

Companies See Financial Benefit in Corporate Social Responsibility Programs

By Katti Gray

As businesses increasingly cross geographic and cultural borders to build their brand, they must function less like a profit-hungry interloper and more like a good neighbor. Watching the bottom line while addressing everyday concerns of people in emerging markets—especially ones that are potentially politically and economically volatile—can pay off.

That was the core message of experts during the recent Leadership Conference on Global Corporate Citizenship in New York City. Addressing an audience composed of environmental consultants, corporate philanthropists, human resource directors and CEOs, experts rattled off, case by case, the rising profits of companies operating under this new business model.

CSR Pays Off

Take, for example, Amanco, a PVC and plastics producer in Brazil: It invested \$100,000 in irrigation kits that since 2007 have been sold to a fraction of the small farmers in Guatemala, a nation with roughly 300,000 small farms. That Amanco division has grown, yielding annual revenues of \$4.1 million thus far. (The company's yearly earnings were \$800 million in 2006.) It saved \$580,000 through an assortment of eco-efforts at company plants. Its heavily promoted environmentally sustainable efforts have won the firm clean contracts from organizations throughout Latin America.

Or consider DQY Ecological, an egg producer in China: Its strong environmental and safety performance has attracted foreign investment from the Global Environment Fund and the International Finance Corp., which focuses on sustainable business development that improves people's lives. DQY's sales soared from \$600,000 in 2002 to \$6.7 million in 2006, climbing even during the infamous SARS outbreak of farm-borne pneumonia—and despite the fact that DQY's eggs are more expensive than many.

Consumers trust DQY, said Jeff Erikson, vice president of SustainAbility Inc., an independent think tank and consultancy with offices in Europe, South Asia, Washington, D.C. and New York. Erikson provided snapshots of DQY, Amanco and other firms during a panel discussion on investment returns from corporate socially responsible initiatives.

"There are tools out there to help [companies] frame a return on investment," Erikson said, "and to help describe qualitatively what [CSR] programs can bring to your company."

Far from being businesses in which all major decisions trickle down from the top, socially responsible firms demand that innovations, ideas and input emanate from the ground up as well, experts said. CSR initiatives flourish when a firm's subordinates and managers buy into

CSR and when companies doing business on foreign turf listen to what the locals have to say.

For London-based Anglo-American Inc.—which mines coal, minerals and metals in regions including South Africa—that has meant mitigating water pollution, which is a by-product of the water-dependent mining process. And it has meant confronting the impact of AIDS on mine workers and their families, an imperative realized partly by sending Anglo-American’s managers into the field to engage the community about its concerns.

Good for Business

Corporations must “raise the bar for best practices,” said Sir Mark Moody-Stuart, Anglo-American’s chairman.

For its part, his conglomerate responded to what local people were saying by extracting toxic sulfates from water left over from mining and using the extractions to cultivate a coterie of local entrepreneurs who build and sell construction materials made from the sulfates.

Also, Anglo-American opened HIV-AIDS clinics on mining sites, paying \$125 per month for retroviral drugs for each HIV-infected employee. That, and educating workers about AIDS, has helped reduce the infection rate, slashed employee absenteeism and saved Anglo-American \$200 per month for each infected worker.

“You might say, ‘Why is this a job for a company?’ The answer is ... that societal and business interests merged,” Moody-Stuart said. “To remain welcome [globally], we must be part of the solution. Without the support of local societies, we cannot be successful. It just won’t work. Doing good is good business.”

CSR is a far more organic process than prior business models, said Andrew Mercy, CEO of Angel Points. His Sausalito, Calif., company shows firms how to engender a philosophy of social responsibility and lists among its clients such giants as Blue Cross Blue Shield, Hilton Hotels and General Electric. CSR, Mercy said, taps the know-how of rank-and-file employees, corporate partners, corporate suppliers and corporate chiefs. “You have to be able to foster this culture in your people before you can expect other things to happen,” Mercy said ... *There is more to this article. Full viewing of this and other Society for Human Resource Management print magazine and online news is available only to SHRM members.*