

Systemic CSR – CSR 2.0

By Wayne Visser

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Evolving Through the Ages and Stages of CSR

In this brief piece, I describe a scenario for the future in which current practices in corporate social responsibility (CSR 1.0) – which are failing – evolve into a more mature, transformative practice of corporate sustainability & responsibility (CSR 2.0) in an Age of Responsibility. In thinking about this, I have found it useful to view the practice of business responsibility in terms of five overlapping periods, or dominant paradigms – the Ages of Greed, Philanthropy, Marketing, Management and Responsibility – each of which typically manifests a different stage of CSR, namely: Defensive, Charitable, Promotional, Strategic and Systemic CSR.

My contention is that companies tend to move through these Ages and Stages (although they may have activities in several at once), and that by 2052 it is possible that most large companies will have made the transition to Systemic CSR in the dawning Age of Responsibility. If companies remain stuck in any of the first four stages – which is the situation today – I do not believe we will turn the tide on the environmental, social and ethical crises that we face. Simply put, CSR will continue to fail. Hence, the widespread adoption of CSR 2.0 by 2052 is a scenario in which companies become a significant part of the solution to our sustainability crises, rather than complicit contributors to the problem, as they are today.

Table 1: The Ages and Stages of CSR

Dominant Paradigm	Stage of CSR	Modus Operandi	Key Enabler	Primary Stakeholder Target
Greed	Defensive	Ad hoc interventions	Investments	Shareholders, government & employees
Philanthropy	Charitable	Charitable programmes	Projects	Communities
Marketing	Promotional	Public relations	Media	General public
Management	Strategic	Management systems	Codes	Shareholders & NGOs/CSOs
Responsibility	Systemic	Business models	Products	Regulators, customers & future generations

In order to gain a better understanding of how this evolution will unfold, let me introduce the Ages and Stages of CSR here briefly. The Age of Greed is characterized by *Defensive CSR* in which all corporate sustainability and responsibility practices – which are typically limited – are undertaken only if and when it can be shown that shareholder value will be protected as a result. Hence, employee volunteer programmes (which show evidence of improved staff motivation, commitment and productivity) are not uncommon, nor are targeted expenditures (for example, on pollution controls) which are seen to fend off regulation or avoid fines and penalties.

Charitable CSR in the Age of Philanthropy is where a company supports various social and environmental causes through donations and sponsorships, typically administered through a Foundation, Trust or Chairman’s Fund and aimed at empowering community groups or civil society organizations (CSOs).

Promotional CSR in the Age of Marketing is what happens when corporate sustainability and responsibility is seen mainly as a public relations opportunity to enhance the brand, image and reputation of the company. Promotional CSR may draw on the practices of Charitable and Strategic CSR and turn them into PR spin, which is often characterized as ‘greenwash’.

Strategic CSR, emerging from the Age of Management, means relating CSR activities to the company’s core business (like Coca-Cola’s focus on water management), often through adherence to CSR codes and implementation of social and environmental management systems, which typically involve cycles of CSR policy development, goal and target setting, programme implementation, auditing and reporting.

Systemic CSR in the Age of Responsibility focuses its activities on identifying and tackling the root causes of our present unsustainability and irresponsibility, typically through innovating business models, revolutionizing their processes, products and services and lobbying for progressive national and international policies.

Hence, while Strategic CSR is focused at the micro level – supporting social or environmental issues that happen to align with its strategy (but without necessarily changing that strategy) – Systemic CSR focuses on understanding the interconnections of the macro level system – society and ecosystems – and changing its strategy to optimize the outcomes for this larger human and ecological system.

Principles of CSR 2.0

By 2052, under a CSR 2.0 scenario, I expect that the success or failure of corporate sustainability and responsibility practices will be judged by five criteria or principles:

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, BYD making small electric cars for China or Muhammad Yunus's Grameen banking 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 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 and Nike is starting to do.

Shifting from CSR 1.0 to CSR 2.0

If these principles are applied over the next 40 years, what kind of shifts will we see? In my view, the shifts will happen at two levels. At a meta-level, there will be a change in CSR's ontological assumptions or ways of seeing the world. At a micro-level, there will be a change in CSR's methodological practices or ways of being in the world.

The meta-level changes can be described as follows: Paternalistic relationships between companies and the community based on philanthropy will give way to more equal partnerships. Defensive, minimalist responses to social and environmental issues are replaced with proactive strategies and investment in growing responsibility markets, such as clean technology. Reputation-conscious public-relations approaches to CSR will no longer be credible and so companies will be judged on actual social, environmental and ethical performance (are things getting better on the ground in absolute, cumulative terms?).

Although CSR specialists will still have a role to play, each dimension of CSR 2.0 performance will be embedded and integrated into the core operations of companies. Standardised approaches will remain useful as guides to consensus, but CSR will find diversified expression and implementation at very local levels. CSR solutions, including responsible products and services, will go from niche ‘nice-to-haves’ to mass-market ‘must-haves’. And the whole concept of CSR will lose its Western conceptual and operational dominance, giving way to a more culturally diverse and internationally applied concept.

Table: CSR 1.0 to CSR 2.0 – Meta-Level Ontological Shifts

CSR 1.0	CSR 2.0
Philanthropic	Collaborative
Risk-based	Reward-based
Image-driven	Performance-driven
Specialised	Integrated
Standardised	Diversified
Marginal	Scalable
Western	Global

How might these shifting principles manifest as CSR practices? Supporting these meta-level changes, the anticipated micro-level changes can be described as follows: CSR will no longer manifest as luxury products and services (as with current green and fairtrade options), but as affordable solutions for those who most need quality of life improvements. Investment in self-sustaining social enterprises will be favoured over cheque-book charity. CSR indexes, which rank the same large companies over and over (often revealing contradictions between indexes) will make way for CSR rating systems, which turn social, environmental, ethical and economic performance into corporate scores (A+, B-, etc., not dissimilar to credit ratings), which analysts and others can usefully employ to compare and integrate into their decision making.

Reliance on CSR departments will disappear or disperse, as performance across responsibility and sustainability dimensions are increasingly built into corporate performance appraisal and market incentive systems. Self-selecting ethical consumers

will become irrelevant, as CSR 2.0 companies begin to choice-edit, i.e. cease offering implicitly ‘less ethical’ product ranges, thus allowing guilt-free shopping. Post-use liability for products will become obsolete, as the service-lease and take-back economy goes mainstream. Annual CSR reporting will be replaced by online, real-time CSR performance data flows. Feeding into these live communications will be Web 2.0 connected social networks for crowdsourcing, instead of periodic meetings of cumbersome stakeholder panels. And CSR 1.0 management systems standards like ISO 14001 will be less credible than new performance standards, such as those emerging in climate change that set absolute limits and thresholds.

Table: CSR 1.0 to CSR 2.0 – Micro-Level Methodological Shifts

CSR 1.0	CSR 2.0
CSR premium	Base of the pyramid
Charity projects	Social enterprise
CSR indexes	CSR ratings
CSR departments	CSR incentives
Product liability	Choice editing
Ethical consumerism	Service agreements
CSR reporting cycles	CSR data streams
Stakeholder groups	Social networks
Process standards	Performance standards

We can judge the unfolding of this scenario (or failure to do so) over the next 40 years by observing the extent to which companies are integrating the principles of CSR 2.0 and moving rapidly through the Ages and Stages of CSR towards practicing a more transformative, systemic type of corporate sustainability and responsibility.

References

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