

## Defining Corporate Social Responsibility

– Tiara Anthonisz,

Corporate Social Responsibility (CSR) in Sri Lanka is plagued by misconceptions. The large majority of corporates believe it to be merely about philanthropic activities, making generous donations to various charitable causes. This misconception is perpetuated in the media, where companies are portrayed engaging in such activities, which are then given the title ‘CSR Projects’.

However, CSR is not about one-off projects. Instead, it is about running the business in a way that minimizes to as great an extent the negative impacts on society and the environment that are created as a result of daily business operations, whilst at the same time maximizing the positive impacts for the benefit of all stakeholders. It is about being accountable for your actions, to your stakeholders, and operating in a way that ensures long term sustainability of the business, which in turn ensures sustainable development of the nation.

Most of the misconception has been caused by the ‘S’ in CSR, the ‘Social’ component of the term. However CSR is actually about the company’s interactions with the economy, the environment, as well as the social sphere. It is for this reason that we prefer to use the term “Corporate Accountability” for this management practice.

Other companies globally and at home, Dialog Axiata being one of them, have simply removed the confusing ‘S’, and refer to this management practice as CR or Corporate Responsibility. Dialog goes further, by clearly distinguishing between ‘Business Integral CR’, and ‘Outreach CR’, where Integral CR addresses managing the impacts created by the company’s core business activities, and Outreach CR addresses the company’s interactions with the wider community.

Yet others including John Keells Holdings (JKH), have dropped the term completely, and now refer to Sustainability, when speaking about this area in their businesses. JKH manages its business according to its Sustainability Policy, which strives to ensure that all activities of the business are conducted in line with national and international laws and regulations on the environment and social issues, and in line with global best practice for each sector. Most importantly, the company has clearly separated its commitment to sustainable business practices from philanthropy, by establishing a Foundation that is responsible for the latter.

This all goes to show one thing – CSR does not simply refer to philanthropy. In fact, nor does the term ‘Social’. Instead, social refers to the labour practices of an organization, its interactions with its customers and other stakeholders, its human rights standards, as well as its interactions with society in general. Confusion persists however, when the media refers to activities undertaken by Foundations like that of JKH as ‘CSR’, mistakenly communicating to the public that such activities are CSR in its whole. Instead, these

philanthropic activities of companies should be referred to as Corporate Community Involvement or Investment, the component of CSR that deals with this area alone.

What CSR means in its actual sense is further established by the recently released ISO standard on Social Responsibility, ISO26000. The standard focuses on organizational governance, human rights, labour practices, the environment, fair operating practices, and consumer issues, with some attention also given to community involvement and development aspects.

The background to ISO26000 makes clear why it is so important that companies in Sri Lanka recognize the true meaning of CSR. To quote the International Organization for Standardization, “An organization's performance in relation to the society in which it operates and to its impact on the environment has become a critical part of measuring its overall performance and its ability to continue operating effectively. This is, in part, a reflection of the growing recognition of the need to ensure healthy ecosystems, social equity and good organizational governance. In the long run, all organizations' activities depend on the health of the world's ecosystems. Organizations are subject to greater scrutiny by their various stakeholders.”

This greater scrutiny is a key reason for why companies now need to realise that they cannot be content with donating generously to various causes, whilst they continue to operate in ways that cause harm to the environment and create less than optimal benefit for their stakeholders. If companies do wrong, the public will find out. They must therefore integrate into their core strategies, the ingredients necessary for ensuring all business decisions are made with being responsible and accountable in mind. They must take a holistic and strategic view on CSR. As rightly stated by the Standards Organization, their overall performance and long run business survival depends on it.

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