

Corporate Social Responsibility & Corporate Philanthropy: The thin line between

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“State and nature of philanthropy in East Africa”

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Direction of discussion...

- What is Corporate Social Responsibility (CSR)?
- What is Corporate Philanthropy (CP)?
- How CSR differs from CP
- Prevalence of these two concepts in East Africa, what is their impact?
- Why corporates may differ in their CSR & CP
- Linking CSR & CP to business strategy
- Best CSR / CP practice & proposed direction

What is CSR?

- It is a **voluntary, integrative** and detailed **strategy** that **shows** the consideration of an organization's multiple **stakeholders** and its **impacts** on them, as the business /orgn pursues its **economic interests**

What is Corporate Philanthropy?

- It is a form of **public relations** that promotes an organization's image thru **high profile charitable efforts** (usually giving physical goods /services, sponsorships and cash donations) to improve an organization's long term position in the community.

CSR is not CP

• • • CSR is broader, and CP is part of CSR but not vice versa

CSR SPECTRUM

source: IBLF /AKDN



Philanthropy

‘Add-on’
CSR unit

Core Business
Operations

Integration of
responsible practice
across the company

A broad view of CSR: THE IBLF SPHERES OF INFLUENCE MODEL

(source: IBLF /AKDN)

LEADERSHIP AND MANAGEMENT

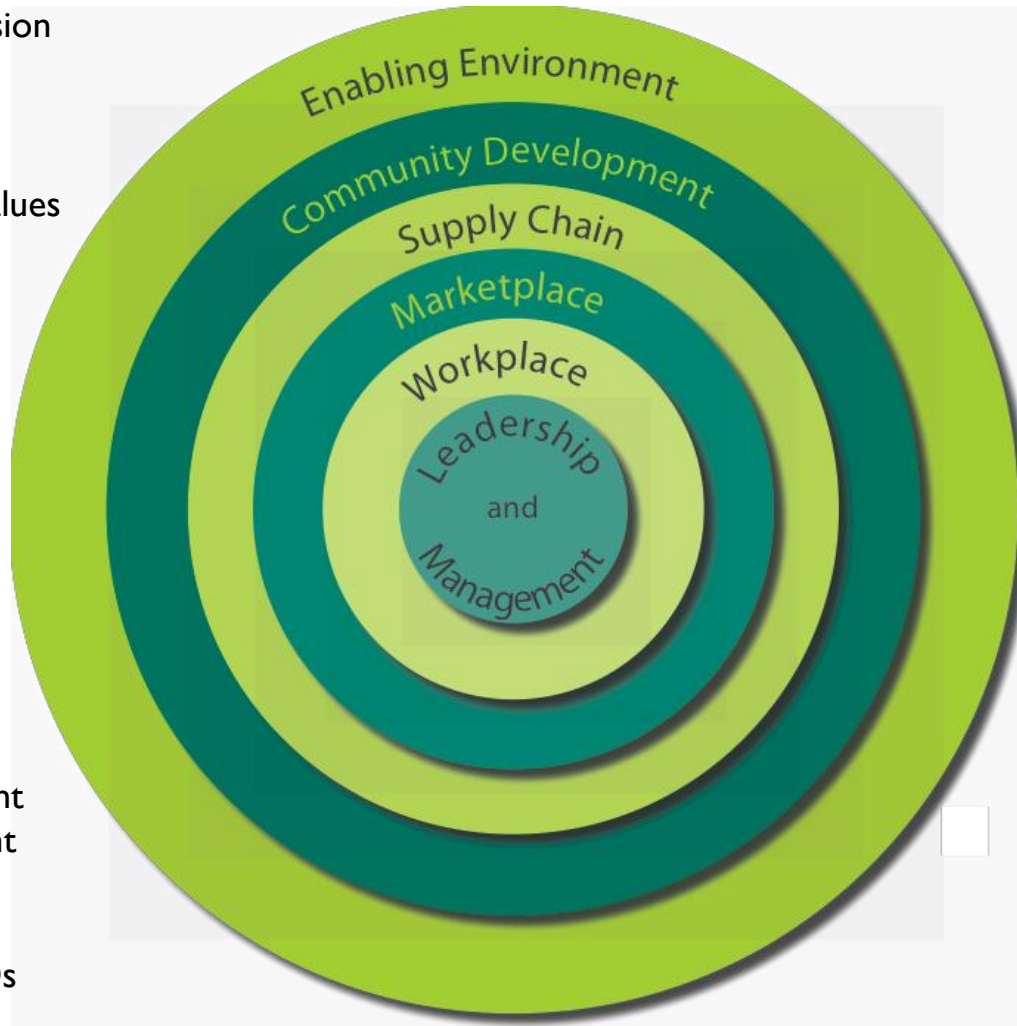
Good leadership on vision
Clearly defined and communicated values
Codes of conduct
Employee training in values and codes
CSR 'ownership'

MARKETPLACE

Integrity
Quality
Safety
Reliability
Customer Relations

COMMUNITY DEVELOPMENT

Stakeholder Engagement
Economic Development
Education
Community Health
Partnerships with CSOs
Employee Volunteering
Public Policy Engagement
Sponsorships and donations



WORKPLACE

Business Standards
Employment Creation
Labour Standards
Environmental Efficiency
Health and Safety
Workforce Training
Diversity and Equality
Workplace Health

SUPPLY CHAIN

Standards
Shared Values

ENABLING ENVIRONMENT

Regulations, Legislation, Fiscal Incentives, Voluntary Guidelines and Codes of Conduct, Public Opinion, Institutional Structures, Financing Mechanisms, Research, Training and Capacity-building, Media, etc.

Corporate Social Responsibility (CSR)

- Is a **strategic way** of corporate involvement in **stakeholder** affairs (Corporate Social Investment, CSI).
- Aims at / balances between (social, economic, legal, ecological responsibilities of an orgn / firm)
- Cuts across all business functions & engages all stakeholders of the firm to build sustainable firm competitiveness.
 - Community (**if corporate attention is mainly here, its not CSR, its philanthropy!**)
 - Suppliers (supply chain)
 - Employees
 - Shareholders
 - Ecological environment
 - Marketplace

Corporate Philanthropy (CP)

- Is a **traditional way** of corporate involvement in **Community** affairs (Corporate Community Investment, CCI).
- Limited to community (social affairs) to build firm competitiveness & relations.
- Takes form of:
 - Donations of funds (directly or thru foundations)
 - Contribution of goods / services to the community directly or thru Non Profits Orgns (NGOs)
 - Company staff volunteering of 'time' in NGOs, civic orgns, etc

Strategic differences between CSR & CP: These two concepts are somehow related and support each other but different

CSR / CP TRENDS

source: IBLF /AKDN

1990

Risk Mitigation

Quick Fix image making

Reactive behaviour

Philanthropy

Top-Down driven

2010

New Opportunities

Earned reputation

Pro-active behaviour

**Core business/
strategic investment**

Values-driven

Prevalence of CSR and CP in East Africa (2011)

Corporate Social Responsibility - CSR:

- Very few companies have employed CSR / Corporate Affairs Managers / dep't (e.g Standard Chartered Bank; Tullow Oil Plc; Airtel; KCB Bank etc) –Impact – Job creation.
- Decisions are closely linked to core business say, supplier relations, quality assurance, product quality, talent dev't. E.g Tullow gives scholarships only in “oil dev't studies”. – Though with some inconsistencies
- Selected co's have CSR policies / strategies in place.
- Guided by business competitiveness, not founder's philosophy. E.g., developing future markets, penetrating bottom of pyramid customer.
- Many companies have a “limited” understanding of the concept

Corporate Philanthropy - CP:

- Not so much appreciated due to a misconception that its only big firms /highly profitable, to do it.
- Most companies make “un-strategic” donations, (donate this today, tomorrow that, etc) hence no strategic benefit to the “giver” and no dev't impact on the recipient side
- Usually not linked with core business of giving orgn.
- Partnerships between firms towards a common cause (Toyota + New Vision + Total in a health program on malaria)
- Very few consider setting up foundations (MTN Uganda, EABL; Madhvani, etc) -costly
- Establishment of “Trust funds”
- Giving mainly guided by organization founders' philosophy

Linking CSR and CP to business strategy –(i)

(source: IBLF /AKDN)

Closeness to core business

Philanthropy

- Building brand and reputation
- Recruitment / employee benefits

Enabling environment

- Influencing regulation
- Strengthening their 'license to operate'
- Anti-corruption
- Availability of skilled, educated workers

Direct benefits to business operations

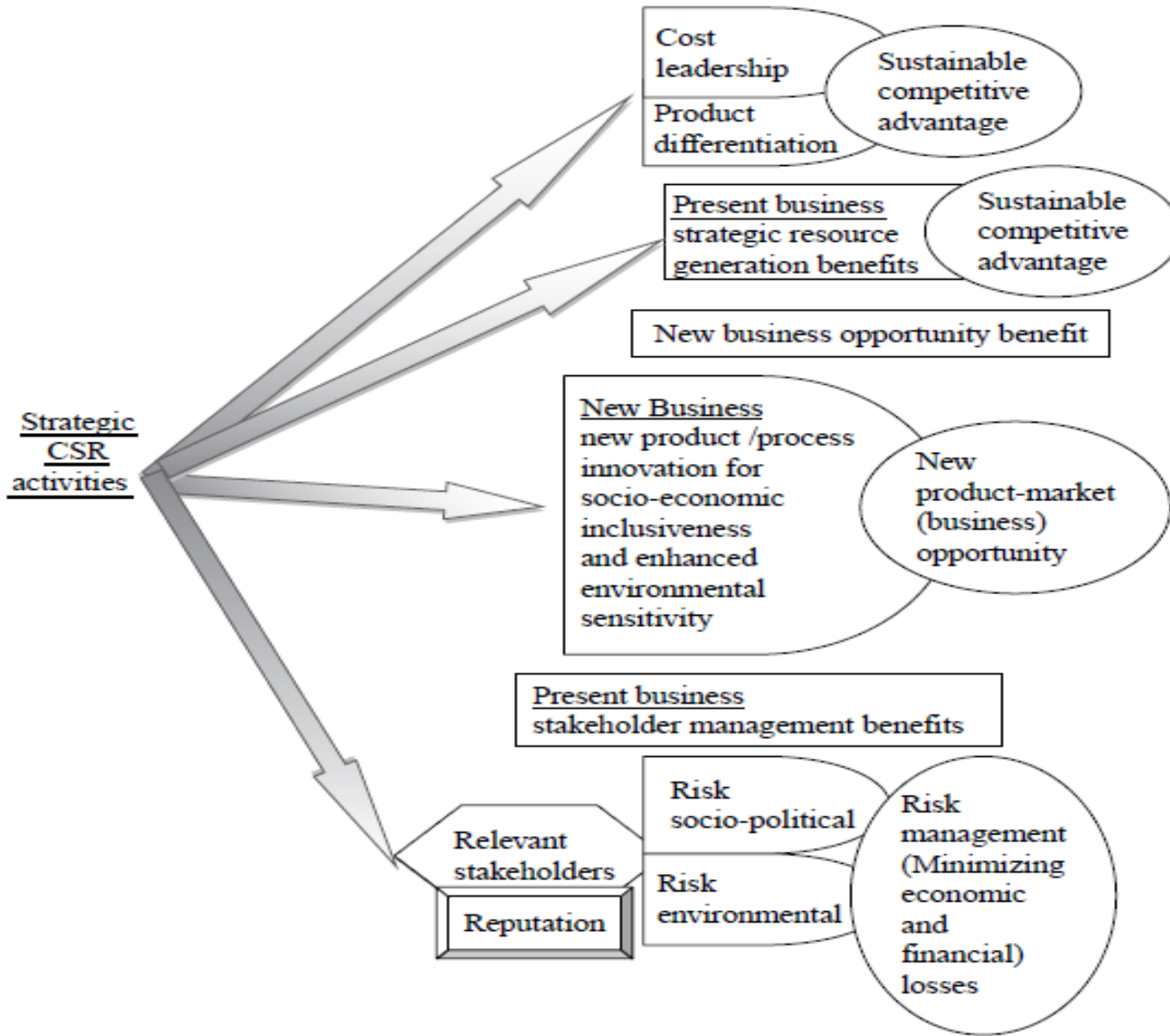
- Risk management and improving operational efficiency
- Increase standards / reliability in the supply chain
- Employee health / family support -> motivation / loyalty / productivity

Product / market / supply opportunity

- Developing new products / markets with social benefit
- Attracting new investment
- New sources of supplies (cheaper, more environmentally friendly, more reliable)

Linking CSR /CP to business Strategy (ii)

- Consider the Value Chain (Primary Vs Support activities) – Michael Porter (1985)
- A CSR / CP activity should contribute to attainment and sustenance of generic strategies: - cost leadership ; product differentiation (Micheal Porter)
- Allow for developing strategic resources for a firm (Intangible resources – Good will, Reputation, customer loyalty, etc; and Tangible – Human resources, continuous supply of raw quality materials, etc)
- Create new business opportunities for the firm (Fortune at the bottom of pyramid)
- Help a firm manage stakeholder-related risks better
- Source: Som Sekhar Bhattacharyya, 2010: Exploring the concept of strategic CSR for an integrated perspective



Linking CSR and CP to business strategy –(ii)The FOUR WAVE APPROACH TO CSR

(source: IBLF /AKDN)

	1 st Wave	2 nd Wave	3 rd Wave	4 th Wave
Purpose	Philanthropy	Strategic philanthropy	Community Investment	Healthy business environment
Motive	Morality	Long-term self-interest	Long-term/direct self-interest	Direct self-interest
Strategy	Ad Hoc	Systematic	Strategic	Organisational ownership
Staff	Administrator	Manager	Entrepreneur/consultants	Ingrained at all management levels
Structure	Detached from Business activities	Detached but linked to business interests	Part of line structure	Integrated with business functions
Initiative	Passive	Responsive to requests in target areas	Initiating	Integrated into daily decision-making
Contribution	Mainly cash or goods	Cash or donations Skills and cash	Business resources	Embedded in profit and growth goals
Drivers	Chairman's whim	Guidelines in place	Business linked Guidelines in place	Part of business strategy
Sustainability	One-offs	Assistance in specific issues	Nurturing and capacity building of NGOs	Ongoing part of business management/goals and appraisals

Why corporates may differ in their CSR & CP

- Orientation of the org or firm's mgt /owners (strategic Vs today; Personal Vs collective)
- Wrong perceptions – first make profits to engage in philanthropy; CSR is costly!, etc
- Overlapping interests
- Poor selection of partners
- Gov't policy (-unfavorable; applied selectively)
- Insincerity of recipients / donors

Way forward

- Empower individuals (beneficiaries or staff) to be able to identify, manage and lead such drives (CSR or CP)
- Build the orgn's systems to be fit for CSR /CP purpose.
- Supports (try) partnerships so as to maximise sustainable development impacts (i.e., greater innovation, efficiency and reach).
- Make CSR / CP part of the orgn culture.
- Be selective, consider working in line with gov't (local / central) priorities
- Fit into the bigger dev't programs /plans

Fit into bigger dev't plan ...The OVERLAPPING INTERESTS

source:AKDN / TPI



- Sound economy
- Healthy people
- Peace
- Political stability
- Healthy environment
- Educated people
- Accountable government
- Rule of law

