

# Strategic Corporate Social Responsibility in Myanmar:



## Lessons from Sri Lanka



Megan H. Whittaker

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## Preface

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The following report summarizes secondary data as well as interviews conducted between January and July 2013 in Sri Lanka, Myanmar and the United States. This report has attempted to balance detail with brevity, and the summaries in no way describe the entire breadth of admirable activities and initiatives conducted by the featured organizations. For more information, please contact the author or the organizations directly.

This project was conducted with the support of the East-West Center, a US-based regional institution with over 50 years of experience developing collaborative programs in the Asia-Pacific region. The views expressed herein are solely those of the author and do not necessarily reflect the views of the East-West Center.

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Cover Photos: *Top* – Fisherman at Inle Lake, Shan State, Myanmar; *Bottom Left* – Nawam Maha Perahera Parade in Colombo, Sri Lanka; *Bottom Center* - Stilt fishermen at Weligama, Sri Lanka; *Bottom Right* – School children at Sigiriya, Sri Lanka.

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## Executive Summary

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**I**t is one of the most important business dilemmas of our time. Corporations have a fiduciary duty to their shareholders to maximize their bottom line, yet companies are gradually recognizing a concurrent duty to their customers and employees as well as to the societies and environments in which they operate. Neglecting any or all of these duties – regardless of how mutually exclusive they may seem – can have significant reputational, legal and financial consequences. Many corporations around the world take measures, such as enhanced due diligence, to mitigate those risks. Others use corporate philanthropy to express company values. Some companies are discovering, however, that social responsibility and environmental sustainability can impact *both* sides of the balance sheet. While some readers may remain skeptical, demonstrative examples from companies such as General Electric, Unilever and IBM exist all over the world. Integrating corporate responsibility into a business model can produce better results for beneficiaries and board rooms alike, but it requires an intentional and effective strategy based on contextual factors rather than cookie-cutter guidelines.

As Myanmar (Burma) opens up to the world, businesses that want to get in on the action are expected to play by the rules, perhaps more so than in any developing nation thus far. Companies that treat corporate social responsibility as an opportunity and not just an obligation stand to gain a short- and long-term competitive advantage over those that do not. To better analyze the potential for effective strategic corporate social responsibility (CSR) in Myanmar, I interviewed major companies and other stakeholders in both Myanmar and Sri Lanka, a country with cultural ties to Myanmar and where the private sector has taken a greater societal role in the country's emergence from decades of conflict. In both countries, the Buddhist focus on philanthropy predominates perspectives on corporate social responsibility (CSR), but there is a gradual shift towards more strategic initiatives. Companies in both Sri Lanka and Myanmar have used strategic CSR to achieve business objectives such as:

- Improving market share;
- Improving employee retention and talent recruitment;
- Improving worker productivity;
- Improving supply chain efficiencies; and
- Reducing advertising costs.

The report also briefly discusses several of Myanmar's critical areas of need, such as information and communication technology, manufacturing and ecotourism. Finally it provides specific recommendations and additional examples for companies attempting to engage in strategic CSR initiatives in both Myanmar and Sri Lanka, including the following:

- Focus first on the basics;
- Engage stakeholders early and often;
- Get organized;

- Treat your employees as core agents and recipients of your CSR programs;
- Use CSR as a source of market research and innovation;
- Use strategic CSR to set yourself apart;
- Stick to what to you do, and do it well;
- Don't overassume;
- Use strategic partnerships with other sectors to open up new markets;
- Use strategic CSR to improve efficiencies in your supply chain; and
- Share plans and best practices.

Although the recommendations are primarily directed towards Myanmar and Sri Lanka, the general principles can be tailored to other contexts in both emerging and developed markets. Wherever a company intends to operate, sharing non-proprietary experiences and best practices between corporations is particularly important because the concept of strategic CSR is still in its nascent stages. Examples of successes and challenges such as those provided in this report will help other companies innovate their own initiatives and metrics, pushing the potential even further.

It is important to note that practicality remains just as important as optimism. Effective strategy considers obstacles as well as opportunities. Eventually, however, the goal is to reach that tipping point where for a critical mass of companies, one of the most important business dilemmas of our time ceases to be a dilemma at all.

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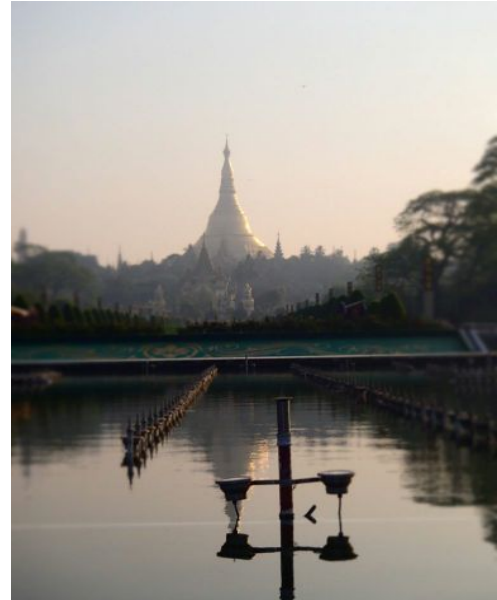
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## Introduction

**T**he concept of “corporate social responsibility,” or CSR, is in the middle of an important transition. In previous decades the choice has seemed a matter of guns or butter – corporations versus human rights. In the past few years, however, it has clearly shifted from a zero sum game towards a win-win proposition, driven largely by workers and consumers. A recent survey found that three quarters of employees wanted their companies to balance commercial success with social responsibility strategies, and a survey of consumers in the countries with the world’s 10 highest GDPs revealed that 93 per cent of them say they would buy a product because of its association with a good cause.<sup>i</sup> Businesses are gradually realizing that corporate social responsibility can actually benefit their bottom line.



Environmental sustainability concerns have been a major factor in CSR’s evolution, and technological innovations have responded by shortening the distance between ecofriendly initiatives and cost-efficiency. Ray Anderson, the late CEO of Interface, cited the “false choice between the environment and the economy” in declaring a \$400 million cost avoidance by using increased sustainability methods. He emphasized that “no amount of advertising, no clever marketing campaign, at any price, could have produced or created as much goodwill” from the consumer public towards his company.<sup>ii</sup> Corporate managers in charge of sustainability are increasingly only one or two levels away from the CEO.<sup>iii</sup> Management consultant R. Paul Herman asserts that, for example, at Proctor and Gamble, the VP of Global Sustainability reports directly to the CEO, and that “it’s the same with NIKE’s Vice President of Corporate Responsibility, DuPont’s Chief Sustainability Officer and Campbell’s Soup VP of Sustainability.”<sup>iv</sup> Sustainability has even become a business in itself with the emergence of clean energy products, and companies such as CA Technologies have created software to help businesses manage their sustainability initiatives.

This shift in the corporate position is critical, since businesses can have a huge impact on environmental protection, sustainable development and global economic prosperity. Jason Clay of the World Wildlife Federation notes, for example, that if you convince just 100 key companies to go sustainable, global markets will shift to protect biodiversity and the world’s resources.<sup>v</sup>

A growing number of companies are seeing the advantages of addressing social issues as well as environmental concerns. Michael Porter and Mark Kramer, leading authorities on competitive strategy, defined the term “creating shared value” as “policies and operating practices that enhance



the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates.”<sup>vi</sup> Beyond philanthropy, risk management and public relations, shared value focuses on the market opportunities that are made possible by simply expanding traditional business strategies to include societal needs that are currently underserved, and therefore largely untapped.

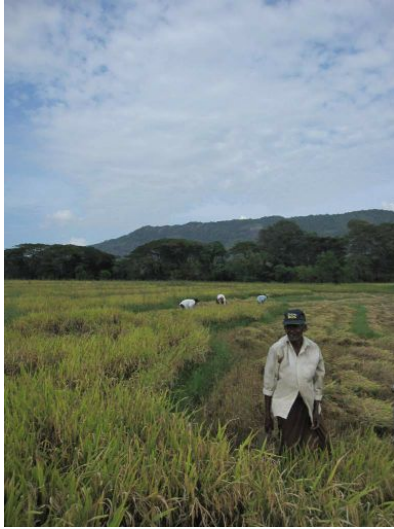
Addressing the needs of non-traditional consumers in often poorly regulated or poorly developed contexts can be seen as higher risk, higher cost endeavors. Moreover, shared value can be very difficult to measure, since societal benefits are not often easy to either quantify or isolate such that direct causation to some other metric can be adequately determined. Companies such as Coca-Cola and Intel have made strides in using traditional modeling and analytics to determine economic returns to social outputs,<sup>vii</sup> but a recent dialogue sponsored by Harvard’s CSR Initiative noted that many people still see CSR “as essentially about either philanthropy or the promotion of minimum social and environmental standards” rather than “proactive, innovation-driven efforts to leverage value chains for positive development impact – what several participants preferred to call ‘corporate social opportunity.’”<sup>viii</sup> Porter and Kramer acknowledge that “[e]fforts to understand the link between business performance and social value creation are just beginning,” and that therefore “our recognition of the transformative power of shared value is still in its genesis.”<sup>ix</sup>

The potential for mutual benefits for both society and for-profit companies is only as limited as the current innovation

Nevertheless, it is an exciting and worthwhile transformation to foster, particularly because of its potential to unite international development and globalization. Numerous initiatives in developing areas have achieved social and financial success by taking the time and effort to learn about a society’s unique

requirements and then making simple modifications in policy, product design, materials or packaging that enables the service or product to be clearly useful and beneficial. Whether the analysis is being done in a first-world or third-world country, the objective and results are the same: a successful and profitable business venture. Unilever’s Pureit, a portable water purification system that has sold millions of units throughout India, is one example. Another is Sygenta’s Uwezo crop-protection chemicals and seeds, which are distributed in a sachet packaging model (similar to shampoo sample packets). Uwezo saw forecasted sales of \$6.5 million in Kenya for 2012 and is primed for expansion.<sup>x</sup> The potential for mutual benefits for both society and for-profit companies is only as limited as the current innovation. Indeed, the manufacturing adaptation is usually the least difficult part of the process. More challenging is learning what adaptations are needed to make a product desirable and accessible to a developing community. An accurate understanding of the community and its particular needs is critical, but when it is done right, the product success can be profound.

What is more, the physical and intellectual infrastructure imported to developing countries by



multinational corporations can, if handled responsibly, improve the economic independence of those countries in the long run. In his seminal book, *The End of Poverty*, economist Jeffrey Sachs wrote:

*“If a poor country can become an attractive place for high-technology enterprises to conduct part of their production activities, then they can become a home, even at a low level of development, to quite sophisticated production and management techniques. Under the right circumstances, hosting such activities on the home turf can then lead to a diffusion of knowledge, and participation in modern production, so that those benefits can then be transferred to domestic firms” (emphasis added).<sup>xi</sup>*

As a result, CSR and shared value creation are particularly important in post-conflict societies, where infrastructure devastation leaves a society enormously vulnerable, yet at the same time presents opportunities for a new start. In developing countries rich in natural resources, the corporate urge to rush in and seize the opportunity can be tempting. Companies often equate waiting for the “right circumstances” with waiting too long, risking economic harm to their fiduciaries. It is evident, however, that the world is becoming far less tolerant of the human and environmental collateral damage caused by globalization. A company’s long-term viability may depend on its perceived ability and inclination to “play by the rules.” Companies that can treat corporate social responsibility as an opportunity, rather than as a liability, will place themselves at a unique advantage, regardless of the market in which they operate.

## Research Objectives

**W**hen Myanmar (formerly Burma) was declared “open for business” last year after years of isolation, much was made of a significant opportunity to finally “get it right” in Southeast Asia’s last frontier. Given the political context and lack of physical and institutional infrastructure, the private sector will undoubtedly play a significant role in Myanmar’s development going forward. Numerous multinationals and foreign investors have started making plans to jump on the Myanmar bandwagon and capture some of the exciting opportunities that have arisen with the country’s newfound accessibility. The objective of this research is twofold: 1) to explore whether those “right circumstances” that Sachs refers to are or could be present in



Myanmar; and 2) to investigate ways in which domestic and foreign companies might also benefit – rather than simply exploit – the people and resources of Myanmar.

To provide greater context, Sri Lanka was chosen as a comparison country for several reasons. Both are former British colonies with recent histories of conflict and devastating natural disasters. Moreover, as historic trading partners (and occasional enemies), there is an important cultural link between the two countries. One of these links is the shared majority religion of Theravada Buddhism, which plays a significant role in how the two countries view the role of private companies and individuals. Both are still largely agrarian, and both intend to court significant foreign investment over the next few years. Finally, Sri Lanka is quietly earning a reputation for a progressive approach to CSR in rebuilding from decades of conflict. Thus, as Myanmar opens itself up to the world, an examination of the Sri Lankan experience can provide useful lessons regarding the role of the private sector in Myanmar's next few critical years. In looking at both Myanmar and Sri Lanka, this research aimed to explore the following additional types of questions:

- Foundational: Is the concept of CSR understood in the country? What is the importance of corporate social responsibility to the government and population?
- Legal/Political: What are the political enablers and the barriers to CSR? Are there appropriate legal protections in place for laborers, small and medium enterprises (SMEs) and environmental entities; and what additional protections, if any, should be encouraged?
- Economical: Is CSR a priority in the new trade opportunities? What are some examples of current or anticipated corporate responsibility initiatives? How is CSR consistent with investors' values and business goals?
- Social: How does/should a corporation interact with civil society to promote economic development and growth consistent with protecting welfare and natural resources?
- International: What is the role of the UN and the international community in CSR?
- Developmental: How will domestic firms benefit long-term from foreign expertise?
- Educational: What general lessons can be learned from current CSR projects and obstacles experienced in the region?

Because many companies are still developing operating strategies in Myanmar, to say nothing of CSR portfolios, this report will outline and summarize the data as follows: first, it will provide the Sri Lankan experience, including practical examples of what some companies have done or are currently doing in terms of strategic CSR and their business reasons for engaging in those initiatives; second, it will briefly highlight some of Myanmar's more critical issues that the private sector will need to address; and third, it will provide recommendations for companies attempting to engage in CSR initiatives in Myanmar – and Sri Lanka – going forward.

## Sri Lanka

Sri Lanka has been a multiethnic society for over 2000 years, with the Sinhalese and Tamils being the two major ethnic groups. In the sixteenth century, Sri Lanka was colonized by the Portuguese, to be followed by the Dutch and finally the British. For many years following its independence from England in 1948, Sri Lanka was considered a model of democracy in the Third World.<sup>xiii</sup> Despite having one of the world's lowest per capita incomes, Sri Lanka had a nascent but thriving free-market economy that supported one of the most extensive and respected educational systems among



developing countries.<sup>xiii</sup> In 1983, however, the country descended into conflict between the Sinhalese majority government and the separatist group Liberation Tigers of Tamil Eelam (LTTE). The conflict lasted until its formal end in 2009, affecting all of Sri Lanka but particularly devastating the northern and eastern areas of the country and displacing an estimated 300,000 people.

The end of violence brought both peace and a renewed interest in foreign direct investment (FDI). “We think there are great untapped opportunities, however many challenges remain,” said Pakriti Sofat, a Singapore-based economist at HSBC Holdings Plc, in 2009. “The government needs to create the right post-conflict environment by not only ensuring law and order for the broader civilian population, but most importantly, finding a political solution to the ethnic problem.”<sup>xiv</sup> Those challenges proved substantial. Since 2009, FDI has been severely disappointing as political instability, lack of rule of law, bureaucratic inefficiencies and inconsistent and often unfavorable government policies towards private investment have frustrated investors and reduced investor confidence.<sup>xv</sup> Tourism has since become one of the country’s biggest draws in terms of foreign investment and is quickly becoming its premier industry.

### Historical Context of CSR in Sri Lanka

Sri Lanka is a largely Buddhist society. As a result, while “CSR” as a western term has been introduced only in the past several years, the role of business in society has long been dictated by the general aversion to amassing wealth and the Buddhist expectation of personal and corporate charity. While Buddhism can fit nicely into CSR, it also presents its own challenges. For instance,

a lot of the private sector's social initiatives in Sri Lanka manifest in various ways that relate more to personal or religious charities than to economic and business development.

### Shifting Role of the Private Sector

As Sri Lanka transitions from a low-income country into a middle-income country, donor agencies and NGOs whose mandate no longer applies are starting to pull out of the country, which means that the private sector now has a bigger role to play in the country's continued development. As a result, USAID in Sri Lanka is seeking to build upon established partnerships with the private sector and is encouraging those companies to step into the vacuum. Fortunately, companies seem largely willing to do so, and roughly \$1 billion is spent each year on CSR initiatives in Sri Lanka.

One of the challenges facing those promoting CSR in Sri Lanka, however, is encouraging companies to shift their mindset from traditional charity towards a more strategic focus. While the philanthropic intentions of these companies are admirable, and the short-term impact is appreciated, there also has to be an eye towards long-term sustainability. "As companies enter the global marketplace," said Paul Richardson of USAID Sri Lanka, "they need to be strategic with their resources." USAID is thus attempting to encourage businesses to distinguish corporate philanthropy, risk mitigation and value creation. Worldwide, the more complicated "why" is becoming as important as the "what," "where" and "how."

"As companies enter the global marketplace, they need to be strategic with their resources."

Fortunately, there is currently a slow transition toward the "why" going on in Sri Lanka, and it has contributed to the alignment of government and private sector goals. Twenty years ago, the basic infrastructure in much of rural Sri Lanka was so limited that companies first needed to build roads and install electricity in order for their business activities there to have a reasonable chance of success. In the war-torn northern and eastern regions of the country, communities are still "coming out of a hole," according to one interview. Yet even before its nearly 30 year civil war officially came to an end in 2009, the United Nations Development Programme (UNDP) praised Sri Lanka's "new kind" of corporate social responsibility "based on strategic partnerships, a new holistic sense of purpose and enhanced but ethical competitiveness."<sup>xvi</sup> The Ceylon Chamber of Commerce recognizes the country's top corporate citizens in an annual event, a source of pride for the winners. Since the viability of CSR initiatives depends in part on committed support by the CEO, top-level backing within numerous influential companies has provided a critical and promising base for ongoing public sector involvement by private sector businesses.

The following sections discuss some of the current external and internal strategies of domestic and multinational companies currently operating in Sri Lanka.

## External CSR Strategies

Traditionally, the most understood CSR initiatives have been the external ones, where companies donate either their money or other resources to address issues in the community. But while many CSR initiatives can be completely unrelated to a company's business objectives, there are numerous ways – particularly in developing economies – to combine CSR and business development. Porter and Kramer have suggested that the main ways that companies can create shared value opportunities are: 1) by reconceiving products and markets to target unmet needs while driving incremental revenue and profits; 2) by increasing productivity in the value chain and reducing risk through better management of internal operations; and 3) by changing societal conditions outside the company to unleash new growth and productivity gains.<sup>xvii</sup> There are numerous programs in Sri Lanka that follow those models.

### *Short term Strategies*

#### ■ Creating customers/improving access to new markets

An example of a company reconceiving products and markets is Dialog Axiata (“Dialog”), which saw enormous potential in bringing information communications technology (ICT) to the mass population and “went from the 4<sup>th</sup> to 1<sup>st</sup> telecom provider overnight because we democratized mobile phones.” Dialog acknowledges that it relies “on the little guy on the corner selling SIM cards, reloads, etc.,” so building up these small and medium enterprises (SMEs) through outreach initiatives is good for their business. “There is inherent development in what we do,” said the Dialog representative, “but there’s so much more we can do to add value.”

For nearly a decade, Microsoft’s Sri Lanka office has focused on making rural youth more employable through IT training programs. In addition to teaching basic IT capabilities, Microsoft introduces trainees to business plans, spreadsheets and other work-related documents through its Microsoft Office products. The company also considered the needs of Sri Lanka’s large migrant population and improves their access to tools such as Skype so the workers can better communicate with their families. Microsoft sees a business benefit in IT training because it improves the IT capabilities around the country and thus the overall demand for their software.

Representatives from People’s Leasing & Finance PLC (“People’s Leasing”), a more independent subsidiary of the state-run People’s Bank, see strategic value in microfinance and financial literacy programs because such programs educate and support potential clients. They also focus on supporting local entrepreneurs, including by leasing vehicles for agriculture. “We are very close to the heart of the people,” they said. People’s Leasing conducts joint CSR projects with People’s Bank, which strengthens the relationship between the two entities and creates business channels for sharing customers and further projects.

MAS Holdings (“MAS”), an apparel company that prides itself on its reputation as an ethical source

for partners like GAP, Nike and Victoria's Secret, discussed the critical role of consumers in creating the demand for responsible business practices. MAS cannot compete with Chinese garment manufacturers on volume, so creating a brand that can be trusted by partners and consumers to be ethical and progressive gives it the competitive edge it needs. MAS's reasoning seems even more practical given the recent fires in Bangladesh factories, including the devastating incident at Bangladesh's Rana Plaza that killed over 1,100 people, which have ushered in an increased public outcry for greater accountability for apparel retailers with respect to their suppliers. On June 26, 2013, after receiving pressure from labor unions, the Obama administration announced plans to suspend trade privileges for Bangladesh over concerns about safety problems and labor rights violations in that country's garment industry.<sup>xviii</sup>



#### ■ Advertising and Branding

Brandix Lanka Ltd (Brandix), a socially responsible garment manufacturer, spends much of its advertising budget on CSR projects, and relies on their programs' social impact to provide a strong connection to communities and consumers. Similarly, People's Leasing claims to do very little advertising, finding that brand name recognition and respect are better served, and achieved, through its CSR programs.

#### ■ Improving employee retention and talent recruitment

Companies recognize and appreciate the strong effect that their CSR initiatives have had on their employee retention. John Keells Group ("John Keells"), a 140-year-old Sri Lankan conglomerate, asserted that volunteer participation in the company's various CSR projects is a "huge motivator" for their employees,

improving both productivity and employee satisfaction. Additionally, companies acknowledged that the "Millennial" generation tends to strongly consider a company's CSR portfolio in choosing an employer, and profiling CSR programs on company websites plays an important role in talent recruitment.

MAS noted that women constitute 80% of the labor force in the garment industry. In fact, between garment workers and domestic workers, women are Sri Lanka's biggest earners and significant contributors to the nation's GDP. Colombo's industrial zones caused mass migration of young rural women away from their villages and into the city, leading to a new derogatory stereotype called "juku girls" that reflected on the industry as a whole. In response, MAS created its Women Go Beyond initiative, and in doing so caused a paradigm shift in the garment industry. MAS decided to



build garment factories in rural communities, at an additional cost, so women would be able to stay near their families. Women Go Beyond also attempts to help women think beyond their job and develop a greater sense of pride and self-esteem. MAS trains role models chosen from within the staff to provide leadership training and inspire others. The company provides sewing classes so women can earn side incomes, and gives sensitivity trainings to male employees and family members. The program has resulted in higher retention and worker productivity, as well as praise from its partners and numerous awards from the international community.

### *Long-Term Strategies – Repairing Sri Lanka’s Social Fabric, Uplifting Sri Lanka’s Economy and Creating Future Customers*

Creating sustainable development in previously war-torn countries requires a long-term commitment, and thus a shared focus is on long-term benefits as well as short-term results. Some initiatives that may appear “ad hoc” or arbitrary may simply be focused on a different time frame. The success of these initiatives in fulfilling a business purpose may take years to accurately assess, but that does not disqualify them from being “strategic” so long as the purpose is reasonably tied to a long-term goal. It may, however, make measuring “return” both more important and more difficult.

Many long-term strategies in Sri Lanka fall into Porter and Kramer’s third category, namely “changing societal conditions outside the company to unleash new growth and productivity gains.” MAS Holdings, for example, understands that its competitive edge only goes as far as the demand for ethically sourced products. MAS promotes and financially supports a youth sustainability education program, called Eco Go Beyond, to create future generations of responsible consumers who will help perpetuate the demand that keeps them in business.

John Keells believes that “the success of Sri Lanka directly translates into the success of John Keells.” Their CSR philosophy, with a heavy focus on community development, is the basis for their long-term strategy to help create a Sri Lankan society that can take them to “the next level.” Acutely aware of their British identity in communities where residual colonial-era resentment may place them at a disadvantage, John Keells engages in a diverse array of CSR programs that reach potential customers at a grassroots level. In addition to affirmatively impacting the community, it also creates trust in their products. Despite the significant investment of time – it took two years to build trust among some villages – they consider it “a more sustainable way of doing things” that will help ensure the long-term success of their products.

#### ■ Recovering from Conflict

On a larger scale, Sri Lankan businesses have assisted in nation-building by taking on a sizable role in dealing with the recent conflict, both during the war and after. From 2004-2007, for example, the Federation of Chambers of Commerce & Industry of Sri Lanka (“FCCISL”) sent thousands of dollars of essential goods by ship from Colombo to Jaffna as a neutral body. FCCISL used



its connections with leaders of the LTTE to successfully negotiate the goods to be delivered for the general public, at FCCISL's cost. That was the first time a chamber of commerce or NGO had sent a vessel to deliver goods to those isolated regions.

Sri Lankan companies have also recognized the role that so-called "leisure activities" can play in rebuilding societies post-conflict or post-disaster. Numerous initiatives through the arts and sports are bravely addressing issues of reconciliation and reintegration. John Keells, for example, has done a lot of work with the arts community. The company sponsors a yearly festival for artists to portray their work, and are attempting to create an online marketplace so artists can sell their work year-



round. Beyond the economic benefits, however, art is also valued for its healing and expressive abilities. Post-war, John Keells sees art as a way of building bridges, as it is sometimes the only means of cross-cultural communication in a country with two major languages other than English.

Similarly, sports have been viewed in many countries as the great equalizer, as passion for the local team often overcomes any ethnic or religious divisions. In Sri Lanka, cricket is no exception. MAS Holdings is one of the

companies that sponsors athletes within its employee group, including Olympic and Paralympic competitors. Post-trauma, sports can also help channel aggression, and MAS has provided sports equipment for former LTTE child soldiers. The team-building that sports fosters can translate into a more effective workforce as well.

### Internal CSR strategies

The most fundamental aspect of strategic CSR is running a fair, ethical and viable business. According to Sting Consultants ("Sting"), a marketing and branding consultancy based outside of Colombo, potential global partners are demanding socially responsible businesses. Sting's corporate responsibility arm focuses its services on improving its clients' business practices rather than on philanthropic outreach initiatives. "If they want to make what they're doing sustainable," said Sting's Tiara Anthonisz, "their business has to be sustainable." Going beyond compliance and risk management, Sting advises clients how to "do no harm" to its stakeholders, from its employees to its shareholders to local communities to the environment. To encourage accountability in business, Sting has created a Corporate Accountability Index by which it annually ranks domestic companies and multinationals operating in Sri Lanka for LMD Magazine. The criteria for the Index

are (listed by percentage weight): stakeholder engagement; measurement and disclosure; policy coverage (e.g. with policies with respect to labor practices, human rights, environmental concerns, etc.); management and governance; identifying impacts, risks and opportunities; and corporate values.

One of Sting's highest-rated companies, Aitken Spence PLC ("Aitken Spence"), has demonstrated the power of stakeholder engagement and sustainability in operations. The conglomerate's Kandalama Hotel drew significant international criticism in the early 1990's for building in the heart of Sri Lanka's "Cultural Triangle," in the middle of a delicate forest ecosystem and next to one of Sri Lanka's cherished "tanks" (lakes). Through *daily* engagement with community members, and a focus on environmentally conscious site-specific architectural design, Aitken Spence was able to address the community's concerns while still building the first LEED<sup>xix</sup> certified hotel in the world. By providing jobs and revenue for the community in a culturally and environmentally sensitive way, the Kandalama developers were not only able to turn protests into praise, but were also able to achieve a sense of ownership by the community that continues to bring mutual benefits to both the town and hotel operations.



Another Aitken Spence hotel, the Heritance Tea Factory, has aided its central hills community through building roads, hiring and training locally, bringing electricity, educating locals on the harms of chemical fertilizers, and addressing numerous other community needs while improving access, employee quality and productivity and its appeal to tourists. Since 2007, it has also saved roughly Rs. 12 million (~\$92,000) and 750,000 kg of carbon dioxide by using a biomass gasifier as an alternative energy source. "Guests appreciate what we're doing," said the General Manager. "It definitely gives us an edge." Both Aitken Spence properties had initial issues with stakeholder engagement, but the long-term results have set a standard for tourism that is being replicated throughout Sri Lanka.

While internal CSR may not be as sexy as the ribbon-cutting ceremonies often accompanying community projects, it is equally as important, if not more so, to have one's own house in order. Since it is something that is generally completely in the companies' control, it can be done immediately and its effects can be enormous. One of Google's main reputational assets is the way it treats its employees, and Zappos has set itself apart from other online retailers through its dedication to excellent customer service. In developing countries, where external outreach efforts can take years to come to fruition, internal strategic CSR can be the critical foundation for a company's reputation – good or bad – for years to come.

## Measuring Impact

“Accountability is part of the corporate culture,” explained a MAS representative. “It all adds up to nothing if the programs aren’t successful.” Truly effective strategic CSR is based on *outcome* rather than *output* – are the initiatives actually benefitting both the companies and the recipients?

Companies like Dialog and Aitken Spence have been able to see quantifiable returns for its CSR efforts in terms of greater market share, higher sales, reduced costs, improved customer ratings and other traditional metrics. Frequently, however, determining sufficient metrics to monitor and evaluate social investments proves difficult. As part of its analysis, John Keells uses impact assessments, both formal and informal, to help determine whether people are getting the benefits they are supposed to be getting. They are required to report on these assessments to the Board of Directors. People’s Leasing also uses informal feedback in the form of discussions with stakeholders and beneficiaries, and features individual stories in its newsletters and sustainability reports. It then follows up with stakeholders to determine progress and rectify any problems. Brandix is currently doing an assessment of projects conducted over the last 5 years, with a goal of measuring impact and finding ways to improve. Although it has been “very difficult” to measure impact,

Brandix has seen noticeable benefits in retention, reputation, corporate pride and recruitment. One assessment found that of those employees involved in Brandix’s initiatives, only 10% had resigned, with the two biggest reasons being pregnancy and retirement.

The development of effective metrics for broader and longer-term impacts will be a critical issue in the future of CSR and shared value.

Because Sri Lanka is an emerging market, Microsoft’s Colombo office has a limited budget for monitoring and evaluation. In addition to marking how many people are directly trained in IT, however, Microsoft notes how many requests it gets to do more trainings, and collects case studies. Sri Lanka has also seen a jump in its overall IT skill level from 5% to 35% in nine years, and Microsoft sees its efforts as a significant contributor to that increase. Microsoft Sri Lanka’s “biggest legacy is awakening the country to the importance of IT,” said Microsoft’s Janakie Karunaratne. “You learn this skill or get left behind.”

The more closely integrated a CSR initiative is into the business, the more likely it is to have quantifiable returns. In the developing world, however, narratives often have to suffice. The development of metrics for broader and longer-term impacts will be a critical issue in the future of CSR and shared value. Companies should thus communicate the metrics they use to evaluate the success of their CSR programs. Through crowdsourcing metrics “best practices,” the business community may be able to collectively evolve the analytics to where they may persuade even the most conservative board room.

## Where is CSR headed in Sri Lanka?

USAID said it is witnessing the “perfect juncture” in terms of US interest in promoting CSR and what is going on in the country. John Keells noted that the President of Sri Lanka recently recognized CSR in a speech for the first time, and that Sri Lanka is already ahead of its Millennium Development Goals. Companies are slowly learning the importance and potential of aligning CSR strategy with business strategy and, despite some struggles related to approach and implementation, the private sector’s desire to step up its role seems to be sincere and earnest. As Amanthi Perera of MAS stated, “If there aren’t some challenges, then it’s not innovative and won’t help create change.” Until FDI improves in Sri Lanka, the long-term viability of CSR initiatives by currently active companies will be critical. At the same time, using strategic CSR to improve human capital and capacity building, accountability, infrastructure and market size will help attract FDI as well.





## Myanmar

**R**ich in natural resources and positioned at the crossroads of India, China and Southeast Asia, Myanmar was for thousands of years fertile ground for cultural diversity and the ambition of numerous warring kingdoms. Myanmar (then Burma) was colonized by the British in the second half of the 19<sup>th</sup> century, and its last king was exiled with his family to India. During World War II, Myanmar's anti-Western groups initially sided with the Japanese but eventually switched allegiances following a brutal Japanese occupation. General Aung San, the



nationalist leader who is considered the father of modern Burma, was assassinated six months before the country's independence from Britain in 1948. His death left a power vacuum that was mostly unfilled until a military coup in 1962. General Ne Win's authoritarian military regime then led Myanmar into nearly fifty years characterized by massive human rights violations and resource exploitation, ethnic conflict, growing isolation from the international community and widespread institutional collapse. In 1988 and 1989, anti-government protests were met with an aggressive response, and thousands of protestors, including many university students, were killed or jailed. General Aung San's daughter, Aung San Suu Kyi, was placed under house arrest in Yangon for her role in the protests, but became a worldwide democratic icon and a Nobel Peace Prize winner in 1991. The country's name was changed from Burma to Myanmar in 1989, but the United States

government continues to call it "Burma" as a matter of policy. In 2007, the government cracked down on peaceful protests by Buddhist monks, and many Buddhists in Myanmar saw the devastating Cyclone Nargis the next year as a form of retribution for the government's actions. In 2011, following the first general elections in 20 years, Thein Sein, a former military general, became President of Myanmar. Although the integrity of the elections was severely questioned, the new government released Aung San Suu Kyi from house arrest and began implementing promising reforms. Hillary Clinton, then U.S. Secretary of State, visited Myanmar in December of 2011, pledging US support of the recent reforms and challenging Myanmar to continue the pace of change while suggesting the potential for further diplomatic openings.<sup>xx</sup> The country is scheduled to have its next elections in 2015, and Aung San Suu Kyi, now a member of Parliament, has expressed her

desire to be President, despite the fact that she is ineligible under the current Constitution due to her marriage to a citizen of the United Kingdom. Last spring, after years of multi-layered economic sanctions, the EU and the US declared Myanmar “open for business.”

### Historical Context of CSR in Myanmar

Like Sri Lanka, Myanmar is a heavily Buddhist country; in fact, each country has helped the other revive Theravada Buddhism during periods of the religion’s decline, and a kinship still exists today. As in Sri Lanka, religion has encouraged social responsibility for hundreds of years. Giving to one’s community is part of the basic cultural fabric. At the heart of this generosity are the monks and nuns, whom the people have trusted far more than any government, foreign or domestic, that has ruled over Myanmar in the past. Businesses participate as well; it is simply the way things are done. Thus, Myanmar businesses have been conducting corporate philanthropy for generations without a business or PR incentive and without knowing there was a term for it. One interviewee said, as a result, “you will never be able to fully measure CSR in this country.” As with Sri Lanka, however, the full extent of CSR and shared value is new to Myanmar, and requires a slight shift in mindset. While the words “corporate social responsibility” have been spoken frequently over the past year or so, many companies’ understanding of, commitment to, and capacity to effectively implement CSR is yet to be tested.



### Shifting Role of the Private Sector

When the US formally lifted sanctions in July 2012, President Obama emphasized that “the United States Government remains deeply concerned about the lack of transparency in Burma’s investment environment and the military’s role in the economy.”<sup>xxi</sup> As such, the new policy requires U.S. businesses investing more than \$500,000 to file regular reports on any payments to the Burmese government and on procedures adopted to address human rights, corruption and environmental risks associated with their activities.<sup>xxii</sup> The unprecedented nature of these reporting guidelines caused a lot of excitement on the part of responsible business advocates, although they have since been criticized by some businesses as being too onerous and by some human rights groups as not being onerous enough.<sup>xxiii</sup> Joanne Bauer of Columbia University also cites Myanmar’s democratic



icon as a key factor in the West’s willingness to embrace Myanmar’s reforms as quickly as it has. “We’ve never had a figure like Aung San Suu Kyi before,” she said.

Indeed, Myanmar is witnessing reforms of an unprecedented nature, and with seemingly dizzying speed. Donna Guest of the Institute for Human Rights and Business (IHRB) applauded “real changes” in terms of freedom of expression, unions, labor rights, and more. “Myanmar’s civil society is very vibrant,” she said, “and is doing a great job working with rural communities.” But for many companies, particularly those from the West, it has been more of a “hurry up and wait” scenario. The hesitation is due not to doubts regarding President Thein Sein’s sincerity – no one seems to question that – nor is it due to any serious concerns of regression, as most see the reforms as “irreversible.” The issue is basic competency. Myanmar’s physical and institutional infrastructure, including its comparatively rudimentary banking system, has withered with years of neglect, and rampant corruption still exists. A highly-anticipated Foreign Investment Law was passed late last year, but the law itself is in many ways more of a gesture than an answer, as it requires bylaws and implementing rules and regulations that are slowly being drafted and enacted.

Then comes the actual implementation and continued interpretation, a major task for a country with severely limited institutional capacity. According to Chris Nolan of BSR, a leading non-profit CSR consultancy, “the hampered bureaucracy simply cannot keep up with the changes. There is a lack of human capacity within the ministries and significant public administration improvements are needed to fully carry out the reforms being enacted.” As of February, most of Nolan’s work in Myanmar, therefore, was still at the due diligence stage, with his client companies generally waiting to see how it starts to play out before risking significant investment. Nor are concerns limited to his clients. Frances Zwenig of the US-ASEAN Business Council noted that “Western businesses don’t do well in cowboy markets. They just don’t know how to operate.” As with any nascent system, it will take time for Myanmar’s institutions to gain the efficacy that many companies expect, even for those well-versed in other emerging markets.



Given the administrative challenges facing the already overwhelmed government, business may indeed be the most efficient vehicle to drive Myanmar to responsible development, a fact the government itself seems to recognize. At this stage, many local companies are only beginning to learn the full range and potential behind CSR, although they are generally supportive of international standards. Many multinationals are only beginning to develop a new strategy for operating. Despite the risks, Zwenig believes that “the best CSR is to do business well,” and that “it is really important that responsible companies come into Myanmar.” CSR Asia, a leading authority on sustainable business practices in Asia, asserts in its June 2013 report that “[b]usinesses can contribute significantly

to the sustainable development of the country, but the private sector must develop a comprehensive strategy for responsible and inclusive business, plan any market entry carefully, engage with stakeholders and ensure that growth is in the interests of all people.”<sup>xxiv</sup> The Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), the country’s leading business body, has hosted several events related to corporate social responsibility. With the world’s spotlight on Myanmar, CSR in Myanmar is quickly evolving from a buzzword to becoming part of the license to operate. According to New Crossroads Asia, a boutique capital collaboration firm specializing in market entry services in Myanmar, having some form of CSR plan in place has become part of the requirements for entry. Indeed, companies such as Coca-Cola and Ford Motor Company publicly announced their intended CSR initiatives in Myanmar before even establishing a physical presence in the country.

In a fascinating turn of events, Myanmar’s government has used its burgeoning relationship with the West to extract a verbal commitment to CSR from a previously unlikely source – Chinese state-owned enterprises. Chinese and Thai companies are widely viewed as being among the least concerned with pursuing greater corporate social responsibility. Recently, however, the grassroots protests against Chinese projects have concerned Beijing due to the perceived power play in Myanmar between China and the United States.<sup>xxv</sup> In May, the Chinese ambassador to Myanmar, Yang Houlan, conceded that “Myanmar is into a transitional period. There’s a new situation we have to face.... We have asked Chinese companies to change their practice and have more communication with locals.”<sup>xxvi</sup> This response contrasts sharply with the continued Chinese policies in countries like Zambia, showing the remarkable factors currently at play in Myanmar.

### Areas in Need of Nation-Building

As everything in Myanmar is essentially starting “from scratch,” companies will have to take a more holistic approach. However, the opportunities for shared value are ripe for those companies willing to take the risk and make the appropriate investment. The following are some of the more critical issues facing Myanmar today that businesses could address through CSR initiatives:

#### ■ Information and Communications Technology (ICT)

Myanmar has been described as the world’s “biggest telecom desert,” as it currently enjoys less telephone use than North Korea.<sup>xxvii</sup> Unlike many of its tech-savvy neighbors, only 9% of its estimated 60 million inhabitants (some estimates are as high as 80 million) have access to cell phones,<sup>xxviii</sup> and that estimate may be high. Less than 1% of the population has internet access.<sup>xxix</sup> Despite the amount of investment that will be required, the opportunities and need are perceived to be so enormous that not entering is an even bigger risk. Throughout Myanmar people are “clamoring for communications,” according to BSR’s Chloe Poynton, and her clients do not want to squander the opportunities. International Data Corporation (IDC), a market researcher, has

projected that IT spending in Myanmar is expected to reach \$268.5 million by 2016, representing a compound annual growth rate (CAGR) of 14% over the forecast period between 2011 and 2016.<sup>xxx</sup> Thus the goal for Poynton and her clients is to mitigate the risk rather than avoid it outright.

The Myanmar government included CSR as one of the bid criteria for the two potentially lucrative telecom licenses recently gave out to foreign companies. On June 27, 2013, the government awarded those contracts to Norway's Telenor and Qatar Telecom. As telecom is one of the first major industries to receive official licenses in Myanmar, the way it is handled may be indicative of the government's commitment towards corporate responsibility going forward. Given the current status of the industry, including the fact that the banking industry is being developed simultaneously, smart business decisions by ICT companies will require an eye towards long-term sustainability rather than just short-term profits, potentially aligning it with the social interest. The Institute for Human Rights and Business (IHRB) has published a guide specifically for the ICT sector to help companies implement the UN Guiding Principles on Human Rights and Business.<sup>xxxi</sup>

## ■ Energy

Energy is a basic and crucial factor in Myanmar's future development. It has been estimated that Myanmar uses just 5 percent of the energy used by neighboring Thailand, with most of this powering Yangon, Mandalay and Nay Pyi Taw while leaving the rest of the country in the dark.<sup>xxxii</sup>

The flip side of Myanmar's lack of infrastructure is that it essentially provides a clean slate for the implementation of more eco-friendly forms of energy. Journalist Tim Ferry recently reported that "[m]ost of Myanmar is in a greenfield condition, with no legacy of fossil power generation — or any power generation — to work against or replace. Also, no one expects the central grid to expand into remote areas for at least a decade, if not longer. Flexible, decentralized community-based renewable energy systems like solar are therefore the best way to power the countryside."<sup>xxxiii</sup> Myanmar's energy needs are so great, however, that proponents of renewable energy will have to compete with other practicalities. For example, General Electric has publicly stated a desire to invest in wind turbines in Myanmar, but a contact at the company said that while the goal was a sincere one, he thought it was "a bit of a dream at this point." He noted that the government saw electricity as a precursor to much-needed investment, and it was far quicker and easier to simply insert a jet engine generator in a village, for example, than to set up the infrastructure for wind energy.

Yet there is potential in solar power in particular due to its relatively quick installation time, as long as there are companies willing to make the investment. Green Earth Power Co. Ltd., a privately-held company in Thailand, plans to invest about \$275 million on a new solar power project about 500 miles north of Yangon, which will take approximately two years to complete.<sup>xxxiv</sup> Biogas or biomass gasifiers may be other viable options for small-scale projects. Ferry notes that water pumps are also "part of the equation, as is micro-hydro in the mountains... charcoal makers in the rice belt and even tidal power along the coasts."<sup>xxxv</sup>

■ Resource management, land rights and community engagement

Myanmar's blessing and curse is its abundance of valuable natural resources, which include timber (particularly teak), gemstones, minerals and oil. In the past, international oil companies such as Total and Chevron experienced lawsuits and damaging publicity over their inability to adequately engage with communities affected by its activities. Aung San Suu Kyi previously encouraged the international community to shun the military-affiliated Myanmar Oil and Gas Enterprise (MOGE), criticizing its lack of transparency. Yet in the past decade, Total has seemingly learned its lesson and has received significant praise for its CSR initiatives and extensive stakeholder engagement. Since working in the oil industry in Myanmar means working with MOGE, Total and other companies have exerted enough influence on the controversial institution that several interviewees were left with the impression that MOGE was, at the very least, significantly more "acceptable" than it used to be.



Yet problems remain, particularly over concerns that Myanmar's resources are still being exploited for Chinese consumption without sufficient compensation to the local population. In 2011, citing "the people's will," President Thein Sein announced suspension of construction of the Myitsone dam, a giant hydropower dam being built by China Power Investment along the Irrawaddy River in northern Kachin state.<sup>xxxvi</sup> The notorious copper mine in Monywa, backed by both Chinese companies and the Burmese military, has been another disaster, causing grave concern among the human rights community regarding allegations that

the military used phosphorus on protesters. Throughout the country, the lack of land laws has resulted in numerous corporate land grabs at the expense of communities without adequate engagement and/or compensation.

With the extractives industries in the spotlight, both local and foreign companies are taking considerable precautions. Nolan said his clients are conducting due diligence prior to entry, rather than as an afterthought, which has been unique to Myanmar. Spectrum-SDKN, a local initiative focusing on constructive engagement around the environment, sustainable development, and natural resource management, notes that at this stage many companies are sending in ethics teams rather than business development personnel. While there are still many problems to resolve, Spectrum-SDKN is encouraged by the fact that they are now able to have conversations with companies about the issues and move forward. Myanmar Petroleum Resources Ltd. (MPRL), a locally-based, foreign-owned oil and gas company, is starting to conduct environmental impact assessments, which it was never previously required to do. It also looks to engage in "innovative solutions" and "fun projects" in the communities in which it works. MPRL has been actively trying to strengthen its

engagement with communities, but has run up against perceptions that doing so will only create problems. One of MPRL's biggest challenges related to CSR has been trying to convince partners such as MOGE that stakeholder engagement is actually more cost-effective than avoiding confrontation.

The government itself has taken certain steps to address the exploitation of Myanmar's resources. It has announced its intention to implement the Extractives Industries Transparency Initiative (EITI), which involves a range of activities to strengthen resource revenue transparency that are documented in country workplans.<sup>xxxvii</sup> It has also pledged to create better anti-corruption laws and labor laws.

#### ■ Health Care

President Thein Sein has made public his intention to make health care one of his government's biggest priorities. CSR Asia highlighted the fact that Myanmar's spending on health accounted for only 0.2% of the country's GDP in 2009, with on average 4.6 physicians and 6 hospital beds per 10,000 people in Myanmar.<sup>xxxviii</sup> Both statistics are significantly lower than those of neighboring countries.<sup>xxxix</sup>

According to several interviewees, the few health care facilities that do exist throughout the country are in a dismal state, with often highly rudimentary and unsanitary conditions. The Myanmar Business Coalition on AIDS cited tuberculosis as a particular concern due to its highly communicable nature.

Delegates from the US-ASEAN Business Council and Jhpeigo, a Johns Hopkins-based NGO, met with the President's Office in February 2013 regarding a pilot health care program for women and children. The initiative will require private support, but according to Frances Zwenig, the government's eagerness and preparedness led to a "really good experience" throughout the meetings. "It feels like you're really doing something," she said.

#### ■ Agriculture

Despite the attention given to Yangon in recent months, agriculture and rural areas currently account for at least 33% of the country's GDP,<sup>xl</sup> 52% of its workforce employment,<sup>xli</sup> 67% of its population,<sup>xlii</sup> and 85% of its poor.<sup>xliii</sup> Global consulting firm McKinsey & Co. recently reported that "[t]he sector's low productivity and the low level of inputs such as seeds, fertilisers, water, and machinery suggest that there is significant room to grow. There is also large scope to increase the share of fruits, vegetables, coffee, oil palm, rubber, and other high-value crops as well as the production of fisheries."<sup>xliv</sup> Myanmar's farmers are widespread and generally lack access to proper infrastructure, networks and industry organizations such as collectives, and thus CSR Asia suggests that "to increase efficiencies it is necessary to bundle supply chain activities, such as procurement and logistics processes, in order to manage costs."<sup>xlv</sup>



While social enterprise is relatively new in Myanmar, organizations like Proximity Designs have attempted to address some of the needs of rural workers. Portable and affordable irrigation tools such as simple foot pumps are some of its main products. Proximity Designs measures its return by using metrics such as income before and after intervention, impact per donor dollar, and even the average time it takes to retrieve water.

### ■ Manufacturing

Though currently only a minor sector, manufacturing has the potential to be Myanmar's largest sector by 2030, overtaking agriculture and energy and mining.<sup>xlvi</sup> The development of responsible manufacturing in Myanmar will provide a critical boom in employment in a country desperate for jobs. The Wall Street Journal recently reported that Coca Cola and Unilever will invest a total of nearly \$1 billion in Myanmar over the next decade, making the biggest commitments by Western multinational corporations and becoming the first prominent global



companies to restart manufacturing in the Southeast Asian country.<sup>xlvii</sup> McKinsey sees food and beverages, mineral-based products, textiles, footwear, furniture, jewelry, toys, and various rubber and plastic products as industries that match the country's current capabilities and could benefit from high domestic demand.<sup>xlviii</sup> McKinsey also suggests that a few core industries with high growth potential and higher productivity, such as automotive parts and assembly, chemicals, petroleum refineries, electrical machinery, and communications equipment, "could feasibly develop the capabilities to compete successfully over the long term."<sup>xlix</sup>

As manufacturing increases, societal and cultural shifts are likely to occur, including mass migration from the rural areas into the cities and Special Economic Zones (SEZs). As demonstrated in Sri Lanka, companies will need to take into account the potentially profound social implications for their employees.

### ■ Human Capital – Education and Employment

During the East-West Center's recent Myanmar Futures Exchange (MFE), a strategic foresight event with nearly 200 participants from various sectors and backgrounds, human capital was seen as one of the three most important factors affecting Myanmar's economic development to 2020.<sup>1</sup> It is widely believed that improving education and job prospects for Myanmar's workforce will be another basic and critical need going forward. McKinsey reported that Myanmar's low per capita GDP "is largely due to the fact that it has missed out on Asia's remarkable improvement in labour productivity," noting that "on average, a worker in Myanmar adds only \$1,500 of economic value in a year of work, around 70 percent less than the average of seven other Asian economies."<sup>ii</sup>





Importantly, the country currently possesses a 92% literacy rate despite a broken education system,<sup>liii</sup> but adequate curriculum, vocational training, and job skills are needed to harness the eager ambitions of Myanmar's population, particularly among its youth.

MFE participants suggested that business take a greater role in developing curriculum to address some of the current major gaps between education and job preparedness in Myanmar.<sup>liiii</sup> As part of its CSR program in Myanmar, the Coca-Cola Foundation has provided a \$3 million grant to

Pact, a well-known NGO, to launch a three-year program to empower nearly 25,000 Myanmar women through financial literacy, entrepreneurship and business management training. Since its launch in July 2012, the initiative has already empowered 10,000 women to start their own businesses.<sup>liv</sup> Pepsi, in turn, has partnered with UNESCO “to provide programs that focus on managerial skills training to support the country's development, empower its people and strengthen the workforce as PepsiCo looks to expand its business in the future.”<sup>lv</sup>

#### ■ Financial access

Previously a cash economy, Myanmar is still developing a banking system that can meet the needs of its population and increasing number of investors. With several of its major banks now removed from the U.S. government's Specially Designated Nationals (SDN) list, and the new presence of ATMs from Yangon to Inle Lake, the financial system is gradually improving. Yet access to credit and other financial services is still a barrier for the vast majority of people and small businesses. Erin Steinhauer, Visa's head of corporate social responsibility for Asia Pacific, Central Europe, Middle East and Africa, recently spoke to the Wall Street Journal about the company's approach to dealing with Myanmar's still-developing banking system: “The ‘game plan’ is working on the entire system. Knowledge and education on how to use cards is not there yet. It is not about what a farmer would do with a credit card, but getting him financially literate and with access to micro-finance institutes. It is about allowing a small-business owner who makes tapestry to accept credit cards, then allowing them to hire more people when a tourist spends \$60 instead of \$12, and what that means for the local economy.”<sup>lvi</sup>

#### ■ Rule of Law

As the Asia Society recently reported, “the absence of the rule of law is at the heart of most of the country's problems – land grabbing, ethnic and religious conflict, economic disparities, and corruption – and an independent judicial branch is essential to establishing the rule of law.”<sup>lvii</sup> A recent study by the US Institute for Peace revealed a basic lack of comprehension about the concept itself: “Many perceive the rule of law simply as a set of laws and institutions that, as currently constituted, are designed to reinforce existing power dynamics including the dominance of the

security services and the wealthy over the society” while “[o]thers interpret it more broadly to include concepts of rights and justice but believe the judiciary, generally perceived to be corrupt in its current state, is a serious obstacle to achieving the rule of law.”<sup>lviii</sup> Meanwhile, IHRB expressed concern that no rule of law exists to protect small farmers from land grabs, and the Land Seizures Inquiry Commission has no direct authority to enforce its findings in land concession cases. Instead, findings are submitted to the executive branch and parliament, thus adding to the bureaucracy. Progress is being made, however, and delegates from Myanmar are working to create a legal aid system in Myanmar, with support from other ASEAN nations as well as South African legal aid experts.

The government meanwhile addressed many foreign investors’ concerns when it formally acceded to the international New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "Convention"), but it is not yet clear whether the Myanmar government has expressed any reservations that would limit the Convention’s applicability. Implementing legislation still needs to be enacted to have any practical effect.

#### ■ Ecotourism

Myanmar’s appeal as an exotic destination only now unveiling itself has already made it a trendy vacation destination. The dearth of available hotels for foreign tourists in Yangon has led to unusually high prices relative to other accommodation in Southeast Asia. As one of the easiest industries to develop quickly, tourism should be one of the first indicators for both the potential opportunities and challenges for responsible business.



Myanmar’s enviable and largely unspoiled natural surroundings, combined with impressive historical remnants, provide vast opportunities for eco-tourism. Industry players can either help or hurt the surrounding environment and communities. Tourism companies can and should work in partnership with the over 130 different ethnic groups. Certainly there exists the risk of social exploitation, but the opportunity also exists for eco-tourism operations to work with local communities to improve the long-term environmental sustainability of certain regions whose degradation has already begun as a result of clumsy attempts by isolated local communities to develop.

For example, a Wall Street Journal article<sup>lix</sup> highlighted the damage to Inle Lake, a location so popular that often as many as 100 tourists can be found sleeping in the local monastery for lack of affordable hotel rooms. Many villagers make a living from weaving, but the textile dyes they use are toxic and poisoning the lake’s ecosystem. In addition, unregulated farming on the mountainsides is causing erosion. This lowers water levels, which results in fewer and smaller fish. Arild Molstad, the

Norwegian environmental consultant cited in the article, asserts that Myanmar's newfound popularity as a destination is both an opportunity and a threat. "If tourism isn't managed properly, it will only add to the problems," he says. "But if it is developed correctly, it can push employment in a more sustainable, organic direction. We're really at a crossroads."<sup>lx</sup>

#### ■ Ethnic Relations

Myanmar's various "states" contain numerous different ethnic minorities. Several of these larger minorities, seeking greater political autonomy, have been in conflict with the government for many years. At the end of May 2013, the Myanmar government was taking steps towards a cease-fire agreement with the ethnic Kachin rebel army, the last remaining ethnic group with which a cease-fire has not yet been reached.<sup>lxi</sup> Since the reconciliation process is in its nascent stages, tensions still remain in some former conflict areas, and the international community is watching the situation closely.



In the past year, the welcome relaxation of speech has also allowed years of subdued intolerance and prejudice to release itself, resulting in several instances of communal violence between Buddhists and Muslims. The Asia Society, while calling the violence "alarming," notes that "[t]o a certain extent, this is to be expected in a complex, diverse society that has been held in suspended animation for 50 years."<sup>lxii</sup> While the situation needs to be handled delicately, the intolerance is more limited than some recent media reports may be insinuating, and many Myanmar Buddhists are dismayed by the violent actions of certain groups supposedly acting in the name of religion.



## Recommendations

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The following are recommendations for companies interested in entering Myanmar and for those companies already doing business in Sri Lanka who wish to improve their existing CSR programs:

- Focus first on the basics

Shore up your company's corporate governance structures, including transparency and anti-corruption policies and procedures. These are major areas of concern for foreign investors and governments regarding Myanmar (and a major factor in Sri Lanka as well), and effective management will be critical for reducing restrictions and encouraging FDI. In addition to any applicable reporting requirements, consider voluntarily reporting with the Global Reporting Index ("GRI"). The GRI provides a framework that enables greater organizational transparency regarding economic, environmental, social and governance performance. This transparency and accountability builds stakeholders' trust in organizations, and can lead to many other benefits.<sup>lxiii</sup> Thousands of organizations of all sizes and sectors use the GRI's framework in order to understand and communicate their sustainability performance.<sup>lxiv</sup>

- Treat your employees as core agents and recipients of your CSR programs

Demonstrating concern for employees' well-being can reduce costs related to turnover and employee absenteeism. Showing respect and appreciation for their contributions to the company can improve talent recruitment, employee pride and worker productivity. In addition to its other CSR initiatives, AirBagan makes sure it provides proper hydration to its tarmac employees and has focused on customer service in its operations. Moreover, employees can provide critical on-the-ground insight if encouraged to do so. Kelly McElhaney, an experienced CSR consultant and Faculty Director at UC-Berkeley's Center for Responsible Business, highlights the potential benefits of encouraging greater employee engagement, citing how a Wal-Mart employee saved the company an estimated \$1 million a year by suggesting taking light bulbs out of vending machines.<sup>lxv</sup>

- Don't isolate your CSR managers

The business potential of a CSR program is limited if the company's business side is not involved. The most successful initiatives will engage employees from various relevant departments. As McElhaney suggests, "You want to get people at the table who are responsible for the profit side of the company, not just the cost side. You need strategists and decision-makers around the table."<sup>lxvi</sup> Companies like John Keells in Sri Lanka and AirBagan in Myanmar have CSR committees where employees from business development, human resources, customer service, public relations and engineering/design contribute their various perspectives and expertise to develop the companies' initiatives.

- Regarding your other stakeholders, engage early and often

The positive results can be seen by contrasting the success of the Kandalama hotel in Sri Lanka with the difficulties surrounding the Myitsone dam in Myanmar. Respectful discussion and arms-length negotiation right from the conceptual stage can have commercial benefits such as improved buy-in from the community, better quality employees, and consumer trust. All too often, it only takes an allegation to devalue a company. Effective stakeholder engagement can act as a critical risk management tool, reducing the chances of protests that can affect operations and lawsuits that can cause enormous reputational and financial damage. As MAS Holdings noted, investing in the communities can serve as an important mitigating factor, so that “the moment something goes wrong, you don’t get shut down.” Positive publicity and trust by the communities can provide a reputational cushion in case of severe operational problems, scandals, misunderstandings or exaggerated complaints, all of which are still possibilities in Sri Lanka’s and Myanmar’s current climate.

- Use CSR as a source of market research and innovation

While engaging in communities, get their help with product/service development. Ask them what they need and see if there is a way your business can help. Myanmar society has been entrepreneurial and innovative out of necessity, so engaging the communities can provide opportunities for creative collaboration. For example, the Myanmar people have often had to create their energy sources, and the author witnessed a somewhat jerry-rigged but still effective 25-year old hydroelectric generator in a monastery in the woods of Shan State. Bring an engineer if appropriate. It is basic problem solving but with potentially huge and mutually beneficial returns.

- Use strategic CSR to improve efficiencies in your supply chain

In both Myanmar and Sri Lanka, lack of infrastructure, modern equipment and labor exploitation can create risks, barriers and inefficiencies in the supply chain. Using CSR to address these challenges can reduce costs in the long run. For example, as one of the world’s largest agricultural enterprises, PepsiCo plans to explore opportunities to invest in agricultural development projects in Myanmar. This supports its business operations because PepsiCo sources more than four million tons of potatoes annually and works with thousands of local farmers around the globe to make its products.<sup>lxvii</sup>

- Use strategic CSR to set yourself apart

Despite Myanmar’s prior isolation, companies will not always be presenting a new product. A spokesman for Coca Cola recently joked, “Everybody’s had a Coke, except if you’re from Myanmar.”<sup>lxviii</sup> Yet there are plenty of soft drinks in Myanmar. There were money transfers before Western Union and cars before Ford. US sanctions have not prevented other Asian companies from being active in the country. Newly-entering companies need to both establish their presence and



distinguish themselves from other companies. Positive branding can also be more important for some companies in a formerly-colonized country that, like Sri Lanka, may have some residual resentment towards things “Western.” Essentially, CSR can provide an extra reason why people should use a company’s services over those of its competitors.

■ Use CSR as advertising

Given previous periods of restrictions on communication and a complete dearth of telecommunications, Myanmar’s population distributes a lot of information by word of mouth. Let that work to your advantage. Gaining the respect and appreciation of communities can spread your brand presence and create access in ways that traditional marketing campaigns may not be able to, while also potentially reducing overhead.



■ At the same time, communicate what you do

Companies in both Sri Lanka and Myanmar expressed a hesitation to publicize their entire CSR portfolios, fearing to do so would seem contrary to Buddhist ideals. Communication is important, however, not only for its reputational benefits but because it will also challenge other companies to do the same and will provide a chance to evolve programs through inspiration from practical examples. This will be particularly helpful in crowdsourcing effective metrics for measuring social impact. Communication is also important to ensure an accurate public perception during a time when public perception can make or break a business. Chinese Ambassador Yang complained that Chinese companies were getting an unfair reputation for CSR, saying that although they were allegedly spending \$20 million on communities living in the project area and along the pipeline’s route, they had never communicated

that information to the larger public audience.<sup>lxix</sup> It is better to ingratiate yourself from the beginning rather than make apparent concessions further down the road.

■ Stick to what you do, and do it well

With so many social needs, trying to decide how to begin a CSR program can be overwhelming. When in doubt, pick a theme based on your strengths and focus on getting the most return out of those chosen initiatives. For example, Microsoft’s CSR initiatives in Sri Lanka are limited to tech-related programs. “That’s what we know, that’s what we’re good at,” said Karunaratne. “We don’t do water or health. There are NGOs that can do a lot better job at that than us.” MPRL takes the same approach, leaving the health projects to NGOs. Taking their skills into account, MPRL chose to focus on vocational training and integrating small businesses into their oil and gas supply chain.

Mango Media, a major Yangon-based marketing agency, has committed to producing only ethical advertising, such as rejecting clients or messages that it deems exploitive and/or culturally insensitive.

In a developing country, particularly ones with as many needs as Myanmar and Sri Lanka, nearly every company should be able to find a way to strategically contribute. For example, banks and financial services firms can focus on financial inclusion, financial literacy and entrepreneurship support. Consumer goods companies can focus on access, sustainability and health and hygiene education. Airlines can provide transportation assistance for people and products. Technology companies can make vital information available even to the poorest farmers. Construction companies can provide safe, affordable housing. Even extraction companies can provide local jobs, provide environmental education, and raise the standard of living in the communities it affects.

■ Use strategic partnerships with other sectors to open up new markets

This will be particularly important in Myanmar. Myanmar law requires many foreign companies to engage in joint ventures with local partners. For those companies not covered under the requirement, foregoing even informal partnerships with local entities is deemed unwise. Years of isolation have magnified the importance of using local resources – whether government, NGOs or other businesses – for expertise and access. Selecting and cultivating the right partnerships can dramatically improve the business and social potential of your CSR strategies.

In Sri Lanka, Brandix sees benefits in working with a John Keells or Coca Cola because they get access to more communities, while Brandix gets more money for projects. Sometimes, they in turn offer to their partners, such as IBM, access to relationships Brandix itself has cultivated in communities. In another example, Dialog Axiata launched a Disaster and Emergency Warning Network to everyone on its network. Dialog's warning system lets the Sri Lankan government issue alerts and warnings to all of the operator's subscribers, targeted by location.<sup>lxx</sup> Telecom companies can also partner with agriculture, scientists, banks and other sectors to provide access and important information to the population, from mobile banking to weather warnings to daily commodities prices, which has vast potential as both a social tool and revenue source. Indeed, McKinsey's recent report on Myanmar provides additional examples as to how telecom companies in other developing countries have partnered with public service organizations to achieve successful social impact programs that also further business objectives.<sup>lxxi</sup> In addition to telecom companies, health care companies can partner with public health NGOs and their existing networks. Airlines can partner with ecotourism companies to improve the tourism potential of certain areas. And so on. In certain sectors that require a significant amount of investment, such as energy, well-conceived partnerships may help alleviate issues related to risk, financing and expertise. Effective, compatible partnerships can also improve the long-term viability of important programs.

McElhaney's suggestions for developing strategic partnerships, developed in part from her work in Haiti, include the following: 1) select compatible partners that fit your mission; 2) come up with

shared goals and objectives that are clear and concrete, and communicate honestly and frequently; 3) minimize the number of partnerships; 4) make a long-term commitment; 5) involve employees, customers and suppliers in the selection process; 6) recognize that partners, not just the corporation, bring strength to the partnership; 7) develop a partnership management team; and 8) brand the partnership and market it to stakeholders.<sup>lxxii</sup>

#### ■ Don't overassume

Particularly in a developing country, it is important not to take basic amenities for granted. Effective CSR also requires focus, editing and situational awareness. Building a clinic may sound like a good idea, said one interviewee, “but who manages that clinic after you leave?” One interviewee described a situation where a company delivered televisions to a school, only to learn that the town had no electricity. The Chinese National Petroleum Company learned this lesson as well, when a school they built to assuage communities along its pipeline was criticized for having no teachers. “This isn't the Chinese company's responsibility,” said Ambassador Yang. “We can't provide teachers. This is the government's responsibility.”<sup>lxxiii</sup> With a government of limited capacity, the entire context has to be considered in the planning stage, and companies need to be prepared to ensure that the outcome has a chance to match the output. If you can't make your project sustainable, find a partner or find another project.

#### ■ Get organized

In setting a CSR strategy, make sure to take into account the following: 1) what your company is good at; 2) what social issues are positively or negatively affecting your business; 3) what assets, skills or procedures you possess that can either optimize the positive benefits or reduce the negative impact of those social issues; and 4) possible strategic partnerships that may be needed to adequately address those issues.

#### ■ Consider making your waste a part of your CSR strategy

Sri Lanka's Heritance Kandalama Hotel views its waste as part of its operational strategy. “If you separate waste it's a resource,” said Ravi de Silva, the hotel's original project manager and current sustainability consultant. “If you don't separate, it's garbage. And you can't manage garbage.” The Kandalama now makes about Rs. 25,000-30,000 (~\$200-\$250) a month by selling their waste to local farmers and businesses, and saves water by treating liquid waste onsite and reusing it for flushing toilets, gardening and washing vehicles. A “switch off” lighting policy saves another Rs. 65,000 per month. As the Heritance Tea Factory showed, biomass gasifiers can produce electricity (though perhaps limited in quantity) through reusing agricultural waste. As another example, Chevrolet recently announced that as part of its CSR program in Myanmar, it will donate engines and technical parts to mechanical-training colleges in Myanmar.<sup>lxxiv</sup>

- Share needs, plans, and best practices

To the extent possible, there should be a central hub of CSR activity. In Sri Lanka, USAID has expressed a desire to support such an institution. Dialog Axiata's CSR officer said that companies "need to look more at the country's real needs, rather than what's sexy or what comes through the door," but he described a lack of coordination between those who know what is needed and the corporations. "We're shooting in the dark," he said. Until recently, various interests were entering Myanmar without anyone to properly manage those interests and direct them toward the longer goal of development. The Institute for Human Rights and Business, in conjunction with the Danish Institute for Human Rights, has since set up a Myanmar Centre for Responsible Business in Yangon to help facilitate dialogue and encourage best practices.<sup>lxxv</sup> Companies should use such resources for technical assistance and partnership development, while NGOs should engage to contribute their on-the-ground knowledge. Companies should also communicate their non-proprietary intentions so that potentially duplicative or inefficient programs are streamlined through effective partnerships with government agencies, other companies, or civil society organizations.

- Consider sensitivities

With respect to certain recent conflict areas, it may be premature to invest there. Once peace is restored, businesses will have to be mindful of social tensions and take care not to inadvertently add fuel to smoldering embers. As in Sri Lanka, sports, the arts and cross-cultural volunteering programs may, in the right circumstances, help rebuild ethnic harmonies while increasing worker productivity. Companies should consider using sports and arts to promote healthy forms of expression and encourage group collaboration. Digicel, for example, is currently conducting many initiatives around football (soccer) in Myanmar.



- At the same time, harness the cultural strengths that lend themselves to CSR

Organized religion, faith, charity and duty play a major role in the Sri Lankan and Myanmar cultures. Companies may be able to integrate these cultural assets into their strategies. Much of the culture is already primed to promote and support CSR, providing a promising backdrop for sustainable development.

## Conclusion

**M**yanmar has many advantages. Placed between the powerful economies of India and China, it is accessible to two of the largest markets in Asia. It enjoys large reserves of oil, gas, and precious stones, and its human resources have enormous potential. An estimated 46 million out of 60 million citizens are of working age, implying that there is large scope for the economy to grow and flourish.<sup>lxxvi</sup> McKinsey estimates that the number of people belonging to the consumer class—those with sufficient income for discretionary spending—could potentially rise from 2.5 million today to 19 million in 2030, thereby potentially tripling consumer spending from \$35 billion to \$100 billion. Overall, McKinsey estimates that Myanmar has the potential to more than quadruple the size of its economy, to \$200 billion, by the year 2030.<sup>lxxvii</sup> And yet, companies attempting to profit from Myanmar’s coming out party will have to make a long-term commitment. “The world is getting used to the fact that Myanmar is no Shangri-La,” said Peter Maher, the head of Southeast Asian operations for Visa. “This is frontier stuff,” he said. “We take it on faith that there will be a market here.”<sup>lxxviii</sup> John G. Rice, a vice chairman of General Electric, recently affirmed, “We’re prepared to be very patient.”

It is also becoming clear that companies will have to demonstrate a commitment to responsible business as well as profits. In Sri Lanka, companies are already discovering that finding a way to combine the two will increase the risk’s reward. Myanmar’s challenges are also its opportunities to seize. Knowing the context is critical, but so is having the appropriate mindset. Whether in Sri Lanka or Myanmar, the US or Uzbekistan, sometimes the gap between an economic benefit and a social benefit is only as wide as it is perceived to be.

Communicating success stories can help encourage other companies to see business opportunities in social development, breeding CSR programs that have life beyond the next bad quarter. The process may be a slow one, but in the “adapt-or-die” world of global business, embracing sustainability and shared value may be one of the best ways for companies to reinvent their products and services and find those untapped niches. We all know they exist; it’s just a matter of who is willing to look for them.





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