

Battle! CSR: Economic Driven vs. Impact Driven

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1 Introduction

To start, CSR stands for Corporate Social Responsibility. This is part of a business model that explain how a company relates with the public, is not simply about charity, it is also about how a company manage his business possesses.

What a company needs to do to be called socially responsible? It should help the environment and / or the society. It can reduce footprints on the environment or reduce gender inequality, gift on charity to help people in need, or boosting the living standards of persons living in his area. Today will be explained the two main models related to CSR, the impact driven and the economic driven models.

Which is, should a company be driven by his mission or by his business?

2 Economic Driven

2.1 Introduction

Which social model will you prioritize if you would open a startup? You can choose between two: Impact driven and Economic driven.

The impact driven is one related to the mission of a company, which can be anything, from bring food to poor people or spread the internet connection to uncovered regions. Focusing on the target you try to reach economic sustainability.

The economic driven focus on anything concrete that helps your company ti make incomes, and use part of those incomes to achieve your targets for impact.

2.2 Patagonia Example

The mission of Patagonia is to sell the best product (Economic) but also trying to preserve the environment (Impact).

2.2.1 Circular system

Few years ago, Patagonia started a campaign ("don't buy this jacket") to sell their products founded on the idea that buying their product they will be so

resistant that you will not need to buy others similar for a lot of time. Those brought a great increase of selling, both having a big economic and impact revenue.

2.2.2 Environmental impact

Patagonia devolve every year 1 % of his sales to the reconstruction of environment. And also organize some events, for example in 2016 it devolved the revenues of black friday for environment purposes. Those both brought new customers to the company and helped the environment. Patagonia also use used clothings to build new ones. It also sells kits to repair them by yourself.

2.2.3 Animal welfare

Patagonia works side by side to protect animal welfare.

2.2.4 Working conditions

Patagonia got awarded by 2018 with an A+ for working conditions by a rating society for working conditions.

2.2.5 Conclusion

To have and impact is better to be focused on economic revenues in order to be more sustainable for your mission. People will be more likely to buy your products if your mission is aligned to their one.

2.3 CISCO Example

ICT company, worldwide leader for networking. Was founded in 1984 by two computer scientists. And since then it kept growing.

2.3.1 Education and human needs

Everyday we read on papers about lack of instruction, lack of women rights and people escaping their countries due to wars.

CISCO works for all of them. Using the circular system described before the revenues are used for CSR to have more incomes to invest.

5 millions of Palestines received social help thnanks to CISCO networking academy.

2.3.2 Environment sustainability

CISCO recycles tons of material to product their products. Is also very involved in echosystem preservations.

2.4 The paradox

You can open a startup with an impact driven model and that's ok, but usually those have a linear growth. If you want an exponential growth, you will need an economic driven model.

3 Impact Driven

We saw general information about impact driven and economic driven model, now we will see two examples of impact driven companies.

3.1 OXFAM International Example

3.1.1 What is it/ what it does

This company is an international confederation of no profit association, focused on alleviation of global poverty. The key point is that it does many things, we will focus on second hand clothing market.

3.1.2 Second hand clothing

Donate clothes, fix it and sell them again at a low price. The impact of this can be divided in two parts, environmental (zero footprint on environment) and social (people can buy good clothes spending less).

3.1.3 Finances management

It is interesting to see that 70 % go the program. The majority of the incomes are from found rising and institutional found rising. Is it sustainable to be founded on found rising? The answer is empirical, Oxfam operates since decades and have plans to work for future.

3.1.4 Working for people

If you work for people, you will attract people, and will not run out of donations.

Oxfam don't work for money work for people.

A mission company have a much healthier working environment.

3.2 Wikimedia Foundation Example

ICT example of an impact driven company.

3.2.1 Vision & Mission

Knowledge belongs to all of us. Information is the most valuable thing in today world. Wikimedia foundations want to make it free.

3.2.2 Sections

To make this possible they create an ecosystem of a lot of companies (wikipedia, wikiquote, wikibooks, wikisources, ...).

3.2.3 Why corporate with wikimedia

Wikimedia have 350 employees and also non profit stuff. And is also helped with AI bots against vandalism.

3.2.4 Expenses (Financial management)

To hosts this amount of free knowledge, they need a lot of servers and other hardwares / softweres. But a lot of people of the community donates in order to keep it working and growth.

3.3 Conclusions

People are not good nor bad, when you do something you should remember to think about others.

4 Q & A

The sense of the battle is to compare the maximization of the impact driven and the economic driven CSR. What would you do in your organization?

Legenda

- Q2E : Question to Economic driven
- AoE : Answer of Economic driven
- Q2I : Question to Impact driven
- AoI : Answer of Impact driven

[Q2E]: Why Patagonia clothes are so expensive?

[AoE]: Clothes of Patagonia are expensive because they are firstly technical clothes. You need them when you do climbing and high technical stuff.

[Q2E]: So you don't do general clothing...

[AoE]: We do, but with special techniques that are expensive. They are good cloths, check the durability compared to the price and they are quite convenient.

[Q2E]: What about your recycled clothes?

[AoE]: They are done through the elaboration of used clothes but also techniques to make them resistant, not trash.

[Q2E]: So you are doing good clothes and we are doing trash with recycling?

[AoE]: Yes.

[Q2I]: You are very dependant on people as a company.

[AoI]: All the companies are, what do you mean with dependant?

[Q2I]: That your profits comes for the 80 % from founding.

[AoI]: This is a pros in my opinion.

[Q2I]: But if you have more incomes and you are sustainable, you can impact more in the long term. If we open a company at first we think about make your company growth, then you think about CSR. Is not good if you depends on founding.

[AoI]: This is a decision, to depend on charity. But we also survive thanks to a strong business.

[Q2I]: If we don't give you our charity money, you are done.

[Q2E]: And if people stop buying yours you are done.

[Q2I]: If there were just pure impact driven and pure economic driven companies, the pure impact driven would fail quickly.

[Q2I]: During a lesson we saw about the needings to build a startup, and the main point was to have a paying customer, we have to be economic driven.

[Q2E]: Why are donations so bad? Is even better if people are not forced to give you money for a product, and just for the mission. Also talking about freedom, you are more free if you are driven by the mission than purely driven by money. As a startup, is better to do something good for a year than survive for 10 years focusing on money waiting for the "circular system" return to focus on impact.

[Q2I]: You said Oxfam receive from the UK millions of clothes every year. And you repair them then sell. We do the same, but we have a disposal industry to use again discards, without polluting. When you have second hand clothes, not all of them will be reparable, what you do with non reparable clothes?

[AoI]: I don't think Oxfam take non reparable clothes. And also the disposal of Patagonia are not so good for the environment.

[AoE]: Taking a Patagonia clothes, that is so long lasting reduce the environment impact by 30 % . Your second hand clothing are more impactful because they last shorter and that's why they are less expensive.

[Q2E]: You said you want to make money then use them to impact. When you build a startup you think about your mission instead.

[Prof]: Answer to previous question, what has been said in the lesson is that if you want to survive you need someone to pay you. It doesn't matter if it is the end user or not.

[Q2I]: But if you don't focus on find a paying customer as an economic driven company does, you are more likely to fail.

[AoI]: It's not all about just don't fail. IF you don't fail, maybe you do a lot of money, but is about the impact you want to have. I want for sure to have an impact and maybe a good income, instead a sure income but zero impact. You want to make money to have a small impact, we want to have a big impact with the money we get. You want to sell clothes with the "side effect" of helping people, we want to help people and then we make money with it.

[Q2I]: If you want to open a startup you want to be economically sustainable! For example if you become a big company, always scandals happens for some reason. If you are economically sustainable you can still send some products, but if people know you are bad, for sure they will no more donate to you.

[Q2E]: Is it moral to use your mission to make money?

[QoE]: Why it shouldn't be?

[Q2I]: The main goal for both is to do CSR, because we are CSR company. If you are impact driven you can do something good and survive in the market. If you are economic driven you can invest more in what you want. Who is helping more?

[Q2E]: We saw that just 1/10 startup survive. You can at least do something for the time you have. Instead just trying to survive. If you fail you don't have any impact at all.

[AoE]: But if you have success, you for sure will have more money and have more impact.

[Q2E]: I'm thinking about future sustainability. We live in a world economic driven. But what if we want to change the way people do business and focus just on impact?

[AoE]: It's a moral thing to say and to do, but if you want to do this you will need money to do it. Someone else will need to do money for you.

[Q2E]: What about the timing? If economic driven need 10 years to become sustainable, does it mean it does nothing since then?

[AoE]: All those question are related to the previous questions. What impact do you want to do if your startup just try to survive? Patagonia impact was

very strong since the first years anyway. It depends on the impact you want. The product is less impactful by design.

5 Conclusions

5.1 Impact driven

Let's suppose you want to open your startup, and you have to decide if you want to be economic driven or impact driven. If you want to be impact driven, you are likely to fail like any other startup, but you have impact.

5.2 Economic driven

How many of you have ever taken an airplane? When hostess explain you safety rules, they say you need your oxygen mask on before help the children next to you. Because if you don't think about yourself first you wont be able to help anyone.

5.3 And the winner is...

Economic Driven!

Economic Driven: 70 %

Impact Driven: 30 %