

CSR – Scouting new products and services



TORSTEN SEWING

ARTICLE

1.6 billion people have no access to grid-electricity. According to estimates by the International Finance Corporation, these people spend a total of 38 Billion US dollar a year on fuel-based lighting. Such lighting is inefficient and hazardous for health and the environment. And, it is very expensive and ineffective: While 38 Billion USD represent 17% of worldwide lighting cost, fuel-based lighting accounts for just 0.2% of the light produced – not only a waste, but also a social cause in that it disables even the most basic of economies.

If you were a company in the business of light provisioning, would you ignore a 38 Billion US dollar market? Probably not. Dutch lighting giant Philips is currently developing a commercial solution aimed at this market.

To them, the task is to find a working business model. One of the priorities, therefore, is to get the input from regional and international governmental and non-governmental organisations (NGOs), relevant to the new markets. These “stakeholders” provide the information for understanding of what is needed in developing and later marketing Philips’ products successfully. So is this Corporate Social Responsibility (CSR)?

What exactly is the social responsibility of a company? In a very pragmatic sense, this could be to use existing assets in a socially successful way. For it is only when a company can deliver towards a social cause in either a more reliable manner or at less cost than another company – or the public sector – that there be a responsibility to offer this to the market. Responsibility seen this way would of course lead straight to opportunity. These opportunities will then need to be identified as the strategic value of an initiative focusing on corporate social responsibility – aligning the core business of the company with the social issue.

It is a challenging, yet rewarding entrepreneurial task to relate social responsibility to the way of doing business. And, there are successful examples in business that portray CSR and its tools as door openers and as a scouting exercise to what in future might rightly be called “sustainable business”.

For decades, Unilever in India considered an existing market of a few per cent of the Indian population as sufficient for selling their detergents. It was only when they recalculated the cost of producing and distributing the detergents that they realised that there could be a lucrative market to tap into. Now, their product is manufactured at decentralised factories, distributed by small vendor units – the “bicycle brigades” – to reach rural areas where it is sold at low prices. As a result, the core rural markets generate some 50% of Unilever’s turnover in India today. What is even better: Unilever used the reengineering of their business to change the detergent. It now has a reduced water-oil ratio that reduces harm to the environment. ...

Alexander Hughes

IS AN EXECUTIVE SEARCH FIRM DEDICATED TO HELPING YOU ACQUIRE AND RETAIN THE VITAL HUMAN CAPITAL YOU NEED TO ACHIEVE YOUR STRATEGIC BUSINESS GOALS

n Based in 26 European countries
n 115 Executive Search Consultants

n Headquarters in Paris, France
n 50 Researchers

... If a company invests into a certain market, it not only seems to be prudent but responsible and, yes, ethical to gain local knowledge and capabilities through stakeholder dialogue, securing an educated and viable "licence to operate"; including possibly favourable, first-mover access to regional players such as governments, NGOs, local business or trade chambers.

There is, however, one major restriction. It must be recognised that profits from products generated to satisfy social needs reflect that the partners within the new markets get a fair share. So if there are NGOs or local businesses that help with developing, producing or distributing a product, royalties should be agreed on early on. Otherwise this will just be another new mercantilism, resulting in bad press and subsequently unfavourable market conditions, consumer boycotts and overall penalties.

Business' main responsibility is to come up with technologies, know-how, products and services, business models and management solutions. However, in the days of climate change and demands for "sustainable" consumption and production, these business functions are intertwined with sustainability criteria. Companies that deliver business opportunities fitting this frame will have a winning "time-to-market".

An estimated 3.5 billion people live within mobile phone coverage.

India alone adds some 2 million subscribers every month. The amount of mobile phones in Africa exceeded 100 Million in 2005, Nokia predicts 200 Million by 2010. What does mobile phone provisioning in Africa have to do with CSR? It provides new jobs, increases the efficiency of existing jobs, bridges the digital divide and lets millions of people participate in the global economy. At the same time, it makes plain business sense for mobile producers to compete in developing and eventually marketing low-cost phone solutions.

While product-related examples are very much bottom-line, the "soft" factors of CSR are still present – customer and employee retention, risk and issues management, political reputation etc. These are indispensable to providing the credit, the ground

from which a company can believably deliver. However, to serve these factors best, they are probably better dealt with in a company's communications department. It would be fair to say that these "soft" factors are the compliance elements of CSR.

Contrary to this, tackling a societal challenge and opening a new market answers the general question of today's economy: If we need continuous growth in GDP to build a sustainable economy – how else should it be generated if not by new products and within today's underserved markets?

LITERATURE

- Corporate Social Opportunity, Sheffield 2004
David Grayson / Adrian Hodges
- Good Business, London 2002
Giles Gibbons / Steve Hilton
- The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits, Wharton School Publishing, 2004
C. K. Prahalad
- Cause for Success: 10 Companies That Put Profit Second and Came in First, Novato, California
Christine Arena

SUGGESTED READING...

- Corporate Social Responsibility and Socially Responsible Investing: A Global Perspective
by Ronald P. Hill, Thomas Ainscough, Todd Shanks, Daryl Manullang
(JOURNAL OF BUSINESS ETHICS, VOL. 70, NO. 2, JANUARY 2007, P. 165-174)
- Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility
by Michael E. Porter, Mark R. Kramer
(HARVARD BUSINESS REVIEW, DECEMBER 2006, VOL. 84 NO. 12, P. 78-92)
- Corporate social responsibility and employee commitment
by Jane Collier, Rafael Esteban
(BUSINESS ETHICS: A EUROPEAN REVIEW, JANUARY 2007, VOL. 16 NO. 1)