

# CSR and a new order of business

From being seen as mere philanthropy and 'doing good', corporate social responsibility is now at the heart of business sustainability and ethical and accountable corporate behaviour

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**C**SR or corporate social responsibility has been a buzz phrase for quite some time now. Not a day goes by without it being mentioned, albeit in passing, in daily business discourse. Even during the last decade, CSR was looked upon by big businesses as "doing good" -- something that was "extra" to their day-to-day effort of profit maximisation, a great public relations (PR) tool to generate empathy among their customers and favouritism from the powers that be. Not anymore.

Companies today realise that maximising welfare for all their stakeholders (as opposed to maximising profits for shareholders) is integral to their bottom line. As Niall Fitzgerald, former chief executive officer of Unilever, rightly puts it, "Corporate social responsibility is a hard-edged business decision. Not because it is a nice thing to do or because people are forcing us to do it...because it is good for our business."

However, while every company these days seems to talk the talk, not everyone actually walks the walk. A lot of effort and emphasis go into the PR and communication aspect of "doing good" -- talking about it and being seen to be doing good, and not enough in actually being accountable to the stakeholders, that is, society at large.

The bottom line is that no company today can ignore CSR. And quite a few of them are doing it well, doing it right. Many of them have rightly realised that it isn't just about the superficial layer of philanthropy and being charitable. It is also about being accountable with the right corporate governance, and being innovative about actually making a difference. In essence, a meaningful CSR initiative should originate out of genuine caring for the stakeholders; it should be designed to make a difference to the beneficiaries, while



making 'good business sense' for the shareholders of the organisation.

Several Fortune 500 companies who lead the CSR space have taken the concept even further; they also address the issue of 'sustainability' not only in business, but also in their CSR initiatives. Many of them have championed the 'Triple Bottom Line' framework of measuring performance, which incorporates three dimensions of performance: social, environmental and financial.

Good CSR is often done in partnerships with social issue experts. Starbucks hosted a 'Cup Summit' at the Massachusetts Institute of Technology to bring together municipalities, raw materials suppliers, cup manufacturers, retail and beverage businesses, recyclers, NGOs and academic experts to share ideas to make paper and plastic cups more broadly recyclable. In an effort to make their coffee cup 100 percent recyclable, they realised a shift is needed in not just their operations but in the entire food packaging and recycling industry.



In Bangladesh too, a number of businesses have grasped the meaning of true social responsibility and are doing exemplary work. And it is notable that the ones who are doing it properly and meaningfully are also the ones not too fussed about beating their own drums about it.

Rahimafrooz, as a corporate house, has been a shining example of business ethics at work for many years. Their Rural Service Foundation (RSF), a social development initiative focusing on education, poverty alleviation, environment and transport is a great CSR story. Viyellatex, one of the largest textile groups, has spent significantly in education, social and free health care programmes.

The Standard Chartered Bank Financial Express CSR Awards is probably the only initiative in the country that sets a benchmark in evaluating, recognising and bringing the forefront organisations that have truly grasped the meaning of social responsibility and are setting a shining example without making too much of a fuss. The event held on Thursday

brought forward some new names like Renata Ltd and the DBL Group to the 'walk of fame' while Nestle Bangladesh added another feather to its halo.

Fifty one percent of Renata Ltd is owned by Sajida Foundation, a non-profit organisation engaged in microfinance and other activities concerning social upliftment. Even outside of the various CSR activities undertaken by Renata, half of the enterprise, by nature of its ownership, represents a social business. This is an excellent example of the commitment to CSR; the success of the business enterprise has been widely shared with the community at large. A sizeable portion of the DBL Group's profit is channelled into CSR activities, reflecting their commitment to social development. This enterprise provides wide-ranging support in the fields of education and health, especially supporting the general ward of the burn unit at Dhaka Medical College Hospital.

Nestle Bangladesh does exemplary work in water conservation, especially in their recycling and rainwater harvesting initiatives. It supports the immediate community by providing drinking water to neighbourhood schools, as well as extending support for sanitation, computers and life skills trainings (on water education and nutrition). Despite the small scale of these activities, they have significant demonstrative value for replication.

This year's winners of Standard Chartered Financial Express CSR awards should be congratulated and hailed for showing the way and inspiring the business community for doing what other sectors in Bangladesh cannot do so easily -- bring about real change in people's lives.

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# Role of state in national policymaking

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**T**HE issue of policymaking for national development by the state can be discussed by looking into three questions: what, how and for whom. The answer to the very first question lies with the basic definition of a "state".

In simple terms, state is a social system comprising a set of rules that are executed by the government or a permanent body. State has also been defined as a set of socio-economic and political institutions that exercise the power to govern and rule over the population within a definite territory.

However, the roles and responsibilities of state have changed and transformed significantly over the years in the era of globalisation. These have moved away from the welfare oriented and interventionist approach to a competitive and "minimalist" one.

In the neo-classical era, the role of the state has been narrowed down and it was argued that the state should be as "minimal" as possible since state intervention only creates inefficiency and misallocation of resources.

However, the state still has a role to make strategic planning in economic and social fields and establish legal and institutional framework.

In view of the current global financial situation, the role of the state has once again been felt prominently.

In view of the failure of the corporate sector, states all over the world had to come forward to rescue them through various stimulus packages. It is now recognised that making only policies is not enough. One has to look at issues such as how policies are implemented and what kinds of policies are being formulated.

Is the state being pro-active towards combating poverty and reducing unemployment? Is the state being able to create a level-playing field or an enabling environment for all actors? Is the state promoting development that is sustainable?

To fulfil these objectives, the state has to ensure an enabling environment which includes the following, among others: effective legal framework for economic activity; price stability and responsible fiscal intervention; an equitable tax system; developed and competitive labour, financial and capital markets; promotion of small and medium enterprises; access to information by all; promotion of technological and infrastructure development; strong institutions of governance and the rule of law; and credible and independent judicial institutions.



Issues such as minimum labour wage and work environment for garment workers often remain outside the ambit of national policymaking.

How should policies be made? The objective of a democratic state is to make policies efficiently and implement them effectively. Efficiency is an attribute of good governance, the pre-condition of which is transparency and accountability in the policymaking process and their implementation.

Transparency and accountability can, to a large extent, be ensured by making policies participatory and inclusive.

What has happened in majority of the poor countries is that effort to involve the broader participation of stakeholders in the development process has not been a common practice, be it national plans or any legal or regulatory reform or other micro and sectoral policies.

Historically, these countries have to rely on development partners in one way or other. Hence the development agenda is designed in accordance with the desire of their development partners.

As a matter of fact, the policymaking process

for development has not involved exhaustive participation of larger sections of stakeholders in the society and thus could not generate constructive discussion and debate around the objectives, priorities and strategies presented in these documents.

Hence national policies have mostly tended to be an exercise carried out by the bureaucrats and technocrats, with some notional representation of a few academics and civil society leaders in recent times.

A recent example in this case is the process of poverty reduction strategy in several countries. In most cases people had marginal involvement in this whole episode in terms of its formulation and implementation.

Another issue is that policymaking is not the end. What is more important is their implementation. Because of a lack of broader engagement in policymaking, the effectiveness of state policies also remains questionable.

It is observed that in poor countries ambitious policies are being undertaken, but their

implementation remains either under-achieved or the outcome is unsatisfactory. Here comes the issue of quality.

The education sector in Bangladesh is a case in point. Bangladesh has achieved millennium development goals in case of primary education and can showcase its progress in this area as one of its success stories. Unfortunately, the quality of those who come out of schools and colleges are very poor.

For whom the policies are made? It is now broadly agreed that "minimal state", that is, smaller role of the government, deregulation and privatisation have not been sufficient to foster sustainable human development.

There is also a growing agreement on the fact that economic reforms need to be complemented by better social policies. The state has thus an important role to play in providing affordable social services for those who are underprivileged. Experience also shows that economic growth alone is not sufficient to sustain equitable human development.

The state has a redistributive role too. This is all the more important today in order to minimise the negative effects of globalisation. Because the integration of countries into the global economy has brought in opportunities in the area of exports, imports, remittances and foreign direct investment.

But it has also been accompanied by several challenges. For example, trade policies in the global forums such as the World Trade Organisation may not necessarily benefit all countries in the same manner.

Bangladesh has been one of the most successful countries in terms of utilising the benefits of globalisation through increased export of its readymade garments and shrimp. But issues such as minimum labour wage, work environment, protection of the natural environment very often remain outside the ambit of the national policymaking process.

Hence, the state in the new era will not only have to include the disadvantaged section of the society but also the future generations. This is possible through fiscally responsible intervention by the state.

Finally, it is increasingly being acknowledged that good governance is a key element in the development process of any country, and in ensuring that globalisation benefits all in society.

The state, in partnership with civil society and the private sector, has the major role to play in achieving social equity and sustainable development. The failure in making a sustainable development policy is not only due to the failure of state to involve broader stakeholders, but also for the fact that in many countries there is a lack of capacity of policymakers in the governments.

Such capacity constraint not only deters governments to take policies in a creative and innovative manner at the national level but also at the global level. The growth and human development experience of Bangladesh are much better compared to its South Asian neighbours.

However, there is still a lot more scope for improving and reforming public administration and governance systems. And this is critical for alleviation of poverty and reduction of income inequality, advancement of human rights and democracy, protection of the environment and promotion of sustainable development.

The writer is an economist and head of research at the Centre for Policy Dialogue. The article is the excerpts of a presentation made at the South Asian Regional Consultation on Human Development Reports during January 30-31 in Colombo, Sri Lanka.