

## Strategic CSR: Linking Socially Responsible Initiatives To Business Objectives

Connecting CSR initiatives with business objectives will create shared value for companies and society, says Jeanette Teh, assistant professor of Business Administration, American University in Dubai

The pervasive use of “corporate social responsibility” (CSR) today is rapidly turning it into a buzzword. While some companies are genuinely interested in helping orphans or reducing their carbon footprint, others are merely engaging in CSR to enhance their corporate image or to appease customers, investors, and other stakeholders.

Despite corporations’ increasing involvement in CSR, however, these initiatives are generally unconnected to their organisational business strategy. This means that companies undertaking CSR activities to improve their corporate image are actually not getting optimal social or financial return on their investment.

A 2013 survey from Bayt.com found that almost 90 per cent of employees in the Middle East felt that corporations have a moral responsibility to engage in CSR. The respondents also believed that the lack of organisational knowledge, top management support, and legal requirements for CSR are impediments to integrating CSR into corporate strategy.

### Creating shared value

Strategy guru Michael Porter calls for the creation of shared value — creating value for society by addressing its needs while also improving profits for the company. In other words, CSR should not be a charitable afterthought, a necessary ‘expense’, or be at the fringe of the company’s business. Rather, shared value creation should be at its very core, combining a company’s success with social progress.

How, then, do companies actually go about achieving this paradigm shift?

Professor John Milliman and his colleagues from the University of Colorado developed a five-step process to implement Porter’s proposition.

#### 1. Determining if societal issues in a company’s environment could be turned into a strategic advantage

What are current social trends or issues that are of concern to a company’s stakeholders? With approximately 33 per cent of the population classified as obese, promoting a healthier lifestyle in the UAE could be a popular cause. Similarly, as many locally-based companies view CSR as the corporate form of the Islamic concept of Zakat (one’s personal duty to contribute to charity), many corporate CSR initiatives include charitable donations.

How does the company impact the local community? A manufacturing company in a region with a high carbon footprint could consider using environmentally-friendly technologies.

Are there any opportunities or threats to the corporation’s viability? As a third of the Middle Eastern population is under 30, young people represent both an opportunity (as consumers and employees) and a threat (high unemployment rates could result in disenfranchised youth), regional companies could offer internships to help train the younger generation.

Such analysis should be undertaken by a committee comprising representatives from legal, finance, human resources, operations, health and safety, and sales departments.

## 2. Brainstorming different ideas to address societal issues

The committee should come up with as many alternatives as possible to either leverage opportunities or reduce threats. For example, in addition to internships, providing training sessions, job shadowing programs, scholarships, and mentorships are other possible solutions to reducing youth unemployment.

## 3. Analysis of each option

Each alternative should then be analysed to determine which would yield the best impact for the company in terms of financial, human resource, social, and other relevant factors. Employee preferences should also be considered since employees, the most powerful company ambassadors, are a very important and often overlooked stakeholder.

## 4. Implementation of alternative(s)

Once the best option is selected, the corporation may wish to consult with community members, governmental organisations, and other stakeholders to confirm its selection and to assist in its implementation.

As the 2014 Edelman Trust Barometer indicated that non-governmental organisations (NGOs) are the most trusted institutions, particularly in the UAE, engagement and partnerships with NGOs would help businesses become more trustworthy in their stakeholders' eyes.

## 5. Measurement and reporting of strategic CSR initiatives

After the programmes are implemented, it is important to measure the outcomes to determine whether objectives have been achieved, issues resolved, and whether stakeholders are satisfied with the accomplishments. These results should be clearly communicated both within the company and externally to the community and other stakeholders.

A 2008 study revealed that Dubai-based companies were generally not effective at communicating their CSR activities to stakeholders. Dr. Suzanne Conner, professor at the American University in Dubai (AUD), also discovered this in her 2012 study of companies listed on the US Dow Jones Sustainability Index. While there was generally greater discussion about compliance-related activities than in 2010, companies tended not to adequately describe their commitment to social responsibility in their annual reports, an incredibly valuable lost opportunity to enhance their corporate image.

## Getting to the Triple Bottom Line

While some maintain that the mantra of balancing People, Planet and Profits equally is just a fanciful theory, incredibly difficult to realise in practice, it is perhaps only with thoughtful incorporation of strategic CSR initiatives that the elusive Triple Bottom Line might actually be attained.