

## CSR AS A MODEL FOR BUSINESS SUSTAINABILITY

*Sandeep Shrestha, May 2020*

Business operate in its own sets of values and strategies, and value maximization is often associated with economic value and financial gains. With the introduction of UN Sustainable Development Goals (SDG), organizations and associations have started labelling themselves to catch the wave. The buzz is around green business, sustainable business, social enterprise, and responsible business. There are certification and labeling processes and numerous frameworks for organizations to integrate and practice sustainability standards. A term often used with varying degree of annotation is corporate social responsibility (CSR) and sustainable business. Reference to sustainable business is not only associated with being financially sustainable, but also along the lines of social and environmental sustainability as an integrated approach. CSR is often used synonymously as corporate sustainability, but what could be a responsible practice such as giving to charity or sponsoring an event, may not necessarily have sustainable impact. This paper describes the basics of CSR, explores some cases on how despite acting responsibly companies faced reputational loss, how being socially responsible can be a value-driver, and explore a model on developing a CSR-model for integrating sustainability into core business values and strategies.

### Understanding social responsibility

Corporate Social Responsibility (CSR) is defined as “triple bottom line – the totality of the corporation’s financial, social, and environmental performance in conducting its business.” CSR is a strategy of a corporation to be transparent in their business practices that are based on ethical values, compliance with legal requirements, and respect for the people, communities, and the environment (Catalyst Consortium and USAID, 2002). CSR practices can arise as (i.) a strategic sustainability framework, (ii.) reputation management and sustain profitability, and (iii.) sense of moral obligation to society. (McCombs School of Business, 2020) The extent of CSR practices and integration into business strategies vary according to the nature and size of business and dependency and impact on societal and environmental resources. Organizations can take CSR as an integrated approach to sustainability, corporate governance, public disclosure and reporting at its complex form, or in simplicity be a donation to charitable events, sponsorships, philanthropic cause, or a moral sense to give back to society. On the contrary, CSR can be a superficial approach and publicity stunt, where organizations tend to report business expenses for legal requirements on protecting the community resources or environmental protections as CSR activities. Likewise, development of roads and infrastructures required for business operations have been indexed under CSR. Marketing activities and expenses such as sponsorships or seminars have also been categorized under CSR. There are intrinsic values that corporations can derive from being socially responsible, be it towards environmental conservation and safeguard, protecting and respect for communities and workers, acquiring social license to operate business, or added goodwill and brand value of the company. On the flipside, negligence and negative impact by organizations can result in reputational damage, diminishing returns and added cost on fines, penalties, and remedial actions. Corporations around the globe face similar challenges in their bid to be a sustainable business. The question that is worth asking is “**What makes a company sustainable?**” The solution lies in enabling organizations to understand the dimensions of sustainability as an impact matrix and designing strategies based around corporate values (mission-driven) and consumer perception (market-validation).

## Community outcry – Coca Cola

**“Killer Coke: The drink that represses”**, a massive banner read. The demonstration was in a small university town of Saint Cloud, Minnesota, USA by Movimiento Estudiantil Chicano de Aztlan (MEChA) who were campaigning against global business Coca-Cola because of Coke’s immoral conduct in business like hazardous child labor in El Salvador, labor abuses in China, overexploitation and pollution of water sources in El Salvador, India, Mexico, and Africa, and aggressive marketing to children a nutritionally worthless and damaging beverage that could help fuel serious health issues. The campaign was to remove Coca-Cola products from schools, businesses, organizations, and government facilities. Despite Coca-Cola’s massive efforts to curb societal and environmental impacts, the company faces harsh criticism in every nook of the world. With the connectivity of the Internet, information relays around the world in matter of seconds. Even a simple protest from a small town or village in the world has the power to make global headlines and impact on the business.

## Managing global standards - Nike

Globalization plays a vibrant role in economic development of under-developed countries like Vietnam and Taiwan (Nornerg, 2003). Globalization did bring economic development in Vietnam, but along with it came social responsibility nightmare for Nike. What Nike was not prepared for were issues related to child labor which directly violated ILO core labor standards and UN guiding principles on business and human rights. This resulted in a public outcry on Nike’s corporate social responsibility brought against them by activists and demonstrators. Nike did follow the guidelines of doing business overseas. They did look at the political and economic situation and the cultural aspect. They identified that children are expected to work in Vietnam to support their families. Nike further developed their workforce policy to deal with this issue and employment of children. However, the world saw it differently and created reputational damage and negative publicity for Nike. Even though Nike employees have better benefits program, better workplace environment, and earn higher than the ordinary workforce in Vietnam, Nike continues to face challenges to be accepted as a socially responsible company.

## Validity of impact – Fiji Water

Sustainability is at the core of Fiji Water’s corporate values. Fiji Water brings “Earth’s Finest Water” to the world through sustainable aquifers from more than 60 countries. The company enables positive social and environmental impact through its sustainability programs and spends millions of dollars to be a responsible business. Their social responsibility strategy is to attain negative-carbon production. Nonetheless, Fiji Water continues to face questions from critics and climate change activists on how they are doing this and the longer-term impact of carbon emission. A lawsuit was filed against Fiji Water for false advertisement and “greenwashing” customers by using a discredited system of “forward offset credits” that may not take place up to several decades into the future. The greenwashing campaigns mislead consumers, created unfair advantage over competitors and sales going up appreciably (Nastu, 2010). Activists criticized Fiji Water for not providing enough information to calculate the true value of socially responsible activities.

## Shared Value Business Model – Toms

With less than USD 5,000 in his pocket, no experience in fashion or retail business, Blake Mycoskie established Toms. His only experience in shoe industry was distributing shoes to shoeless children in Argentina during his visit. Shared value is defined as 'policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates'. (Porter & Kramer, 2011) Toms shared value business model was driven by "One for One" mission to donate a pair of shoes for every pair sold, engaged and executed by Blake, which attracted employees, business partners, giving organizations and clients, collaborating to develop the company for the common greater good. (Bachnik & Szumniak-Samolej , 2013) Toms offers a chance for their customers to give back, and by 2019 the company has given back 96.5 million pair of shoes, (Toms, 2019) which is an increase of 173% in the last five years.

## CSR as a value creation

Global corporations are embedding CSR activities into their business and marketing strategies and to portray a positive image to the consumers, community, and the world. Being socially responsible is not only beneficial to the community but also advantageous to business. There is increased realization that CSR activities are a value-driver rather than expense. CSR creates opportunities to enhance value and trust in the company from employees, stakeholders, and consumers. Based on an empirical research to verify impact of CSR on brand value, CSR initiatives has yielded favorable stakeholder attitudes and behaviors over the long run to build brand image, strengthen stakeholder-company relationships and enhance stakeholders' advocacy behaviors for the company. Companies can reap tangible and intangible rewards from CSR activities if strategically communicated to stakeholders. (Singh & Verma, 2017)

## Integrating CSR to business model

Understanding the changing paradigm of consumer behavior, the complexity of social and environmental dimensions of impact, and alignment with business processes and growth can be challenging for any organization. The integrated CSR model presented by the author below is a four-dimensional model to incorporate and prioritize sustainability as organizational value and strategy. It is an adaptation of good practices derived from sustainability standards like International Finance Corporation (IFC) Sustainability Framework, Fair Trade Principles, Operating Principles for Impact Management, and UN Global Compact. Integration of sustainability framework from the model with organizational strategy is the ultimate outcome, which will be done by ongoing evaluation of risks and opportunities on social and environmental aspects, understanding how that influences target market, and incorporating it all to operational, financial and organizational strategy. As a shared-value concept, the model requires operational and financial integration at all levels to ensure business sustainability.



### Prioritizing organizational values

- Define organizational values aligned with vision and brand identity to portray
- Understand environmental and social risks and opportunities for business (see social expectations and environmental protection)
- Set organizational practices and policies and good governance mechanism
- Identify impact to achieve, design impact matrices to collect baseline and annual data
- Align all activities in operational plan and financial model for sustainable production, revenue generation and business growth

### Consumer perception

- Understand consumer perception and create brand value to create awareness and influence purchase decisions
- Build products/services with the “Value Promise” to develop positive attitudes
- Integrated communication strategies to encourage active participation and behavioral change
- Plan out how consumers will resonate with the brand to create a bond and personal association with the company

### Social expectations

- Prioritize workers growth and security with health & safety programs, capacity building, good working conditions, fair pay, labor law compliance and human rights
- Ongoing engagement at community level (include women, children, elderly, vulnerable, disabled) to identify community needs, understand and manage expectations, provide information on business operations, ensure safety of community, respect human rights and impact on communal health, and design and develop community support plan
- Ensure cultural heritages, diversity, ethnicity is respected, and the society has unrestricted access to cultural and religious values
- Work with social demographics to create livelihood opportunities, ensuring people are better off in terms of economic benefits and access to social services

### Environmental protection

- Map out usage and dependency on natural resources and identify measures to protect and replenish
- Consider short-term and long-term impact on biodiversity and life below water and its impact on society and business
- Design operations around efficient use of resources and technology considering waste and pollution at all stages of business and product lifecycle

The model presented above is aimed at enabling organizations to better understand and manage risks and opportunities through sustainable business practices, which can feed into an integrated business model. This basic guideline will enable organizations to design strategic initiative and value-creation considering its impact on financial growth as well. As organizations become better equipped in terms of capacity and knowledge on sustainability, the CSR activities and impact dimensions can be better planned and expanded. With strategic intent on managing environmental and social risks, understanding consumer perspectives, and building brand resonance, companies need to integrate these risks management processes and value-creation processes in the organization’s innate culture and strategy to become a socially responsible and sustainable business.

## References

- Bachnik, K., & Szumniak-Samolej, J. (2013). Shared Value in Practice: TOMS Business Model. *Chinese Business Review*.
- Catalyst Consortium and USAID. (2002). *What is Corporate Social Responsibility?* Catalyst Consortium. Retrieved from [https://pdf.usaid.gov/pdf\\_docs/Pnada498.pdf](https://pdf.usaid.gov/pdf_docs/Pnada498.pdf)
- McCombs School of Business. (2020). *Ethics Unwrapped*. Retrieved from McCombs School of Business: <https://ethicsunwrapped.utexas.edu/subject-area/sustainability-csr>
- Nastu, P. (2010, December). *Environmental Leader*. Retrieved from Environment Leader: <https://www.environmentalleader.com/2010/12/fiji-water-targeted-in-greenwashing-class-action-suit/>
- Nornerg, J. (2003). *In Defence of Global Capitalism*. Cato Institute.
- Porter, M. E., & Kramer, M. R. (2011). Creating shared value. *Harvard Business Review*.
- Singh, A., & Verma, P. (2017). Driving Brand Value Through CSR Initiatives. *Global Business Review*, 15. Retrieved from <https://journals.sagepub.com/doi/pdf/10.1177/0972150917713270>
- Toms. (2019). *Toms 2019 Global Impact Report*.
- UCLA Sustainability. (2020). *UCLA Sustainability*. Retrieved from University of California, Los Angeles: <https://www.sustain.ucla.edu/about-us/what-is-sustainability/>

## ABOUT THE AUTHOR

Sandeep Shrestha is sustainability professional, educator and researcher having worked in private sector and non-profits in emerging markets. He specializes in sustainable business, entrepreneurial ecosystem, and management consulting. He can be reached at [xsandeep@gmail.com](mailto:xsandeep@gmail.com)