Browne & Mohan

Board & CEO Advisors, Management consultants

Stop!!, Don’t just plod, manage CSR Using RBM

Pratibha Sharma and Deepesh M

Introduction

World Bank defines "CSR as the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large, to improve their lives in ways that are good for business and for development." Companies realize the importance of CSR in engaging with the community and sustaining quality of life across multiple stakeholders. CSR is not only an investment route for branding, but to realize social goals and reduce disparities across different groups. Hence, governments across the world actively encourage CSR activities by providing tax breaks or making mandatory investments.

Recently the Government of India too has promulgated an order as per the Companies Act 2013 that companies that have a turnover of Rs. 1,000 crore or more or net worth of Rs. 500 crore or more or net profit of Rs. 5 crore must spend every year at least 2 per cent of their average net profit over the preceding three years as a part of CSR. According to the Indian Institute of Corporate Affairs, of the 1.3 million companies in India, about 6,000-7,000 companies are covered under the new CSR rule, expecting an annual CSR spending of approx Rs 15,000-20,000 crores in India.

Managing CSR: some challenges

Many new companies that have been mandated to make CSR investments are allocating their investments without focus and alignment to their social goals. Much of their investments is channeled to activities as a part of an obligation rather than focus on the long term benefits that could be derived through CSR. While the initial euphoria quells down, the impact of these much advertised programs belies the long term vision of the organizations and its social commitment. Bereft of a formal planning process they invest in tree planting or health check-up activities in partnership with NGO without actually realizing tangible long-term benefits to the community they intend to serve.

On the CSR front Companies

1) Lack formal process to investing in value generating CSR programmes that can impact the society and the organization as a whole.
2) Need a framework that helps them to spend their CSR marked funds prudently to bring about a noticeable and sustainable change.
3) Want an approach that can help them rationalize investments and importantly manage the investments.

As in any strategic intervention, they realize the key to effective CSR is not strategy, but in its implementation. While there are several multi-objective decision-making tools available to help them rationalize investments, they realize a need for a framework to manage, evaluate and direct various activities pursued through indirect/direct channels to gain maximum returns from CSR program.

Planning and Managing CSR

We suggest a three stage approach to plan, invest and manage the CSR activities. Firstly companies must conduct a CSR audit. CSR audit can be done by internal resources or external consultants. The first step in CSR is to assess your current practices and any violations from your CSR charter. Start with your mission statement, and CSR mandate and check whether any of your vendors, employees have violated any of the principles. Do an RCA and identify approaches to stem the outlier. Evaluate how your customers and employees think about your company, competitors and how your business plans are consistent with the mission mandate. Assess positives and negatives, the trends and directions to chalk out the next steps. Once a CSR as-is evaluation is done, share it internally to get feedback on the status and what areas could be improved.

Next, do a benchmark analysis covering industry-wide ethical practices, corporate code of conduct best practices, what social cause programs have yielded the best results and why, what have not worked, what are the trends, etc. Forecast the next 5 years investments set-aside for CSR activities, what CSR activities can add value to the society and the organization in terms of impact and branding. Identify which NGO activities and plans align with your short-term and long-term goals. The benchmarking should serve as a guideline to what could be easily achieved and use as a ball park to stretch and communicate goals.

Finally, use Result based management (RBM), a strategy management tool for planning and performance evaluation to align the investments across various projects of different NGOs. RBM helps to measure the result of the activities periodically and emphasize more on what is to be accomplished. RBM has various dimensions. Results are realistic, risks are identified and managed and appropriate indicators are used to monitor the progress of the expected results. These indicators help the organization in assessing whether or not the activities are yielding the desired results. RBM helps to bring clarity on the purpose of the programme and the desired results from the very beginning. RBM captures the progress of activities in short, medium and long term, thus helping your company know how CSR is working, what activities are yielding the most and what partner activities are most promising. CSR is an important element to just outsource, own and manage it to see better business impact.

RBM to manage CSR

Companies need a framework for management of objectives rather than just outcome reporting. It is in the best interest of the companies to adopt a result based framework to manage and measure performance as it enables and builds capabilities to manage a long term oriented goal. Result based management (RBM) is a strategy adopted to measure the performance based on pre-determined results. The focus here is to measure the result of the activities periodically and emphasize more on what is to be accomplished. Result based management is a full cycle approach to management that integrates people, process, resources and measurements to administer the programmes and improve transparency and accountability. Organizations need to use RBM by starting with planning, implementing, monitoring and concluding with evaluating and reporting. The aspect of result chain is about integrating the phases of RBM starting from input through activities required, immediate outputs, intermediate results and final results. Better monitoring can be done through using the right indicators, targets and baselines. RBM clearly defines the activities to be performed at each stage to achieve the desired results. These activities are further segregated into allocation to different groups. Each group is reviewed based on the activities and the outcomes and outputs are consolidated at the programme level to report the impact or the final result in comparison to the objective set.

Companies need to first identify the social and community issues which the organization would like to be associated with and work upon. This requires the management to come to a consensus on the clear definition of what the company stands for and what are its views on the vision, mission and long term objectives of the company. Companies must select partners who can execute their social obligations based on NGOs expertise and reach. It is important to communicate the intention and necessary goals to partners to align their activities with the CSR program.

Draft an annual CSR plan using RBM listing stage wise accomplishment of activities and their outcome. The impact or the benefit intended is broken down into short term, medium term and long term. The results are monitored and measured periodically and the consolidation of these results reflects the overall CSR performance. This periodical monitoring helps both the NGO and the company to be on track with the activities and the resulting impacts to reach the end objective.

To report the CSR results use RBM indicators. This report needs to present the different program the company has undertaken, each year's goals and performance. RBM classifies the results in short term (output), medium term (outcome) and long term (impact). The report could incorporate these stages to breakdown the program results each year and consolidate the same in the end of the time period of the program to evaluate the impact.

Conclusion

Proper planning, performance optimization and generating maximum benefit on investment are key to a successful CSR. Unlike financial performance measurement, CSR focus is on the efficient utilization of the allocated funds to reach and benefit the society at large. To conclude, Result based management is an essential tool in managing, monitoring and reporting CSR as it gives clarity on the organizational vision and objectives and ensures that the resources are aligned to those goals. CFOs, who intend to gain maximum value for money, achieve the desired results and be able to explain them to their stakeholders, require a robust framework like RBM. The monitoring and evaluation system in RBM helps the companies take control of the programmes and ensure better planning and implementation. With the identification of result in the beginning, it becomes easier for companies to align the resources, communicate the objective and priorities to the partners and track the performance to achieve them. They can plan more realistic results and preempt the sequence of actions to make the necessary changes.

Bibliography

Bino Paul, G.D and Venkatesha Murthy R, (2011), Planning of Corporate Social Responsibility (CSR) for Shipping Coporation of India, National CSR HUB, Tata Institute of Social Sciences.

Khan, M.A (2001) Guidebook on Results based Monitoring and Evaluation: Key Concepts, Issues and Applications, Sage, Colombo.

Memdani, M (2012), Corporate Social Responsibility of Small and Medium Enterprises in India, Abhinav, Vol 1, Iss 10, pp 8-12.

Rangan.K, Chase, L.A and Karim, S. (2012), Why every company needs a CSR strategy & and How to Build it, HBS Working Paper, 12-088,

Sen, S and Bhattacaharya, C.B. (2001) Does Doing Good Always Lead to Doing Better? Journal of Marketing Research, 38, pp 225-243.

Smith, C.N. (2003) Corporate social responsibility: whether or How?, California Management Review, Vol 45, pp 53-56.

Srivatsava, A.K, Neigi, G, Mishra, V and Pandey, S. (2012), Corporate Social Responsibility: A Case study of TATA Group", ISOR Journal of Business and Management, Vol3, No5, pp 17-27.

UNDP Evaluation office (2004) Results Based Monitoring and Evaluation in the UNDP, New York.