III - STAKEHOLDER

Corporate Social Responsibility

वसुधैव कुटुम्बकम

Series : Rise

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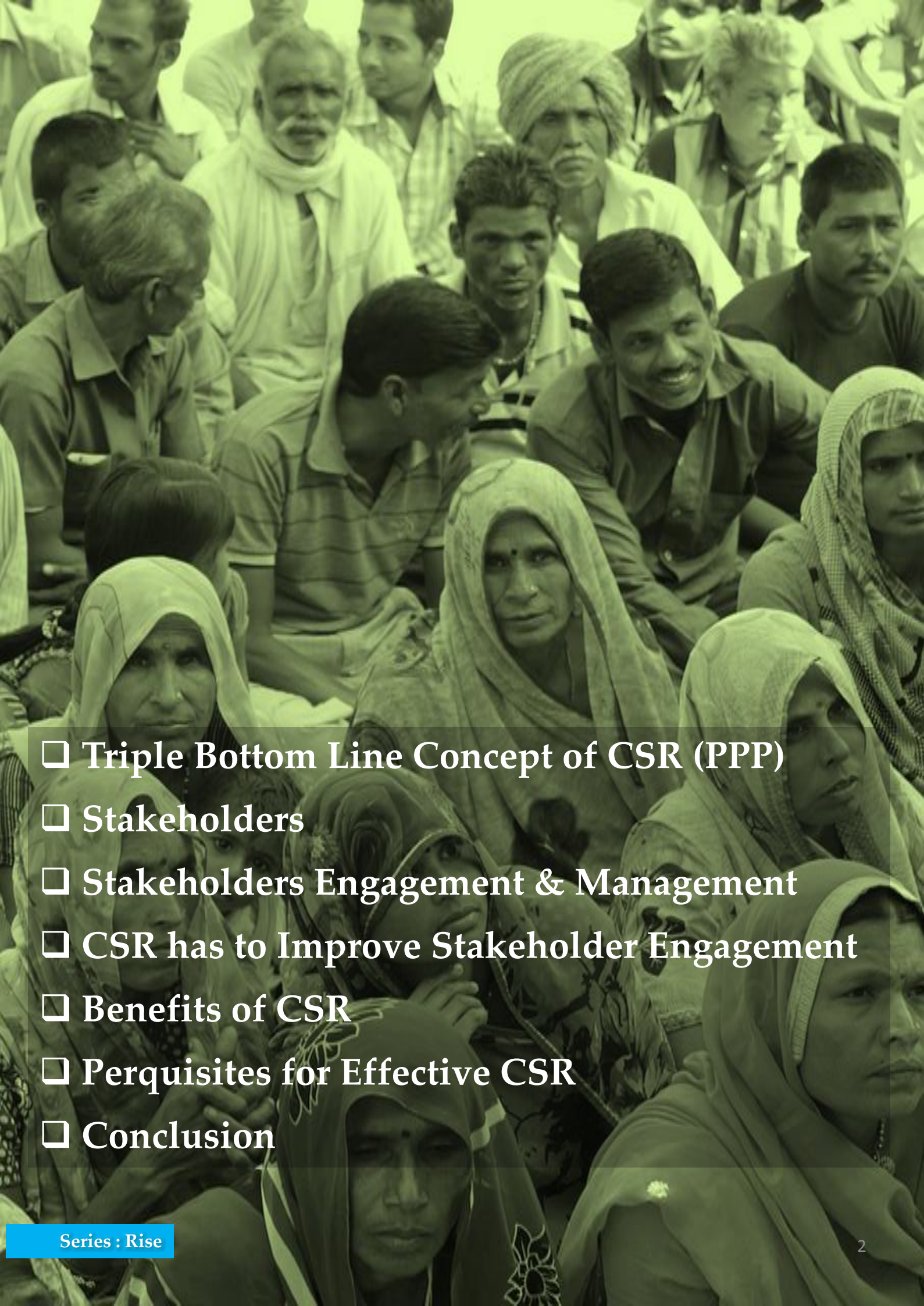

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Triple Bottom Line Concept of CSR (PPP)

John Elkington in his book "Cannibals with Forks" in the year 1998 gave the concept of Triple bottom line. He said that a company's responsibility lies with stakeholders rather than shareholders.

"Stakeholders" refers to anyone who influences or is influenced either directly or indirectly, by the actions of the business and according to this concept the basic stakeholders are:

PEOPLE - (human capital) pertains to fair and beneficial business practices toward labor, employee, community, other stakeholder of interests and region in which a corporation conducts its business.

PLANET - (natural capital) refers to sustainable environmental practices. Company endeavors to benefit from the natural resources as much as possible but it is fair to the extent that it do no harm or have an adverse impact on environment.

PROFIT - (wealth creation) is the economic value created by the organization after deducting the cost of all inputs, including the cost of the capital tied up.

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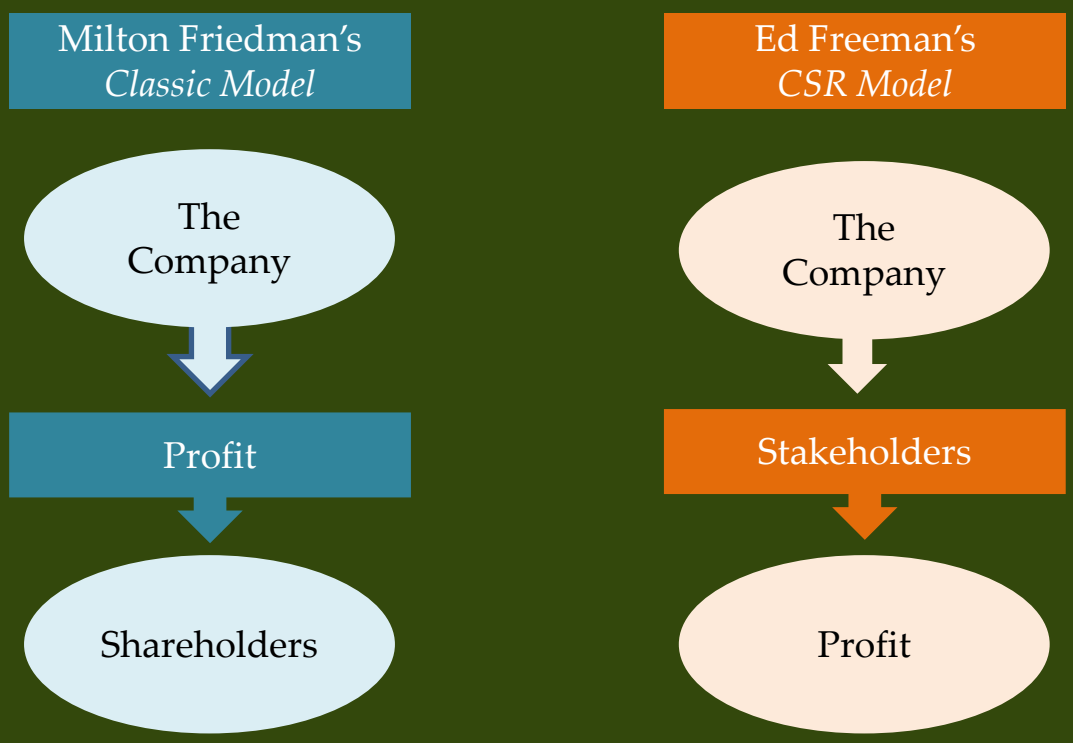
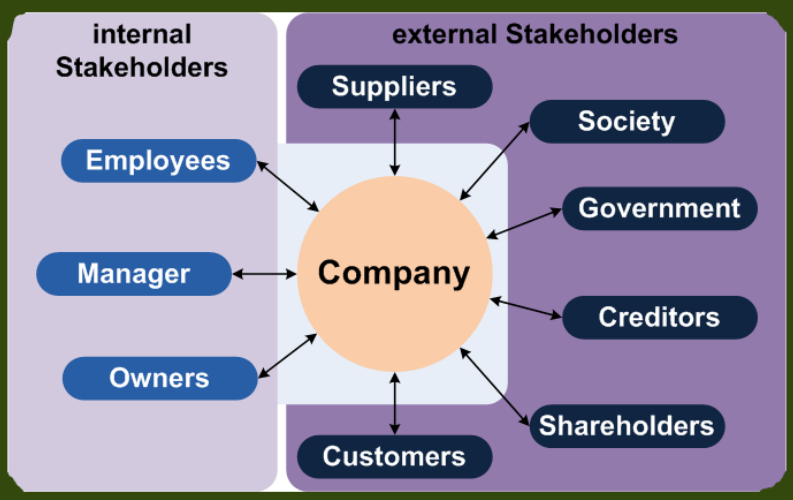
Stakeholders

Corporate stakeholders are those who can affect or be affected by the actions of the business as a whole. Or "those groups without whose support the organization would cease to exist."



Now question arises that who are our Stakeholders and it must be clear that share holders are one of our important stake holders not the stakeholder as a whole.



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Primary Social Stakeholders - are those who are engaged in economic transactions with the business.

Secondary Social Stakeholders - are those who - although they do not engage in direct economic exchange with the business - are affected by or can affect its actions.

Primary Non-Social Stakeholders - are those who are affected but not in the economic transactions with the business.

Secondary Non Social Stakeholders - are those who neither engaged in direct economic exchange with the business nor affected by but can affect business.

Stakeholders Classification

Primary Social	Primary Non-Social	Secondary Social	Secondary Non Social
❑ Investor	❑ Environment	❑ Government	❑ Environmentalist
❑ Promoter	❑ Next Generation	❑ Regulators	❑ Human rightist
❑ Employee	❑ Flora & fauna	❑ Civic institutions	❑ Animal welfare groups
❑ Community		❑ Social Activist	
❑ Land owner		❑ Academic Institutions	
❑ Supplier		❑ Media	
❑ Consumer		❑ Trade Bodies	

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The Pivotal role that Businesses play for inclusive growth of any society or Nation is un doubtful. It is expected from them to create wealth, supply product, generate employment, innovate and produce a sufficient surplus to sustain its activities and improve its competitiveness, while contributing the development of the community where it operates. Sustainable & successful business depends on relationships and trust they earn and this inspires their stakeholders to give their best to the company to achieve their objectives. Business and society are inter-dependent and business must take full account of the societal expectations.

Narrow mapping of stakeholders

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Broader Mapping of Stakeholders

The "**Stakeholder**" theory provides a theoretical framework of how one can best manage their stakeholders by meeting their expectations and maintain relationship with trust.

From the very of inception of any company or Business the role of Stakeholders or you can say their contribution of stakeholder even at the time of inception of any business facilitates and help to achieve corporate objective of wealth-creation, that is Profit. So no one can be ignored or exploited.

Eminent CSR researcher **Mallen Baker** in 2004 defined that CSR is about how companies manage the business processes to produce an overall positive impact on society. Outside stakeholders are taking an increasing interest in the activities of the company.

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The above illustration of Mr. Baker is sufficient to explain the relationship and role of stakeholders towards any of Corporate or Business.

This diagram can be considered in companies to symbolize effects on the economy, social affairs and the environment. CSR management integrates social and ecological goals into the corporate activities in such a way that the economic success can be combined with the benefit for the society and the environment.

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Stakeholders Engagement & Management

Stakeholder's engagement and continuous communication is essential for any business growth, sustainability and future planning for CSR strategy to tackle critical situations.

The first question in front of the CSR team is how to engage and manage your stake holders?

- Identify & prioritize stakeholders
- Understand stakeholders expectation & corporate need
- Make action plan based on stake holder's understanding
- Design engagement mechanisms as per stakeholder
- Establish a timeframe for implementation
- Continuous communication, feedback & reporting
- Continuous engagement & leadership role in and outside Stakeholders

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Stakeholder engagement differs from Stakeholder management, it implies a willingness to listen & discuss your issues of interest. While management is an art for long term benefits for the organization based on reconciling sometimes disparate stakeholders' wants and needs (investors, employees, customers, suppliers etc.).

Effective stakeholder engagement starts in our own backyard first i.e the internal stakeholders, and then comes external stakeholder engagement. But be careful that your stakeholder's universe is big enough so you have to prioritize among them. Stakeholder engagement is really an innovative process and well practiced with the help of modern communication tools, so it is you to find out the way, approach and best practice.

If CSR is to minimize negative and maximize positive environmental and social impacts, then with effective stakeholders' engagement the issues of stakeholders are immediately identified and necessary actions are undertaken. Companies have no choice whether they want to engage with stakeholders or not; the only decision they need to take is when and how successfully to engage. Stakeholder engagement is necessary for any type of organization: business, public or civil society. It is particularly important in the context of running an organization responsibly for its sustainability.

Organizations who face hostile communities or unfavorable NGOs', understand the importance of developing stakeholder relationships. This is important for senior executives, who shapes and lead their organization's policy towards stakeholders. Earlier engagement and management is better than later.

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CSR has to Improve Stakeholder Engagement.

Effective CSR requires the engagement of multiple stakeholders; and it is difficult to coordinate all its efforts effectively. A strategic planning that involves external interests requires a strong commitment to engagement.

When company's reputation, common perception, understandings of reality, brand image or environmental sustainability, impressions, beliefs and feelings of stakeholders, success or failure in the marketplace, community cooperation are on the stake, the role of CSR becomes important. This is the driving force for corporate social responsibility

McKinsey recently published a report on why CSR has largely failed to live up to expectations. The reasons being:-

- Corporate Social Responsibility – Easy to talk but difficult to execute, while most organizations willingly pay lip service to corporate social responsibility, most struggles with effective implementation. Till date the value & importance of CSR had not been recognized.
- Stakeholder dissatisfaction - many people see any initiatives that attempt to reach out to the local community or adopt some responsible measure as merely propaganda to boost brand image.

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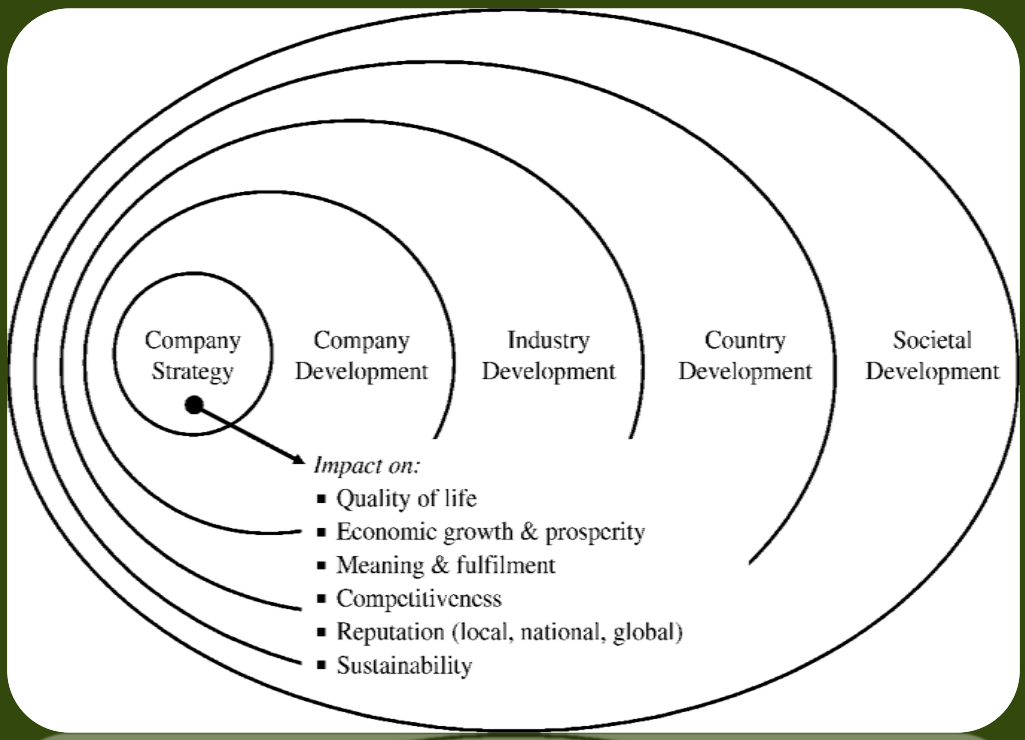
- When they hear of corporate social responsibility, they see half-hearted commitments, glossy reports, and unfulfilled promises.
- While it is true that companies use CSR as an insurance mechanism, this does not prevent effective measures or authenticity.
- Unfortunately, these cynical stereotypes can sometime bear some truth.
- Some view CSR as a cover for mismanagement of resources elsewhere. This creates a culture of unaccountability by encouraging business compensation to appease the public.
- Obviously this trade-offs run contrary to the spirit of responsibility. Thus, responsible companies have to overcome them in authenticity.



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- **L**imited Planning - teams that are dedicated to corporate social responsibility initiatives often have a very narrow focus on certain external stakeholders.
- **E**ffective CSR engagement includes a variety of stakeholders beyond immediate requirement.
- **C**SR initiatives fail to involve potential customers but also community leaders, activists, regulators, and legislators.
- **D**isconnected Strategy and CSR planning has failed to connect internal company expertise and largely developed unrealistic initiatives.
- **T**he result is ineffective planning on the part of those designing CSR initiatives. This exponentially increases the risk of failure because CSR becomes a distraction, not a vital component of the company's valuation.
- **A**dditionally, the disconnection of strategic planning reduces organizational buy-in. Since there are fewer individuals involved in the process, corporate knowledge becomes concentrated and specific CSR project become tangential engagements at best. Consequently, investment is minimal and buy-in is meager.

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Benefits of CSR

Benefits to Company

- ❑ Community harmony.
- ❑ Lower operating costs.
- ❑Greater productivity and quality.
- ❑Reduced regulatory oversight.
- ❑Access to capital.
- ❑ Workforce diversity.
- ❑ Enhanced brand image and reputation.
- ❑ More ability to attract and retain employees.

Benefits to the Community and the General Public

- ❑ Increase employment & employability opportunities.
- ❑ Contribution in societal inclusive growth.
- ❑ Contributions for social cause.
- ❑ Create volunteerism among employee and other stakeholders.
- ❑ Corporate involvement in community education, employment skill development and poverty eradication programs.

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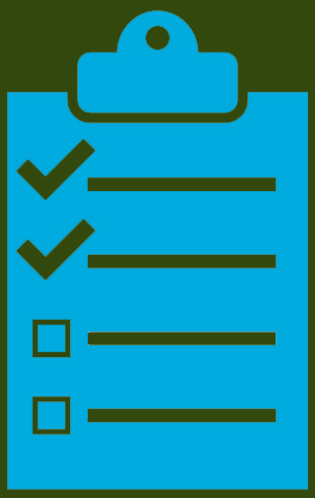
Environmental Benefits

- ❑ Greater material recyclability.
- ❑ Better product durability and functionality.
- ❑ Optimum use of renewable resources.
- ❑ Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards etc.

Prerequisites for effective CSR

Personnel

- ❑ Commitment.
- ❑ Integrity.
- ❑ Transparency.
- ❑ Punctuality.
- ❑ Humanitarian.
- ❑ Team work.
- ❑ Communication Skill.
- ❑ Good listener.
- ❑ Enthusiastic.
- ❑ Innovative.
- ❑ Analytical.
- ❑ Relation builder.
- ❑ Proactive.
- ❑ Understanding of CSR and its relevance with Business & Society



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Programs

- ❑ Strategic.
- ❑ Need based.
- ❑ User friendly.
- ❑ Completeness.
- ❑ Structured.
- ❑ Cost effective.
- ❑ Initiatives must have back up.
- ❑ Monitored.
- ❑ Time bound.
- ❑ Advance planned.
- ❑ Community based rather than individual.
- ❑ Less short term programs more Long term programs (sustainable).

Approach

- ❑ Friendly.
- ❑ The first appearance.
- ❑ Helping behavior.
- ❑ Unbiased of caste, creed, religion, gender etc.
- ❑ Community partnership.
- ❑ Creation rather than consumption.

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Conclusion

- You are the face of your company in community, your behavior, attitude, integrity, commitment will tell about your company's culture, character & thinking.
- Communicate corporate vision of CSR to all stockholders, clear any doubts & suspicions, establish faith and trust.
- Define & decide priorities of short range and long range programs, Calendaring them.
- Identification & Earmarking of core & buffer villages (PAV & Peripheral).
- Know the strength, weakness, culture and social bond of your community or target group.
- Develop partnership with Community, Government, Civic bodies & NGO.
- Continuous interaction with common people as well as community leaders, harnessing opportunities of involvement in every socio cultural activities.
- Identification & recruitment of resource person on ad-hoc basis having special skills for CSR land negotiation.
- Project formulation based on need identification, their analysis and effort for scaling up socio economic status of project affected villages under the aegis of CSR .

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- Think, plan, innovate how to compensate unemployment due to :
  - loss of agriculture land
  - loss of forest based livelihood
  - loss of allied employment
  - loss of artisan work
- Not by providing money but to provide them opportunity to get skilled and take alternate occupation for their livelihood, Company needs to be supportive in their shifting occupation.
- Always keep detailed data, photo, and video of pre & post programs.
- Preparation of annual report of CSR for the purpose Top management & Board of director's & global reporting to achieve recognition & bench mark.
- Always keep coordination and communication with press, media and voluntary organization whether the program or initiatives are small or big.

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SNPL

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SNPL's social development team

The social development team at SNPL advises clients on the impact that the social development environment may have on their businesses, combining vision, policy and mandate with data analytics to help them develop their strategies for sustainable development and better SROI.

With the social environment expected to remain diverse and at large, risks as well as opportunities to integrate business with inclusive holistic growth of society. At the same time, organizations can benefit themselves by benefitting society, adhering ethics, social policy, regulations and socio economic development with an aim to contribute society, nation and ultimately the world.

The Sociostark team helps clients to identify risks and opportunities in their current and future social development investment for better SROI.

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