CSR AS A SUSTAINABLE BUSINESS STRATEGY:
A CASE STUDY ON MNCS IN INDIA

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Abstract:

In light of the many corporate scandals, social and ethical commitment of society has increased considerably, which puts pressure on companies to communicate Information related to corporate social responsibility (CSR). The main" responsibility" for corporations has historically been to make money and increase shareholder value. In other words, corporate financial responsibility has been the sole bottom-line driving force. In the last twenty years, there has been a sea change in the nature of the triangular relationship between companies, the state and the society. No longer can firms continue to act as independent entities regardless of the interest of the general public. The evolution of the relationship between companies and society has been one of slow transformation from a philanthropic coexistence to one where the mutual interest of all the stakeholders is gaining paramount importance. Thus, beyond making profits, companies are responsible for the totality of their impact on people and the planet. "People" constitute the company's stakeholders: its employees, customers, business partners, investors, suppliers and vendors, the government and the community. Therefore this paper basically focuses on CSR activities done by multinationals companies which is termed as a long term investment for the business.
Introduction

Business houses, right from the inception of human race, have been regarded as constructive partners in the communities in which they operate. Though they have been instrumental in creating employment, wealth, products and services, yet the pressure on business to play a role in social issues involving employees, stakeholders, society, environment, government etc. is continuously increasing. The society is questioning the existence of business houses, especially in the wake of the scandals and scams conducted by the business houses like UTI, Enron, and WorldCom. In response to it, the organizations around the globe are forced to wake up to the need for being committed towards Corporate Social Responsibility. Over the years this concept of Corporate Social Responsibility (CSR) has gained unprecedented momentum in business and public debate and has become a strategic issue crossing the departmental boundaries, and affecting the way in which a company does business. It has become so important that many organizations have rebranded their core values to include social responsibility. Almost all corporate websites/policies/reports talk about their endeavors for CSR which has become a way of ensuring that the organization is fulfilling all the obligations towards society and thus is eligible for the license to operate. It assures that the organization can grow on sustainable basis. Today, more and more companies are realizing that in order to stay productive, competitive and relevant in a rapidly changing business world, they have to become socially responsible. The concept of social responsibility was conceptualized during the early part of the twentieth century. Clark (1916) was among the pioneers to observe that if men are responsible for the known results of their actions, business responsibilities must include the known results of business dealings, whether or not the law has recognized these. In an article published in The Economist in 1926, the drawbacks of limited liability of the companies were highlighted. Supporting this 70-year-old conceptualization, Broberg (1996) observed that the theory of limited liability imparts a sense of limited responsibility on the part of the business firms. However, now there is increasing awareness that a company, which works only in order to benefit itself, might harm other groups in the society. Today, partly due to the interdependencies of many groups in our society, the social involvement of businesses has increased Knootz and Weihrich (1998). Zadek, etal (1997) observed that the main drivers of CSR are the values, strategy and public pressure. Shrivastava and Venkateswaran (2000) observed that CSR is culture specific and the issue is only that of prioritization. The CSR measures should focus on benefiting "people and communities other than those whom they are contractually obliged to", namely those "who are socially and/or economically disadvantaged.” Literature shows that in India, only a few empirical studies, Singh et al. (1980); Krishna (1992); and Reddy (2006) have been made to assess the state of CSR.Even these studies relied on the data generated from the business managers and not the society in general. In the modern times, companies should exercise socially responsible behavior voluntarily; otherwise they might be forced to do so. The society, in general, has a definite perception on corporate social responsibility (CSR), which needs to be understood. A clear understanding of the societal

Perception of CSR shall enable the companies to design and position their social responsibility activities accordingly.

A survey was conducted by ORG-MARG for TERI-Europe in several cities of India in 2001 to capture perceptions and expectations of CSR reveals that a majority of the general public feels that companies should be held fully responsible for roles over which they have direct control. These include providing good products and cheaper prices, ensuring that operations
are environment friendly, treating employees fairly without any discrimination based on gender, race or religion and applying labour standards globally. Moreover general public felt that the companies should also be held responsible for bridging the gap between the rich and the poor, reducing human rights abuses, solving social problems and increasing economic stability. A firm’s CSR initiative affected both stakeholders’ overall beliefs and attitudes.

Views on CSR

The classical view considers social responsibility as being incompatible with a free economy, Friedman (1962 & 1970). The proponents of this view hold that business managers have a single responsibility towards the shareholders. All their endeavors must uphold an undeterred commitment to maximizing shareholders' value.

Advocates of the modern viewpoint uphold the theory that business must think beyond the shareholders value and must not ignore its ethical and moral responsibilities. Shareholders are not the only participants of the business operations. Therefore, business must not confine its allegiance towards shareholders only, but also should be responsible towards the stakeholders at large. Freeman's (1984) stakeholder model of social responsibility is often taken as a modern viewpoint on corporate social responsibility.

Approaches to CSR

The strategic approach is a distinctive pragmatic line of reasoning which underscores the strategic efficacy of CSR and depicts it as an economic tool to foster the main corporate objective (profit maximization) of a firm (see for example Marom, 2006). The political approach to CSR makes an argument from ‘power’, and claims that business enjoys tremendous economic power, and because it has that power to ‘help’, the social responsibility to help and the duty towards engaging in social cooperation emerges. This theory also brings up the concept of ‘corporate citizenship’ and argues for the duty to act as a responsible citizen to uphold the rights of the have-nots. The integrative approach tries to incorporate the social demands into the management process. Here, the questions of corporate social performance and the connection between the laws and regulations with social opinions are given much importance. Lastly, the ethical approach to CSR tries to support the business-society relationship on ethical grounds, such as moral obligation, greater utility, as a moral requirement. Freeman’s (1984) stakeholder theory claims, for example that businesses have ethical responsibilities to all the stakeholders and have the duty to conform to the universal human rights. These four approaches to CSR already exist in the literature. However, lately another approach to CSR has been proposed by the United Nations (UN). This, on the other hand, is relatively less discussed. In this new approach, the UN proposes CSR as a tool for international development (UN Millennium Development Goals, 2006). The argument for linking CSR explicitly with international development is founded on two uncontroversial premises: (1) The pervasive and continuous presence of global developmental problems such as poverty, hunger, and the little success of governments of different countries to eradicate the problems, and (2) the enormous financial and organizational clout that businesses, specially the MNCs, enjoy in the modern world. The argument concludes with an invitation to businesses to assume more responsibility towards overall development.

However, despite a vibrant debate concerning CSR and its link with corporate strategy, practical guidelines for CSR are often unclear (Porter and Kramer, 2006) as current
discussion trends to focus on outcomes rather than process. Particularly, research on CSR has predominantly focused on responding to external stakeholder views (e.g., NGOs, philanthropy, PR, tax benefits, and risk/reputation management); often taking a fire-fighting approach in the defense of corporate reputation. A consideration of a company’s internal stakeholder – the employee – is, with rare exception (Hine and Preuss, 2009; Johansen, 2008; Rodrigo and Arenas, 2008), conspicuously absent. As a consequence, there is a neglect of CSR as a dynamic and developing process that relies on the involvement of the employee as a major stakeholder in its implementation. Even where employees are recognized, it is often in a loosely related CSR dialogue where, once again, the focus is on external outcomes such as gaining legitimacy as an ‘‘employer of choice.’’ In this article, we take an innovative approach and track CSR as an ‘‘emergent organizational process’’ that places the employee at its center. First, we use the core-periphery thesis (Hannan and Freeman, 1984; Siggelkow, 2002) to explore the various approaches that firms can select when they ‘‘add’’ recurring CSR initiatives to their existing business operations.

**Challenges of CSR:**

It is important for CSR strategies to become central to business strategy and part of the long-term planning process. Stakeholders are questioning more on CSR initiatives of the companies today. They are challenging the companies’ decisions-making in this direction. It has become imperative to incorporate stakeholders’ views.

In India the CSR managers face number of challenges in managing CSR activities. The biggest problem is of lack of budget allocations followed by lack of support from employees and lack of knowledge as well. Lack of professionalism is another problem faced by this sector. Absence of training and undeveloped staff is additional problems for reduced CSR initiatives.

General Public also do not take enough interest in participating and contributing to CSR activities of companies as they have little or no knowledge about it.

The increasing demand for more transparency and accountability on the part of the companies and disclosure of information through formal and improved reporting is also inevitable for the companies.

**Scope of Study**

There are many reports and studies undertaken by a variety of agencies about the social responsibility of corporate organizations’ responsibility towards other stakeholders such as the employees, the customers, the shareholders, the suppliers and the government. The scope of this study is limited to the analysis of the Corporate Social Initiatives of 8 Industries, such as I.T, and FMCG, Steel Industry, Pharmaceuticals. The scope also includes the theoretical aspects of Corporate Social Responsibility.

**Objectives:**
1. To study the CSR status in India. Specially in rural area
2. To understand the meaning and various models of CSR.
3. To study the challenges faced by CSR in India.
4. To make suggestions for accelerating CSR initiatives.
Research methodology

The present study is analytical in nature and is predominantly based on secondary data. It is aimed at analyzing various aspects relating to Corporate Social Performance in a number of areas. The study has adopted the case representing various industries.

Selection of the Companies, Company name and Industry Type has been given ten companies from the Nifty Index and from diverse industrial background companies which constitute a judgmental sampling have been selected in our study for analysis. These companies have been selected because their contribution in the area of Corporate Social Initiatives is substantial and worthy of emulation by other companies.

Data Collection

The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles and media reports.

Corporate Social Responsibility in MNCs

CSR Tata Steel Ltd’s CSR Performance

Tata Steel’s social work originates from the codes of conduct of the Tata Group and the CSR policy framework spelt out by B Muthuraman (Chairman, Tata steel Ltd.) on February 1, 2003. Millennium Development Goals’ reflect goals such as eradication of poverty, malnutrition, HIV/AIDS, preserving the environment, women empowerment and so on, which have to be rectified by 2015. Tata Steel Ltd has reportedly taken the initiative of micro-credit facilities in about 95 villages at the vicinity of the steel plant in the periphery of Jamshedpur city with 229 self-help groups working simultaneously for the villagers. ‘Balvikas’ classes are organized to directly help the slum children. Tribal & Harijan Welfare Cell (T & HWC) has been specially created to meet the special needs of the tribals such as ‘Ho’, ‘Santhal’ and ‘Bhumij’. The 1st goal of Millennium development goals (Eradicate Extreme Poverty and Hunger). Tata Steel has set up three primary schools (this reminds of the private-public partnership style of development), around 312 private schools and assists 171 ‘balwadi’ schools. The 2nd goal of Millennium development goals (Achieve Universal Primary Education). ‘Tejaswini’, launched in 2003, was a women empowerment program. The 3rd goal of Millennium development goals (Promote Gender Equality and Empower Women). The preventive health programs and the infant mortality measures have been instilled with much success by the company (such as creation of mobile clinics). The 4th goal of Millennium development goals (Reduce Child Mortality). The company chose seven active community partners as Anganwari worker and two was like sahayika (or assistant) to them. These initiatives aim at the 5th goal of Millennium development goals (Improve Maternal Health). The company provides rehabilitation of the people with HIV/AIDS, helps the service providers with capacity, resource mobilization and awareness programs for preventing parent to child transmissions. The 6th goal of Millennium development goals (Combat HIV/AIDS, Malaria and other diseases). The company started the wasteland development measure called the “Integrated Wasteland Development Program” in association with the government in Saraikela, Kharsawan District (Tata Steel Sustainability Initiatives). Tata Steel Ltd. takes initiative in watershed development of rainfed area, also in plantation
activities and the renewable energy sources for the development in the locality. The 7th goal of Millennium development goals (Ensure Environmental Sustainability). The company has already linked up with the Government, the NGOs, international foundations to help and guide in its CSR activities like (Sir Ratan Tata Trust, Bill & Melinda Gates Foundation. These activities fulfill the 8th goal of Millennium development goals (Develop a Global Partnership for Development).

CSR at ITC
THE E-CHOUPAL INITIATIVE

ITC was one of the early corporate houses to venture into the hitherto little-explored rural India. Realizing that 60% of the country’s private consumption comes from 6.4 lac villages spread across India, ITC launched its now famous initiative, e-Choupal. It was a business idea that looked far-fetched when it was conceived and proposed: take a remote village, go to the smallest farmer there, educate him in the best farming techniques, inform him of daily weather conditions and price fluctuations in the market, make available to him at his doorstep the best possible seeds, pesticides and fertilizers at the most competitive prices, and, when his crop is ready, help him find the best buyer. The e-Choupal offers farmers and the village community five distinct services:

Information:
Purchase:
Sales:
Development Work:

SUSTAINABLE DEVELOPMENT INITIATIVE

Linking business purpose with a larger societal purpose is not limited to the e-Choupal initiative. ITC attaches significant importance to its responsibility to contribute to the ‘Triple Bottom Line’, namely enhancing the economic capital, the social capital and the environmental capital. ITC has structured innovative business models that leverage its strengths to create unique opportunities for sustainable livelihoods.

AGRO-FORESTRY EXPERIENCE

This is a good example of how ITC thinks differently, with a larger social interest in focus, when it comes to tackling their business problems. The company chose to take on the difficult route of mobilizing the marginal farmers and tribals to plant trees on their private wastelands. Today the program covers over 80,000 hectares and has provided over 35 million man-days of employment. This has also brought with it multiplicity of additional benefits-creation of green cover for carbon sequestration, ground water recharge, regeneration of biomass and the nurturing of depleted soil.

CONTRIBUTIONS TO MITIGATING OTHER SUSTAINABILITY CONCERNS

Water being a very serious concern, is targeted in a mission mode, as a result of which ITC has the rare distinction of being ‘water positive’ six years in a row. ITC not only conserves water, it also ensures zero effluent discharge, thereby preventing pollution of the environment and fresh water sources. Rainwater Harvesting is another practice of the company to add to
the availability of water. It does this both within the company premises and through external watershed development projects.

CSR at Intel

Marketing is only marketing when it's sustainable. Intel has always worked on the premise that CSR Marketing without CSR substance is not marketing at all. It’s plain wrong. But when there is real substance - real activity and achievements - then there is a real marketing story to tell. One that communicates reliability and strengthens the brand. This makes corporate responsibility coupled with clever marketing and clear communications a winning formula. Intel managed to build a synergy between growing its business and spreading computer education amongst communities in India. Intel uses its CSR programme to spread computer usage and scientific temper among the larger population in the countries it has a presence in. For the spread of computer education alone, the company spends as much as $100 million every year. One of Intel’s key programmes, called “Intel - Teach to the future”, targets teachers in schools, colleges and teacher training institutes to make them adept at handling technology in the classroom and importing digital learning to future generations (Preeti Mehra, 2004). Corporate responsibility for Intel is also about innovation since it apply resources to address global challenges

CSR at Microsoft

Microsoft has been right in the forefront when it comes to programmes that address the semi-urban, rural, non-English speaking people in the country. And not just as a charity provider. Apart from the grants that Microsoft has made, to the tune of more than $1.15 million in the country, Microsoft is frequently coming up with software that addresses the needs of this section. Recently, as part of its efforts at bringing an affordable local language computing solution for India the company launched its Windows XP starter edition exclusively developed for India (Kripa Raman 2006).

CSR at HUL

Hindustan Unilever is involved in number of CSR initiatives in India. The main objective of Project Shakti of Unilever is creating rural entrepreneurs. It trained 13,000 underprivileged Indian women distribute the company’s products to 70 million rural consumers. The company is working with women’s self-help groups to teach selling and book-keeping skills and build commercial knowledge. The women who participate in this programme are, by and large, able to double their household income. Shakti has also allowed Unilever to increase its reach to 30% more of India’s rural population since its inception in 2000. The company is joined in its efforts by some 300 groups, NGOs, banks and various government entities allowing it to take part in strategic public private partnerships (Joseph Vackayil, 2007).

CSR at Canon along with GE

Successful global businesses have the power to make a real difference. Economic performance and social responsibility can go hand in hand, when there is a genuine consideration to make an impact on the communities and the environment. True global companies must foster good relations with customers, communities in which they operate, nation and bear the responsibility of the impact their activities have on environment and
society. Corporate Social Responsibility at Canon is a true effort to influence society in a manner that earns the trust and respect of stakeholders and society. This belief in positive behavior has been embedded in the way canon work for decades since introduction of its corporate philosophy of Kyosei. A concise definition of Kyosei is "Living and working together for the common good". According to Canon, All people, regardless of race, religion or culture, harmoniously living and working together into the future. CSR seems to be a mandatory practice adopted by almost all companies but at GE India, CSR being handled in a different way. GE had adopted an NGO called Vidya which has been educating underprivileged children for the past 18 years at New Delhi. GE’s association with Vidya began when 15 employees of GE India started mentoring school children and helping them in clearing their 10th and 12th standard examinations (Aabhas Sharma, 2006).

**CSR at GlaxoSmithKline**

*GlaxoSmithKline* Pharmaceuticals’ CSR programs primarily focus on health and healthy living. They work in tribal villages where they provide medical check-up and treatment, health camps and health awareness programs. They also provide money, medicines and equipment to non-profit organizations that work towards improving health and education in under-served communities. SAP India in partnership with Hope Foundation, an NGO that works for the betterment of the poor and the needy throughout India, has been working on short and long-term rebuilding initiatives for the tsunami victims. Together, they also started The SAP Labs Center of HOPE in Bangalore, a home for street children, where they provide food, clothing, shelter, medical care and education. (Ramya Sathish, 2010).

**CSR at Coca-cola**

Coca-cola India worked hard towards water conservation and community development has been given **Golden Peacock Global award 2008 for CSR**. The award has been conferred to Coca-Cola India for its efforts in water conservation and management and community development initiatives. The soft drink major now has 320 rain water harvesting implements across 17 states in India, and it has also been successful in restoring water conservation programme. Side by side, the company is running the ‘Elixir of Life’ project that provides drinking water to 30,000 children in 100 primary and panchayat schools in around Chennai. Coca-Cola India undertakes a diverse range of activities for the benefit of the community across the country (Deepak Kaul, 2007).

**Findings**

- CSR should be in the main business strategy of the business instead of separate entity and the separate program

- Companies need to develop additional metrics that capture more of the complexities of CSR

- A strong incentive base should be align by companies to support CSR

- Organizations and individuals should have socially responsible behavior for CSR to be sustainable. In order to understand that, there has to be a greater understanding of complexity and interdependency. There are strong forces, “walls” of various kinds that prevent that
awareness from developing. These realities have important implications for educating leaders for companies of the future.

• CSR leadership requires vision, the capability to see the long-term consequences of current choices and actions, and the commitment to preserve, protect, and improve what we have for future generations

• Transparency is the main pillar of CSR leadership. Transparency generates pressure to seek new solutions to CSR dilemmas. Which help in effective implementation of if.

Conclusion

Emerging markets like India have drawn the attention of large MNCs for the potential of market growth. These markets are untapped and give entirely new areas for operations. However, many MNCs also take the markets for granted and exploit the laxity in the norms of operations to their advantage which has proved quite a disaster. The lack of concern for the local community, the consumers, and the environment by these corporations has created large scale public debate and action. It is important in this context to understand that the sustainable business growth is associated with care for the community and the markets the corporations operate in. Thus, CSR becoming a fast-developing and increasingly competitive field, the case for demonstrating corporate responsibility is getting stronger as expectations among key opinion formers, customers, and the public are increasing.

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