

CSR 2.0 as the New DNA of Business

By Wayne Visser

By May 2008, it was clear to me that the evolutionary concept of Web 2.0 held many lessons for CSR, and I began to develop my thinking around CSR 2.0. It quickly became clear, however, that a metaphor can only take you so far. What was needed was a set of principles against which we could test CSR. These went through a few iterations, but I eventually settled on five, which form a kind of mnemonic for CSR 2.0: Creativity (C), Scalability (S), Responsiveness (R), Glocality (G) and Circularity (O). These principles, which will be explored in detail in the next chapters, can be described briefly as follows:

Creativity – The problem with the current obsession with CSR codes and standards (including the new ISO 26000 standard) is that it encourages a tick-box approach to CSR. But our social and environmental problems are complex and intractable. They need creative solutions, like Free-play's wind-up technology or Vodafone's M-Pesa money transfer scheme.

Scalability – The CSR literature is liberally sprinkled with charming case studies of truly responsible and sustainable projects. The problem is that so few of them ever go to scale. We need more examples like Wal-Mart 'choice editing' by converting to organic cotton, Tata creating the affordable eco-efficient Nano car or Muhammad Yunus's Grameen microfinance model.

Responsiveness – More cross-sector partnerships and stakeholder-driven approaches are needed at every level, as well as more uncomfortable, transformative responsiveness, which questions whether particular industries, or the business model itself, are part of the solution or part of the problem. A good example of responsiveness is the Corporate Leaders Group on Climate Change.

Glocality – This means 'think global, act local'. In a complex, interconnected, globalising world, companies (and their critics) will have to become far more sophisticated in combining international norms with local contexts, finding local solutions that are culturally appropriate, without forsaking universal principles. We are moving from an 'either-or' one-size-fits-all world to a 'both-and' strength-in-diversity world.

Circularity – Our global economic and commercial system is based on a fundamentally flawed design, which acts as if there are no limits on resource consumption or waste disposal. Instead, we need a cradle-to-cradle approach, closing the loop on production and designing products and processes to be inherently 'good', rather than 'less bad', as Shaw Carpets does.

I believe that CSR 2.0 – or Systemic CSR (I also sometimes call it Radical CSR or Holistic CSR, so use whichever you prefer) – represents a new model of CSR. In one sense, it is not so different from other models we have seen before. We can recognise echoes of Archie Carroll's CSR Pyramid, Ed Freeman's Stakeholder Theory, Donna Wood's Corporate Social Performance, John Elkington's Triple Bottom Line, Stuart Hart and C.K. Prahalad's Bottom of the Pyramid, Michael Porter's Strategic CSR and the ESG approach of Socially Responsible Investment, to mention but a few. But that is really the point – it integrates what we have learned to date. It presents a holistic model of CSR.

The essence of the CSR 2.0 DNA model are the four DNA Responsibility Bases, which are like the four nitrogenous bases of biological DNA (adenine, cytosine, guanine, and thymine), sometimes abbreviated to the four-letters GCTA (which was the inspiration for the 1997 science fiction film GATTACA). In the case of CSR 2.0, the DNA Responsibility Bases are Value creation, Good governance, Societal contribution and Environmental integrity, or VEGS if you like. Each DNA Base has a primary goal and each goal has key indicators.

Hence, if we look at *Value Creation*, it is clear we are talking about more than financial profitability. The goal is economic development, which means not only contributing to the enrichment of shareholders and executives, but improving the economic context in which a company operates, including investing in infrastructure, creating jobs, providing skills development and so on. There can be any number of KPIs, but I want to highlight two that I believe are essential: beneficial products and inclusive business. Does the company's products and services really improve our quality of life, or do they cause harm or add to the low-quality junk of what Charles Handy calls the 'chindogu society'. And how are the economic benefits shared? Does wealth trickle up or down; are employees, SMEs in the supply chain and poor communities genuinely empowered?

Good Governance is another area that is not new, but in my view has failed to be properly recognised or integrated in CSR circles. The goal of institutional effectiveness is as important as more lofty social and environmental ideals. After all, if the institution fails, or is not transparent and fair, this undermines everything else that CSR is trying to accomplish. Trends in reporting, but also other forms of transparency like social media and brand- or product-linked public databases of CSR performance, will be increasingly important indicators of success, alongside embedding ethical conduct in the culture of companies. Tools like Goodguide, KPMG's Integrity Thermometer and Covalence's EthicalQuote ranking will become more prevalent.

Societal Contribution is an area that CSR is traditionally more used to addressing, with its goal of stakeholder orientation. This gives philanthropy its rightful place in CSR – as one tile in a larger mosaic – while also providing a spotlight for the importance of fair labour practices. It is simply unacceptable that there are more people in slavery today than there were before it was officially abolished in the 1800s, just as regular exposures of high-brand companies for the use of child-labour are despicable. This area of stakeholder engagement, community participation and supply chain integrity remains one of the most vexing and critical elements of CSR.

Finally, *Environmental Integrity* sets the bar way higher than minimising damage and rather aims at maintaining and improving ecosystem sustainability. The KPIs give some sense of the ambition required here – 100% renewable energy and zero waste. We cannot continue the same practices that have, according to WWF's Living Planet Index, caused us to lose a third of the biodiversity on the planet since they began monitoring 1970. Nor can we continue to gamble with prospect of dangerous – and perhaps catastrophic and irreversible – climate change.

In the rest of this blog series, I will explore what a different approach – CSR 2.0 – may look like.

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