove of the company they are used to and also grateful. The social initiative hence is also a seeding of customers for future
- c) A biscuit company while doing CSR realized the fact that low income communities wanted affordable biscuit packets and a Re 1 packet was launched with only 4 biscuits in the pack. It has opened up a large low margin high volume market for the company
- d) A bank that wanted to cater to low income customers found there was a need for a door step collection of every day savings (which otherwise will get consumed in liquor) and the bank now has a large business from low income communities where thousands of new accounts have been opened and the money collected is used for providing micro finance again to low income communities (saving them from usurious money lenders) creating a self reinforcing virtuous social cycle
- e) At Brick Foundation (the NGO that I manage) we have a company sponsored online social communication campaign dedicated to various causes. The messages sent carry the logo of the company and NGO both, thus providing the company with more than one million customer engagements online.

If the business strategy and CSR strategy congruence is established benefits such as above be in the area New product development, brand management, distribution and human resources can be enjoyed.

3. Creating Structure, Systems and People framework within the company for CSR

Companies have three options for implementing the CSR agenda based on the size of the CSR budget,

- a) Implementing the CSR agenda directly by the company
- b) Implementing the CSR agenda by outsourcing the implementation to one or more NGOs
- c) Creating a Foundation of the company which may directly implement the CSR agenda or outsource it to one or more NGOs

It is necessary for the company to make the right choice and also further lay down systems for selection of the right NGO/s, if so is the case.

4. Ascertaining the Return to Society (on lines of RoI) on the CSR budget spent

Just as in business we have management control systems In the social area we have what is called the Monitoring and Evaluation system (MNE) and just as in business we have the concept of RoI on the social side we have the concept of social return on investment (SRoI) which is measured through 'impact assessment studies'. There is a continuous evaluation of the CSR activity through an MNE system while during the mid-life of the activity and after the end of the activity the impact assessment is done. The impact assessment studies provide us with short term and long term impact of our social activities.

Before any CSR activity starts, a base line study is done and after the CSR activity is over again the situation is measured to know the difference between 'before and after status of the situation'. The difference provides an idea about impact of our CSR activity on the situation and society.

The return to society and return to business concepts together can also be used to choose between alternatives while deciding upon CSR activities.

5. Ascertaining the business benefit to each functional area viz. Marketing, Production, Finance and Human Resources from the CSR activity

While CSR is not done with intention of business, legitimate and inevitable business benefits accrue. If adequate attention is given to congruence of the business strategy and the CSR strategy, one can know and plan in details what benefits can possibly happen to each of the functional areas, while the CSR agenda is being finalized. It takes lot of consultations between the CSR Consultant and the Functional Heads to ensure a greater flow of benefits. Most common benefits to companies happen in the areas of,

- a) Marketing – New product development, brand management, distribution, service quality
- b) Human Resources - Skilled manpower availability, Motivation
- c) Operations – Cost reduction across value chain, identification of alternative processes

6. Creating creative CSR programmes learning from established best practices and success stories

It would be clear from above discussion that arriving at a CSR strategy and its details requires a great deal of creativity and one is literally sitting with a blank canvas. Time spent on creative ideation is the most productive investment one makes in the CSR process. Creativity has to be complemented with knowledge of the success stories and best practices which are available in public domain.

The concept of 'Leveraging' is (here) an important concept. It refers to getting co-donors or resource augmentation partners so that the corpus provided by you gets enhanced and more is achieved in the social area with the same amount of money spent by you. One can create a programme where for providing employability training, the company bears 75% of the cost and the beneficiary bears 25% of the cost or the beneficiary bears 100% of the cost which is provided to him as a micro-finance loan (covering both the fees as well as opportunity cost of his absence from his work for the purpose of training, if so be the case) and the company provides money for paying insurance premium to cover defaults for the micro-finance company. Here since the company is not providing 100% of funds to the programme there is a concept of 'leveraging' at work and with the same CSR budget the company can accomplish much more and on a much larger scale.

Many such creative models can be evolved in a variety of areas be it Education, Health, Employability and so on. CSR agenda can also lead to establishment of a Chair in a University which can do useful research for the country. I am personally associated as a Chair Professor on one such Chair that is working to create a 'Competitiveness Index' for the country and each of the States. One can also create a CSR agenda based on the concept of 'prevention' where by using social communication the knowledge and behavior of citizens is changed leading to prevention of a problem, the solution to which would be very costly and painful. In the area of Health, Environment, Gender Justice, Child Rights and Democratic participation of citizens, it is an extremely promising model.

7. Creating for future an Idea Bank from current CSR experience and sharing the same with Development fraternity as 'best practices'.

It is very valuable for the company as well as for society at large that the learning from CSR experience is documented and shared. It leads to adoption of best practices enhancing the efficiency of CSR activities across the board and also prevents others and the company itself from wasting CSR funds in a sub-optimal way.

CSR hence is an activity that calls for considerable thought and expertise both in terms of conceptual strategy formulation and in terms of strategy implementation. It requires an in-depth understanding of both the corporate sector and the non-profit sector to really do justice to the task. The country has made a good beginning, someday we shall look back with a sense of fulfillment with all that would have been accomplished by then, the beginning of which happens to be now.

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