



## THE CASE FOR BUSINESS VALUE IN CSR

- By Prateek Jain

Business value remains a controversial subject in the CSR ecosystem. There are mixed opinions amongst practitioners on whether it is okay to derive business value from CSR programmes and if so to what extent? Advised by risk averse financial auditors and legal counsels, most companies have adopted a conservative approach in this matter - eschewing programmes and projects that could be construed to be linked to business goals. Those that have ventured beyond this paradigm have largely utilised CSR to achieve the limited goals of Community Risk Mitigation and Reputation Enhancement.

Community Risk Mitigation by providing for the development of surrounding communities has been a staple approach of many manufacturing firms. The rationale behind this approach, is that by building civic infrastructure in local communities, and by catering to the demands of local influencers, manufacturing firms can to an extent ameliorate the friction that exists with local communities due to their extraction of local natural resources. However, most firms have not approached this exercise in a strategic manner - not enough emphasis has been paid to mapping community dynamics and real community needs before embarking on such initiatives. In the absence of such data, decision making on the ground has been driven by unreliable signals from local community leaders - which has limited the business impact of such initiatives.

Reputation Enhancement through CSR seeks to create positive perception gains (brand value) for companies by associating the company's brand with resonant social issues and by promoting their work in these areas. Efforts in this domain have ranged from the cavalier - thinly disguised advertorials posing as public service announcements, to the farcical - plaques and signboards on infrastructure projects which are unlikely ever to be seen by the firms target consumers. Very few companies have been able to create robust communication strategies for their CSR programmes - that can reinforce positive perceptions and sustainable benefits. Where such channels do exist, misalignment between a company's core business interests and its chosen social agenda, has limited the uptake of such messaging.

It is our opinion that to fully realise the potential of the Corporate Social Responsibility law, it is necessary for CSR programmes to explore models that can create tangible business value - that which is evident in a company's topline/bottom line - in addition to those that create measurable social impact. Without such a symbiotic relationship between impact and business value, corporate interest in social good is likely to remain perfunctory. In such a scenario, CSR actions will continue to be dictated solely by compliance and spends are unlikely to ever exceed the mandated 2%.

What then are some models for creating business value through CSR that companies can explore?

1) **Market Creation:** CSR programmes provide a unique opportunity for corporates to expand their interests beyond their traditional markets and customers. CSR programmes can thus be utilised by corporates to test and refine new business models that allow them to cater to underserved customer groups and untapped markets.



An example of such an approach can be found in the CSR programmes of a leading construction materials manufacturer. This company's CSR is geared towards expanding the company's footprint in underserved rural and peri-urban markets by providing youth from these communities with the necessary skills and knowledge to establish their own construction businesses. Over the past 3 years, this company has trained over 1500 youth as a part of this programme, over 30 of whom have gone on to establish their own construction related businesses— an outcome that has had a small but non-negligible impact on this company's business performance. The ultimate promise of this programme is for it to transcend its CSR origins and be taken up as a core business initiative – a process that is currently underway in this company.

Another example of market development through CSR can be found in L&T Finance's [Digital Sakhi initiative](#). Digital Sakhi aims to provide digital financial literacy and entrepreneurship trainings to rural women through a training-of-trainers approach. The business rationale for the programme is that by educating women about financial services, and by helping them establish successful businesses, L&T Finance can in the future benefit from any increase in the credit appetite/credit worthiness of this important customer segment.

**2) Talent Development:** CSR programmes can be effectively utilised by companies to develop, enhance and retain their internal talent pool. As much as it is true, that the social sector can benefit from corporate skills and expertise, it is also true that working to solve wicked social challenges can help corporates develop unique capabilities that sets them apart from their competition. Social problems represent some of the most wicked challenges faced by human-kind. The complex interplay of technical, economic, cognitive, normative and political forces that characterise such problems, require the adoption of unique methods of analysis and problem-solving. By exposing their workforce to such challenges, companies can look to build the capacities of its people in some of these approaches which also have wider business applicability. Systems thinking, design thinking, empathetic listening are just a few examples of the capabilities that exposure to the social sector can help inculcate in employees.

Allowing avenues for employees to engage in meaningful and challenging work, can also help companies to retain prized talent. The sense of fulfilment and achievement that employees derive from being engaged in such work, can add significantly to their overall job satisfaction, which in turn is likely to improve retention rates.

The Genpact Social Impact Fellowship (GSIF) provides an interesting example of a CSR programme that is attempting to create business value in this fashion. GSIF provides an opportunity for Genpact employees to help social organisations solve process related challenges. The structure of the association with the non-profits mirrors a typical consulting engagement, with the fellows working closely with the host organisations programme staff and leadership in an advisory capacity for the period of one year. This allows the GSIF fellows to not only cultivate a strong understand of critical socio-economic issues, but also gives them a hands-on opportunity to apply their Lean, Six Sigma, Design Thinking, Digital and Analytics skills to transform existing processes, making them more effective, sustainable and scalable. After the completion of their fellowships, GSIF fellows are actively re-absorbed back into Genpact's core organisation – with management paying active



interest in their career growth paths. The management team at Genpact strongly believes in the potential of GSIF fellow to become future business leaders at Genpact and looks to invest in them accordingly.

**3) Product Innovation** – CSR also provides an opportunity for companies to expand their portfolio of products and services beyond their traditional areas of operation. Companies can leverage their core technical expertise to develop solutions that have the potential to deliver business value as well as social impact.

Technology companies have been at the forefront of product innovation driven by corporate responsibility. For example, Microsoft recently launched an Adaptive Controller for the X-Box that allows people with limited mobility to access its flagship video game platform. The Adaptive Controller was developed by Microsoft through strong partnerships with non-profits including The AbleGamers Foundation, The Cerebral Palsy Foundation, SpecialEffect and Warfighter Engaged. Input from these organisations helped shape the design, functionality, and packaging of the Adaptive Controller. This innovation was featured by Microsoft in a 60 second ad titled ‘We All Win’ which was telecasted during Super Bowl 2019. The ad highlighted Microsoft’s commitment to building accessible technology that levels the playing field and creates opportunity for all, ending with the line: “When everybody plays, we all win.”

Another example closer to home is Google’s work in the educational technology space. Google recently launched its BOLO app in India, which leverages the power of Google Voice Assistant, to help improve children’s reading abilities. The app contains a library of stories which students can use to practice their reading. The app’s voice recognition functionalities track the students’ reading fluency and provide support and encouragement as required. The beta version of the app is currently available for download in Google’s Playstore, but is also being introduced in low income communities through the help of various non-profit partners. The BOLO app represents an attempt by Google to further expand and diversify its presence in the Indian market, by providing another solution that specifically caters to the demands of its growing Indian user base.

In conclusion, it is obvious to us that the spirit of CSR must be distinct from the spirit of philanthropy. Where philanthropists seek to redistribute their accumulated gains, CSRs must work to grow the pie - for society and for themselves. As can be seen from the examples cited here, it is indeed possible for companies to operate in such a manner where their own interests align with those of society. It is incumbent upon CSR practitioners and advisors to motivate companies to pursue this path.

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Sattva has been working with various corporate clients to help them define their social impact goals and maximise the return on social investment. Our focus is to solve critical problems and find scalable solutions.



We assist companies in formulating their long-term CSR strategy by strategically aligning with business to provide meaningful solutions to social issues.

- You can read more about our work with CSR, [here](#)
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