CSR 2.0 through the Eyes of Aravind Eye Care System

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Abstract:

The concept of CSR has undergone a metamorphosis and has passed through various stages of development. The first section of this paper, while tracing the genesis and growth of CSR also distinguishes between CSR 1.0 and CSR 2.0. Can any organization be truly society focused and yet be profitable? The second section of this paper attempts to find an answer to this question through a study of Aravind Eye Care System, an eye care setup in South India. AECS has a mission of eliminating needless blindness by providing appropriate compassionate and quality eye care for all. Half of patients at AECS are treated free of cost. Yet, the organization manages to be sustainable through internal accruals. What is the secret to this success? What is it that Aravind Eye Care System doing well? This paper finds that core principles of concentrating on its mission, market development and through that demand generation, client segmentation and quality assurance, operational efficiency and cost control, vertical integration and hiring policies go a long way in ensuring sustainability.

Keywords: CSR, Corporate Social Responsibility, Aravind Eye Care System
1.0 Introduction:

Today the concept of CSR has gained popularity in India. Corporate Social Responsibility (CSR) is a model in which a company achieves a balance or integration of economic, environmental and social imperatives, while at the same time addressing shareholder and stakeholder expectations. In this context, the term “stakeholder” encompasses everyone the organization affects, including the traditional investor and customer corporate stakeholders, as well as employees, communities, suppliers, regulators, and society as a whole. Without external enforcement, socially responsible corporations seek to reduce the negative impact of their activities.

Core issues that are usually addressed in CSR include:

- Environment
- Human rights
- Labour Practices
- Fair Operating Practices
- Organizational Governance
- Consumer Issues
- Community and Society

Present day CSR has evolved over the years. Proponents of CSR say that long term CSR activities improve organizational efficacy. Systematic tracking of CSR makes the organization more stake holder focussed and improves sustainability. Indian consumers are becoming more cause conscious and this improves sales of socially responsive brands. However, critics see it as a public relations exercise. This paper has two distinct sections. Section I traces the genesis and growth of CSR and establishes the differences between CSR 1.0 and CSR 2.0. Section II examines the case of Aravind Eye Care System (AECS), an eye care hospital based primarily in South India from a viewpoint of whether it is a good example of CSR 2.0 in action. AECS has a mission of eliminating needless blindness by providing appropriate compassionate and quality eye care for all. Half of patients at AECS are treated free of cost. Yet, the organization manages to be sustainable through internal accruals. What is the secret to this success? What is it that Aravind Eye Care System doing well? These are some questions this paper attempts to answer.

SECTION I

2.0 Genesis and Growth of CSR:

CSR has been debated and practices in one form or another for more than 4,000 years. The ancient Vedic and Sutra texts of Hinduism and the Jatakas of Buddhism frown upon charging of excessive interest. Islam has long advocated Zakat or a wealth tax.

CSR became a popular word in the 1950s with R. Bowen’s book, Social Responsibilities of the Businessman. A M Louis (1969) was among the first to survey managers with regard to social problem. His survey showed that 17% of managers viewed that business should assume social responsibility even at the cost of reduced profit. In the same study, 95% of respondents said that their companies were involved in social programmes. The 1970s was the real birth of definition of CSR through Carroll’s model (1979). Carroll’s model deliberated a four part conceptualization of CSR that included economic, legal, ethical and
philanthropic elements”. This was later depicted as a CSR pyramid. According to this model, all business responsibilities are subject to economic responsibility which includes maximizing profitability and maintaining a strong competitive position. Legal obligations include complying with rules and regulations. Ethical responsibilities connote societal standards and belief, expectations and norms that have not been specifically framed. Lastly, philanthropic obligations consist of measures that are in response to societal belief that businesses need to be good corporate citizens.

In the 1990s, CSR was institutionalized with standards like ISO 14001 and SA 8000, guidelines like GRI and corporate governance codes.

Peter Drucker said: No one but the management of each business can decide the objective in the area of public responsibility. He further said that social responsibility requires manager to consider whether the action is to promote the public good, to advance the basic beliefs of our society as to contribute to its stability, strength and harmony.

Swami Vivekananda was of the opinion that if we want sustainable progress for ourselves, we must ensure progress of all members and components of the society.

A survey conducted in June 2008 by TNS and Times Foundation reveals that 90% of all major Indian organizations surveyed were involved in CSR activities. It also revealed that the private sector was more involved than the public sector.

W. Visser (2010) opines CSR has followed through many stages and ages.

### Table 1
**Different Stages of CSR**

<table>
<thead>
<tr>
<th>Business Age</th>
<th>Stage of CSR</th>
<th>Modus Operandi</th>
<th>Key Enabler</th>
<th>Stakeholder Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greed</td>
<td>Defensive</td>
<td>Ad hoc interventions</td>
<td>Investments</td>
<td>Shareholders, government &amp; Employees</td>
</tr>
<tr>
<td>Philanthropy</td>
<td>Charitable</td>
<td>Community programmes</td>
<td>Projects</td>
<td>Communities</td>
</tr>
<tr>
<td>Misdirection</td>
<td>Promotional</td>
<td>Public relations</td>
<td>Media</td>
<td>General public</td>
</tr>
<tr>
<td>Management</td>
<td>Strategic</td>
<td>Management systems</td>
<td>Codes</td>
<td>Shareholders &amp; NGOs/CSOs</td>
</tr>
<tr>
<td>Responsibility</td>
<td>Systemic</td>
<td>Business models</td>
<td>Products</td>
<td>Regulators &amp; Customers</td>
</tr>
</tbody>
</table>

The Age of Greed is characterized by defensive CSR, where CSR is carried out only if and when it can be shown that shareholder value will be protected as a result. These included employee volunteer programmes (which show evidence of improved staff motivation, commitment and productivity) and expenditures (for example in pollution controls) which are seen to fend off regulation or avoid fines and penalties.
Charitable CSR in the Age of Philanthropy is where a company supports various social and environmental causes through donations and sponsorships, typically administered through a foundation, trust or chairman’s fund, and aimed at empowering community groups or civil society organizations.

Promotional CSR in the Age of Misdirection is what happens when corporate sustainability and responsibility is seen mainly as a public relations opportunity to enhance the brand, image and reputation of the company. Promotional CSR is popularly labelled as “Greenwash”.

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

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

Systemic CSR – which is also referred to as CSR 2.0 – is based on five principles: creativity, scalability, responsiveness, glocality and circularity. These hold the key to making change happen, at a societal, organizational and individual level, and ensuring that we can all make a difference.

3.0 CSR 1.0 Vs CSR 2.0:

CSR 1.0 stood for Corporate Social Responsibility. This was apt few years back. Now the fundamental definition of CSR is changing to “Corporate Sustainability and Responsibility.”

This involves a complete change in perspectives. CSR 1.0 is defensive, based on philanthropy whereas CSR 2.0 is a collaborative, scalable and proactive approach. CSR 2.0 solutions go from niche “nice-to-haves” to mass market “must-haves”. The CSR 2.0 coin has two sides: sustainability (with roots in the environmental movement) and responsibility (with roots in the social activist movement).

Table 2
CSR 1.0 and CSR 2.0 compared

<table>
<thead>
<tr>
<th>CSR 1.0</th>
<th>CSR 2.0</th>
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<tbody>
<tr>
<td>Premium Markets</td>
<td>Bottom of Pyramid Markets</td>
</tr>
<tr>
<td>Charity Projects</td>
<td>Social Enterprise</td>
</tr>
<tr>
<td>Stakeholder groups</td>
<td>Social Networks</td>
</tr>
<tr>
<td>Process Standards</td>
<td>Performance Standards</td>
</tr>
<tr>
<td>CSR Departments</td>
<td>CSR in every activity which organization does</td>
</tr>
</tbody>
</table>

All of the above calls for a complete transformation in the DNA of the organization. Sustainability is the destination where the organisation would like to go and responsibility is the journey and the wherewithal required to reach to this destination.
The question to ask is: Does all of this sound utopian? Can an organization follow the tenets of CSR 2.0 and yet be profitable? Are there any examples of organizations which have been able to successfully do all of this? Can such a model be sustainable and scalable? Aravind Eye Care System provides some insights.

SECTION II

4.0 Aravind Eye Care System: CSR 2.0 in Action

Aravind Eye Care is a shining example of CSR 2.0 in action. Named after Sri Aurobindo, a renowned Indian philosopher, Aravind’s non profit network includes eye hospitals, an intraocular lens factory, eye bank, research centre and training institute. Based primarily in Southern India (although it has expanded to a pan-India presence now), treatment is either free or heavily subsidised for the poor who come from the remotest villages in the region. The hospital earns its keep from the other half it serves: well-off people who flock to it for its reputation for excellence in eye care. Yet, Aravind is not dependent on donors: it makes enough money to be mostly self-funded. In the last fiscal year, its net profit of $7.9 million on revenues of $20 million is a performance worthy of any commercial venture. Truly an example of CSR 2.0 when viewed from a point of view of financial sustainability, profitability (although it is not a motive), level of capacity utilisation, number of patients treated etc.

The guiding facts:

The number of blind people in India is 12 million, with the estimated increase to 15 million expected by 2020. The breakdown between different types of blindness in India is: cataract (62.6%); refractive errors (19.7%); glaucoma (5.8%); corneal pathologies (0.9%). Thus Cataract is documented as the most significant cause of bilateral blindness in India. Major reasons for this are: major proportion of rural aged population having poor access to eye care facilities, poor utilization of ophthalmic surgeons (only 20% of ophthalmologists in India work in rural areas), misconceptions of surgeries, unhygienic conditions leading to high infection rates, lack of community awareness etc. The Aravind Eye Care Hospital (later on it became a system) was therefore established with a mission of eliminating needless blindness by providing appropriate compassionate and quality eye care for all.

History of AECS:

Dr G Venkataswamy, a Padmashree, retired in 1976 from Government Medical College, Madurai (in the Southern Part of India) as Head of Ophthalmology and had a zeal to provide quality eye care to rich and poor alike. It was estimated that about 10 million people in India had lost sight needlessly and much of this could be avoided, according to him. He therefore formed a non-profit organization called Goveal Trust, investing all his life savings in it. Starting from a 11 bed hospital, it has grown to handling over 2.6 million outpatient visits and over 3,15,000 ophthalmic surgeries and laser procedures were performed across all Aravind Eye Hospitals in the year ending March 2011. Aravind Eye Care System had always insisted on following a policy of taking both paying as well as free services. Paying patients were charged moderately, which was same as what was being charged by comparable hospitals. Operating on the premise of high productivity and large volumes, the payments
made by paying patients made the hospital viable and also generate surplus for providing funds for expansion. 52% of the outpatient visits were paying visits whereas 49% of the surgeries were paying surgeries in the year 2010-2011. The present day Aravind Eye Care System (AECS) is now a chain of hospitals, a centre for manufacturing intra-ocular lenses and sutures, an institute for training, an institute for research, an international eye bank, a women and child care centre, a post-graduate institute of ophthalmology and a centre for community outreach programmes (Exhibit 1).

Exhibit 1
The Aravind Eye Care System

5.0 Critical Success Factors in Business Model of Aravind Eye Care:
Some facts and figures about visits and surgeries are given in Table 3.

Table 3
Facts and Figures from April 2010-March 2011

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td><strong>Outpatient visits</strong></td>
<td></td>
</tr>
<tr>
<td>Paying (new+review)</td>
<td>1,378,150</td>
</tr>
<tr>
<td>Free (new+review)</td>
<td>405,177</td>
</tr>
<tr>
<td>Outreach</td>
<td></td>
</tr>
<tr>
<td>Free Eye camps</td>
<td>312,129</td>
</tr>
<tr>
<td>Vision Centres</td>
<td>201,512</td>
</tr>
<tr>
<td>Community Eye clinics</td>
<td>136,897</td>
</tr>
<tr>
<td><strong>Surgeries</strong></td>
<td></td>
</tr>
<tr>
<td>Paying</td>
<td>155,089</td>
</tr>
<tr>
<td>Free Hospital Direct</td>
<td>84219</td>
</tr>
<tr>
<td>Total surgeries</td>
<td>315,483</td>
</tr>
</tbody>
</table>

Source: AECS Annual Report 2010-2011
It can be observed that number of paying patients is more than the number of free patients. The business model of AECS makes very sound business sense. Following factors are responsible for its success:

Focus on Mission:

The mission of AECS is to eliminate blindness. AECS remains a large scale “focussed” factory in cataract surgery. More than two thirds of all surgeries carried out at AECS are cataract removal. This is because cataracts are by far the leading causes of blindness in India and therefore the quickest route to making a dent on the blindness problem.

Market Development and through that demand generation:

This is done through eye camps and community outreach programmes. AECS organizes about 1500 eye camps every year. These camps have sponsors like NGOs, Lions and Rotary Clubs etc. These camps usually have hundreds of villagers from nearby locations visiting to get their eyes tested. Eye glasses are given free to poor. Those who require surgery are put into a bus and become the captive customers of AECS. Those who can afford to pay become the paying patients, those who cannot become the free patients. Patients of same or nearby villages travel together in the bus which gives them a sense of comfort: An excellent example of demand generation for surgery by AECS.

Client segmentation and quality assurance:

Paying patients make up approximately 40% of the total pool. Such patients are provided a differentiated service in both the outpatient and inpatient clinics. A dedicated part of the hospital is devoted to their care and recovery. The payment segment is crucial. Paying patients pay market prices because Aravind is the quality leader. This ensures that quality standards are maintained and these standards become benchmark for the non-paying patients.

Operational Efficiency and Cost control:

Once demand is generated, there needs to be perfect execution, especially since this involves patients. AECS follows an assembly-line approach. Aravind’s doctors perform 2,600 surgeries a year versus the national average of 400. Patients are readied for surgery in groups with ophthalmic assistants doing most of the preparatory work including the anaesthetizing so that the surgeon can concentrate on the surgery. When the procedure is completed, supplies are refurbished quickly as the next patient is brought in and the treated patient is taken to the recovery room. Each operation theatre has two or three operating tables. There are also multiple sets of instruments and support staff so that the waiting time between surgeries is almost zero. The factors for this level of efficiency can be broadly grouped into the following categories:

- Steady flow of patients
- Surgical flow, ensuring minimum time between surgeries
- Well trained surgical assistants
- Detailed logistics planning ensuring zero downtime because of want of supplies
- Daily micro-planning to match surgical load to staffing and supply requirements
- Surgeons’ skill and stamina
Vertical Integration:

Ninety five percent of the cataract surgeries are performed with insertion of intraocular lenses. Before 1990s the cost of IOL was as high as $80-100 and this made the cost of surgery too high. AECS started manufacturing IOL themselves and are now able to manufacture high rigid IOL lenses for less than US$5. This brings down the cost of surgery and also ensures quality. About one-third of these lenses are now exported to about120 countries world over.

Hiring policies:

An organization to be sustainable needs a good pipeline of people. In order to ensure a good pipeline of ophthalmologists, AECS introduced a “Post Graduate Residency Programme”. This offers a Diploma in Ophthalmology and also MS in Ophthalmology. For paramedical staff, AECS generally recruits girls from rural background. Suitability to the AECS culture rather than eligibility is the basis of hiring. No letters of recommendation are entertained. They are then trained for about a year. Salaries have been at best par with local hospitals, but doctors are sent abroad for conferences etc which keeps them motivated.

6.0 Does AECS pass the CSR 2.0 test?

There are five principles which make up the DNA of CSR 2.0: Connectedness, Scalability, Responsiveness, Duality and Circularity.

AECS passes on all of these five principles.

Connectedness(C): It is connected to the blind, both rich and poor. It offers quality eye care to both type of customers. It develops the market of its own by demand generation activities.

Scalability(S): It is scalable as it generates its own surplus funds. It is not completely dependent on donors, although donations are welcome. It concentrates on process efficiency (almost “McDonalized” cataract surgeries) and has established systems and processes which are scalable.

Responsiveness(R): It is responsive to changing needs of customers. For paying customers, it offers a differentiated service and hardware in form of lens. For the economically deprived it is responsive by offering quality eye care at their own village by reaching out.

Duality(2): It passes the duality test with flying colors. Most of debate on CSR in the past has dwelt in a polarized world of “either/or”. Either you give everything free or you do not. Either you make profits or you do charity. AECS manages to do both and that too with aplomb!

Circularity(0): AECS also passes the circularity test. Business should be constantly feeding and replenishing its social and human capital, not through education and training alone, but
also by nourishing community and employee wellbeing. CSR 2.0 raises the importance of meaning in work and life to equal status alongside ecological integrity and financial viability.

Thus, we can see that AECS is a shining example of CSR 2.0 in action.

AECS is good for all the stakeholders including society at large, is sustainable, scalable, utilizes social networks and on top of it does not have a CSR department of its own. In fact, the whole organization has CSR as part of its DNA. For AECS, CSR does not really mean corporate social responsibility. It means Corporate Sustainability and Responsibility. This is truly business with triple bottom line. That is, people, planet and profit; capturing an extended spectrum of values and criteria for measuring organizational and societal success: economic, ecological and social.

7.0 Conclusion:

The goal of CSR is to embrace responsibility for the company’s actions and encourage a positive impact through its activities on environment, consumers, employees, communities, stakeholders and all other members of the public sphere. It is a misconception that purpose of business is to be profitable or to serve shareholders. These are simply the means to the end. Ultimately, the purpose of business is to serve society through products and services that enhance our collective wellbeing without affecting the environment and community life-support systems. CSR has therefore moved from “Corporate social responsibility” to “Corporate Sustainability and Responsibility”. The essence of CSR 2.0 is designing and adopting an inherently sustainable and responsible business model, supported by a robust financial system that makes creating a better world an almost natural and rewarding thing to do. AECS is, by all counts, a shining example of CSR 2.0

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9 AECS Annual Report, 2010-2011
10 V. Kasturi Ranjan and R D Thulasiraj(2007), Making Sight Affordable, Innovations, Fall, Vol.2, No 4, Pg 35-49

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