

**The subject of Corporate Social Responsibility is high on the agenda in many quarters, today. But what does it mean? Is it a tussle between the forces of "good" and "evil"?**

**In this article, it is argued that a better approach is to forge partnerships between Business Enterprises, NGO's, Governments and their constituencies, in the best interests of all parties.**

Given the breadth of the issue, let us first define what this issue is not.

First, whilst the demographic background to this article is "Asia", all of the principles refer Globally.

Second, the discussion is not about "westernic" or "American" civilization – it is about basic human issues. It's not about political ideology, or human rights ideology. Gareth Evans (at the October Pacific Rim Forum in Sydney) broke the Asian / Western values debate into four constructive "chunks". That is, after first defining Political ideological differences, secondly Historical Cultural differences, and thirdly identifying different views on the right Organizational mechanisms, there is a fourth, common set of values for all of us - **unifying human values**. Gareth defined these as personal safety and food security, economic opportunity, and the dignity of the individual.

Third, the discussion should not be about Corporate Governance, although there is some connection in the area of the "rule of law".

On the other hand, if your Company is trying to build strong, local organizations, you **need strong, Civil Societies**. This helps build to build strong Companies, develop strong employees, and thus to deliver profitable growth. Corporate Social responsibility is thus about a deeper dialog between Business, NGO's and Governments – in the self-interest of all.

There are a couple of underlying themes in our comments.

First, there is the conviction that **Education** is the key to a civilized society, to self-respect, and to strong local Companies.

A second theme is the need for **practical, sustainable development** – throwing money at problems just won't work. We'll discuss this concept later.

Now, let us turn to the demographic data on Asia's situation.

### **Asia has made excellent social progress over the past 30 years**

Taking Asia as an average (a dangerous assumption), in the early 1970's half of the region's population was below the poverty line, 60% were literate, and life expectancy was 48 years.

Today, about a quarter are below the poverty line, 70% are literate and life expectancy is 65 years.

### **Yet in 1998 900 million lived below the \$1 per day poverty line**

If you extend this to a \$2 per day criteria, it approaches 2 billion Asians (the data is from the Asian Development bank). We have 50% illiteracy in South Asia, and in several Countries only 50% of people have access to safe drinking water.

Turning to children, infant mortality in the first year in Asia ranges from a world class 4 per 1000 in the most advanced Countries, to a **problematic 95 per 1000**. In the middle, China has 38 per 1000 mortality, and Indonesia 45. ["State of the world's Mothers 2000" – Save The Children]

### **In some countries a third of children do not attend primary school**

Of course, Governments are leading the improvement programs. But a critical facilitator of improvement is the NGO. In Asia, there has been an explosion of NGO's in the last 20 years. For example, whilst not a 100% traditional definition, in China there are about 200,000 registered NGO's.

Many have Government links, although the policy is evolving towards NGO decentralization. In India, it is estimated that NGO's receive up to \$1.75 billion each year, and employ 1 million people. There are 95,000 local and foreign NGO's in the Philippines, 450 foreign NGO's in Vietnam, and at least 12,000 all together in Taiwan.

And, lest you think this is a "western" issue, it is estimated that per capita charitable giving in Hong Kong is higher than in the US, the UK or Australia.

**Sheer numbers of NGO's don't necessarily help.** And, many NGO's suffer weak funding, a lack of critical mass, have too many priorities and are **sometimes just inefficient.**

NGO's help via disaster relief, and that is usually where the public's interest peaks in raising money. But that is not the entire story.

### **Critical concepts are those of sustainability and capacity building**

Just as Business and Government strive to build lasting brands and institutions, so the best NGO's strive to create sustainable improvement - to the point that the NGO is no longer needed. Unfortunately, it is often difficult to get people to respond when there is no "media driven" disaster to raise money.

By the way, in the USA, 1999 estimates are that charitable giving surpassed \$190 billion dollars. The sum grew about \$15 billion versus 1998 – in goods, services, Corporate donations, grants, Government aid and individual contributions. **Only about twenty percent was directly earmarked for international use** - and with Africa and Eastern Europe being fashionable destinations for charity, it's safe to say that NGO work in Asia is not an extension of American policy. The same would apply to Europe, by the way.

Looking at the kind of sustainable programs that work – one of the best started years ago in Bangladesh, with the **Grameen movement**. Founded by

Professor Muhammad Yunus, there are now many arms of the Grameen Institution, both “for profit” and “not for profit”.

The Grameen concept of Micro Credit (also known as Micro Finance) is perhaps the best known program. Poor people are financed to build a sustainable future for themselves.

In Vietnam, with which we are familiar personally, typically a group of women are each loaned \$25 for 6 months and must pay it back monthly, with 2% interest. That’s a steep rate, but the funds generated go to local commune development. Weekly, the women compare notes. The women often buy a pig – and fatten it for 6 months for market, to get capital growth. They also buy a few chickens – to produce eggs, for weekly cash flow. And, they usually need a little extra money from other work to repay the loan. Still, after 6 months, the repayment rate is virtually 100% - and the only request is more money, for a longer period. **The women have become experts in both capital appreciation and cash flow.**

My wife and I were fascinated to sit in a “success model” group in a very small hamlet in the Vietnam highlands. The ladies there were not typical - one started a wine selling Business, two joined together to run a grocery wholesale service, and one entrepreneur “bet” the entire loan on buying silk to make clothes for everyone she met. **She doubled her money in 6 months.**

How many CEO’s would like to double their Company’s money in 6 months?

So, here is a successful, sustainable NGO program which both is driven by and teaches Business principles.

In Vietnam, one of our friends called this **“Capitalizing on Communism”**.

The issues we are grappling with perhaps become even sharper when viewed against the “new economy” backcloth, as well as that of traditional economics.

**There is much misleading talk of the “Digital Divide” right now**

First, we cannot recall Companies or Governments having “Vice Presidents of Electricity” at the end of the 19<sup>th</sup> Century.

Yet, we all seem to have “Vice Presidents of E-everything” today. It is not a perfect analogy, but the issue is what you do with the electricity – or what one does with the information on the Internet. The Internet is at least as fundamental to us today as Electricity was then – and the Internet will be embedded in every aspect of life in this Century.

Thus, we don’t need VP’s of electricity – we need people to understand how to incorporate the advantages of the Information flow of the Internet into both the existing frame of what they do, and into new frames.

From a social development perspective, we therefore are a little shy on programs that just give kids PCs. Rather, we need to train the kids on the value of information, how to interpret it, and only then wire them. We need the IT equivalent of a Microcredit, self learning program to build the “New Economy” in rural Asia. **In a sense, we need to find ways to show that information is cash.**

Second, and here we are borrowing an idea – we should not talk of the Digital Divide – but of “**Digital Inclusion**”. The world has too much inflammatory language like “Divide”, which suggests one side is superior.

The Internet is not just about the technology. What will an Indonesian village shopkeeper do with an Internet equipped WAP Mobile phone? If a farmer in the US can monitor his crop with the ‘net, and improve yields, how can

farmers in Nepal? Schools, NGOs and Business should start a crusade for "Inclusion", and stop talking about "Divides".

### **Many Companies have a code of responsibility in their strategies**

A great many of the world's 50,000 multinational Companies do good social work. **It is simply good Business.** In fact, many studies show that Companies with a strong social responsibility record also deliver superior financial results long term. On the other hand, anyone who is familiar with stories such as the Exxon Valdez knows the negative power of slow social responsiveness.

Some Companies embark on Socially responsive programs because of the vision and long-term impact of an owner-founder. Some reflect pressures from employee groups or NGO's. Some reflect legal frameworks, and then move "beyond compliance" to build competitive advantage.

The best Corporate Codes or Missions usually directly address all of their constituent groups – based on customers, employees, communities, and shareholders.

What we find most interesting is those world class Companies that can create a strong and **institutionalized heritage that business does well by doing good.** Some call this enlightened self-interest, and maybe it is.

But in a publicly traded company, any activity is sustainable only if it contributes to business growth and value creation. That's the reality we live with. And clearly, a **key topic of debate in the global social responsibility area is finding ways to report and even quantify the business benefit.**

In addition to the result-driven pressure to demonstrate social responsibility, consumers around the world seem to be increasing their pressure on companies.

The **1999 Millennium Poll on Corporate Social Responsibility** (co-sponsored by the Conference Board and the Prince of Wales Business Leader's Forum) polled 23 Countries, including 6 in Asia Pacific – China, Indonesia, Malaysia, India, Japan and Australia.

Citizens in 13 out of 23 Countries believed their Country should focus in the 21<sup>st</sup> Century more on social and environmental goals than on economic ones. **2/3rds of all people surveyed said that Corporations have a greater responsibility than just achieving profitability.** In fact, 40% said Companies should be held responsible to help solve social problems tightly linked to government responsibility – like crime and poverty.

Whilst Asian respondents had diverse responses to how they form impressions of Companies, there is generally less willingness to hold Companies responsible for social improvement than in the West.

Nevertheless, there was still a strong sense of the need for Corporate Responsibility toward the broader society. **14% of respondents said they had punished Asian Companies who they considered socially irresponsible,** and about a third said Companies should help set higher ethical standards for everyone's good. Interestingly, **China's score on this later point was 31%, about equal with highly developed Germany.**

When asked to name a socially responsible Company, **25% of urban Chinese said "Coca Cola" - yet 80% of Japanese couldn't name one Company!** Clearly, an opportunity.

### **Ideas on better Partnership in Corporate Social Responsibility**

- **For the Corporate world, we offer two ideas**

The first is the obvious - to **follow the lead of local employees as they do volunteer work or work with NGO's.** In many Companies, if the local

employees are prepared to put in their time, energy, commitment and funds – then the Corporation will more than match the \$'s. This way, the community wins, the local employees feel both that they are contributing and that their Company values them. The Corporation reputation is enhanced, and the organization is motivated. A real win-win.

The second is also obvious, but not so often done. NGO's are often desperate for management skills and knowledge. They simply can't afford "consultants". So, **why doesn't each Business adopt an NGO**, to help develop the systems and the people? Business expertise is often more valuable than money. We are also sure that Business will learn something in return.

- **From an NGO perspective, we also offer two ideas**

First, a theme by example. In Northern Cambodia, where the Khmer Rouge left only in 1997, my wife and I are engaged in a school system development program. So are many other donors, NGO's, Government agencies, Foreign Universities and even a few Businesses. The Provincial Education Authorities are struggling to map out a plan to coordinate these efforts for best results on the children's schooling. Add to that the need to integrate children's school building with landmine clearance, and it is a major partnership challenge. There are Councils of NGO's, etc. But still one feels a greater coordination would benefit the children more. Looked at from the NGO side, we believe **NGO's could be more flexible in adapting their own programs to adapt and work with other NGO's** – and not just pursue their "historical" program focus areas.

Then, there is a tendency for multinational NGO's to have a proliferation of programs – different solutions in different Countries. Yet the Business world is adept at quickly and efficiently transferring ideas from one Country to another. NGO's need to do the same if they are to form "Regional Partnerships" with Business - less "not invented here", we feel.

So, combining these two thoughts, **NGO's will be well served to clearly develop and market "portable" success models**, which can be moved around and which can be easily understood by Business as the basis for multinational partnerships.

- **From a Government perspective, there is some action needed**

It is clear that no Country can handle everything alone. Even a developed Country needs to build partnerships. Many Countries have developed a planning framework for priorities, financial and other incentives to encourage NGO and Business partnerships for social improvement. There are also some mechanisms to measure then extend success stories. The best Governments **facilitate the partnership between NGO's and Business**.

Yet, the simple biggest need is for **yet better transparency of law and total elimination of corruption**. This is not a new theme in Asia, but it applies as much to the social agenda as to the economic agenda. Individuals and Companies will not send funds, or donate their time, unless the maximum effort possible reaches the needy target. Let's face it, NGO's in some places still have to struggle to get all the money through. We need to collectively make it easier for them.

In conclusion, as we ponder the actions, we would do well to remember the Asian Development Bank's strategic Mantra of Poverty Reduction via

1. **Sustainable, inclusive economic growth**
2. **Promotion of social infrastructure**
3. **Encouragement of transparent governance**

There is a great will in the world to make things better – but not in a “do-gooder” way. People want solid improvement and sustainable gain – the very

skills that Business people make a living on. A partnership is an obvious solution, to a huge opportunity.

We hope this discussion can help move the joint Business, Government and NGO agenda forward – and spark more than a few ideas to help create yet stronger Civil Society.