

WHAT IS CSR?

# WHAT IS CORPORATE SOCIAL RESPONSIBILITY?

8 QUESTIONS  
& ANSWERS



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21ST CENTURY CORPORATE SOCIAL RESPONSIBILITY:  
ADVANCING FAMILY PLANNING AND REPRODUCTIVE HEALTH



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CATALYST Consortium is a USAID-funded family planning and reproductive health activity focused on working in Asia and the Near East, Europe and Eurasia, and Latin America and the Caribbean. Composed of five equal partners — Academy for Education and Development, The Centre for Development and Population Activities, Meridian Group International, Inc., Pathfinder International and PROFAMILIA/Colombia, CATALYST is dedicated to working in partnership with the public, private and NGO sectors in developing, expanding and sustaining quality family planning and reproductive health services and healthy practices through both clinical and non-clinical programs.

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# Introduction

Within the world of business, the main “responsibility” for corporations has historically been to make money and increase shareholder value. In other words, corporate financial responsibility has been the sole bottom line driving force. However, in the last decade, a movement defining broader corporate responsibilities—for the environment, for local communities, for working conditions, and for ethical practices—has gathered momentum and taken hold. This new driving force is known as *corporate social responsibility* (CSR). CSR is oftentimes also described as the corporate “triple bottom line”—the totality of the corporation’s financial, social, and environmental performance in conducting its business.

As the commercial sector increases its investments in corporate social responsibility in its three usual venues (the workplace, the marketplace, and the community), USAID is presented with the unique opportunity to create corporate partnerships that can help expand, enhance, and sustain its health efforts in developing countries.

The following eight questions and answers provide basic facts for learning about corporate social responsibility, and how it can contribute to furthering USAID’s health objectives.

# 1.

## What is Corporate Social Responsibility?

While there is no universal definition of corporate social responsibility, it generally refers to transparent business practices that are based on ethical values, compliance with legal requirements, and respect for people, communities, and the environment. Thus, beyond making profits, companies are responsible for the totality of their impact on people and the planet.<sup>1</sup> “People” constitute the company’s stakeholders: its employees, customers, business partners, investors, suppliers and vendors, the government, and the community. Increasingly, stakeholders expect that companies should be more environmentally and socially responsible in conducting their business. In the business community, CSR is alternatively referred to as “corporate citizenship,” which essentially means that a company should be a “good neighbor” within its host community.

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<sup>1</sup> Sir Geoffrey Chandler, “Defining Corporate Social Responsibility,” Ethical Performance Best Practice, Fall 2001.

# 2.

## Why do companies decide to get involved in CSR, and how do they benefit?

Today, more and more companies are realizing that in order to stay productive, competitive, and relevant in a rapidly changing business world, they have to become socially responsible. In the last decade, globalization has blurred national borders, and technology has accelerated time and masked distance. Given this sea change in the corporate environment, companies want to increase their ability to manage their profits and risks, and to protect the reputation of their brands. Because of globalization, there is also fierce competition for skilled employees, investors, and consumer loyalty. How a company relates with its workers, its host communities, and the marketplace can greatly contribute to the sustainability of its business success.

# 3.

## How many companies are practicing CSR?

There are scores of CSR organizations and business associations promoting corporate social responsibility, with a collective membership of thousands of companies -big, small, and medium-sized – in diverse industries. In the United States, San Francisco-based *Business for Social Responsibility* alone has 1,400 corporate members that globally employ more than six million workers, and account for a total annual revenue of US\$1.5 trillion. In Europe, the London-based *International Business Leaders Forum* counts 60 major global companies as members, and has established affiliate resource centers in emerging market economies where there is a demand for corporate involvement in social causes. In developing countries such as India, Indonesia, Brazil, Egypt, and the Philippines, business associations dedicated to CSR exist. It can be said that there are as many variations of CSR activities as there are CSR advocate companies and organizations.

# 4.

## What does CSR mean for international health development?

The business community can make tremendous contributions in promoting good health and well being, especially if innovative CSR initiatives are undertaken in partnership with government and civil society. In all but the most remote areas or closed societies, business has massive reach and influence. For decades, business has been engaged in charity, philanthropy, and civic activities including social investments in health.<sup>2</sup> However, oftentimes these investments were less than strategic, and were not directed to real social change. Today, business understands that viewed through lenses of “doing well by doing good,” CSR can be a revolutionary way of contributing to systemic social changes in which investments can produce lasting social benefits in the health arena.

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<sup>2</sup> In the 1870s steel baron Andrew Carnegie earned a reputation as an “enlightened industrialist” by building model communities for his workers and prescribing eight-hour workdays before such became law. In the 1930s the Rockefeller Foundation, before the establishment of the UN and WHO, functioned as the world’s unofficial public health directorate, using its enormous philanthropic resources to fight diseases, from yellow fever in Colombia to hookworm in Thailand. In the 1970s corporations started investing in social causes for public relations, marketing, and crisis management.

# 5.

## What are the challenges for USAID in working with the private sector on CSR health partnerships?

There will, of course, be many challenges along the road to building health partnerships with the private sector. USAID and the private sector have differing cultures, professional goals, ways of communicating and governance structures. This can make it difficult and complex to build the mutual trust and commitment needed for working together. Also, from the business perspective, the public sector and NGO's often fail on business benchmarks—on-time and on-budget performance. It will be necessary to overcome these cultural and operational differences, in order to lay the groundwork for a strong and lasting partnership.

Another challenge will be for USAID and the private sector to find a common ground on which to work. This will require resourceful thinking, as there are no “cookie cutter approaches” to partnership—each partnership will need to be especially tailored to fit each private sector company or organization. Historically speaking, it has often been difficult for the private sector and USAID to find a standard contracting mechanism that can facilitate a medium -to long- term partnership: each partnership will have its own financial, legal and contractual frameworks.

These new challenges will require innovative solutions and creative, flexible approaches.

# 6.

## How can USAID and the private sector mutually benefit from CSR health partnerships?

Both USAID and the private sector have global reach and resources. Through CSR partnerships, these resources can be harnessed to promote a synergistic approach to improving the health status of local communities. When USAID and the private sector work hand-in-hand in addressing common health issues, the stream of benefits for consumers can multiply. With leveraged resources, USAID will be able to extend its family planning and reproductive health program efforts through work-based, market-based and community-based initiatives in places where the private sector has a presence. In turn, improved worker health can positively affect private sector bottom-line productivity factors such as absenteeism and employee morale. With CSR investments in community health, the corporate brand and image are enhanced among key stakeholders. To the extent that the health initiative relates to the company's core business objectives, the sustainability prospects of the health initiative are improved, since some companies invest in a community for the long term. Successful CSR partnerships can help raise awareness of public health issues among influential corporate leaders. They can also help build American public support for international health programs.

# 7.

## What role could host governments play in CSR partnerships?

In developing countries where USAID has a presence, USAID primarily works with host governments through a bilateral development framework. Therefore, if USAID is to become involved in CSR partnerships, host governments must be supportive.

The specific role of the government in any CSR health partnership will depend on the nature of the envisioned initiative. A partnership between the corporate and NGO sectors would not necessarily need the government's active involvement. Nevertheless, the active cooperation of the health ministry or the local government would be essential in enabling linkages with community infrastructures or public health facilities. Whether or not the government is a full partner in the CSR initiative, or whether its role in the initiative is formal or informal, keeping the government well informed about the initiative enhances the environment for the initiative's future success. Governments have resources that can be leveraged, such as funds, staff, expertise, and infrastructures. In countries where there are ongoing health policy reforms, CSR partnerships would be a strategic way of implementing the action agenda.

# 8.

## How can CSR partnerships help enhance the prospects of USAID's Global Development Alliance (GDA)?

On May 10, 2001, Colin Powell announced the Global Development Alliance as USAID's new business model and as the first pillar of its reorganization and reform strategy.<sup>3</sup> The GDA is based on the agency's recognition that the dynamics of international development are changing. No longer are governments, international organizations and multilateral development banks the major sources of development funding and expertise. Rather, in the last decade, the private sector, including the corporate sector and private foundations, has had an increasing role in catalyzing human and social development.

Through GDA strategic alliances, USAID aims to mobilize resources for addressing international development issues. Both GDA and corporate social responsibility partnerships aim to stimulate new technologies and investments by bringing in new actors and ideas to the development arena. Both also recognize the corporate sector as a powerful force for promoting greater productivity and social change. Corporate social responsibility partnerships can be an effective vehicle for USAID missions to draw in new resources, new ways of reaching target populations, and innovative program initiatives.

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<sup>3</sup> Global Development Alliance description, USAID website, <http://www.usaid.gov/gda/>

