
“CSR PLUS: STRATEGIES THAT ENRICH THE POOR AND BUILD CORPORATE BRANDS”

Summary and Recommendations of 2nd Global Conference on Social Responsibility
15-17 February 2007, Vilamoura, Portugal

Global Challenge: Poverty and the Environment

Collaborating as a Strategy to Alleviate Poverty and Upgrade the Environment

Embedding CSR into the Business

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Introduction

CSR Plus is a term applied to corporate effort in engaging with company's stakeholders in a way that enhances bottom-line benefits for both. The focus of this second Global Conference on Social Responsibility was on strategies that enrich the poor and build corporate brands. The conference held in Vilamoura (Portugal) on 15-17 February 2007 was a sequent to the first Global Conference on Social Responsibility organised by the World Council for Corporate Governance on 16-18 February 2006 at the same venue [Vilamoura I]. Its theme was “The role of business in alleviating poverty. Practical steps to benefit the poor and raise profits”.

Delivering his keynote address at the Vilamoura I, **Prof. C K Prahalad**, the celebrated author of “The Fortune at the Bottom of the Pyramid”, said: “We must democratise commerce and provide world class products to the untapped and underserved market of 5 billion people at the bottom of the pyramid”. He called for democratisation of commerce and building of inclusive capitalism to remove the asymmetry of power. He exhorted corporations to co-create value with these new customers by giving them choice and dignity. He said affordability meant making products which are world class and yet cost one fiftieth of the current solutions and gave examples of Jaipur Foot and Aravind Eyecare in India.

The Rt Hon Joe Clark, former Prime Minister of Canada, supported CK Prahalad's observations. He said that the real growth of multinational business lay in the emerging markets. “Businesses in the resource and extractive industries especially have to go where their ore or their oil are. They don't have the luxury of operating in safe and familiar places. Companies need to change their paradigms. We need to find out how companies can be encouraged to change the context and assumptions that guide their decisions.”

The recommendations of Vilamoura I are at Annexure 1. Participants were of the view that the World Council for Corporate Governance had done a great job in assembling together an eminent group of people representing all sectors such as government, business & civil society. It should assume responsibility for creating a standing platform to discuss Vilamoura model of CSR Pus putting private sector at the heart of development agenda and connecting the world to the boardroom and boardroom to the village.

Vilamoura II organised by WCFCG in Portugal from 15-17 February 2007 was a sequel to Vilamoura I. It was aimed to revisit the experience of companies in engaging with the poor and creating bottom-line benefits for both. The conference drew



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together business leaders, policy makers, public leaders, academics and representatives of the NGO community from 22 countries.

Collaborating as a Strategy to Alleviate Poverty and Upgrade the Environment

Baroness Amos, the Leader of the House of Lords, in her opening remarks stated: “We are fortunate to have many of the best advocates for progressive, innovative corporate social responsibility strategies here tonight and there are excellent examples of business strategies that have built brands and helped the social development process. For me CSR Plus is about companies going the extra mile. Looking at ways in which business growth and development can build infrastructure, support social development and be profitable and sustainable. Initiatives like Product RED which through innovative partnerships with companies like American Express, Motorola and Yahoo has so far raised over \$11 million for the Global Fund to Fight AIDS, TB and Malaria. The success of mobile phone companies throughout Africa has shown how a profitable business, mass communicating, can also transform the lives of the poor. Farmers, for example, can now, cheaply and easily, find the best price for their produce, and find out what’s selling well without having to go long distances to market.”

Embedding CSR into the Business

Ola Ullsten, former Prime Minister of Sweden, in his keynote address, emphasised the growing consensus in the scientific and business communities, on the issue of climate change. In discussing the theme of CSR Plus, Dr Ullsten issued a call to business leaders to recognise that the time for action on climate change is now, that delay is no longer possible and that active engagement with governments and communities is the only ‘responsible’ course of action left. For this, a ‘business climate change’ is required, which places environmental and social concerns at the centre of corporate decision making.

Making Markets Work for the Poor

Ruud Lubbers, former Prime Minister of The Netherlands, identified how the issues of poverty and environmental degradation are increasingly being seen as part of the CSR Plus agenda. He focused on the role of companies activities in creating some of these problems and, as importantly, in playing a role in mitigating them. Dr Lubbers spelt out how companies can engage with the poor as partners, as well as customers. He emphasised that for this to happen we have to devise new forms of governance to meet diverse and complex needs of today’s companies.

Empowerment of the Poor

Madhav Mehra, President of the World Council for Corporate Governance, made 3 points in his theme address. (1) CSR Plus is not fluffy do-goodism but a hard-nosed business case underpinned by a belief that engaging with poor and committing to social causes enhances corporate brand and makes money for companies. Shoppers and investors reward companies who are ethical, moral and socially responsible. CSR, therefore, is the real corporate business opportunity to create sustainable wealth in the 21st century. (2) The best CSR is to bring poor into the market economy by offering eco-friendly products and services at a price they can afford. (3) The best value comes from treating CSR in a holistic way and tackling the issues of poverty, inequality, carbon neutrality, excessive consumerism and waste in an integrated manner as Marks and Spencer and ITC are doing. The answer lies in Poor-Oriented Innovation with Sustainable and Emission free Designs (POISED) and moving economic growth from acquisitional to experiential mode.

Protecting the Environment and Combating Climate Change

Yogi Deveshwar, Chairman ITC, in his keynote address, focused on ITC’s social and farm forestry initiative serving as a means of livelihood for tribal communities. ITC promoted plantations, spanning some 30,000 hectares have created an asset value of US \$140 million in the form of wood, thus playing an important role in rural development and poverty alleviation by creating employment for nearly 300,000 people in tasks such as planting, tending, nurseries, logging and maintenance.

Niels Christiansen, Vice President Nestle, stated “the highest level of corporate social responsibility is creating value for society – in the case of a food company, creating value for farmers, for our consumers and for our employees”.



Global Challenge: Poverty and the Environment

In the plenary session **The Global Challenge of Poverty and the Attrition of the Natural Environment**, speakers Sir John Kaputin (ACP Group), Dr Olivier Giscard d'Estaing (INSEAD), Helen Ball (RSPCA) and Kavilash Chawla (Nur Advisors) all emphasised the importance of growing inequalities within and between countries. This inequality drives the degradation of the environment and poses a long term threat to the viability of the business system. Thus action is needed that adds value to existing company operations whilst contributing to the societies in which they operate – an approach called ‘creating shared value’ was suggested as a useful way to achieve this. In doing this companies are looking after their own profits in the long term, whilst ensuring that there will continue to be markets for their goods and services.

Collaborating as a Strategy to Alleviate Poverty and Upgrade the Environment

Sir John Kaputin, MP for 30 years in Papua New Guinea, later becoming the Governor of its Central Bank and currently the Secretary General of African Caribbean and Pacific Group of Countries based in Brussels, emphasised that CSR Plus is of great interest to African, Caribbean & Pacific states. There is a need to focus on community based mobilisation & participation. Sir John noted that small businesses operate in a wide range of economic activities, in all countries, provide large amounts of employment and are crucial in all ACO countries. These small enterprises have a strong multiplier effect, promoting further development, as well as creating a tax base. This furthers opportunities and expands economic development further. But widening participation is constrained by a lack of access to finance.

Embedding CSR into the Business

Dr Olivier Giscard d'Estaing noted that he found it difficult to add anything to the excellent presentations. The contradiction is that this is a convinced audience. The contradiction is important as we need to decide how to promote the views externally, all over the world. This is why we need to focus on the changes occurring nowadays and the complexity of the problem. CSR is not an abstract concept, it is fundamental to how we conduct business. This raises questions like:

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- Where are the limits of each capability/responsibility?
- Is it enough for a company to comply with legislation and pay tax?
- How should corporations allocate finance to CSR?

Empowerment of the Poor

Dr d'Estaing concluded that it is important to avoid having walls between government/business/civil society. It is necessary for us to use communication to explain that global challenges are complex and need every one of us to contribute.

Helen Ball discussed Animal welfare and its role in CSR. She noted the increased recognition of how animal welfare impacts on us all. Governments and the business world are now involved. From a business perspective this includes research animals, meats as well as habitat destruction and competition for resources (water, air). Ms Ball noted however that measuring animal welfare is difficult. Despite this, there are business opportunities for: the retailer, the charity, farm assurance scheme. This is because the consumer is very important.

Protecting the Environment and Combating Climate Change

Kavilash Chawla of NUR Advisors discussed how CSR is a challenge to protect the environment & fight poverty. Whilst the goal of business is to make money, the problem is seeing how to make environment/poverty profitable. This will require Institutional change: the perspectives of institutions, of how they integrate CSR, is crucial. There has not yet been a fundamental shift in centralising CSR into corporate policies. This is where CSR Plus is about changing the business climate for investment in social activities.



Global Challenge: Poverty and the Environment

In the plenary **Collaborating as a Strategy to Alleviate Poverty and Upgrade the Environment** the conference took up this concept of creating shared value, by detailing success stories of how collaboration and partnerships can help businesses and the communities in which they work. In doing this companies are not acting out of philanthropy, they are acting out of a long term sense of self interest which identifies the need to create new markets, to contribute to economic development in the regions in which they work and which recognises the necessity of a preserved environment for long term business growth and sustainable development. This approach builds brand value for the company while allowing different partners to focus on their own core competence.

Collaborating as a Strategy to Alleviate Poverty and Upgrade the Environment

Alec McGivan (BBC), Recognising the importance of a greener planet and empowering the poor, noted that the media have a central role. The media does more than inform, it provides platforms, enables all areas of society to engage in debates. The media can use its reach and targeting to access and empower communities. The BBC world service trust is an in-house charity aimed at reducing poverty and improving human rights. The aim is to make UK audiences aware of other parts of the world, and to making different parts of the world connect with one another.

Embedding CSR into the Business

Dr Cobus de Swardt of Transparency International, discussed TI's demand side corruption index, supply side, bribe payers index, global barometer as Corruption analysis, as well as preventative tools. He favoured Collaboration – based on two basic premises. (1) One of the key development lessons is that highly corrupt communities, with weak institutions can absorb unlimited aid and yet not alleviate poverty. (2) Tackling these problems are not driven by a moral impetus, nor should they be, but by a fundamental material base. This leads to the need to build effective collaborations. Business community sees NGOs as a necessary evil, rather than as partners. Civil society is itself in its infancy in contributing to social responsibility.

Making Markets Work for the Poor

Prof. Eva T. Thorne (Brandeis University) noted that Business needs profit to operate. CSR language can be off putting, so we need to use language that business can understand. Prof Thorne discussed how CSR allows corporations to be symbols of hope, not anger – creating opportunities and contributing to sustainable development. This is central to seeing the Private sector as driving force of global change. Civil society is also realising that their agenda cannot be fulfilled by taking a hostile stance to business.

Empowerment of the Poor

Habiba Al Marashi described her NGO based in UAE – whose aim is to increase awareness of environmental issues. The UAE has witnessed high economic development, population increases which lead to problems of sustainable development in this semi-arid country. Until now economic growth has been seen as the most important state priority. Hence the need for civil society to expand this perspective.

Protecting the Environment and Combating Climate Change

Esther Trujillogimenez Head of CSR at Telefonica Spain explained that Important social & economic issues have a connection. So, what should be the response? Ignore it (No). Instead accept, lead, participate in and organise CSR activities. In Spain, Telefonica has helped found FRC. The process of creating the campaign has helped Telefonica as a company, identifies how it is important to make products & services available to poorer customers (esp. in Latin America).



Global Challenge: Poverty and the Environment

In the working group **Embedding CSR into Business**, a discussion was held between the main participants, led by **KG Ramanathan**.

The key points under discussion were:

Collaborating as a Strategy to Alleviate Poverty and Upgrade the Environment

1. The 'Why' of CSR is already generally accepted on the following two premises:
 - Pursuit of CSR objectives are complementary or synergistic with business goals
 - Corporations have the resources to make an impact on the society (employees, stakeholders, environment) in its pursuit of long term sustainable goals

Embedding CSR into the Business

2. Current discussion is on 'How'
 - to internalise the CSR objectives in the decision making process of the companies
 - need for all round involvement and not confine only to the 'top'
3. This leads to Four practical steps:
 - a) Compliance with laws and standards in letter and spirit
 - b) Spot business opportunities in the development processes consistent with sustainable goals (some examples given). Spot, analyse, 'leap of faith'
 - c) Involvement in social initiatives. Allocation of resources, partnerships, commitment
 - d) Partnership with Govt., NGOs

Making Markets Work for the Poor

4. But there is still a Need for 'Human Face' for corporations
5. Five Responsibilities
 - a) To investors
 - b) To value creation (?)
 - c) To the Physical environment
 - d) To human well being
 - e) To the Political health of societies

Empowerment of the Poor

6. For example, the SAFRI Initiatives in developing SME Sector in Southern Africa
 - Training in skill creation / entrepreneurship
 - Mentoring / Corporate venturing
 - Improve opportunities for trade
 - Improve living standards
 - 'When the sun comes up you had better be shining' whether lion or gazelle
 - 'journey to excellence' (importance is the journey as excellence in a moving goal)
 - EFQM model for benchmarking

Protecting the Environment and Combating Climate Change

This led to **conclusions** from the group, that we need to:

1. Distinguish between philanthropic activities and pursuit of CSR objectives as part of business goals
2. Need to recognise and spot CSR opportunities which are synergistic with long term sustainable goals
3. Partnership with Government, NGOs in Social Initiatives
4. Internalise the process in the Corporation as a way of life
5. Need for commitment and involvement all the way from the top
6. Independent directors can push CSR objectives in the board and the company.



Global Challenge: Poverty and the Environment

In the working group **Empowerment of the Poor**, members discussed how corporate activities can have a positive contribution on choice for the poor. If development is about choice, then empowering the poor – as consumers, suppliers, business partners and stakeholders – shows the promise of CSR Plus.

Collaborating as a Strategy to Alleviate Poverty and Upgrade the Environment

Niels Christiansen of Nestle stated that “You empower the poor by making them business partners. Make the poor part of your central business strategy.” Nestle buys directly, eliminates the middleman. Direct contact with farmers. E.g. with coffee, Nestle seeks to teach farmers how to grow better coffee, process and grade the coffee.

The quality of coffee drives the comparative advantage of the Nescafe and Nespresso brands. There is a misconception that BOP is less profitable. This is not the case. But to work with the poor companies need to Empower the poor by engaging them as suppliers, local agricultural industries, distributors & consumers. This has been published in base studies such as:

Embedding CSR into the Business

Porter & Kramer (2006) ‘Strategy & Society: The link between competitive advantage and CSR, HBR, Dec 2006.

Goldberg & Herman (2003) ‘Nestle’s Milk District Model: Economic development for a value-added food chain and improved nutrition.

Central to this is the concept that you help the poor by making them business partners.

Making Markets Work for the Poor

Baron Carlo Tortora-Brayda di Belvedere, of Alchemy World, presented a case study ‘from the trenches’ in Ethiopia. He noted that the Alchemy World concept can in fact enable and empower the poorest of the poor through social entrepreneurship. Youth (65% young women) from the most deprived areas are selected by a local committee to embark on a three year hands on training course, by the end of which they are supported to create a mid size business in information technology and services.


Empowerment of the Poor

Each youth creates 20-30 jobs, and brings in significant export revenue. The Alchemy World processes ensure the success of the initiatives by plugging these newly founded companies into the global network of agents, distributors and resellers. This program is scheduled to deliver \$1.2Bn of export turnover by 2015 and 8000 jobs in a variety of rural locations

Protecting the Environment and Combating Climate Change

Yashashree Gurjur – Head of CSR, Ballapur India, described how his Indian focused company is the largest producer of paper in the region. As a commodity focused industry there are challenges in the ‘traditional’ CSR approach. As a commodity, the Bottom of the Pyramid is not necessarily relevant. But this does not mean that there are no opportunities. On the contrary, a CSR Plus agenda can still empower the poor, as suppliers, staff and stakeholder. Ballapur launched it’s CSR programme in 2001.

Project ‘Bilt’ which stressed Job creation through micro entrepreneurship is one example of the successes Ballapur has achieved through this CSR Plus approach to empowerment.



Global Challenge: Poverty and the Environment

In the working group **Making markets work for the poor** the group examined the different ways in which private expertise and finance can be leveraged to create opportunities for the poor. Taking up the idea of a Corporate Social Opportunity, the discussants described their different experiences, from different parts of the globe.

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Dr Shona Grant of the World Business Council for Sustainable Development discussed how their organisation represents large, multinational, businesses. She noted that businesses can play a big role in providing goods and services to people who do not otherwise have access. For example 3.7 Billion people lack access to finance. There are lots of examples from their members, working in developing countries, on how this can work. For example how they employ people, how they engage with stakeholders.

Embedding CSR into the Business

The key challenge is finding a way to bring the idea of CSR towards the centre of corporate strategy. There is then a need to TRANSLATE this into core business strategy. For this to occur businesses need to be rewarded for doing this. The challenge is in finding a way to create good business (profitable) as well as good for society (sustainable). Examples include a low cost irrigation system for small farmers, partnered with Ministry of Agriculture, NGOs, etc. The success of this led to the company setting the aim of gaining 10% of sales revenues from the bottom of the pyramid.

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Kaori Taketani of Nikkei Research Inc. described CSR in a Japanese context. She stressed that the cultural context is different. Anglo-Saxon is stock market orientated but that Japan is social relationship orientated. To explain this, she noted that CSR is a form of hardware, Corporate Governance is the hardware. In the Japanese context- communication and business practices are tacit, the understanding of the firm is much more family and service orientated. This CG and CSR are often discussed in very much the same way, or together.

Empowerment of the Poor

Rita Almeida Dias of Triple Value / Impactus discussed the Bottom of the Pyramid (BOP) opportunities for business. As employees, customers, suppliers. For example Lifebuoy soap in India (Unilever). Crucially, the business case is based on economies of; reach, interaction, scale & innovation. Ms Almeida Dias stressed that the relevance of sustainability is even higher with BOP markets. Innovation is the way to deal with pressures on natural resources.

Protecting the Environment and Combating Climate Change

Sofia Santos of Triple Value / Impactus described how, by building and growing a market, we are creating potential consumers for higher value and greater volume of goods. There is a risk inherent in this of exhausting our supplies of energy, wood, natural resources. A jump in demand for goods could also imply a hidden jump in the supply of natural resources. Common to all of these problems is the issue of finance.

We can use the same traditional tools as in the financial markets, but when talking about risk also talking about environmental degradation, poverty etc. Ms Santos noted that environmental issues are today's risk factors. They can be liabilities or assets, depending on how they are managed. Banks carry the social/ environmental risks that their clients take. Consumer boycotts, legal action etc require banks to undertake due diligence. To confront this banks have developed useful financial instruments. In Portugal Triple Value / Impactus have a project to conduct market research on this issue.



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Outcomes

Four key themes emerged from the conference:

- 1) That CSR is no longer an option. It is critical for the survival and sustainability of business. It is both a challenge and opportunity.
- 2) That companies can empower the poor by making them business partners. By making the poor part of the central business strategy new markets can be created. In doing this companies are building their brands, developing future markets and creating wealth for themselves.
- 3) That companies are already making significant contributions to society and environmental protection. The key is to expand and mainstream these initiatives and, more importantly, integrate them in the business. CSR needs to no longer be seen as publicity or philanthropy, rather it is about how companies engage with their customers, suppliers and civil society.
- 4) For lasting benefits CSR has to merge the issues of poverty, inequality and climate change in a holistic way and provide a model of economic growth where prosperity is shared without increasing the environmental footprint.

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Conclusions

A fruitful discussion of the above four themes showed how, even though the conference comprised a wide variety of companies, representatives of civil society and other actors, that there is a consensus on the next steps for implementing a CSR Plus agenda. This consensus can be summarised as a set of following conclusions from the conference.

Making Markets Work for the Poor

- 1) That the WCFCG is to be commended on organising such a useful meeting on CSR, and that WCFCG is to be encouraged to continue such events.
- 2) That the conference recognises that companies contribute to society and to environmental protection, and that what is now required is a focus on mainstreaming CSR into the core of business activities and decision making.
- 3) That the conference recognises the importance of business to continue in their strategies that enrich the poor and build corporate brands, as a key to achieving sustainable development and continued business growth, especially by developing brand value and in creating new markets.
- 4) Business should consider poverty alleviation and climate change as opportunities for competitive differentiation and make CSR Plus a business goal.

Empowerment of the Poor

Further Reading

Protecting the Environment and Combating Climate Change

'CSR Plus: Strategies that enrich the poor and build corporate brands' Mehra, M. (ed), World Council for Corporate Governance, London. www.wcfcg.net/proceedings.pdf

Making a Difference through Corporate Governance'. Mehra, M., World Council for Corporate Governance, London. www.wcfcg.net/mmbook.zip

Porter & Kramer (2006) 'Strategy & Society: The link between competitive advantage and CSR, HBR, Dec 2006.

Goldberg & Herman (2003) 'Nestle's Milk District Model: Economic development for a value-added food chain and improved nutrition.

"To save Planet Companies will have to PROACTIVATE" Mehra, M., Quality Times of the Institute of Directors, March 2007 Page 38. ■

