

# CSR AND THE BOTTOM LINE

A good CSR strategy should not only deliver social good but also contribute towards increasing the bottom line. Here's how to design a CSR programme that helps achieve both

Words **PAUL GILLESPIE**

Unilever, Tata, Procter & Gamble, and Marks & Spencer — all these companies have something in common. They are not only known for the products and services they offer but are admired for their corporate social responsibility (CSR) and sustainability practices worldwide.

A recent survey by Globescan ranked Unilever as the number one corporate sustainability leader. For the fourth year in a row, Unilever maintained the first rank and grew over a 22-point margin over the number two company, while differences among all other companies listed shrunk.

For Indians, the Tata Group is viewed as the leader when it comes to CSR. They are even looked up to by their competitors. In a recent survey conducted by Good Values across the corporate sector in India, 59 per cent of companies in India said they admired the Tata Group for its programmes.

So what makes these companies the leaders in the CSR space? Unilever, through its Sustainable Living Plan, has embedded CR throughout the organisation. The programme is driven by the top management led by Paul Polman, the CEO, and has clearly defined and measurable targets. Unilever is also seen as a thought-leader when it comes to sustainability as it communicates strategically about its social and environment initiatives.

For the Tata Group, CSR is not a new phenomenon. Jamsetji Tata, founder

of the Tata Group, said, "In a free enterprise, the community is not just another stakeholder in the business, but is in fact the very purpose of its existence." The Tata Group of companies are committed to improving the quality of life of communities through programmes in areas such as health, education, vocational training. It has sustainability built into business processes. They communicate the progress of their programmes through reports that are in line with international standards. As per media reports, for 2013-14, the Tata Group spent ₹1,000 crore on CSR, in what could be the highest CSR spend by an Indian conglomerate.

While the Tatas have evolved from doing philanthropy to more structured CSR activities and programmes, many companies in India still consider cheque-book donations as fulfilling their social obligations. While the idea of philanthropy is important, it can only comprise a part of CSR and not the whole idea. Companies need to look at CSR as a strategy the same way they look at the brand or the business strategy. Global corporate leaders are increasingly looking at CSR as an opportunity to grow their business while giving back to the society at the same time. They do not view CSR as an additional cost but as an investment which, when invested strategically, can help address key business issues. They have thus, structured CSR around four pillars: community, marketplace, environment

and supply chain, unlike India where CSR is typically more focussed around the community aspect. The new guidelines on CSR also emphasise the need to invest in communities per se. However, with global influences and with communities becoming more active and demanding, companies will have to get more strategic in nature, and Indian companies will have to match with the global benchmarks.

Since the Companies' Act in India mandates that companies of a certain size have to spend at least 2 per cent of their average net profits made during the three immediately preceding financial years, towards community activities, one needs to ensure that the programmes are designed in a way that they not only benefit the communities but also deliver bottom line return for the business.

The question now is how do companies create a best practice programme? What are the elements of a community programme that not only maximises the social impact but also helps the business?

There is no "one-size-fits-all" approach for designing a CSR programme. Each organisation has its own strategy and vision that will affect how it views its defining social responsibilities. Each will also vary in its knowledge of CSR issues and the kind of existing projects it has.

That said, there is long-term value in designing your CSR programme in a systematic way and making it



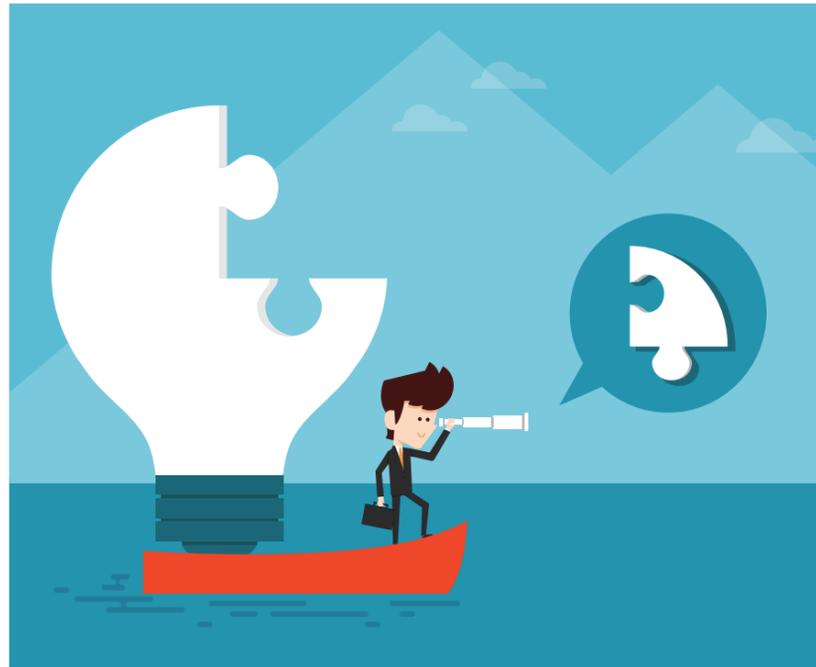
more focussed. Below are some of the core elements of a best practice CSR programme:

**Look for the right strategic fit:** In my conversations with companies in India across 2014, it is clear that there is not always a strategic approach to CSR and companies are typically not focussing their community efforts but instead are supporting many diverse and unrelated community and social issues. By doing this they are not only minimising the social impact but also limiting the business benefits that they can get from their CSR activities. A company must look at initiatives that are intrinsic to a company's brand and its core values. One needs to conduct thorough research and stakeholder engagement to assess what will motivate employees and align the company's objectives with external stakeholders. Ask yourself these questions — what are the one or two critical areas in your business where you interface with and have an impact on society and where significant opportunities exist for both sides if you can creatively balance the relationship? Once you know the company's core beliefs, business strategies and model of success, one can find initiatives that fit well with the organisation's mission statement. If your CSR initiatives do not fit in with your company's overall strategy, there will be a disconnect with your customers, employees and other key stakeholders.

While you may choose to have different programmes, focus on one flagship community programme that strikes a chord with everyone and that the company can be known for.

**Embedding CSR in your organisation is essential for success:** Once you have crafted your CSR strategy and identified the areas that you need to get involved in, you must ensure that it "lives" throughout the organisation not just in the team that manages it. Everyone should own a piece of the action, right from the senior management to the staff. By engaging your employees in your CSR programmes, it will help foster a sense of ownership and responsibility throughout the organisation.

Marks & Spencer's Plan A 2020 is a good example of how to embed CSR in your organisation. It is focussed not only on engaging millions of customers,



but also nearly 86,000 employees of the organisation. A percentage of M&S senior executives' bonuses is related to delivery of their Plan A-related Key Performance Indicators. Not only this, engaging the value chain is also an integral part of M&S's Plan A. For instance, they have set up an online Knowledge Exchange for 2,500 suppliers to learn from each other.

**Compelling for stakeholders and ease of involvement:** The CSR programme of a company should be such that it not only strikes a chord with different stakeholders, but also gives them an opportunity to participate in it — be it their employees, local community or customers.

Research is conclusive that employees are keen to work for organisations who share similar values. Companies are increasingly involving their employees in CSR initiatives, which help not only in attracting and retaining talent, but also improves motivation and loyalty. According to a global survey by Nielsen, 67 per cent people prefer to work for socially responsible companies and engagement should happen at all levels, starting with the CEO.

For instance, Deutsche Bank has a strong employee volunteering programme. The focus of the corporate volunteering activities at Deutsche Bank is to teach skills by having employees

share their knowledge through coaching or mentoring. The bank supports employee volunteering through donations or paid leave. As per reports available on their website, the bank saw 20,000 volunteers globally for various programmes in 2013. The majority of employees at Deutsche Bank believe that volunteering not only is good for society but also fosters their personal and professional development.

**Design "glocal" programmes:** For multinationals operating in India, there is another challenge of linking their CSR programmes in the country with their global charity programmes. This may not be possible all the time with the issues being different in India. What companies need to figure out is how to fit the global programmes within the local context. The global programmes are part of their overall CSR strategy but they are not the whole of it. They can simultaneously tie-up with national or local partners that can resonate with their local stakeholders and give a "license to operate". For instance, several companies have flagship community programmes at a global level and tie up with smaller NGOs locally so that their employees in branches can contribute as volunteers apart from their global programmes.

One example is of Jaguar-Land Rover that launched a new Global Corporate

Social Responsibility programme to create opportunities for 12 million people in their local and global communities by 2020. As a part of this strategy, Jaguar Land Rover works with Born Free, an international conservation and animal rights organisation globally. In India, it is focussed on protecting tigers. Recently, they launched *Tracking the Tiger* a book by veteran automotive journalist Bob Rupani on the Indian jungles, to create awareness for wildlife and travel enthusiasts.

**Select the right partner:** Finding and partnering with the right organisation for managing and implementing your CSR programme is key, especially in India. According to the Good Values CSR research conducted in 2014, 52 per cent respondents mentioned credibility of NGO partners as the biggest challenge in implementing CSR activities. One should carefully select the charity partner and conduct a thorough due-diligence before taking on a project with them. This is imperative as a community programme is a long-term project and you don't want to be seen abandoning an initiative due to selecting the wrong partner which would create reputational repercussions.

**Differentiated and ownable:** Internationally and in India, there is intense competition amongst companies to differentiate themselves. Companies, internationally, can be seen fighting for positioning on CSR to achieve differentiation and leadership. With the introduction of the new CSR guidelines in India, more organisations will look at using CSR as an opportunity to differentiate themselves. If you need to focus your CSR activities in the areas of education, which has a very large spectrum, you can carve out a specific area, which might focus on a particular age range, demographic or a specific disadvantaged group of people.

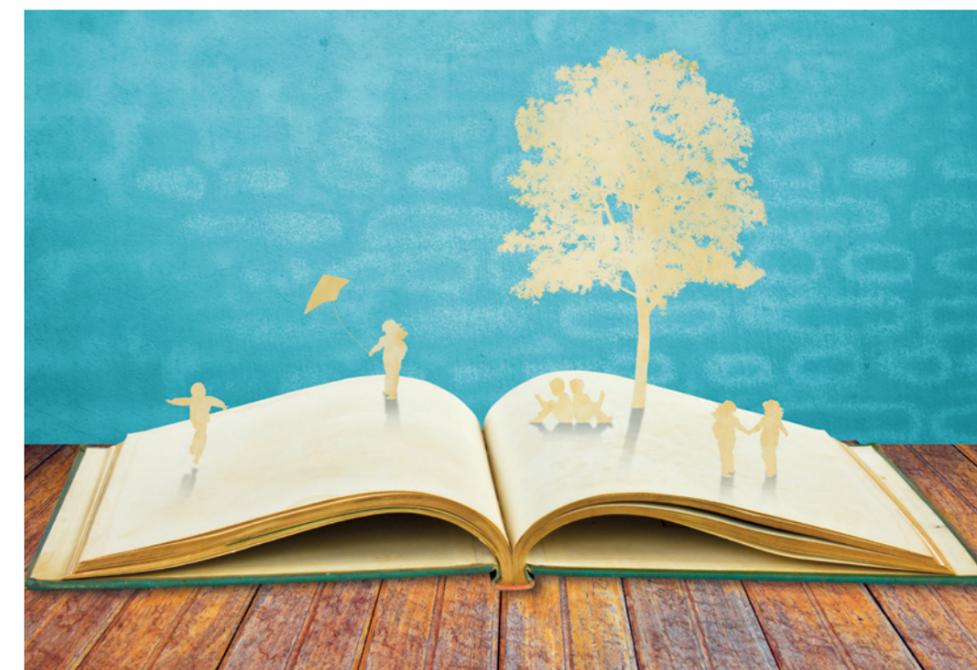
Let's take the example of Astra Zeneca, a global pharmaceutical company. They wanted to find a relevant niche to focus on for its' global community flagship programme. Through research it became clear that the health choices you make as an adolescent have a major long term impact on your health but few organisations were focussing on this critical lifestage. So in 2010 the "Young Health Programme" was launched with the ambition to reach 1 million

adolescents globally over five years, to help improve their health and life chances. Different countries focussed on a health area relevant to their local adolescent target and partnered with local NGOs to deliver the programme. In India, the programme focusses on improving hygiene, infection and reproductive health.

**Long-term commitment:** To create a positive social impact that can also lead to business benefits, leaders must understand that this is not a quick fix strategy. For a successful CSR programme, companies need to have a long-term mind set backed by measurable targets and actions. It typically takes a minimum of 2-3 years for a social or community commitment to fully penetrate key regions and become linked with the organisation's brand and overall values.

Standard Chartered, for instance, understands that sustainable programmes that can make a real impact in local communities need a long-term commitment. In 2013, they marked the 10th anniversary of their flagship community investment programme "Seeing is Believing", in which they have invested close to US\$5 million in India alone for blindness prevention and treatment. This also fits in well with their brand promise which is "Here for Good". They are committed to help eliminate avoidable blindness and visual

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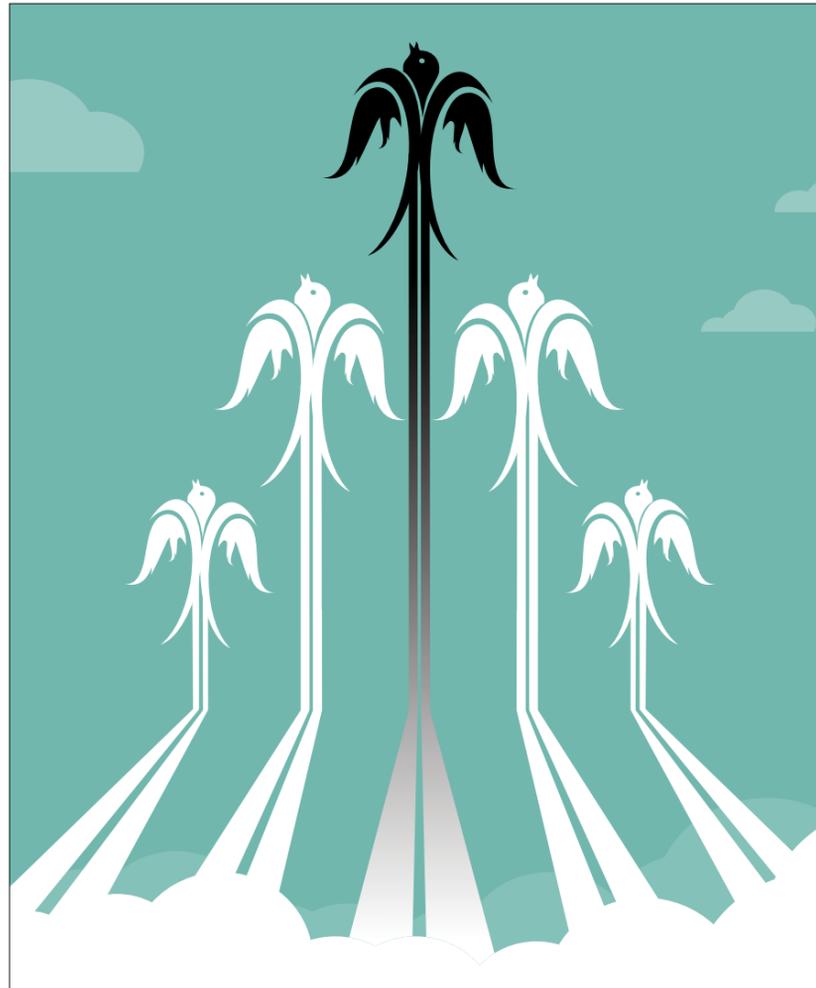
impairment and have set a global target to raise US\$100 million by 2020.

**Communication:** There are several organisations with successful CSR programmes, but not many people know about them. The simple reason behind this is that organisations do not talk about the good work that they are doing. One of the most critical success factors to a successful community programme is developing and implementing a well thought through strategic communication plan for stakeholders. You need to keep your internal and external stakeholders well-informed and updated about the progress of your CSR programmes. One should keep in mind that the communication around a CSR programme must not be gimmicky else it can do more harm than good to a company's reputation. It is more about "substance" than "glamour".

Who doesn't know about P&G's flagship corporate social responsibility programme, Shiksha, in India? The Shiksha programme is a part of their global philanthropy programme — Live, Learn & Thrive. Till date, the programme has helped close to 300,000 underprivileged children access their right to education. They have been smart at integrating their CSR programmes with their products and marketing so that consumers not only become aware about the cause of education of underprivileged children but can also contribute towards it.

JK Tyres' initiative around spreading awareness about the importance of road safety is another example of a well-communicated corporate social responsibility programme. It pilots road safety campaigns on major highways, expressways and metros by using literature. It also partners with the Delhi Traffic Police to promote the National Road Safety Week annually. JK Tyres has also involved F1 driver Karun Chandhok to support several of its road safety campaigns and spread the message to people.

**Thought leadership:** With more and more companies differentiating themselves on CSR, thought leadership sets you apart. While creating your CSR strategy, look for opportunities for showcasing your brand as thought leaders in the space. Talk about the issues at hand in a way that is genuine



and demonstrates your expertise.

For instance, Aviva through its Street to School corporate responsibility programme, was seen as a thought leader when it came to issues regarding street children. It conducted comprehensive research and presented the findings at various platforms including the UN, to advocate for the rights of street children. Aviva also launched the first ever International Day for Street Children along with the Consortium of Street Children, to spread awareness about the rights of street children globally.

**Evaluate business and social impact:** Another critical element of a successful and effective CSR programme is evaluation. Companies need to create strong evaluation and measurement frameworks that are in line with international best practices so that they can assess the impact of their projects socially as well as for the business.

One must also keep in mind that communicating accurate and detailed progress is essential in today's 24x7 media age and is key to both building and protecting ones reputation as a business.

While these are some of the key elements of a best practice CSR project, the list is not exhaustive. To be a truly socially responsible company, what matters in the end is how you do what you do. Organisations have to be truly passionate about their CSR programmes, and they should be driven from the top that then cascades throughout, to make a positive long-term difference for society.

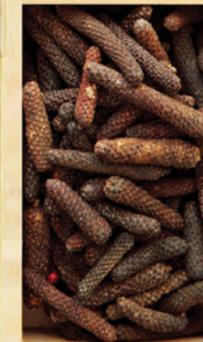
*Paul Gillespie is the founder of the leading international CR and Sustainability agency Good Values. He is passionate about CR and delivering ideas, strategies and programmes that ensure companies achieve a 'bottom line' return from their work in this space.*

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