



Beyond Corporate Social Responsibility

Moving a company from 'bolt-on' to 'built-in' social responsibility

Interest in Corporate Social Responsibility (CSR) has grown over the past 40 years. It involves companies regulating themselves and taking care of their impact on the world.

However, for many companies, CSR still means creating new themes for a public relations effort, rather than a serious change in their relationships with society. In other cases, companies may take more authentic approaches to CSR, with serious efforts that donate to meaningful causes. While respectful of these

approaches, we still think of them as a "bolt-on" tactic, not one deeply integrated to CSR. But the tide is turning. Increasingly, businesses realize that they need to be in harmony with their customers, government, environment, and public. Consumers, investors, and employees are more loyal to good corporate citizens, and people have the tools to track corporate behavior.

How can corporations more creatively and deeply build positive social and environmental impact into the DNA of their companies and still derive positive business results?

TAKE ACTION – *designing for Beyond Corporate Social Responsibility*

- 1. Center on social impact**
Boldly move positive social impact into the core of a business. Marks and Spencer took CSR from a bolt-on approach to the center of its corporate strategy.
 - 2. Align assets and impact**
Leverage assets for social impact. Google Grants provides free ads for nonprofits, a setup that still works with Google's business model.
 - 3. 'And/and,' not 'and/or'**
Find ways to improve a business while creating positive impact. P&G sells Tide detergent in a concentrated form, saving on packaging and transport.
 - 4. Charter a B Corporation**
Corporations often spin out nonprofits; before doing the same, consider a B Corp instead. You can make it self-sustaining and aligned with a social mission.
 - 5. Track and measure**
If you can't measure it, it won't have impact on customers, investors, suppliers, and regulators. Thankfully, easier tracking may soon be a reality.
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Align value with values

Walmart is the largest business in the world. As such, it is one of the heaviest users of packaging and other materials. In 2005, after much criticism, Walmart set goals to be supplied with 100% renewable energy, to create zero waste, and to sell products that sustain resources and the environment.

Paul Tepfenhart, senior director of private brands strategy at Walmart, talks about the benefits of the company's zero packaging initiative. "Walmart is the place," he says, "to save money, to live better.... By being smarter through the life cycle of a product, we save money in our cost structure and that's reflected on the shelf. This builds the brand."

The epiphany that came to Tepfenhart and others at Walmart is that sustainability saves customers money. "It is good business, wise business, and the way to build a lasting relationship with our customers," he explains.

How can companies align assets and brand values with social benefits?

Sustain big impact

Vikram Akula was born in Hyderabad, India, but raised in upstate New York. When Akula was about 12, he attended a wedding in India. After the meal, two boys dressed in rags scraped leftovers from the plates of half-eaten food. At that moment, Akula resolved to return to India and help the poor.

After graduating from Tufts University, Akula moved to Hyderabad to work at a nonprofit. He found that villagers most wanted loans to start small businesses, and in 1998, he formed SKS Microfinance, now one of the fastest-growing microfinancers.

Many people tackle poverty reduction through nonprofit ventures. These organizations, though, are often unable to touch large numbers of people. Akula established SKS as a for-profit organization, deciding that would be the best way to reach 15 million poor people in India by 2012. To scale and be a sustainable business, he says, SKS needs to be profitable.

SKS has microfinance branches in 19 states in India. It has made loans to nearly 5 million poor women. In the last year, SKS has achieved nearly 170% growth, with an 99% on-time repayment rate.

How can corporations integrate social impact with profitability at the core of their business model?



Be a pattern spotter: Now that you've been exposed to a few different examples, don't be surprised if you start seeing *Beyond Corporate Social Responsibility* patterns all around. Keep your eyes open and let us know what you find, especially if it's the next new pattern.



Opt for transparency

Jay Coen Gilbert, founder of a successful sports-shoe company, and two of his friends from college became disgruntled with traditional corporate values. As a response, the group created B Lab to address how companies can keep their values.

B Lab advises and certifies businesses that choose to meet transparent social and environmental performance standards. "B Corporations," Jay says, "have a commitment to create both shareholder and social value legally embedded in their DNA."

While B Corps represent a new and very small movement, they are creating early impact: The number of U.S. companies certified as B Corporations represents \$1.1 billion in revenue across 54 industries. The largest office products company in the U.S. is a B Corp, as are Seventh Generation and Method.

Half a dozen states are interested in developing legislation for a new corporate form with higher standards of purpose, accountability, and transparency. The first legislation is expected in 2010 in California and two to three other states.

How can corporations be more transparent and work to measure social impact?

Guest author: Doug Solomon
Contributors: Suzanne Gibbs Howard, Jocelyn Wyatt, Jim Collins, Laura Moorhead

Old-school CSR still counts

Paul Newman's Own donates its net profits after taxes from sales of products to charities. The organization's tongue-in-cheek slogan is "Shameless exploitation in pursuit of the common good," and no doubt the approach enhances the brand by consumers knowing that part of their purchases goes to a good cause. It may even increase sales. According to Newman's Own, the organization has given away \$265 million since 1982, about \$10 million per year. A case can be made, however, that companies taking this approach may make themselves less competitive with those that bring all of their net profits to the bottom line.

A business of empowerment

Pierre Omidyar, founder of eBay, realized that eBay could be a "force for good" by leveling the playing field for buyers and sellers in a way that scales to millions of participants worldwide. An artisan in a remote area can sell her paintings on a global scale without investing in infrastructure. eBay takes its social mission seriously and has made an impact in how goods are traded. There are about 1.3 million sellers on eBay, and thousands of people have changed their lives and supplement their living entirely on eBay.

Shoes for all

While traveling in Argentina, Blake Mycoskie noticed two things: the *alpargata*, a native shoe worn by farmers for generations, and poor children without shoes or flip-flops. In response, he created Tom's Shoes, a company based on the belief that kids should have access to shoes. For every pair of shoes that a customer buys from Tom's, a pair of *alpargata* is given to a needy child. So far, more than 300,000 pairs of these comfortable and resource-light shoes have been donated.

Measure what you want

For two decades, Interface was a typical carpeting manufacturer, heavily using natural resources. But business changed when customers asked for Interface's stance on environmental responsibility. In 1994, Ray Anderson, FLOR's founder, transformed the business into a zero-environmental impact company by 2020. Now, Interface is known for its FLOR modular system, launched in 2003. Believing that what gets measured gets managed, FLOR set key "EcoMetrics" — measureable indicators — that include waste reduction, renewable energy, and carbon emissions.

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