

Strategic Corporate Social Responsibility and Creation of Shared Value

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Abstract

Human intellect has been able to evolve the conception of CSR from philanthropic act and charity, from stakeholder model to triple bottom line and finally to creation of shared values (Porter and Kramer). Corporate Social Responsibility can never be equated to one off act/ event but it spills over different aspects of humanity from environment, community health and stretches to even human rights. CSR is not only about reduction of greenhouse gases, adoption of villages, switching to solar energy, environmentally friendly products/ organic products, education of underprivileged but it has more to it. The discharge of social responsibility should be integrated in such a way that the community in which the corporation exists is able to share the benefits generated from this process. This could be clearly achieved by having CSR as core value rather than in periphery ensuring integration in organisations activities.

Strategy formulated for discharging corporate social responsibility of corporations needs to be studied to understand the change in strategy from philanthropy to value creation for stakeholders as such.

This paper attempts to study the evolution and implementation of shared values among business houses in conformity with Porter's conception of shared value by using a case analysis of select corporations belonging to different sectors.

The analysis reveals that corporations discharging social responsibility as part of their strategy create value which is mutually shared by all the stakeholders as compared to value generated by one time CSR activities.

KEYWORDS: Creation of Shared Values, CSR, Strategy, core.

Introduction- Understanding of Strategy

Business Houses exist for accomplishment of certain goals through well-defined strategic plan. Strategy thus entails managerial choice among alternative action programmes, commitment to specific product markets, competitive moves and business approaches to achieve its objectives. It is sometimes called the game-plan of management (P K Ghosh 2005). Thus strategy enables an enterprise to determine what it ought to do in the future and position itself in competitive situations.

According to Dan Schendel and Kenneth (1972) Strategy is understood with reference to basic goals and objectives of an organisation, the major programmes of action chosen to reach these goals and objectives and major patterns of resource allocation used to relate the organisation to its environment. Strategy exists at three levels corporate, business and functional. From acquisition to diversification, product mix to promotion mix, CSR to research and development, all decisions involve a combination of well drafted strategic plan. Corporate Social responsibility is a strategy where organisation plan, execute and revise the areas of CSR activities,

resources allocated, manner of implementation, and so on. Organisations indulging in strategic planning outperform as compared to those who do not strategize.

Creation of Shared Values

Porter and Kramer coined the concept of Shared value creation which meant that CSR activities should be ingrained in the practice of an organisation and structured as a central feature of the organisation culture instead of being an adjacent feature of an organisation. It is not an overemphasis that an organisation culture is a major asset in terms of engaging CSR initiatives that are likely to bring real benefits to the organization and to the society (Dana Brown, 2012). Corporate social responsibility should be integrated such that it is not adjacent but as a core element of strategy and structure. The concept of creation of shared value emphasised that social responsibility should form a part of overall strategy of an organisation which facilitates the economic value generated to be shared by the society by addressing its issues and challenges. This conception though relatively new imposes every organisation to indulge in some kind of planning and even relooking the basic objectives, vision, and mission and policy statement to include a bend of responsibility for the immediate society. Thus businesses must reconnect company success with social progress (Porter and Kramer, 2011). The concept is defined as a system of policies and operating practices that enhance the competitiveness of the company while simultaneously advancing the economic and social conditions in the communities in which they operate. (Porter and Kramer 2011)

Shared value can be created when the strategy leads to investment in long term business competitiveness that simultaneously addresses the social and environmental objectives, this strategic perspective may include reconceiving products and markets, redefining productivity in value chain and enhancing local cluster development.

These activities include rethinking the rules of the game, the quantity and quality of business inputs available, the size and quality of local demand (product safety standards) and local availability of supporting industries (level of local machinery).

Corporations perceive CSR as a threat even after credible research having acknowledged a positive relation between expenditure on social responsibility and firm performance. According to Porter and Kramer expenditure on corporate social responsibility should be considered as R&D which serves to bring benefit to the community at large. This view is sustainable as it convinces the corporate community to rethink the rules of the game to incorporate CSR at all levels of strategy formulation and reconnect business with community.

Case studies

For this study a sample of select BSE companies are analysed to examine the strategic framework, and CSR activities undertaken by them. The Indian companies are selected from different sectors like Service, Banking, Pharmaceuticals, Automobiles, FMCG.

Secondary sources of information like sustainability reports, CSR reports, annual reports etc. are utilised. Company websites are used to study the objectives, mission and vision statements, philosophy of top management, composition of CSR

committee and CSR policy, etc. The philosophy of the Board towards strategic planning, CSR, creation of shared values are studied from CSR policy and reports.

HDFC Bank stresses on making growth an inclusive process by committing towards marginalised section and incorporating the societal and environmental consideration in business processes. To discharge its social responsibility the bank engages in sustainable livelihood, education, financial literacy, training and community initiatives. The Bank reaches to un-banked and under-banked segments of population identifying marginalised segments to facilitate provision of livelihood finance, credit literacy, financial literacy and market linkages. As part of environmental sustainability it aims at reducing the carbon emissions by encouraging use multiple-banking-channels like ATM, net banking, mobile banking to enhance paperless transactions.

The philosophy that HDFC propagates is that CSR activities are not discharged by way of charity or donation but by going beyond business creating shared value and contributing to social and environmental good. The bank is committed to work for advancing the community and reducing the negative impacts on the environment.

As part of mission statement social and economic developments reaching the marginalised sections through sustainable livelihood form part of their organisational setting. Further the Bank's strategy is to integrate its activities in the community development, social responsibility, environment responsibility and encourage each business unit to include these considerations in its operations. The CSR Committee is entrusted to approve the CSR policy and Bank's CSR Department is entrusted to implement the same. The implementation process is closely linked to sustainable development and shared values with the involvement of local institutions and communities at large. Implementation and monitoring process is entrusted to CSR department which discharges it with involvement of employees, NGO's, trusts and societies.

ICICI Bank through its unique policy of inclusive growth aims at sharing the fruits of economic growth with all sections of the society. The areas in which it discharges CSR obligations include education, health, skill development and sustainable livelihoods (through ICICI academy and ICICI rural self-employment institutes), financial inclusion, support employee engagement in CSR activities. The bank provides financial and logistic support during the time of natural disaster. Apart from this it focuses on sustainable livelihood.

For discharging the CSR obligations ICICI has established ICICI Foundation for inclusive growth to support socio-economic development and enable a large number of people to participate in it and benefit from it. Corporate Social Responsibility Committee is the governing body that articulates the scope of the activities ensures compliance and reviews the progress of CSR activities.

Cipla works in areas of health, education, rural development projects and disaster management and addresses social inequalities. The main focus while discharging CSR obligation in context of health include creating awareness of health, Palliative care for terminally ill patients, improving sanitation, providing easy access of medical support to vulnerable communities, supporting Cancer / HIV / Thalassemia patients and mobile Medical Units. In area of Education it supports setting up/ developing of infrastructure, enhance reading culture, e-learning, providing vocational training. It

ensures rural development by indulging in enhancing livelihood and undertaking sustainable development projects. It even supports old aged persons, differently disabled and orphans.

As part of environmental obligation Cipla promotes environmental sustainability, conservation of natural resources and promotes renewable energy resources.

Caring for people is Cipla's business policy which is integrated in the products, people and processes. One of the core values of Cipla is to be a good corporate citizen thereby providing quality medicines at affordable prices. It carries its CSR activities through trust namely Cipla Foundation set up in 2010 and Cipla Palliative care and training centre set up 1997 to provide holistic care to terminally ill cancer patients and their families for free. Cipla extends support to various NGO's working in field of education and health.

Sustainable development and creating value for stakeholders are the two missions that will drive the company to realize its corporate responsibility vision which will be built on four strategic pillars of the corporate responsibility framework – 'safe & quality products at affordable cost', 'valuing our people', 'helping the environment & sustainability' and 'empowering our communities.

Airtel highlights sustainability as part of its business agenda (clearly spelt out in Chairman's message). Airtel is focusing on energy efficiency and alternate energy use to mitigate use of diesel and claims to have made overall reduction of about 15.8% in emissions in 2012-13.

Airtel focus on empowering a sustainable lifestyle through Digi-presence. Airtel also partners with Nokia to discharge CSR activities in Africa.

Education is the major CSR activity that it undertakes through Satya Bharti school program benefiting girls from economically weaker sections of the society. It is a platform that facilitates financial services, education and health through m-education, m-health (mediphone), m-commerce and also facilitates dissemination of agricultural information through IKSL. As part of inclusion it has launched Nokia life tools, Behtarzindagi, Apna Chaupal for the rural population, OVCC (online visual communication consortium) facilitates distance learning and telemedicine.

In addition the employees are encouraged to take an off and participate in the CSR activities. Airtel through IRIS learning centre provides opportunities for its employees to sharpen their skills and Bharti Airtel's Reserve mentoring project provides a platform for employees to present their ideas and latest developments to the board.

ITC is built on the philosophy of discharging CSR obligation three fold i.e. economic, social and environmental obligations to achieving societal sustainability.

In the context of people its CSR activities include supporting rural development, promoting education, creating livelihood for people especially for disadvantaged to preserving and promoting sports. As per their CSR policy the company indulges in those CSR activities which fall within the economic vicinity so as to ensure supervision and maximum development impact. Efforts are also done to provide sanitation and drinking water.

Bajaj Auto created a trust to act as a catalyst for the participation of rural community in improving their quality of life, eliminating poverty, empowering women, development of human and natural resources, promoting ecological balance, etc. Presently this is done in 24 remote and backward villages. Activities undertaken by the trust and rural community include water conservation projects for improving agricultural productivity, construction of latrines, family size biogas plants, training women in using improved technology for storage of food grains, goat rearing projects owned and managed by women, vermin culture projects, improving agricultural implements in 11 villages, dairy development, family planning particularly polio immunisation campaigns and securing loans for women members for both consumption and income generation.

The focus of CSR areas have been education, health, women empowerment, rural development and self-reliance.

1. Education: It has established Shiksha Mandal Wardha and Kamalnayan Bajaj School at Chinchwad which provide education at school level. Jankidevi Bajaj Institute of Management Studies and Jamnalal Bajaj Institute of Management Studies provide post graduate management courses and post graduate diploma courses especially for women. Bajaj also provides financial support to underprivileged candidates especially SC/ ST for preparation for entrance exam conducted by IIT. It identifies such students and bears the financial burden for their coaching.
2. Health: Bajaj has also established three hospitals namely Kamalnayan Bajaj Hospital- Aurangabad, Bajaj - YCM Hospital A.R.T. Centre for HIV/Aids – Pimpri and Jankidevi Bajaj Gram Vikas Sanstha.
3. Rural development is carried out through various trusts. Rural development activities include distribution of solar lantern, solar cookers and agricultural implements, tree plantation, horticulture, lift irrigation, etc.
4. It also runs programs to empower women through Jankidevi Bajaj Gram Vikas Sanstha and IIMC Ladies wing Jankidevi Bajaj Puraskar Rural for entrepreneurship.

CSR activities at Bajaj are guided by the vision and philosophy of the founding father Jamnalal Bajaj who enunciated the value of trusteeship in business and laid the foundation stone for its ethical and value based functioning. Also the core elements of CSR activities include ethical functioning, respect for all stakeholders, protection of human rights and care for environment. Bajaj discharges its social obligation through its employees, trusts, charitable bodies, NGO's and welfare funds.

Their guiding principles motivate to think beyond profits. The guiding principles

1. Treating the expenditure on CSR as investment in creation of values for future generations.
2. Educate to usher growth oriented society.
3. Encourage to guide and do hand holding for self-help individually and collectively to create excellence for self and team work.
4. Spread the CSR activities to be spread in locations where the organisation has presence.
5. Care for the socially and economically disadvantaged.

6. Sustainability focusing on balanced development and ensure least adverse impact on environment.

Conclusion

It is evident that Indian corporations have moved from philanthropic acts to socially responsible behaviour thereby integrating CSR with business model to create shared values. Thus the incorporation of CSR while formulating strategies, mission and vision statements could ensure the sharing of benefits generated. Redefining organisational leadership and culture to include every personnel and department can go a long way in bringing benefit to the society and organisation.

Organisations are slowly moving towards incorporating CSR in their core strategies in order to create a win-win situation and adopt a sustainable business model.

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