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Corporate Social Responsibility

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CORPORATE SOCIAL RESPONSIBILITY: A CORPORATE STRATEGY FOR NEW BUSINESS OPPORTUNITIES

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Abstract: The concept of corporate social responsibility (CSR) is coming into light with the introduction of globalization and liberalization. With the promotion of the CSR concept globally and locally, it is becoming very important to know about business entrepreneurs' views about this concept because they are the ones who are going to implement it. The changing global market scenario is, also, changing the perception of business entrepreneurs towards society and business. Now, business is not merely about earning profits for an organization, but it is more about profit sharing with employees and society. The present work is an attempt to capture the importance of CSR in business, show how the implementation of CSR practices has helped business, reveal the drivers pushing businesses towards implementation of CSR practices. There is an urgent need to focus attention on the factors and drivers that motivate companies to implement CSR practices. Finally drivers and motivators for the companies to implement CSR practices are explained with the case study of the multinational Nestle corporation.

Keywords: Corporate social responsibility (CSR), globalization, liberalization, profit sharing

Introduction

The concept of corporate social responsibility (CSR) has been reinforced with the introduction of globalization and liberalization. Many world-renowned companies, like the World Bank, OECD, and European commissions are very actively supporting and promoting the concept of CSR. Modern corporations are putting considerable focus on the economy, politics, and on society of a nation (Baxi, 2006). Developing countries need to focus more on the CSR planning and implementation process. They can create alternatives for lifting social sector development; a suggested route is by developing viable, strategic public-private partnerships. Now, the biggest challenge for the governments in the developing countries like India is to create CSR practices policies and nurture a durable framework, which will help companies and society translate public policies into deliverables.

A developing country like India needs a strong institutional framework for putting into practice and achieving the multiple objectives of economic growth and development. The implementation of the developed framework will not be achieved unless there is strong commitment and support from top-management and the Government. A number of firms identify CSR practices with the core strategy and policy of the company based on the importance given to a) defining a plan for social action, b) intensity of investment in social programs, c) commitment of employees, d) Perceived impact of social action on competitive position, and e) measuring outcomes of programs (Husted et al., 2007).

Business impacts on society and environment have existed since the institution of business (Boyce & Ville, 2002; Youd-Thomas, 2005). CSR had already gained considerable interest in the 1960s and 70s, spawning a broad range of scholarly contributions (Cheit, 1964; Heald, 1970; Ackermann & Bauer, 1976; Carroll, 1979). The concept of CSR is regarded as a powerful way of achieving sustainable competitive profit and for achieving long-lasting value for the investors, shareholders and stakeholders. Entrepreneurs can use CSR as a win-win strategy or opportunity for businesses, financial investors, and society. Proper implementation of CSR practices can affect the perceptions of stakeholders customers, investors, local communities, environmental groups, governments, suppliers, and competitors. Many Indian multinationals, like the Tata Group, ITC, Infosys, and DuPont India, etc., have endeavored to create a better social image in society. The far most important step for these companies is that how they implemented CSR by providing a better and healthier work atmosphere to employees and producing the best services for society.

Davies (1973, p. 313) says social responsibility begins where the law ends. A firm is not being socially responsible if it merely complies with the minimum requirement of the law because this is what any good citizen would do. Social responsibility goes one step further. It is a firm's acceptance of a social obligation beyond the requirement of the law, which is comprised, in Carroll's pyramid of CSR, of economic, legal, ethical, and philanthropic responsibilities (1991).

The term "ethical consumerism" enlightens the public towards its rights and helps promote CSR. This also linked to the rise of global corporate CSR. Global population and its demands are increasing day by day, which increases pressure on limited natural resources. Technological advancement brings industrialization to many developing countries. All these factors lead to awareness among the consumers, and their buying behavior is very much affected by the companies' social and global image.

Planning and implementation of CSR practices require a strategic framework or institutional structure. To integrate all the different perspectives of CSR design, planning, and implementation into a single strategic framework needs the development of a preliminary model that helps in testing of all the practices, suggests the desired changes, and has the support of multiple case studies. The organization must align its CSR goals and decision-making with its overall goals and strategies so that taking corporate social responsibility becomes as natural as taking a customer perspective (Maon et al., 2008). The implementation of CSR is, also, subject to various forces, which are outlined in Figure 1.

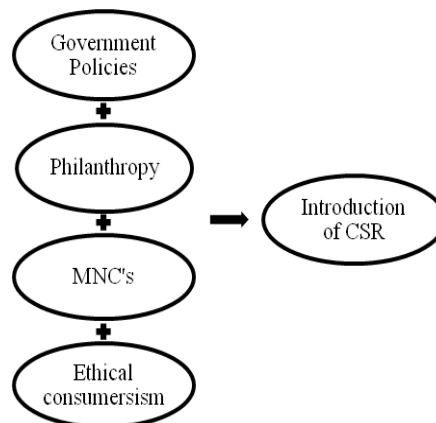


Figure 1. Forces Affecting CSR

Corporate stakeholders must work collectively by exerting pressure on corporations to change. Shareholders and investors should also exert pressure on corporations to behave responsibly. The role of NGOs is increasing further with the enhancing penetration of the media and internet. All these are increasing the attention on social corporate behavior. Through education and dialogue, communities are increasingly holding businesses responsible for their actions. The present work is an attempt to propose CSR as a new business opportunity for the companies. This will be further verified by the case study of Nestle, which will also show how the changing global market scenario is changing the perception of business entrepreneurs towards society and business. All this raises the following questions about whether or not organizations are changing their focus to CSR:

H1: What are the investments made by business enterprises to sustain and grow in the changing global scenario?

H2: What are the benefits that corporations or entrepreneurs are enjoying by implementing corporate social responsibility practices?

H3: What are the key drivers pushing business corporations or entrepreneurs to implement CSR practices?

CSR: Different Perspectives

Two issues regarding CSR research are: a) Do MNCs focus more on CSR? b) Is CSR still undertaken for philanthropy and community investment? A brief summary of the available research conducted in India and abroad includes the following: a) CSR and Multinationals and b) Philanthropy and Community Investment

CSR and Multinationals

A great deal of research has been conducted on CSR in Western countries, but relatively little focuses on Asia (Birch & Moon, 2004). Moreover, relatively little CSR research has compared national systems of CSR (Langlois & Schlegelmilch, 1990; Maignon & Ralston, 2002; Matten & Moon, 2004). The study by Ramasamy and Yeung (2009) increases understanding of corporate social responsibility from the Chinese consumer's perspective. Results confirm that Chinese consumers are able to differentiate among the economic, legal, ethical, philanthropic responsibilities of business.

Fukukawa and Teramoto (2009) explore the case of Japanese multinationals and corporate social responsibility practices. The evolution of CSR in these developing economies shows varying results. The study by Muller and Kolk (2009) highlights, that corporate social responsibility has increased in recent years in emerging markets. Corporate social responsibility performance was investigated across three dimensions: environmental, labor, and community. The study shows that local companies are engaged in the type of CSR activities commonly associated with corporate social responsibility in developed countries but are still in a nascent stage.

Some researchers are of the opinion that CSR practices of MNCs differ in their home and host countries. A CSR initiative taken by a multinational corporation in its home country was different and in comparison to its efforts in India (Lather, 2007). To know the changing relationship among companies, the state, and society, Krishnan and Balachandran (2004), studied the impact of emerging markets on corporate social responsibility. The findings of the study show that consumers prefer to boycott a company's products and services in case of negative corporate citizenship behavior.

There is a general consensus that, today, firms are beginning to grasp the importance of putting CSR into practice to enhance their market share and their reputation in the market. Thus, this can be inferred that in the near future only those firms will remain in the markets or survive those that have gained the goodwill of society. Hence, the firms have to work seriously on the implementation of CSR practices.

The organizations or business firms seriously planning and implementing CSR have a dominant position in the market. Either a multinational firm or a local firm changing its perception of philanthropy to social responsibility will enjoy the largest market share.

If the corporate organizations are implementing CSR practices, they will get more business partners, and this will give them new business opportunities. Organizations with a good social image will enhance their reputation and reduce the need for regulatory interventions by the government or shareholders. The enhanced reputation of the firm will attract more and more customers, which will increase the organization's sales, and the company will enjoy more profits. Corporations will be able to minimize risk by enhancing their reputation, improve themselves with new business opportunities, cut costs, and make good relations with stakeholders.

Drivers Pushing Business towards Corporate Social Responsibility

The literature review helped in extracting the different drivers pushing business towards CSR practices. How these key drivers are affected by an organization's basic objective has been presented in Table 1.

Table 1. Listed Drivers

Drivers	CSR and Multinationals	Philanthropy and Community Investment
Enhanced Reputation	Experimentation	Improved
Alliance with business partner	Futuristic	New Opportunities
Better stakeholder relationships	Quick Decisions	Better Decisions
Attractive employer	High	Moderate
Customer satisfaction- loyalty	High	Considerable
New business opportunity	Strategic	Tactical
Cost savings	High	Moderate
Minimize risks	Quantitative	Quantitative & Qualitative
Reduced regulatory interventions	Relatively Difficult	Easy

Source: Kiran and Sharma (2011)

If the businesses are implementing CSR practices, they will gain business partners and new business opportunities. An organization's good social image will enhance its reputation and help reduce regulatory interventions by government or shareholders. An enhanced reputation will attract more customers, which will increase profits and minimize risk because of the enhanced reputation and with new business opportunities; finally, it will help organization cut costs and make good relations with stakeholders. This can be proved with the help of case study of Nestle.

Nestle is among the world's largest, renowned food and beverage companies. Nestle is an old company that began its operations over 130 years ago. Its major success is its product innovations. Along with its innovative capabilities, its new business acquisitions have made it into the largest food

company in the world. With the passage of time, the Nestlé family has more grown and entered into the production of chocolates, soups, coffee, cereals, frozen products, yoghurts, mineral water, and other varieties of food products. In 1921, Nestlé built its first factory in the developing world. For success, first Nestlé had to work with the farmers, helping them to be productive and successful so that they could supply high-quality milk, coffee, and other raw materials. Today, Nestlé's milk district in Brazil is larger than the country of Switzerland, and it has made a major difference in economic development and improved standards of living for area farmers and their families.

In 1962, Nestlé wanted to enter the Indian market and received the government's permission to build a dairy in the northern district of Moga. Poverty in the region was severe; people were without electricity, transportation, telephones, or medical care. A farmer typically owned less than five acres of poorly irrigated and infertile soil. Many kept a single buffalo cow that produced just enough milk for their own consumption. Nestlé came to Moga to build a business, not to engage in CSR. However, Nestlé's value chain, derived from the company's origins in Switzerland, depended on establishing local sources of milk from a large, diversified base of small farmers. Establishing that value chain in Moga required Nestlé to transform the competitive context. This created tremendous shared value for both the company and the region.

Nestlé built refrigerated dairies as collection points for milk in each town and sent its trucks to the dairies to collect the milk. When Nestlé's milk factory first opened, only 180 local farmers supplied milk. Today, Nestlé buys milk from more than 75,000 farmers in the region. As the quality has improved, Nestlé has been able to pay higher prices to farmers than those set by the government. Today, Moga has a significantly higher standard of living than other regions in the vicinity. Nestlé's commitment to working with small farmers is central to its strategy. It enables the company to obtain a stable supply of high-quality commodities without paying middle men. In this way Nestlé invested heavily to strengthen its supply chain and found many ways to tie local needs and opportunities to its business objectives. Business is the sole creator of wealth and the origins of all income and tax revenues, as well as charitable contributions. In a sound economy, people can afford both the necessities and the pleasures of life.

Nestlé looks at a framework of Nestlé for CSR from Figure 2 in terms of creating shared value. Creating shared value is a very different approach to CSR because it is not focused on meeting a set of standard external criteria or on philanthropy. The idea of winners and losers does not fit this model of CSR: business can help societies progress and all sectors can help business to improve and flourish.

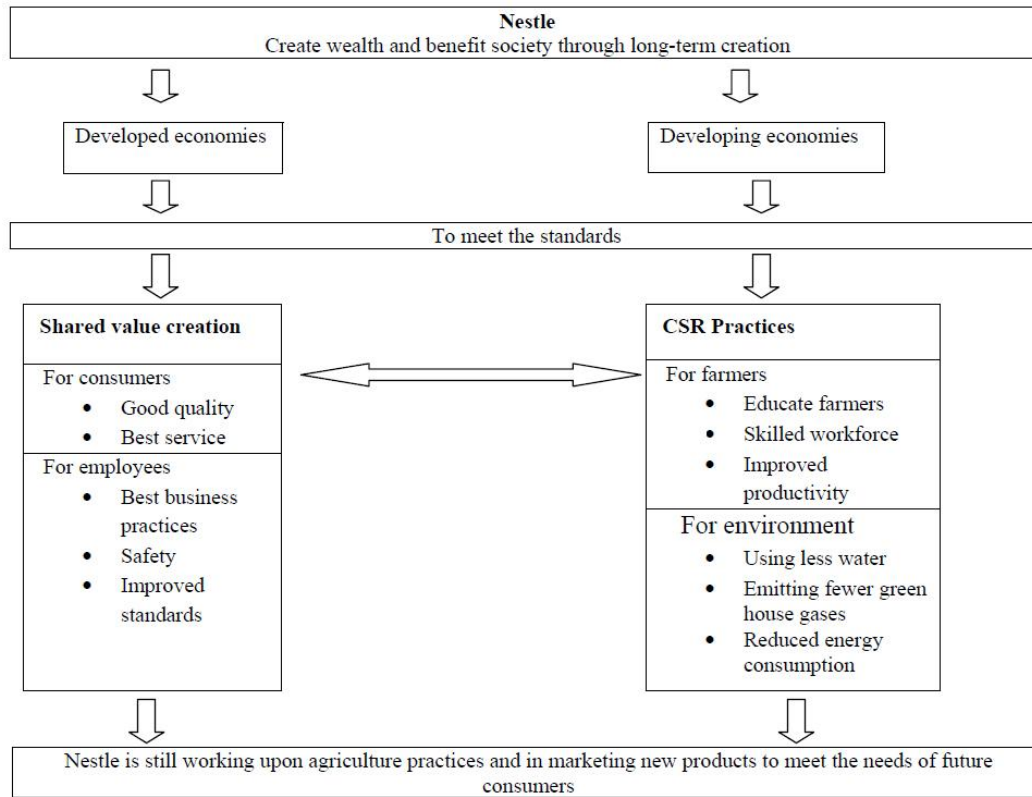


Figure 2. A framework of Nestle for CSR

Hypothesis Discussion

The following is hypothesis H1: Investments made by Nestle to sustain, as well as to grow in the changing global scenario, is improving day by day. As is very clear from the above shown framework, Nestle is continuously focusing upon the educating farmers, how production can be improved, and, also, making efforts to reduce environmental footprints. Nestle developed a shared value creation model to sustain employees and customers in the changing global scenario. Hence, this hypothesis has been partially accepted.

Hypothesis H2 proposes that benefits have been enjoyed by Nestle in implementing CSR practices. Nestle and CSR are positively related. Nestle enjoys the following benefits: more market shares, customers trust, and satisfied employees. In 1921, Nestle built its first factory; today it has 72 factories all over the world. This is a great achievement. So, this hypothesis may also be accepted.

The H3 hypothesis proposed that there are key drivers pushing Nestle/business organizations towards implementation of corporate CSR practices. Increased market share and satisfied customers are the major drivers of Nestle or acting as a back force to implement CSR practices, as the company believes that the true test of a business is whether to create value for the society.

The key drivers that have emerged from the literature review are *a)* enhanced reputation, *b)* alliance with business partners, *c)* better stakeholder relationships, *d)* attractive employer, *e)* customer satisfaction- loyalty, *f)* new business opportunity, *g)* cost savings, *h)* minimizing risks, and *i)* reduced regulatory interventions.

Today, Nestlé produces a great number of products in the market. All the products have one thing in common: high-quality products, for which Nestlé has become world renowned. The company's top priority is to produce the best products and most relevant products for the people, in spite of wherever they are working, whatever their own needs, throughout their production cycle.

Conclusion

This research is exploratory in nature and seeks to provide insight into CSR practices adopted by companies. Due to globalization and liberalization, CSR practices are becoming essential for the survival of every company. As is evident from previous literature, foreign multinationals are adopting CSR practices at higher levels, and customers prefer to buy their products more than the national/local companies' products. This suggests there is an increased responsibility for Indian corporations. Following the example of Nestle, the business corporations can create shared value by using the success mantra of CSR. The CSR model will help business corporations to develop, society to progress, and all sectors to improve and flourish. So, it can be inferred that by opting for CSR practices, business corporations will be able to enhance their market reputation and social image.

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