

Title:

**Corporate Social Strategy: Relevance and pertinence in
the Indian context**

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Corporate Social Strategy: Relevance and pertinence in the Indian context

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Abstract:

The era of corporate organizations paying lip service to social responsibility is fast coming to an end. The recent past has seen corporate social responsibility becoming a process from a concept and also organizations deriving value from this initiative. In the light of the above the current paper will explore the CSR strategies and initiatives of various selected Indian companies. The study will be based on extant literature and will draw examples from the current Indian scenario. Some primary research is conducted for the Indian corporate houses through their web pages containing information's about their CSR initiatives. Based on this best practices will be delineated and recommendations for using corporate social responsibility as a part of business strategy by the organizations to leverage their perception among the stakeholders.

The study will be relevant for the industry as well as academia as it will discuss corporate social responsibility as a strategic move that organizations can incorporate in their overall business strategy, thereby achieving better all-round performance.

Key words: Corporate social strategy, stakeholders, business performance.

Introduction

Organizations have long considered profit as the main goal to be achieved and all the strategic actions directed towards the same. Though it is still one of the main drivers for corporate activities it is no longer considered its only 'reason d'etre'. Companies consider themselves as an integral part of the society and act in a socially responsible way (European Commission, 2001) that goes well beyond the performance of a narrowly defined economic function (Khan and Atkinson, 1987). Corporate social responsibility (CSR) in the past few decades has intrigued not only the scholars but the practitioners as well. It is 'essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment' (EC, 2001). High performing businesses show a strong correlation between CSR activities and stronger performance in terms of profitability and productivity (The Work Foundation and The Virtuous Circle, UK cited in Women in Management review, 2004)

The growth of CSR

Corporate social responsibility (CSR) till very recently was viewed as a philanthropic activity indulged into only when the firms were in jeopardy (Adenekan, 2007). Though the earlier decades are referred to as "false dawns" wherein CSR had a regional, person-centered philanthropic focus, it is now viewed to be inclusive, broad and diverse

(Silberhorn and Warren, 2007). It is not only used for fulfilling legal expectations but also for investing more into human capital, the environment and the relations with stakeholders. Companies facing the challenges of globalization are aware that CSR can be of direct economic value. They view these activities not as a cost but an investment, as a 'long term strategy minimizing risks linked to uncertainty'. (European Commission, 2001). According to Sacconi, (2007) when firms fulfill their "fiduciary duties" to their stakeholders, they benefit from reputation and the "positioning of the firm with respect to social issues is clearly a way to differentiate the firm and its products and services in ways that creates value" (Husted and Allen, (2007). Developed countries like USA and UK have long seen CSR as a practice that benefits both organizations and society (Etang, 1994). Marketing communications of companies are also focusing on the communication of their CSR initiatives (eg. Sunfeast). It has also been studied that the composition of the board of directors also influences the CSR as outside directors appear more concerned about CSRs and hence the firm are more likely to engage in socially responsible activities (Ibrahim et al., 2003)

Increased globalization along with increasing the opportunities for business has also brought the businesses under the scrutiny of different audiences, NGOs and media. It is predicted that in the times to come companies will be 'judged more by their social policies than on their delivery of products and services' (Juholin, 2004). Debacles like Enron and Worldcom did cause a slew of critiques against the CSR initiatives but these critiques were largely ill founded (Stoll, 2007) Many theorists have also argued about the economic impact of CSR, some relating it positively with the profit (Adenekan, 2007; Joyner and Payne, 2002) and some feeling that no such relationship exists (Aupperle et al., 1985). Bird et al., 2007 studied that the market is influenced by the independent CSR activities and also by the totality of these activities and the gains can be in terms of economic performance or social performance (Cottrill, 1990). Since CSR and corporate reputation are the two sides of the same coin (Hillenbrand and Money, 2007) the current paper examines how corporate enterprises are currently using CSR initiatives as a part of their corporate strategy and public relations pertaining to the same.

Literature review

CSR is often understood only from the perspective of business generosity to community projects and charitable donations. This perspective however fails to capture the valuable contributions organizations can otherwise make (Adenekan, 2007). In a 1987 empirical study by Khan and Atkinson it was found that a large percentage of the Indian executives studied agreed that CSR was relevant to business and felt that business had responsibility not only to the shareholders and employees but also to customers, suppliers, society and to the State. Both the Indian and UK respondents felt that CSR eventually promotes "a better relationship between industry and people, a good work environment, enhanced customer relationships and enhanced corporate image of the company".

European Commission (2001) defines CSR as "a concept whereby companies decide voluntarily to contribute to a better society and cleaner environment and as a process by which companies manage their relationship with stakeholders". In a study of German and

UK companies it was found that the largest corporations project CSR as a comprehensive, sustainable business strategy and recognizes the business-society interdependence (Silberhorn and Warren, 2007). Government's CSR public policies and the relationships between government, businesses and civil society stakeholders have also known to impact the CSR initiatives (Albareda, Lozano, Ysa, 2007). It is also observed that large firms are more likely to identify relevant stakeholders and meet their CSR requirements through specific and formal CSR strategies (Perrini, Russo and Tencati, 2007). Firms with a high value for social responsibility are much more likely to engage in traditional kinds of plans for social strategy. The use of social strategy depends upon the presence of specific configurations of industry environment, resources and values (Husted and Allen, (2007).

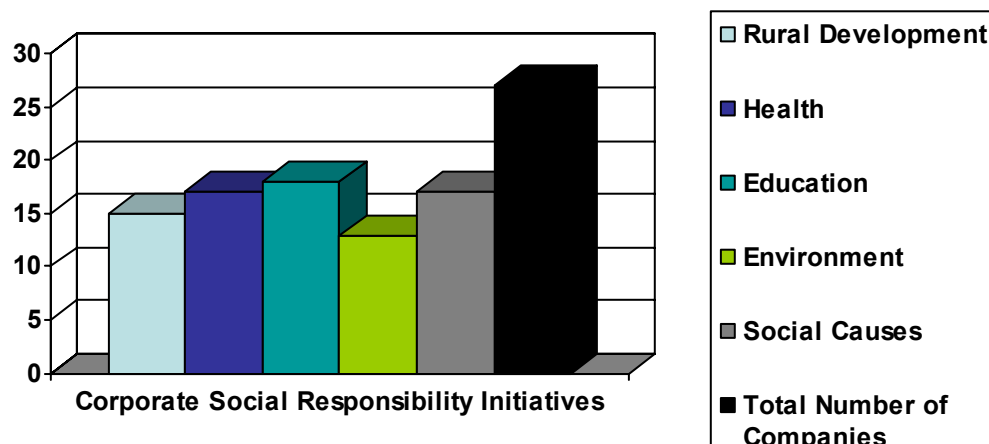
Methodology

It is interesting to see how the corporate sector in India is interpreting CSR. This can be identified by how the companies publicly defined CSR. To study this, content analysis of twenty seven corporate web sites' CSR statements were carried out. These twenty seven organizations were public limited companies and since these companies are in the public eye, it was desirous to see whether they were indulging in CSR initiatives and at what level. The twenty six chosen companies were from different industrial sectors like metals, chemicals and fertilizers, consumer durables, FMCG, services, and InfoTech. Studies using similar methodology have been carried out by Silberhorn and Warren, 2007 for big companies in Germany and UK. The content analysis of the web pages specifically referring to the business, community relationship were carried out and annual reports available online were referred to online in order to validate the data. For the sake of ease of analysis the initiatives were classified under five heads, namely: Rural development, health, education, environment and social causes.

Some CSR initiatives in India

CSR is a multidimensional concept (Stanwick and Stanwick, 1998) and is comprised of a number of variables. These variables include: firm's profitability, charitable giving, environmental emissions, women and minority members on the board of directors, women and minority members within the firm, and annual salary and monetary bonus of the Chief Executive Officer.

In the Indian context it has been observed that out of the 27 firms surveyed, 3 firms did not indicate any CSR initiative being taken, and two firms expressed the need to take CSR initiatives. This works out to 11% of the firms surveyed, which are apparently not taking CSR initiatives. The bar graph below shows the number of firms taking different CSR initiatives.



The table below shows the number of companies and their relative percentage in taking a particular CSR initiative.

Corporate Social Responsibility Initiatives

Total Number of Companies surveyed: 26

Initiative	No. of Companies taking this initiative	Percentage of Companies taking this initiative
Rural Development	15	55.50
Health	17	63
Education	18	66.66
Environment	13	48
Social Causes	17	63

It is evident from the above table that education takes the first place with 66.66% of the firms surveyed, followed by health and social causes with 63% of the firms, rural development with 55.50% and environment with 48%. Further analysis shows that companies belonging to Aditya Birla group had the same CSR initiatives irrespective of the sector to which the company belonged to. The same is true for Reliance ADAG group companies.

It is very interesting to note that even though the central government as well as state governments have separate departments for education, and health, headed by a cabinet minister, they figure as the most often taken initiatives by corporate sector in India. The details of the various programmes undertaken are listed in appendix: 1.

Looking at the CSR strategy adopted by these companies, it is interesting to note that Hindustan Unilever Limited has dovetailed the CSR strategy into their overall business strategy; thereby it achieves the twin objectives of business and social responsibility. The CSR philosophy of this company is its commitment to all the stakeholders – consumers, employees, the environment and the society. The initiatives, that are accorded priority, are sustainable, have long-term benefits and an ongoing business purpose. An example in this regard is the “Shakti” programme, which aims at empowering rural women through critically needed additional income by equipping and training them to become an extended arm of company’s operation (www.hll.com). On the other hand Godrej Industries views CSR initiatives as philanthropy started by their founders and continues even today (www.godrej.com). Even its competitor P&G has a different view regarding CSR. P&G believes in building the community in which it lives and operates by supporting the ongoing development of the community. Social projects are based on its motto “Business with a Purpose” (www.pg-india.com).

There are also groups like Reliance ADAG, which emphasized the need to be socially responsible and further stated that they evaluate and assess each critical business decision or choice from the point of view of diverse stakeholders’ interest, driven by the need to minimize risk and to pro-actively address long-term social, economic and environmental costs and concerns. CSR is not an occasional act of charity or contribution to a school, hospital or an environmental NGO, but an ongoing commitment that is integrated into the

core business objectives and strategy, Even though they have not spelled out the initiatives, the approach is similar to Hindustan Unilever Ltd.

In case of Tata Steel, the CSR is based on the principle of its founder Jamestji Tata, who said the progress of an enterprise, welfare of people and the health of the enterprise were inextricably linked. Wealth and the generation of wealth have never "been ends in themselves, but a means to an end, for the increased prosperity of India." Further its chairman from 1938 to 1991, J.R.D. Tata, believed that the task of social progress cannot be undertaken by the Government alone, especially in a country as diverse as India. From this one can deduce that the CSR strategy of Tata Steel aid and help government's initiatives for social progress.

Conclusion and Recommendation

Organizations are increasingly realizing that CSR is no longer a collection of discreet practices or occasional gestures motivated by marketing or public relations. It is rather a comprehensive set of practices and policies that should be integrated into the organizations operations and activities. Drawing from the sustainability program of Wal-Mart (Lindstrom, 2008) wherein all the 1.3 million employees are motivated to work for the same, it can be concluded that for a CSR plan to be effective it has to be supported and rewarded by the top management. To be successful it should be incorporated into the decision-making process and supported and rewarded by the top management.

“A growing number of companies in many sectors and geographic regions have discovered concrete value and competitive advantage from socially responsible practices in pollution prevention, energy efficiency, environmentally oriented design, supply chain management, and health and sustainable agriculture initiatives, among others. For these firms, CSR has had positive impacts on profits”(Adenekan, 2007; Joyner and Payne, 2002). The same holds good for some of the Indian companies as well, like Hindustan Unilever Ltd, Reliance ADAG group.

There are Tata group companies like Tata Steel, which is of the view that the wealth created out of business operations should be given back to the society, which is just not philanthropic, but goes beyond it. Thus it is observed that CSR impacts not only the environment and the general public at large but is also profitable for the organization. Also by being socially responsible ‘firms can proactively anticipate and deter government regulations, exploit opportunities arising from increasing levels of cultural, environmental and sexual awareness and differentiate their products from their less socially responsible competitors’ (Jones and Haigh, 2007). We can conclude that CSR initiatives should form part of the overall business strategy so that they are taken in the right earnest by firms and successfully implemented. Further CSR is increasingly becoming a driver of business growth and is seminal in the success of the organization in the years to come.

It can be concluded that the HUL's CSR strategy can be viewed as a twin-pronged strategy wherein they are empowering the women and working for a social cause and along with they are also creating enhanced sales through their women representatives and

reaching areas which were till now inaccessible to them. Hence it can be considered as a revenue generating model within the CSR initiative.

Limitations and further scope of the research

The first limitation is the size of the sample that is 27. Secondly the study used information published on the web sites of these companies and no interviews or surveys with the help of questionnaires were conducted. Further research can be conducted to study the effect of CSR initiatives on the image of a business enterprise.

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APPENDIX: 1

Corporate Social Responsibility Initiatives of some Indian Companies

Sl.

Sl. No.	Company	Corporate Social Responsibility Initiatives				
		Rural Development Infrastructure , livelihood, agriculture and watershed development Provision of drinking water. Sanitation, vocational training, agricultural Innovation	Health	Education	Environment	Social Causes
1	Aditya Birla Nuvo		Health & Family Welfare	Education	Sustainable Development	Widow and dowry-less marriages, Women empowerment
2	Bharat Petroleum Century Textiles & Industries Ltd	xxxxx	HIV/AIDS care and prevention	Generation Next Initiative	xxxxx Ecology, Environmental Protection	Counseling of its employees, Women empowerment
3	Godrej Industries	xxxxx	Health Care	xxxxx	Mangroves protection	xxxxx Community Development
4		xxxxx Infrastructure , livelihood, agriculture and watershed development	Hospital	xxxxx		Widow and dowry-less marriages, Women empowerment
5	Grasim		Health & Family Welfare	Education	Sustainable Development	Widow and dowry-less marriages, Women empowerment
6	Hindalco		Health & Family Welfare Safety and health at work place	Education	Sustainable Development	Widow and dowry-less marriages, Women empowerment
7	Hindustan Petroleum	rural development		xxxxx Special education and rehabilitation of children with challenges.	Environmental policy	xxxxx
8	Hindustan Unilever Ltd	Shakti - empowering rural women	Lifebuoy Swastya Chetna, health and hygiene education		Water conservation and harvesting	Economic empowerment of women, rebuilding lives of earth quake victims.

9	Indian Oil	Community development programmes, Infrastructure , livelihood, agriculture and watershed development	health and family welfare, sanitation	education	environment protection	promoting arts and culture, meeting social obligations through reservations, women empowerment	
10	Indo-Gulf Fertilizers		Health & Family Welfare	Education	Sustainable Development	Widow and dowry-less marriages, Women empowerment	
11	Infosys	xxxxx	Health Care	Education	Environment	Art and culture	
12	Onida	No specific initiative, except a code of business ethics and conduct					
13	P&G	xxxxx	Fighting malnutrition. Drishti - sight restoration program	Education for the underprivileged and working youth. Shiksha- Secure your child's future	Environment education program	Write-in guidance service	
14	Reliance Industries Ltd	Community Welfare, providing drinking water	Hospital, preventive health care	Education - promoting female education, training for self employment	xxxxx	xxxxx	
15	Reliance ADAG	No specific initiative, except a statement to the effect that corporate social responsibility is needed.		xxxxx	xxxxx	xxxxx	
16	Samsung	xxxxx Agricultural Development, Animal husbandry, rural energy, watershed development, relief work, infrastructure	Health and safety at the work place,	reeducation and job training	xxxxx	xxxxx Open to all opportunities and human rights	
17	Tata Chemicals		xxxxx	Training, Education	xxxxx	Women's program	

18	TCS	xxxxx	xxxxx	Education	Environment, waste management	Infrastructure for the urban beautification Women empowerment, Sports Widow and dowry-less marriages, Women empowerment
19	Tata Steel	Employment generation	Health Care	xxxxx	xxxxx	Sports Widow and dowry-less marriages, Women empowerment
20	Ultra-Tech Cement	Infrastructure, livelihood, agriculture and watershed development	Health & Family Welfare	Education	Sustainable Development	Women empowerment
21	Videocon	xxxxx	Hospital	Education	xxxxxc	Sports Disaster rehabilitation programs
22	Wipro	xxxxx	xxxxx	Learning enhancement programs, Education	xxxxx	
23	Zuari-Chambal (K.K. Birla Group)	Rural Development, water harvesting	xxxxx	Elementary Education	xxxxx	xxxxx
24	State Bank of India	No specific initiative.	xxxxx	xxxxx	xxxxx	xxxxx
25	Axix Bank Ltd	No specific initiative	xxxxx	xxxxx	xxxxx	xxxxx
26	Oberoi Group of Hotels	No specific initiative	xxxxx	xxxxx	xxxxx	xxxxx
27	Raymond Ltd	Animal husbandry, Integrated Rural Development programs		Running of Schools		Rehabilitation of the underprivileged children