

Corporate Social Responsibility (CSR) as an Effective and Sustainable Approach to Workplace and Community Relations*

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CSR Defined

There are many tag lines used by various companies these days that refer to being socially responsible. Some of the most popular ones are: profit with honor, profit with conscience, giving back, triple bottomline, and corporate sustainability.

If one searches for more formal definitions, one may find thousands of textbook definitions of Corporate Social Responsibility or CSR. Perhaps the most simple is that CSR is:

“The pursuit of optimized profit by a company without foregoing care for its community, environment and own employees.”

Paradigm Shift

In the old days, the businessman's act of giving back to the community or his neighbors is called philanthropy. The philanthropist is regarded as an unselfish and concerned citizen who in his or her success does not forget those who may not be as successful.

Old school philanthropy, however, has been criticized to be exactly that: old school. The nature of a philanthropic act is said to be dole-out in nature because typically it is a one-off donation and the giver does not become involved in the processes and outcome or end result of the use of donated funds. The act of philanthropy is also said to be sporadic, or at times even whimsical. If he gets up on the wrong side of the bed, the donation may be put on hold or cancelled altogether.

CSR, on the other hand, is more systematic. There is a partner relationship with the receiving party and that relationship is often long term. The activities are programmatic and the giver is involved in the planning, implementation and monitoring of the activities resulting from the assistance. In certain instances, the giver even lives in the locality as a local corporate citizen.

A Holistic Approach

CSR requires itself to be holistic in order to be deemed effective and have an optimal effect on business. The diagram below shows the facets of a comprehensive CSR approach:

Table 1. Facets of CSR



There is no pretense that the business must continue to have profit as its main driver. The owners and financiers of a business venture have to be assured of their desired returns. However, in the pursuit of profit, a company that also gives equal focus to its social and environmental surroundings will find itself in a more sustainable situation. This is also called the triple bottomline approach. Not only does a company track its financial bottomline but it also sets benchmarks for its performance in terms of alleviating its host communities, the natural environment where it operates, and its own employees. It must even perform in terms of ethical standards in the market, including ensuring that the sources of its supplies also adhere to certain ethical standards.

It would be very difficult for a company to claim that it is socially responsible because it has done 100 community projects in one year while its employees are actually losing their fingers due to unsafe machinery at the manufacturing plants, or claim to be environmentally responsible by donating millions for reforestation when waste oils from the machines are leaking into the water tables.

CSR calls for a total approach. Some degree of success has to be manifested in all facets in order to claim success.

CSR in the Organization

Before, the trend in organizations was to integrate the role of corporate sustainability in the HR department or in a corporate governance team, or even in the Public Relations (PR) department. In SN Aboitiz Power, the CSR team was created as an entirely separate office.

The CSR program was designed right after the company was formed. It won the bidding for the 360 MW Magat hydroelectric power plant in December 2006 (under the privatization efforts of government mandated by the Electric Power Industry Reforms Act or EPIRA Law), and the CSR program was launched even prior to the takeover date in April 2007. The main driver for the active interest of the company to have a CSR program in the outset was the business principles of both owners of the JV company. SN Aboitiz Power is owned by SN Power of Norway, a wholly Norwegian government-owned industrial investor in the power sector; and Aboitiz Power Corporation, a Filipino entity long known for its CSR activities through the Aboitiz Foundation.

In order to ensure that the CSR program will be sustained, a CSR team was formed with the CSR manager directly reporting to the CEO. Aside from developing the CSR policies and putting together the program, the CSR team has the responsibility to coordinate and work with other functional teams in order to push a CSR agenda or activity.

CSR's Reinforcing Role

For example, the CSR team has to work with the Health, Safety and Environment (HSE) team on employees' safety, security of the premises, disaster preparedness, emergency response planning, and conduct of safety and security audit. The CSR team, therefore, supports the HSE

team in doing its job. Done in a partnership manner, the CSR team can take the working principle of *'supporting without meddling'* so as not to get in the way of the HSE team.

In SN Aboitiz Power, this working relationship has led to the preparation of safety, environment and security documents in a timely manner and in the conduct of audits. Such cooperation won SN Aboitiz Power two awards from the ASPPI for zero lost time due to injuries (LTI) for two consecutive years.

The CSR team also works with HR on employee concerns, rights and well-being. It can serve as a second communication line from employees to management, with the HR line being the primary. The employees, therefore, can have not only one but two channels to reach management. Since the CSR team presents itself as an ally, looking after the rights and well-being of the employees, it tends to have an add-on ability to earn the trust of the workers and become a useful tool for management to communicate. This again is an example of the CSR team reinforcing another functional team in the organization.

CSR's Bridging Role

The CSR team can also perform a bridging role between the employees and the community. Through a volunteer program designed as part of CSR, employees were encouraged to contribute their skills towards the community. For example, those from finance can devote some hours teaching women's association how to balance books. Or perhaps the IT personnel can help install operating systems and applications to computers donated to public elementary schools, and even do regular virus-check and maintenance. The engagements of employees in volunteer work give them an opportunity to experience the act of giving. A survey of employees who participated in volunteer work in SN Aboitiz Power shows that they feel proud of their employer and are eager to wear company colors. They derive psychic income in their participation, especially when the community begins to recognize them as the company's familiar face in this sort of endeavor.

Volunteered hours of employees in SN Aboitiz Power add up to about two man-months per year.

CSR's External Relations Role

The CSR team also acts as process owner of what is called in SN Aboitiz Power as Host Communities CSR Program funded through an annually budgeted CSR fund. The company has identified Key Result Areas (KRA) on the development aspects that a baseline socio-economic survey conducted upon plant takeover revealed to be the top development priority of the host communities.

One of the areas where SN Aboitiz Power focuses is downstream community safety. In Magat, it has worked with the LGU to revisit its community emergency protocols in order to prepare the LGU for disasters since downstream communities are very prone to flooding during typhoons, or when the NIA and PAGASA are forced to spill water out of the reservoir.

Planning and Monitoring

In terms of planning and monitoring, a CSR program is definitely not rocket science. The basic document used in SN Aboitiz Power is a CSR guidebook developed to serve as a checklist of CSR concerns. The guidebook also emphasizes that CSR practitioners in the organization must continually be updated on recent trends.

By using the CSR guidebook, the CSR team put together a Social and Environmental Program and Action Plan or SEPAP. This document contains a matrix of relevant social and environmental issues, and how the team plans to address them. Certain targets are also indicated for the year. Monitoring then becomes as easy as regularly revisiting the SEPAP and checking the accomplishments against the targets.

In SN Aboitiz Power, the SEPAP also serves as a good tool in updating not only the management but also the owners and the project finance lenders toward their compliance to certain deliverables.

Results

Spanning two years, significant positive results are attributed to having a good CSR program that allows a CSR team to work together with the other functional heads, especially the HSE and the HR teams.

The list below summarizes these benefits:

- Safer work environment; more safety-conscious employees – Zero LTI in 2008
- Employees are proud of their employer
- Better communication between employees and management
- Psychic income through volunteerism (about one to two man-months equivalent per year)
- Uplifted communities (consulted, respected, assisted)
- Better brand; great PR – two Anvil awards in 2008; one adoption
- Access to financing

A more comprehensive list of the business case for CSR that can manifest in other practices is found below:

Decrease in lost time and productivity

Health and sports programs can help maintain employee productivity. These can also avert illnesses that lead to lost productive time. High staff morale can also lead to less absenteeism, which again addresses lost productive time.

Product differentiation

CSR activities can be a competitive advantage as the company as a brand becomes differentiated from its competitors.

Risk management

Good CSR practices can reduce non-financial risks. Reputable risks for instance can be very costly. It is said that it can take 20 years to build a good reputation but only 20 seconds to destroy it.

Less staff turnover

Good working environment will develop high staff loyalty. The staff will likewise not be prone to being pirated by competitors.

Access to financing

Since good CSR practice reduces some risks (e.g., sabotage, reputation), this can lead to financing entities becoming more responsive. Insurance premiums can also be greatly reduced.

Brand-building

CSR activities can give brand-building a big boost. A company associated with noble causes and responsible actions would often get positive publicity.

Green buyers and investors

Green companies prefer suppliers and service providers who are also green. There are also investors (individuals, banks) who are biased towards companies that are environmentally and socially responsible.

Social license to operate

Sometimes, a social license to operate is as important as the official business license. There had been cases wherein businesses had been unable to operate because they did not have a good relationship with local community.

Conclusion

A CSR approach to workplace/industrial relations and community relations exhibits a high degree of effectiveness and allows a company to deliver on a wide range of objectives (financial, environmental and social). CSR programs do not require rocket science.

With the collaboration of CSR, HR, HSE and other departments in the company, CSR programs can be easily designed, replicated and applied to different industries in the Philippines and in the ASEAN Region.

Recommendations

In order to develop an effective CSR approach, it is recommended that management create a separate CSR office, independent from other typical functional departments. The CSR head has to have a voice in management, and should start with developing a set of CSR Business Principles based on the company's Mission, Vision and Objectives.

A good CSR program has to be holistic. It is recommended that both internal and external programs be planned simultaneously in order to build synergies among the programs. CSR program planning is recommended to take a BOGTAS (Bunch of Guys Talking to All Stakeholders) approach, rather than a BOGSAT (Bunch of Guys Sitting Around a Table) approach.

Internal programs must straddle the health and safety concerns of the employees, address impacts to the environment (e.g., the 3Rs of reduce, reuse and recycling), ethics and even good governance. On the other hand, external programs must cover activities, first toward communities where the business is located, and eventually out into the company's wider sphere of influence.

Finally, a good monitoring system that is capable of tracking key performance indicators (KPIs) has to be put in place. It is important that there is management buy-in on these KPIs. Reporting the CSR program results to stakeholders is a must, as this provides a good indicator of a sustainable business entity.

Notes

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