

CSV Improving CSR activities in strategic business development: A win-win situation for both the business & the society

Abstract

CSR has not been left just as a philanthropy concept rather its worth has been well noted to attain firms competitive advantage. Though, CSR being a part of corporate strategic business activities, its incorporation in different aspect of business strategies is yet to be confirmed. As corporate fix budgets for CSR activities, the implementers get handcuffed and cannot freely think of merging it with business strategy as it might call for large capital investment. To illuminate the corporate houses, the paper tries to showcase a different outlook towards achieving a win-win situation for the corporate and society, by using the core ingredient of CSR. Therefore the paper taking a resource based approach tries to show CSR involvement in business strategy and explain the consequences CSV can have on its implementation. However, the paper will be open for further research in the way to clearly define the lines of CSR and CSV, and justifying CSV relevance in the area.

Keywords: competitive advantage, strategic business activities, CSV and win-win situation.

Introduction

CSR stands with three words Corporate-Social-Responsibility. Corporate means business houses formed for selling their products for society utility, Social represent society at large and Responsibility means concern. Combining the three together we get the meaning as business houses showing their concern towards society and trying to uplift the society through any means like that of charity, selling of benefitted products, or any other policies adopted for the benefit of the society. As per the guidelines on CSR and sustainability for Central Public Sector Enterprises - *CSR and sustainability is a company commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that is transparent and ethical.*

CSR has been a great topic of debate with its meaning always in vague. CSR is a compulsory head in the accounts of corporate houses of many developed countries, now with the pass of bill in the Rajya Sabha as well on 8th August'13 it has become mandatory for corporate houses to spend atleast 2% of their net profit, of which they have to submit proof along with the books of accounts. Though it's a very good step taken by government towards societal development, but the unanswered question is how will anyone determine whether the activity shown are CSR or not. There is no defined meaning of CSR in the country, before economists take it as a philanthropy concept, but corporate houses merging it with corporate strategy have left the concept with no defined boundaries.

In America and other developed countries the concept of CSV is gaining its relevance, CSV is all about blending social activities to business strategies for providing society with some tangible social benefits. It is a win-win situation for both society and corporate. As per Porter & Kramer (2011) – *Shared Value are the corporate policies and practices that enhance the competitiveness of the company while simultaneously advancing economic and social conditions in the communities in which it operates.* Nestle group has taken great initiative in this field worldwide and have shown promising results. Though the concept is growing and can work as silver line in defining CSR activities, however the Indian economists' term CSV as strategic CSR activities making CSR borders invisible.

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In earlier paper 'Creating Shared Value a myopia or a better concept than Corporate Social Responsibility' the concept of the two has been well narrated.

CSR is a cost centric approach to organization focusing on the social environment. It is the corporate self-regulation, with the goal to build reputation or goodwill in the minds of stakeholders of the company through its activities.

Where CSR is looked as budgeted programme, incurring a cost to the company CSV is taken as an investment to earn profit.

Creating Shared Value (CSV) is a profit centric approach and sinks a higher position in the policies to achieve competitive advantage of the company. The core idea of the concept is that the social and economic environment of the company are interrelated, one aspect cannot be neglected in upgrading the other. It helps inheriting social values to business strategies, so that social obligations and responsibilities of the company can be attained without hampering the profitability of the company.

Objective:

The paper sights CSR involvement in business activities taking Indian perspective, and government effort in maintaining CSR sustainability. The paper also appeals the Indian constitution to elaborately define the concept of CSR, so that corporate CSR activities can be measured. However, as the nation is struggling at the line of defining CSR activities the paper further attempts to showcase CSV as a concept, if adopted, can help determine CSR activities.

Research Methodology:

The research is secondary, based on review of existing literature collected from internet, newspapers and companies annual report. The paper describes the unbounded CSR activities, and suggests corporate houses to adopt the concept of CSV. However, as the paper is based on secondary data limiting its approval in the practical course of business.

Summary:

Earlier CSR was taken as philanthropy concept, but the concept has changed, now corporate have blend it with their strategies naming it as Strategic CSR. As CSR is an indispensable part of business to earn goodwill, reputation, by making available the essential aids to society, like, building of roads for transport, club for employees, schools and professional institutes for education, park for health, apartment for living, etc. This direct ways of CSR has been over crowded, and government mandatory laws on CSR have made the corporate to mix it with business strategy. The World Business Council for Sustainable Development defines CSR as a 'continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce & their families as well as of the local community & society at large'.

The Company Laws in India has always made norms for companies for sustainability, corporate governance, corporate citizenship, ethics,

etc for self and society growth. On 8th August with the passing of the companies bill in Rajya Sabha, it is mandatory as per clause 135 of companies bill, for large companies having net worth of Rs.5000crore, or turnover of Rs.1000crore or net profit of Rs.5crore in a financial year to spend atleast 2% (two percent) of the average Net Profit made during three immediately preceding years in pursuance of its CSR activities as listed in Schedule VII of companies bill 2012.

In schedule VII it is said that CSR is not just a philanthropy concept, rather should be introduced in business strategies, and companies apart of thinking of profit hike should also think of society benefit. Some of the activities listed are-

1. Eradicating extreme hunger and poverty;
2. Promotion of education;
3. Promoting gender equality and empowering women
4. Reducing child mortality and improving maternal health;
5. Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
6. Ensuring environmental sustainability;
7. Employment enhancing vocational skills;
8. Social business projects;
9. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socioeconomic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and;
10. Other matters as may be prescribed.

Government have taken recommendable steps towards society development. The area of CSR is expanded without limiting its boundaries, as the country is still not acquainted with the concept of CSV. Creating Shared Value is profit-centric approach providing a win-win situation for both corporate and society it is based on the outlook benefitting society through business operations. Many MNCs have adopted CSV activities like Nestle thinking beyond traditional CSR limits priorities on creating shared value in the area of nutrition, water and rural development. As per the Chief Executive Officer of Nestle, "Creating Shared Value is built upon fundamental commitment to society, both to achieve highest level of compliance with laws, codes of conduct and our own Nestle Corporate Business Principles as well as to protect the environment for future generation." Nestle through its commitment pull the gears to renovate products for better nutrition and health consideration also taking intense care in child health development through Nestle Healthy Kids Global Programme across the Globe, provide farmers with financial assistance and other supportive measures, adopting waste management techniques through zero disposal agenda, reducing direct Greenhouse Gas emissions, etc.

The concept of CSV and strategic CSR are similar as both blend with corporate strategies providing benefit to society as well as business

houses. These concepts help corporate to indulge in society upliftment programmes like that of providing education, enhancing health through environmental protection efforts and guiding people how to take care of their health. It also provides employment to people like that of Amul India 'White Revolution' which provided rural women with work and company with raw material i.e. milk. It further initiates companies to manufacture healthy products and enriching people knowledge.

CSV or strategic CSR doesnot limit CSR activities to just as a budgeted programme set aside from companies profit for the line managers to be accomplished; rather it grasps the attention of executives and employees at all the organizational level in order to attain the goal. In India companies sanction funds for CSR activities but doesnot show interest in knowing whether it's been fulfilled or not, many of the agendas lives only on paper with no picture of reality. Many of the companies take CSR as a means of attaining tax benefits, as it appears as reserves in the books of account, those limiting companies assets valuation. In such scenario making CSR vague would further create more obstacles in implementation and monitoring. Therefore, the lines of CSR should be well defined and concept of CSV can be an alternative to be introduced to corporate houses so that proper frame for the concepts can be developed with limited change in present economic environment.

Conclusion:

CSR as always is a matter of discussion in corporate sector, passing of companies bill in both the houses of parliament has made it a more vibrant topic to be heard off. However, its implementation and merger with business applications has made its definition more complex, making it a struggling point for economist fix boundaries for CSR activities within the country. This may result in more corruption and unfair means of fulfilling goals, as CSR has now got its path to companies' strategies. In developed countries a different concept with CSR objective is getting its place know as Creating Shared Value (CSV). It works on the principles as in India is for Strategic CSR, but as it's a different concept thus limiting the boundaries of both CSR and CSV.

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