

CSR for Bridging the Gap

FAO's latest hunger report says starvation, man's oldest enemy, still lurks in large parts of the world. In India hunger stalks 842 million people even today. 10 million hungry live in industrialized countries including US & UK. The fact is that, well after a decade of globalization, hunger is actually on the increase. The number of undernourished people in 26 developing countries has increased by 60 million during the second half of the decade. 30 million more people have slipped into hunger in just two countries, India and the Democratic Republic of Congo. 33 million have been added to the ranks of hungry in India in 2001-2002 alone. According to the results of 5th round of the National Sample Survey, the number of people below the poverty line in India has arisen to 27.6% in 2001-2002 compared to 24.4% in 2000-2001. With 276 million people living below the poverty line, India, recognised as a software giant, has the dubious distinction of being a country with the largest number of hungry people in the world. India's poor are the worst off among emerging markets.

FAO's report shows that countries with a high prevalence of chronically hungry people are also afflicted by high rates of HIV/AIDS. World's AIDS graph shows a steady increase of the number of deaths on account of AIDS. The figure last year went upto 3 million. After infecting 28 million people in Sub Saharan Africa, AIDS is advancing steadily towards Asia and East Europe. 1.8 million people are living with AIDS in the countries of Eastern Europe and Central Europe. Total number of people living with AIDS has increased to 40 million.

All this shows that the maxim of capitalism, on which the globalisation was based, that the free markets would lead to universal growth through free competition has been proved wrong. The levelling that was expected due to the great trickle-down effect has not materialised. In fact the inequalities have sharpened both in the developed and developing countries. They have increased by 2% since the Uruguay Round in developing countries. The world is witnessing a new phenomenon called "jobless growth". In 2001-2002 the monthly per capita consumption expenditure in rural areas of India rose a mere 0.7% over that in 2000-2001, while consumer price index for agricultural labourers, a measure of their cost of living, went up 2.23% pushing more people below the poverty line. Poverty means powerlessness, voicelessness, vulnerability, disease, fear.

Even in the world's most powerful economy, the bottom fifth of US householders receive only 4% of the national income while top fifth receive about half of it. 82% of the expanding export trade is enjoyed by the top fifth quintile of world wealth. Bottom fifth enjoys only 1% of its expanding export trade.

Large parts of the world are being increasingly disenfranchised. It is purposeless waste to have 40% of world population in abject poverty with unused capacity in 20% of it. Test of the progress is not whether we add more to the abundance of those who already have too much, it is whether we provide enough to those who have little. It is the disparity that drives people to desperation. People can live in poverty but cannot stand in justice. These disparities are a time bomb waiting to explode and pose the greatest threat to the security of business. The problem is not with globalisation but our business model. There is an urgent need for a fundamental rethinking of our business paradigms, its structure and reward system.

While the process of globalisation has been debilitating for the poor, their aspirations have risen exponentially with the onset of knowledge economy. We are today living in an age of the individual. Knowledge economy has empowered individuals and democratised institutions. The internet has made people highly conscious of their rights. If corporates do not improve things on their own, they will very soon be forced to do so. People will take the law into their hands as happened in Nagpur, where groups of women killed two criminals in broad day light. Awesome events of 9/11 have demonstrated the vulnerability of business. Gruelling poverty may not be the breeding ground for fundamentalists and ideologues such as Osama Bin Laden, but it is certainly the recruiting ground for those who promote terror and mayhem. Business therefore has a choice: either look after the local communities or be forced to do so and risk losing all they have.

Last few decades have seen a gradual migration of values. There are many factors responsible for it. Dawn of the millennium brought about a convergence between various forces of change that led to a realisation that we are living in a world which is becoming increasingly interdependent. We must therefore act more responsibly to one another and towards the planet. The events of 9/11 further reinforced the new thinking. The other factor influencing the new thinking has been the demographics. A third of world population today consists of teenagers. It is these 2 billion teenagers who are driving the world economy today. Their social and economical values are vastly different from the older generation. This generation looks for greater ethical responsibility, transparency, environmental action and social responsibility from the corporation. It was this generation which was responsible for the explosive growth of companies like Body Shop when they pitched their marketing on "we do not test our products on animals" back in the early nineties. This generation does not have a fanatical obsession to economic success. They expect the corporation to take care of people and planet along side the pursuit of profit. A significant proportion of young management graduates have opted for NGOs as their first job. Others have accepted lower salaries with corporations known for protection of human rights, environment or social action.

A survey conducted at the dawn of the millennium showed that 57% of those who responded would punish companies which are environmentally or socially irresponsible. On the other hand 54% felt they would prefer companies with a record of good corporate citizenship as opposed to 40% who preferred quality conscious companies. This establishes that social good has become a competitive differentiator. Stakeholder issues such as CSR, therefore, have become vital for corporate success.

Globalisation has made corporations much stronger. Out of 100 biggest economies in the world 5 are transnational corporations. Businesses have become so powerful that they are circumventing democratically elected governments. Mobility of capital has further loosened the hold of national governments on businesses. With corporations becoming increasingly footloose the government's tax base is shrinking, forcing them to collect disproportionately high taxes from salaried classes. No wonder there is a huge public outcry about companies being made responsible for their social and environmental obligations. Such is the pressure of civil society that more often than not market capitalisation is determined not by the profits announced by the company but the public perception of how they discharge their social and environmental obligations.

That there is a strong evidence of positive correlation between the CSR performance and financial performance has been proved by some 95 empirical studies during the last 32 years using 70 different measures. But results cannot be tantalising unless companies give up posturing and start implementing the nitty gritty of CST. CSR effort can be a win-win situation for the company as well as for the poor and disadvantaged.

Corporations are becoming increasingly aware of the PR value of CSR. Most claim to wear the CSR badge. The debate, however, is that they are not being driven by their altruism but opportunism and use CSR as a risk management strategy. Christian Aid, a UK based charity, in their latest report "CSR - Behind the Mask" has castigated companies for using CSR as "applying lipstick to a bulldog". They feel that most CSR initiatives of the companies are designed to improve their public profiles. Philip Morris, a US tobacco company, proved this point. They spent \$75 million dollars on charitable causes but \$100 million dollars to launch a corporate image campaign to publicise the \$75 million dollar spend.

No one expects companies to simply donate money for CSR action. In fact CSR is far removed from simple charity of giving. Philanthropy is not CSR. CSR is part of the business model. The real benefit of CSR emerges only if it flows from the strategic intent; when the board and management both realise that CSR is a way to make the business more sustainable, assuring continual growth in the long run. CSR is part of continual improvement which says - everyday in every way I am getting better and better. CSR is an inside out job and not for those who simply want to act the part.

The pursuit of business today is limited to a small proportion of total field of options. There is a complete lethargy of innovation. There is a whole new market of untapped customers and unarticulated demand. This market consists of 4 billion poor in the world. In an article published in HBR titled "Serving World's Poor Profitably" C K Prahalad and Alan Hammond have given an example of the huge premium being paid by India's poor for water and fuel in a shantytown called Dharavi inhabited by over one million people in Mumbai. Nobody has figured out how they can transform their business and at the same time improve the lot of the poor by treating them as customers from where they can truly make money. The market offered to poor is estimated to be of \$1.7 trillion, roughly equivalent to the annual growth domestic product of Germany. Dr Hammond who is the Vice President of the Washington based World Resource Institute says "Business has all but turned blind eye to the poor because of the assumption they have no money. Instead, global business continues to make the mistake of going after the "upscale" consumer even though there are fewer of them in developing countries. " This hypothesis has most radical dimension and unprecedented potential. The government can stop treating them as begging bowls. The civil society can stop viewing them as object of charitage. These poor are the most important customers representing the largest untapped consumer market on this planet. They can transform the bottomlines of many corporations and make this world a less dangerous place. No need for the government to dole out Rs.30,000 crores of public money on poverty alleviation programmes. This money can be well spent on infrastructure – roads, electricity, water and sanitation.

The primary fault though for our social ills lies in our accounting system. Admittedly, capitalism has won the battle against communism. But we need to understand capitalism correctly. Knowledge economy has expanded the definition and scope of capitalism. Yet, our only measure to determine capital is the financial measure. We do not realize that society can create value by various non-financial measures such as enhancing human capital, environment capital and social capital. We are living in a strange world. I can walk out of this room, take a flight to any destination I want, hire the best hotel I want, stay for weeks may be even months – all this without a rupee in my pocket. But if all the air is sucked out of this room I cannot survive for more than a few minutes. Yet, while we have a price tag for all the goodies that I can live without, the things that are most critical are free. Market economy is meaningless if it does not count the value of human capital, social capital or environmental capital.

Global corporations today are facing enormous geological challenges. As the business expand and their operations extend beyond their borders they have to transcend their parochial mentalities. What sets them apart is that their constituency is global and they truly capitalise on the inherent advantages of knowledge economy by constructively engaging with diverse stakeholders. Diversity today has become a value enhancer. The uniqueness of knowledge adds value to both sides. The increase in value is determined by the degree of diversity between the two parities. Greater the diversity, more is the gain. Their knowledge can have a monumental effect of geopolitical realities. Societies today are divided between classes, races, religions and regions. As they realise that the value comes not from conformity but dissimilating, the hatred based on the divisions will disappear.

We are living in exciting times. Never before in human history the gap between what can be imagined and what can be achieved has been smaller. Technology has given us the power to do what we want. The question is do we have the will to do it. Our will has been crushed by our adulation and addiction to consumerism. It is the consumerism which is the cause of a lot of our ills – widening disparities and distrust, waste, pollution, environmental damage, obesity and heart disease. We need to enhance our spiritual quotient. We need to be sufficiently ashamed of our obsessive consumerism to realise that 63% of India's children go to bed hungry. They have no water supply, no concrete roof and no toilets, things that we take for granted. We need to think how we like to be remembered by the history. Think of Alfred Nobel. Alfred Nobel, the founder of Nobel Prize has the very unique experience of reading his own obituary with his morning coffee. It was all about his involvement with dynamite. Noble was devastated that he would be remembered only for destruction. The experience changed his life. So he designed a peace prize. The story shows the value people attach to how they would like to be remembered.

We must ask ourselves - Why are we here? What is our purpose? The moment you realise you have no other purpose than to realise your inner urge and innate potential and make a difference you will say good bye to posturing and get real with CSR. Americans have long been of the decade when they abolished slavery. Let us become part of a decade that abolished poverty and removed inequality from this planet. CSR is service to mankind. There is no higher ground than human service. To work for the social good is the greatest creed.

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