



## Corporate Social Responsibility: Reinforcing Strategy and Business Competitiveness

The purpose of Corporate Social Responsibility (CSR) should not be to produce a sustainability report or for good governance, but should rather be an essential part of the competitive strategy of any organization.

### Sabin Azua - Partner and CEO, B+I Strategy

We are witnessing the acceptance in society of the concept of Corporate Social Responsibility (CSR). The numerous international initiatives are generating a considerable breeding ground for a sizeable number of organizations to improve the management of that very responsibility. The Global Reporting Initiative, the European Commission's White Paper for the Promotion of Social Responsibility and the OECD Guidelines for multinational companies, are just a few of the initiatives which compose a framework for decision-making on an individual basis. Just as in other fashions or trends, it is imperative to point out that **companies do not start from zero** in this matter, despite not consciously having taken decisions on CSR, or according to a given framework. Generally speaking, companies which are currently competitive, already have elements of responsibility management, without which they would have ceased to exist as companies long ago. I am convinced, however, that it is worthwhile for organizations to become aware of the necessity of integrating the principles of CSR into their thinking processes and strategic praxis.

In my opinion, and consistent with what Professor Miguel Angel Gallo writes in his book: "La Responsabilidad Social de la Empresa" (Corporate Social Responsibility of Companies), **the primary responsibility of companies is to keep to the following basic tenets:**

- 1) Develop products and services which are useful to the Community (i.e.: the clients), which generate quality employment and respects professional and personal development of its workers;
- 2) Create sufficient wealth to consolidate the long term business plan;
- 3) Maintain strict respect for the Communities in which companies operate, thereby contributing to the common good.

Personally, I do not believe that companies can continue to survive in the long-term if they are not committed to the principles of CSR. Companies which display a clear commitment to promoting competitiveness are those which also contribute to economic, social and environmental progress over the long term. This commitment springs from a deep respect for human rights equally across the board, and is closely interrelated to the competitive milieu wherever the company operates.

Moreover, these same organizations make the fostering of human capital and the exchange of knowledge a constant in their operation. They prove themselves to be honest, transparent and respectful of the law, applying the best practices of good governance and marketing "ethical products", to name but a few examples. It is clear to me, that given the immense social differences in developed and semi-developed countries throughout the world, as well as the gross underdevelopment of vast areas of our planet, companies are obliged to adopt strategies and operating practices, based



on CSR principles, which would improve living conditions at the bottom of the pyramid. I would like to bring to the fore the teachings of Professor C.K. Prahalad in his book: "The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits". Professor Prahalad inspires us to adopt innovative strategies to start and run businesses which improve **the living conditions of the disadvantaged social classes** by improving business competitiveness itself.

Consistent with the framework established by Professor Prahalad, we must **found businesses compatible with the needs of those at the bottom of the pyramid**. This means we must also think of the disadvantaged areas of our own developed world, and not only with the third and fourth world in mind. The features of this market, therefore, are small units or doses of product, with a very low profit margin per unit, high volume and a high return on investment. Paying attention to these markets in an efficient and responsible manner implies considering the following elements:

- 1) Focalization of the price of products and services;
- 2) Highly innovative, made-to-measure solutions, which can later be applied to different cultural and/or geographical environments;
- 3) The impact of material recuperation;
- 4) Preference for function over aesthetics;
- 5) Educating consumers;
- 6) Sustainability in attending to these and other future needs which may in turn utilize existing platforms.

**In closing**, I wish to highlight that the purpose of CSR should not be to produce a sustainability report or for good governance, but should rather be an essential part of the competitive strategy of any organization. As Lindsay Kemp said at the World Social Forum at Porto Alegre, Brazil: "Let's take off the makeup, prove to ourselves who we are and meet our obligations to the rest of the world".

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