Perspectives: Corporate Community Engagement and Empowerment

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The philosophy of Corporate Social Responsibility (CSR) has evolved since the 1950s’ stakeholder perspective\(^1\) leading to the more modern-day concept of sustainability, which emerged in the 1970s.\(^2\) Literature identifies a number of reasons why private firms engage in CSR practices. These are (a) bolster the organization’s public image, (b) meet needs or pressures from key external stakeholders, (c) be aligned with industry or community expectations, (d) protect itself from legal threats, (e) provide a source of motivation for employees, and (e) achieve a marketing advantage or other direct economic impacts.\(^3\) Broadly, this can be classified from the economic dimension (companies need to be profitable); legal dimensions (work within legal framework); ethical dimension (ethical, moral, or values the organization adheres to) which merges with discretional dimensions (companies’ voluntary actions that benefit society).\(^4,5\)

While CSR as a concept is becoming almost a fad, many organizations who adopt the concept are stuck at lower levels of evolution in the continuum (see Exhibit 1). The truth is we need Corporate Community Engagement and Empowerment practices both within the organization and outside. Traditional philosophy at one extreme can include companies whose purpose is entirely driven by philanthropic activities like not-for-profits, NGOs, and Foundations (examples could be Kiva, Khan Academy\(^6\)). Private firms on the other extreme could be purpose-driven

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\(^6\)Game changers Top 500, Available: http://gamechangers500.com/
organizations where CSR is embedded in its mission, objectives, values, and organizational culture (examples like Tom’s Shoes, Patagonia, Whole Foods, Okabashi, Grameen Bank). CSR can be seen as supportive of community activities, a great source of philanthropy, drivers of ethical and moral business, and a corporate culture of social activism. According to Michael Porter and Mark Kramer — if done correctly, CSR can transcend to both extrinsic and intrinsic stakeholders leading to a competitive advantage.

At one extreme, CSR has been accused as window-dressing and non-relevant to the economic business of the firm. Not only are CSR-related advertisements

Exhibit 1: CSR Continuum.  

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increasing (corporate image/philosophy, product cause and philanthropy) but more companies worldwide are either producing a sustainability report or embedding some parts it in their annual reports. Is this a fad?

To embed the CSR efforts and make it more relevant inside the company and the community, in 2006 an initiative called Product Red was created and launched at the World Economic Forum. This concept allowed brands under the Product Red umbrella to donate part of their profits to causes that fight HIV/AIDS, malaria, and tuberculosis. Unfortunately, this concept had its fair share of controversy over the amount given for the cause versus the amount given for promotion; ethics of luxury consumerism (is it essential?) versus donation; transparency and the price of ‘doing good’.10 Today, even NGOs are struggling for funds and according to the IMF Managing Director, the recession may create a US$ 27 billion gap in external financing in 2012 pushing 23 million people into poverty.11 Why? While the individual is important we need to look at the collective power of organizations and their impact to create community change. We need to look at both sides of the philosophy of CSR — one is the consumer side, and the other is the organizational.

If we begin looking at the consumer side — we see an overlap with the concept of ethical consumerism, sustainable products, and pro-CSR marketing activities in newly emerging terms like corporate social entrepreneurship, social activism, cause related marketing, social marketing, social moments, grassroots marketing, etc. A recent study showed that while CSR was theoretically effective in getting responses from customers in the forms of opinions of attitudes and behavior; in the marketplace, it fell short because of low consumer awareness of the various social issues in which firms engage and a lack of understanding of the context and its relationship to the firm’s business, values, and ethics (or its inconsistency).12

This suggests we are targeting three types of customers (see Exhibit 2). The first is what is called the Crusader, who is an empowered customer who takes initiative to go out of the way and find information about companies and products and does business with those organizations that reflect his or her values, morals, and ethics. This puts the onus on the company to establish good practices, articulate it in its philosophy, and embed it in their culture. The second type of customer is called the Trender, who is willing to listen to an organization or media but will expect the information to come to them. This puts the responsibility on the organization to educate the customer. The third customer is called the Swayer and does not actively

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seek out value-oriented companies. His decision choice will only get impacted when negative information is highlighted.

This may explain why products that adhere to fair trade contribute a small amount to overall business. For example, fair trade agricultural products contribute to 0.1% of marketplace activities. Piracy and counterfeit products were estimated by OECD to cost US$ 200 billion in 2005 in terms of international trade which is around 5–7% of world trade. No matter what customers say (and research says that if asked customer will pay more, choose more and buy more of ethical products), the market reality shows otherwise. A study in 2006 showed that even when customers may say they care, and are aware, they will sometimes ignore information while making decisions. For example, in the quick service industry there is a strong

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drive toward healthy foods. The share of voice for example for salads is as high as 30% but when it comes to paying (share of wallet) the share drops to 1%. This is the ‘What’s in it For Me?’ factor. Many organizations first focus externally looking at the consumer or business stakeholder side of business.

If you can replace CSR with Corporate Community Engagement and Empowerment, then one of the communities you can influence first is your organization’s employees. Rather than start outwards, organizations must begin internally embedding these practices of CSR in their business philosophy, values, and culture. This is the classic strategy dilemma — one of the internal alignment versus external adaptation gap. CSR that gets embraced internally (has an internal alignment) will help guide adaptation strategies and can get translated across the business, emerging as good practices. The reach of this effect will be far flung, sustainable, and have more impact (see Exhibit 3 for ripple effect of Corporate Community Engagement

Exhibit 3: Ripple Effect Corporate Community Engagement and Empowerment Beginning from Inside the Organization.

and Empowerment). Exhibit 4 highlights examples of companies that use both the inside and outside approach. While this is just a snapshot, the idea behind this article is to provoke dialogue. While the larger over-arching goals set at Rio+20 by the UN will now take media front stage, it is important to remember the reason why we are doing what we do is to be true to ourselves as individual organizations.

Psychology shows us those individuals who pretend to be something they are not are ‘lying to themselves’\(^{\text{18}}\). For example, talking about recycling and green initiatives when the organization has not implemented measures to save paper, conserve water, and electricity may be detrimental internally (employees think then it’s okay to deceive) and externally as trust erodes. The impact of this type of deception is strong both for the deceiver and the receiver. This impacts corporate culture and worse can lead to the end of the firm, or hurt the industry. More importantly, the good also gets tainted by the bad. Many Enron employees come back and said, ‘Everything was not all bad’.

CSR should begin at home, and maybe it needs to be redefined as Corporate Community Engagement and Empowerment. Communities can be internal and external. Engagement and Empowerment can look at people (individuals, societies, governments, industry, local-regional-worldwide) and environment (physical workplace, ecological, mental). Corporate Community Engagement and Empowerment metrics can be defined at following levels: (1) individual empowerment or collective empowerment, (2) immediate impact or sustainable impact, (3) behaviors change or attitude change.

Challenges for regional or local companies may differ for transnational corporations (TNCs) because of the vested interest of significant stakeholders like unions, legal firms, different regulatory authorities with different standards and criteria across countries,\(^{\text{19}}\) NGOs, political entities, and media. Negative media or ‘global staging’\(^{\text{20}}\) tends to affect global countries with disparities in standards more harshly than local organizations and this sometimes overshadows the good being implemented. In 2006, Nike came under fire with the footballs made in Pakistan by children, Apple in 2011–2012 is under the magnifying glass with worker rights in China, and in 2008 the baby milk powder scandal with Sanlu resulted in impacting food imports from China and the death sentence for two accused managers. Distance from the value chain highlights potential for problems.

We see TNCs are now refocusing on the global value chain working with suppliers to help them adhere to the global standards and meet organizational values. They are working where possible with local communities. Engagement because to help at the community level you need to understand the challenges of the community and be able to come up with relevant solutions. Empowerment because if the


\(^{19}\)For example, baby food and drugs have different quality standards across countries and must be regulated by local authorities; unions can dictate different working conditions and terms for employees.

Exhibit 4: Corporate Community Engagement and Empowerment (Internal and External Perspectives).

<table>
<thead>
<tr>
<th>Value Chain — key stakeholders</th>
<th>Key competency</th>
<th>Internally looking</th>
<th>Externally looking</th>
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</table>
| TMT Philosophy and Values       | Leadership and culture | Philosophy and values reflected in internal culture and decision-making:  
• Both Abraaj Capital Ltd\(^a\) and Aramex have embedded policies within their organization to ensure social/sustainable community investing.  
• Ben & Jerry’s Foundation (bought by UniLever in 2007) donates 7.5\% of pretax profits to charitable causes and organizations. | Use organizational leanings to define how your partner/influence/work with other organizations and stakeholders:  
• Setting up good governance practices with the industry.  
• Aramex set up Ruwwad as a private sector led social initiative to help marginalized communities. |
| Finance/Administration/Infrastructure/Investment | Good fiscal policies Transparency/Ethics Lobbying | Following or setting accounting standards:  
• Clear auditing standards articulated GAAP (Generally Accepted Accounting Principles) and following internationally accepted best practices even when doing business across all countries.  
• Transparency in salary and entitlements  
• Tom Shoes: For every pair of shoes sold, one pair of shoes is donated. | Using your learning to create new international standards:  
• Investment Principles of Sourcing Business: Principles of Responsible Investment (PRI), an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact. |
| Human Resource Management       | Recruitment policies Education and training Empowerment and value Working conditions | Managing responsible, empowering, ethical HR practices:  
• Diversity policy; policy for whistle blowing.  
• Toyota during 2011, earthquake and tsunami did not lay off staff — used rotation. | Using your HR learnings to benefit stakeholders. Example:  
• Lobbying for diversity, employee benefits, anti-bullying, etc.  
• KPMG — runs case study competitions for students. Students are mentored, and some |
### Exhibit 4: (Continued)

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<tr>
<td>Diversity/\ Discrimination</td>
<td>Americana setting up KFC Egypt run by staff who are deaf and dumb.</td>
<td>are selected for future employment.</td>
<td></td>
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<tr>
<td>Compensation and care</td>
<td>Abraaj Capital ensures that all employees spend five days volunteering at company cost and encourages them to donate 5% of their bonus to philanthropy.</td>
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<tr>
<td>Layoff</td>
<td>Dilmah Tea through MJF Charitable Foundation focuses on the improvement of medical and educational facilities for 30,000+ workers and families on MJF Group plantations and trading and production activities.</td>
<td>In 1998, Americana leadership joined forces with other business leaders in various industries and established an independent foundation, the Future Generation Foundation (FGF) in Egypt, with the purpose of providing fresh graduates with training in basic business skills identified through market surveys. Till date they graduated over 40,000 fresh graduates from its basic business skills program with 97% employment rate.</td>
<td></td>
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<tr>
<td>Use of fair trade</td>
<td>Nestle’s Practice What you Preach — performance management criteria beginning with leadership and cascading it downwards.</td>
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<tr>
<td>Managing inventory</td>
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### Procurement/Logistics/Operation’s

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<tr>
<th>Supply/Raw material</th>
<th>SEKEM, Egypt in sustainable agriculture.</th>
<th>Using your organizational learning’s in supply chain to benefit stakeholders:</th>
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<tbody>
<tr>
<td>Environment and carbon impact</td>
<td>Body Shop’s focus on environmental protection, animal rights, community trade, and human rights, sourcing from minority communities to empower women.</td>
<td>Infofort — Infocare being used to help NGOs to manage information to benefit society and communities.</td>
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<tr>
<td>Use of technology (health/safety)</td>
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<td>Creating new standards of fair trade: Starbucks’s Coffee and</td>
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| R&D, Marketing and Sales | Consumer behavior | Understanding, adaptation of product for local community needs, and educating the consumer:  
For example:  
- Dr. Devi Shetty’s Bangalore-based flagship, 1000-bed Narayana Hrudayalaya Hospital, has revolutionized process and reduced cost of cardiac surgery.  
- 3M — innovation is a key focus area and to spearhead employees are encouraged to be involved in a ‘multidimensional’ culture, to share ideas, to congratulate peers for their work, and has a ‘dual career’ ladder for |

| | Education and awareness |  |
| | Product need and development |  |
| | Communication |  |
| | Pricing policies |  |
| | Customer privacy |  |

|  | Farmer Equity (C.A.F.E.) Practice’s decade long work with Conservation International to create buying guidelines for ethical sourcing.  
- Aramex using its logistics network to distribute aid.  
- Nestle’s zero emission projects where they work on conservation of water, energy and resources, and recycling waste, where feasible. |

|  | Using insights to help society, educate or empower them:  
- GE ecoimagination sourcing product ideas from the market for ecomagination and helping to get seed funding so products can be commercialized through GE.  
- Yum! in the Middle East, North Africa, Turkey, and Pakistan combining with World Food Program (WFP) to fight world hunger with its ‘Have A Huge Heart’ initiative: supplies are donated for World Food Program through awareness. |

- Starbucks — fair trade coffee beans.  
- Managing the reverse logistics to ensure proper disposal of product or recycling.  
- Fair trade policy for sourcing products.  
- PepsiCo — planning to move to 100% plant-based recyclable plastic.  
- Americana Group runs a KFC in Vini, Cairo that is mostly staffed by staff who are deaf and dumb. The store was operationally redesigned (most kitchen equipment had beepers and this was changed to warning light system) and today is one of the most profitable stores in the country.  
- Nestle's zero emission projects where they work on conservation of water, energy and resources, and recycling waste, where feasible.
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|                                | researchers who can progress upwards without becoming managers  
• Natura Brazil focuses on its image as an eco-friendly, sustainable company and uses direct sales approach employing mainly women resellers across South America | building, funding, and matching these donations internally  
• Body Shop’s campaign on self-esteem and UniLever’s Dove campaign for real beauty  
• Natura, Brazil, engages with over 556,000+ Facebook fans using ordinary women than models for their communication  
• Hindustan Lever Ltd in India came up with the Shakti Program for rural marketing, which empowered women marginalized by their society and taught them to educate rural people on some basic hygiene practices |

*Abraaj Capital Limited’s Social Investing program: 5+5+5 model, where Abraaj contributes 5% of its topline fee income revenue to the program; employees are encouraged to donate 5% of their annual bonuses and a minimum of five days of their time each year to volunteer work.*
goals are short-term (collect cans, raise money, increase yield), in the long term, we will not have been able to change attitudes. Behaviors are easily modified with incentives. Attitudes take education, but they will last long-term not only modifying behaviors for this generation but influencing the next. This requires corporate dedication — while financial metrics is important we still have no measures for corporate heart, and this will be the pulse or driver of change. Down with CSR — up with Corporate Community Engagement and Empowerment! Remember the ripple only begins from the point of impact and then spreads outwards!