

*The following article by Ufadhili's Judy Njino originally appeared in the Smart Company Magazine, Daily Nation on August 25, 2009.*

### **Contributing to development through Corporate Social Responsibility**

Corporate Social Responsibility (CSR) offers the private sector a model for ensuring that, as business prospers, society also prospers. The private sector already plays a key role in development through contributing taxes that fund government services to the society, creating employment and wealth, providing infrastructure, improving human resource skills, providing products and services and even contributing resources to social causes.

There has been a paradigm shift by companies from purely profit making ventures to one that seeks to maximize stakeholder benefits. By engaging in CSR initiatives at a philanthropic level, companies often create quick wins, bringing immediate and visible relief to the needy and poverty stricken members of the society.

Alternatively, business can create direct employment for the lower income segment of society and even engage them in the supply chain. The micro entrepreneur can be assisted to move up the business chain leading to increased income that can help them achieve better living standards. Thus, wealth creation, which is a core competence of companies, becomes a more enduring way of alleviating poverty.

However, if the root causes of poverty are not addressed, CSR tends to create dependency instead of empowerment of the beneficiaries. For CSR to create value for both business and society, it must be strategic. This means that companies align and integrate their CSR strategies with the overall business objectives. If this is done effectively, CSR can move from being a cost or a charitable deed to being a source of opportunity, innovation, competitive advantage and social empowerment. This can lead to an increased market share for the business as consumption increases. A recent study by Ufadhili Trust revealed that CSR initiatives are already giving companies in Kenya an advantage over their competitors. These companies enjoy greater goodwill from the society, thus creating customer loyalty and improving their reputation.

Often, the poor are seen as merely consumers for whom companies are developing tailor-made products and services. For instance, products are now being packaged in smaller quantities to enable them become more affordable to this market segment. This has risen from the realization that while the top of the pyramid is saturated with fierce competition, there is untapped wealth at the bottom of the pyramid and less competition. However, companies can go even further in their engagement with the poor. They can seek the energies, resourcefulness, and enterprise characterized by the bottom of the pyramid, to create win-win business relations. Such models could create social enterprises that result to prosperity throughout the value chain.

Company responsibility for the physical environment is not only a precondition for our survival and prosperity but also for future generations to meet their developmental needs. Environmental challenges such as destruction of natural habitats, pollution and climate change have become major concerns and a threat to the livelihood of humanity. If climate change is not addressed, developmental goals will remain a tall order. Companies have a big stake in environmental issues as their decisions and activities invariably affect the natural ecosystem through their use of energy, waste generation and pollution. By adopting sound environmental practices, companies will not only help in restoring the ecosystem but also protect vulnerable communities who are most affected by environmental threats due to their direct reliance on natural resources.

Companies also contribute towards development through their workforce. Investing in proper human resource management practices ensures healthy and empowered workers. The employees can be mobilized to volunteer time and valuable skills to support local communities and local developmental organisations. The company's core competency can be used to address challenges in communities.

The voice of business must also be heard when advocating for responsible governance in the country. Conflicts arising due to bad governance, has led to the disruption of business and a protracted downturn of the economy. The current food, water and energy crisis facing the country are as a result of poor planning and mismanagement of public resources. Businesses have also borne the brunt of social conflicts like the Post Election Violence and insecurity. Unfortunately, when business associations seek to influence policies and governance, it tends to invariably focus on their self-interest. Granted, this is the purpose of their existence but business needs to take up a greater role in advocating openly for good governance. Where business interest's conflict with social interests, will companies give thought to societies needs? The evidence from the widespread environmental destruction, proliferation of corruption, abuse and exploitation of employees, unethical marketing practices etc, seem to point to the contrary. Yet, if there is one sector that could truly lead by example and make a great difference, it is the private sector.

As companies engage in CSR activities they should also seek to build linkages with each other. They also need to partner with non-governmental organisations, academia and the government. The government can play an important role in creating an enabling environment for CSR initiatives. This is by reforming regulations that delay implementation of CSR initiatives, offering incentives to companies such as tax rebates and providing knowledge and expertise in technical projects. In addition, the private sector can supplement the work of the government by aligning their business objectives with the governments' economic and development policies such as *Vision 2030*.