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# Can CSR show us the money?



By [Mark Lee Hunter](#) and [Luk Van Wassenhove](#)

**INSEAD Professors Mark Lee Hunter and Luk Van Wassenhove say their case study on Hayleys PLC addresses a gap in the literature on corporate social responsibility: namely, it is very hard to determine the true costs and benefits of CSR for a firm. 'We wanted to see not only if Hayleys - the biggest multinational in Sri Lanka - was serious about CSR, but also how it was trying to make it work.'**

Our case study on Hayleys PLC addresses a gap in the literature on corporate social responsibility: namely, it is very hard to determine the true costs and benefits of CSR for a firm. We wanted to see not only if Hayleys -- the biggest multinational in Sri Lanka -- was serious about CSR, but also *how* it was trying to make it work.



For INSEAD, building knowledge about CSR in practice is urgent. A big question, which has become even bigger in the current crisis, is whether business can or should create a prosperous society, as well as prosperous firms. (To put it another way, is there more to business success than shareholder value? Some 40 years after Milton Friedman said no, the debate is still wide open.) At the INSEAD Social Innovation Centre, we see a growing demand among MBAs and executives for strategies that can achieve this goal.

Projects like the Hayleys case provide primary evidence for managers who must convince their boards and shareholders that CSR makes their firms stronger and richer. At this moment there are still few firms that have demonstrated the benefits of a CSR-based strategy. There are even fewer, so far as the record can show, in Asia. That doesn't mean such firms do not exist, simply that not enough is known, one way or the other.

So we were aware going in that if Hayleys was making CSR work from a business context, it would be an important story. If it wasn't able to make it work, it would be equally important to know why.

Hayleys offered us extraordinary access to managers and operational sites, as well as to government officials, workers and union representatives. We used it to see, first, if what they were telling us made sense -- if it were coherent, if they answered our questions without dodging, and if the answers could be verified from other sources. Then we drilled down into the material, looking for the obstacles and opportunities in their practices. We decided to create a package of one 'A' case study that describes the firm's management culture and values, and four in-depth 'B' cases that examine different operating sectors in detail.



Hayleys PLC is a holding company with numerous activities. We picked sectors -- rubber goods, textiles, tourism, and tea plantations -- that cover a big swath of Sri Lanka's geographical and ethnic diversity. We spent time in a factory that makes rubber gloves, tea and rubber plantations, a textile mill, and an eco-tourism site.

What we discovered was that Hayleys approached CSR on the basis of a well-established set of ethics within the firm. But those values alone were insufficient to confer any competitive advantage. The key to deriving benefits from the policy was stakeholder relations.

For example, without a secure supply of rubber, Hayleys' biggest business would grind to a stop. It is thus in Hayleys' direct interest to ensure that rubber farmers regard it as an honest long-term collaborator. In the textile business, Hayleys cannot compete with '*low-ball*' operators offering deceptively low prices. But it can sell to global customers (like Decathlon and Marks & Spencer) who insist on seeing for themselves that workers are not being ruthlessly exploited. Hayleys' tourism operations, in a country that at the time of our visit was trying to end a long civil war, could not be successful unless entire communities helped to make a stay in the 'Jetwing' resorts agreeable. Nor could Hayleys' tea plantations enter Western markets without a strong brand, based on globally certified ethical growing and labour practices.

The programmes put in place by Hayleys did, indeed, involve higher costs for the firm -- in some cases, so high that managers were obliged to seek outside partners among NGOs or governments. They also involved confrontation with competitors whose advantages were threatened by Hayleys' new relationships with stakeholders. (For example, Sri Lanka's rubber trade is dominated by 'middlemen' who pay lower prices than Hayleys but hold great power over farmers through loans.) But in certain markets, these same practices enabled Hayleys to obtain premium prices for its products and services, compared with the competition. And they enabled Hayleys to run its businesses at lower levels of conflict with Sri Lanka's powerful unions than was previously the case.

We cannot predict, on the basis of this study, whether Hayleys' strategy for success will remain successful. We can say that so far, this policy has enabled Hayleys to protect some of its core businesses and markets in the face of rising competition. A new matrix is emerging in which firms, customers and social networks collaborate with and monitor each other, and CSR is a way to join and stay in such clubs. We are now seeking to analyse more closely how stakeholders become partners or adversaries of firms that are trying to 'do well by doing good.'

The bottom line is that CSR is more work, and different work, than business as usual. But in this case, at least, it also appears to be good business. We

hope that more managers will be inspired to think of ways that CSR can work for them. And we are eager to study their efforts, too.

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