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Corporate Social Responsibility and Social Entrepreneurship

Abstract

This paper identifies the factors promoting the growth of Corporate Social Entrepreneurship (CSE) in India. CSE is a necessary and logical step to take after realizing CSR strategy, and to take joint economic and social value creation to the next level. The author studied the relationship between CSE and CSR and provide suggestions to budding entrepreneurs in India.

Keywords: Corporate Social Responsibility, Social Entrepreneurship

Introduction

Corporate Social Entrepreneurship (CSE) is a necessary and logical step to take after realizing your CSR strategy, and to take joint economic and social value creation to the next level. While CSR is about minimizing negative impact (a moral obligation, or meeting legal obligations), we believe in proactively pursuing social progress, hereby maximizing positive impact, by using societal challenges (for example climate change) as a driver for innovation in your company. Social entrepreneurs often create tremendous value when they cater to very basic humanitarian needs; for example, by providing medicines or food, which can be a matter of life or death for those who receive them (Zsolnai and Laszlo, 2006). However, the challenges these entrepreneurs face are severe. Their “customers” may be willing, but often unable, to pay even a small portion of the cost of the products and services provided. Many social entrepreneurs operate in developing countries that have no structures or resources that would enable and support traditional entrepreneurship (Seelos et al, 2004).

Corporate Social Responsibility

Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives, while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy.

The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII of the Act, which lists out the CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company’s relationship to its stakeholders and integrating CSR into its core operations, the draft rules suggest that CSR needs to go beyond communities and beyond the concept of philanthropy (CII 2013).

Social Entrepreneurship

Entrepreneurs are people who venture into new areas primarily with intent of making profit out of the same. Of course there they socially responsible also and have the obligation of contributing to the well being of the society in which they operate; but this obligation is secondary. In social entrepreneurship this obligation of contribution to social well being is primary and in a way profit takes a back seat or is more or less secondary but essential to the survival.

A social entrepreneur is somebody who takes up a pressing social problem and meets it with an innovative or path breaking solution. Since profit making is a secondary objective, therefore they are people who are passionate and determined about what they do. They possess a very high level of motivation and are visionaries who aim at bringing about a change



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in the way things are. By definition social entrepreneurs are great people recruiters who present their ideas or solutions in a way that many change bandwagon. Thus mobilizing the masses for bringing about change is a hallmark of a social entrepreneur. Initially, the concept of social entrepreneurship used to be associated with the Corporate Social Responsibility of the corporate houses that provided funds to the charitable institutions to run the philanthropic organizations at a small scale. These institutions or organizations did not have any business model of their own and largely operated with the funds from government or donations from the donors.

But the major challenge that Social Entrepreneurship faces today is the definition of the goals and the objectives. Unlike the corporate sector where the achievements are clearly defined and roles identified, it's seldom to be seen in the social sector. Organizations like SEWA are content to provide employment to the women in down-trodden areas of India, but do not have any goals in terms of the number of employed women or the average salaries, if these parameters can be justified as relevant goals in the first place. Nevertheless, this challenge doesn't hamper the progress of the third sector but infact makes it more challenging for the entrepreneurs to explore.

The above flow of thoughts can be summarized by approving the fact that intention is a critical parameter to distinguish between the two forms of entrepreneurship – Social and Business.

Statement of Problem

The notion of the CSE primarily relates to the field of corporate social responsibility. It is thus relevant to both practitioners and scholars of business and management and more specifically to the fields of business ethics; organisational behaviour; entrepreneurship; human resource management and business strategy. Moreover, the concept is inherently linked with the notion of personal values: in itself, a field of study from sociology; anthropology and social psychology. Furthermore, due to the concept's associations with ideas about agency, this also means that this topic connects with moral philosophy. Such complexity reflects the inter-disciplinary nature of the field of corporate social responsibility.

All this leads us to the inherent complexity surrounding the subject of CSR, regarding its connection to stakeholder theory (Freeman 1984) and its "essentially contested" nature. (Moon, J 2007). So, whilst some studies have shown a positive relationship between CSR and financial performance (Orlitzky, M *et al* 2003), others are currently investigating the notion of non-market performance.

Consequently, the notion of the Corporate Social Entrepreneur is equally controversial: not solely due to the arguments about the role of business and whether or not CSR helps financial performance; but *also* because the concept of employee *discretion* has been identified as a key factor regarding a social orientation at work, or, a moral character (in the

ancient philosophical sense) (Rabinow 2003). And whilst the possibility of *unethical behaviour* is also acknowledged as an outcome of discretion and agency: corporate *irresponsibility* (Hemingway 2005) which has been the traditional focus in the study of business ethics, is regarded as insufficient and only the starting point, if the quest is for organisations to develop a socially responsible organisational context. This is of particular relevance in the wake of the global financial crisis caused by financial irregularities and lapses in corporate governance and personal integrity.

Review of Literature

Hopkins and Michael (2006), has defined the Corporate Social Responsibility as treating the stakeholders of the firm ethically or in a responsible manner. Ethically or responsible means, treating stakeholders in a manner deemed acceptable in civilised societies. Stakeholders exist both within a firm and outside. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for peoples both within and outside the corporation.

(Seelos *et al*, 2004) discussed that the challenges faced by these entrepreneurs are severe. Their "customers" may be willing, but often unable, to pay even a small portion of the cost of the products and services provided. Many social entrepreneurs operate in developing countries that have no structures or resources that would enable and support traditional entrepreneurship. They suggested that as a consequence these social entrepreneurs must create fresh business models and organisational structures, which connect profitable existence to social value. Social entrepreneurship (SE) may provide some enthralling new insights and supplement designs for more socially suitable and sustainable business strategies.

Stevenson *et al* (1983) provided a different definition of Entrepreneurship: "the pursuit of opportunity through innovative leverage of resources that for the most part are not controlled internally." Schumpeter had projected that the engines of entrepreneurship would shift from individuals to corporations with their greater resources for R&D, which did happen. However, over time corporate bureaucracy was seen as stifling innovation. To remedy this, a focus on Corporate Entrepreneurship within companies emerged, with Covin *et al* (1999) defining it as "the presence of innovation with the objective of rejuvenating or redefining organizations, markets, or industries in order to create or sustain competitive superiority." Dees (1998) defined it as "innovative activity with a social purpose in either the private or nonprofit sector, or across both."

From the above review of literature, it can be made out that while significant progress is being made in involving companies in CSR, but most firms have not been able to significantly integrate CSR into their organizations. It is clear that there is a widespread agreement on the need for a more active and strategic citizenship," and also that there is no

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dominant framework or model for bringing that about. Doing more of the same or making incremental changes will not bring about the needed change. CSE aims to provide an approach that will accelerate the CSR journey. It is not another form of CSR but rather process for invigorating and advancing the development of CSR.

Research Objectives

1. To identify the factors promoting the growth of corporate social entrepreneurship in India.
2. To study the relationship between CSR and CSE.
3. To provide suggestions to budding entrepreneurs in India.

Research Methodology

The scope of the study is restricted to the states of Delhi, Haryana and UP. The study is based on primary data. The data was collected from 270 entrepreneurs through the convenient sampling method. For obtaining the responses, a five point Likert scale has been used. Factor analysis.

Regression analysis and Correlation analysis have been applied to analyze the data and inferences have been drawn on the basis of the results so obtained.

Hypotheses of the study

H ₁ :	Enabling environment has no significant relationship with corporate social entrepreneurship.
H ₂ :	Corporate social entrepreneurship has no significant relationship with corporate social responsibility.
H ₃ :	Co-generating value has no significant relationship with corporate social entrepreneurship.
H ₄ :	Value creation has no significant relationship with corporate social entrepreneurship.
H ₅ :	Value -based organizations has no significant relationship with corporate social entrepreneurship.

Table 1: Profile of the Respondents

Demographic Measures	Number of Respondents	Percentage of Respondents
Age Categories		
25-34 years	34	12.5
35-44 years	45	16.7
44-54 years	54	20
55 and above	137	50.8
Total	270	100
Sex		
Male	153	56.7
Female	117	43.3
Total	270	100
Place		
Haryana	97	35.9
Punjab	102	37.8
Delhi	71	26.3
Total	270	100
Education Level		
Upto Secondary level	98	36.3
University degree	45	16.7
Masters degree	76	28.1
Others. Specify	51	18.9
Total	270	100
Income		
Rs 10,000 to 20,000	76	28.1
Rs 20,000 to 30,000	56	20.7
Rs 30,000 to 40,000	45	16.7
40,0000 and above	93	34.4
Total	270	100
Marital Status		
Married	187	69.2
Single	83	30.7
Total	270	100

It is important to know the scales that researchers have used in the questionnaire are reliable. One of the main reasons to do the reliability test was to check the consistency. Table 2 shows the reliability statistics; the Cronbach's Alpha was .826, which means that the measuring was very consistent.

Table 2: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha based on standardized Items	N
.826	.820	270

Factor Analysis

All 15 items of questionnaire were factor analysed using principal component extraction with an

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orthogonal varimax rotation. The number of factors was unconstrained. For the sake of convergent validity, .50 was used as a factor loading cut-off point. The factor matrix is a matrix of loading and correlation between the variable and factors. Pure variables have loading of 0.3 and greater. Complex variables may have high loading on more than one factor and they make the interpretation of the output difficult.

Table 3: KMO and Bartlett's Test

Kaiser- Meyer-Olkin Measure of Sampling Adequacy		.590
Bartlett's Test of Sphericity	Approx Chi-Square	203.964
df.		120
Sig.		.000

Table 3 shows that Kaiser-Meyer-Olkin (KMO) Measures of sampling adequacy in the study is .590. This is good result as it exceeds 0.5 Bartlett's Test of Sphericity which is 0.000 meaning that factors that form variables are adequate.

Table 4: Outcome of Factor Analysis

Items Name	Components				
	Enabling Environment	Corporate Social Responsibility (CSR)	Corporate Purpose: values-based organizations	Value Creation	Co-generating Value
Entrepreneurial mind-set and environment	.710				
Alignment of self interest to social responsibility	.652				
Changes should be made in the company's structure and processes	.682				
Organizational values should permeates all units of the company	.646				
Innovative ways of managing the company		.727			
Integration of social and business values		.698			
Act as a catalysts for change		.630			
Able to coordinate, mobilize and align interests and incentives		.512			
Capable of generating trust on sustained ethical behavior			.523		
Innovative solutions to social problems			.516		
Innovative ways to create value				.635	
Shifting of interest from maximizing returns to investors to optimizing returns to stakeholders				.629	
Strategic alliances with businesses, society and govt.					.723
Alignment of company agenda with external stakeholders					.719
Active involvement of external stakeholders in decision making					.694
Active involvement of external stakeholders in decision making					.694

Extraction Method: Principal Component Analysis

Rotation Method: Varimax with Kaiser Normalisation

The output described in the table 4 was produced using the options in the linear regression statistic dialog box. The table depict the mean and standard deviation of each variable in the data set, so the average number of every variable is known. Table 4 also reflects the number of cases contributing to each correlation of N = 270.

Table 5 shows the value of the Pearson correlation coefficient between every pair of variables

and also the two tailed significance of each correlation. The diagonal of the matrix reflects the values for the correlation coefficient are all 1.00 (i.e. a perfect positive correlation). From the table below, it is revealed that the highest correlation exists between CSE and enabling environment (.490). Infact, corporate social responsibility and CSE also possess strong correlation with .415.

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Table 5: Correlations

		CSE	Enabling Environment	Corporate Social Responsibility	Corporate Purpose: values-based organizations	Value Creation and The Double Return	Co-generating Value
Pearson Correlation	CSE	1	.490	.415	.366	.354	.346
	Enabling Environment	.490	1	.309	.290	.277	.264
	Corporate Social Responsibility	.415	.309	1	.309	.270	.262
	Corporate Purpose: values-based organizations	.366	.290	.309	1	.003	.001
	Value Creation and The Double Return	.354	.277	.270	.003	1	.019
	Co-generating Value	.346	.264	.262	.001	.019	1
Sig. (2-tailed)	CSE	-	.000	.001	.002	.000	.000
	Enabling Environment	.000	-	.000	.000	.001	.000
	Corporate Social Responsibility	.001	.000	-	.002	.001	.000
	Corporate Purpose: values-based organizations	.001	.000	.001	-	.000	.000
	Value Creation and The Double Return	.000	.000	.001	.000	-	.001
	Co-generating Value	.000	.001	.000	.000	.001	-
No. of Respondents	CSE	270	270	270	270	270	270
	Enabling Environment	270	270	270	270	270	270
	Corporate Social Responsibility	270	270	270	270	270	270
	Corporate Purpose: values-based organizations	270	270	270	270	270	270
	Value Creation and The Double Return	270	270	270	270	270	270
	Co-generating Value	270	270	270	270	270	270

The model summary of table 6 notices that how much of the variance in the dependent variable (CSE) is explained by the model. In this research, the value is .332. It means, the model explains 33.2% of the variance in the CSE. However, to assess the statistical significance of the result, it is necessary to look the ANOVA Table 8. This tests the null hypothesis that multiple R in the population equals 0. The model in this research has statistical significance (sig. =.000); this really means $p < .005$.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.594	.352	.332	.84977

Table 7: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.732	5	1.5464	2.42	.000
	Residual	168.920	264	.6398		
	Total	176.652	269			

The correlation between the variables in the model is provided in the table of correlations. In the study, it was observed that the independent variables at least have some relationship with the dependent

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variable. Table 8 Coefficient matrix shows two values: Tolerance and VIF. Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model and is calculated using formula (1-R squared) for each variable. If this value is very

small (less than .10), it indicates the multiple correlation with other variable is high, suggesting the possibility of multicollinearity. The Standardised Beta Coefficients from Coefficient Matrix table 8 give a measure of the contribution of each variable to the model.

Table 8: Coefficient Matrix

Model	Unstandardised Coefficients		Standardised Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error				Beta	Tolerance
(Constant)	.890	.600		-1.484	.141		
Enabling Environment	.577	.165	.495	5.003	.001	.865	1.156
Corporate Social Responsibility	.391	.154	.473	4.954	.000	.872	1.146
Corporate Purpose: values-based organizations	.274	.144	.358	4.005	.001	.856	1.168
Value Creation	.269	.138	.251	2.822	.000	.886	1.13
Co-generating Value	.246	.112	.199	2.254	.027	.891	1.22

a. Dependent Variable: CSE

b. Independent Variable: Enabling environment, CSR, Corporate purpose, value creation, co-generating value

A large value indicate that a unit change in this predictor variable has a large effect on the criterion variable. The t and sig (p) give a rough indication of the impact of each predictor, a big absolute t value and small p value suggests that a predictor variable is having a large impact on the criterion variable. If the correlation with other variables is high, it suggests the possibility of multicollinearity.

The other value given is the VIF (Variance Inflation Factor) which is just the inverse of the tolerance value (1 divided by tolerance). VIF values above 10 would be a concern here indicating multicollinearity. In this research, the tolerance value for all the independent variables is within .856 to .891 which is even less than 1. Therefore, the researchers have not violated the multicollinearity assumption. This is also supported by the VIF values which are less than 10.

The researchers also analysed that which of the variable included in the model contributed to the prediction of the dependent variable. It was found that the largest beta coefficient is .495 which is enabling environment. This means that this variable makes significant or unique contribution to explain the dependent variable, when the variance explained by all other variables in the model is controlled. The beta value for CSR, Corporate purpose, value creation, co-generating value are .473, .358, .251 and .199 respectively which made less contribution.

The multiple regression equation of this model is given below. The equation from the SPSS output gives the researchers the estimates of b values and these values indicate the individual contribution of each predictor of the model. If the researchers replace the b values in the equation, they find that they can define the model as in equation.

$$(Y) \text{ Corporate Social Entrepreneurship} = b_0 + b_1X_1 \text{ (Enabling Environment)} + b_2X_2 \text{ (Corporate Social Responsibility)} + b_3X_3 \text{ (Corporate Purpose: values-based organizations)} + b_4X_4 \text{ (Value Creation)} + b_5X_5 \text{ (Co-generating Value)}$$

Therefore, if the researcher put the values in the equations, it will be :-

$$\text{Corporate Social Entrepreneurship} = b_0 + .495 \text{ (Enabling Environment)} + .473 \text{ (Corporate Social Responsibility)} + .358 \text{ (Corporate Purpose: values-based organizations)} + .251 \text{ (Value Creation)} + .199 \text{ (Co-generating Value)}$$

Test of Hypothesis

Value in the column of marked sig. is indication of the significance test of each variable. This tells the researchers whether this variable is making a statistically significant unique contribution the equation. If the sig value is less than .05, the variable is making a significant unique contribution to the prediction of the dependent variable, hence the researchers will reject the hypothesis. If it is greater than .05, then the researchers can conclude that the variable is not significantly unique to the prediction of the dependent variables and they will accept the hypothesis. In this research, p value of reliability (H1) is .001 means P<.05. Thus H1 is rejected which means enabling environment has significant relationship with corporate social entrepreneurship.

The p-value of CSR, the second variable (H2) is .000 means P<.05. Thus, H2 is rejected which means corporate social responsibility has significant relationship with corporate social entrepreneurship.

The p-value of Corporate Purpose, the third variable (H3) is .001 means P<.05. H3 is rejected which means values-based organizations has significant relationship with corporate social entrepreneurship.

The p-value of Value Creation, the fourth variable (H4) is .000 means P<.05. H4 is rejected which means value creation has significant relationship with corporate social entrepreneurship.

The p-value of Co-generating Value, the fifth variable (H5) is .027 means P<.05. H5 is rejected which means co-generating value has significant relationship with corporate social entrepreneurship.

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Conclusion

CSE aims to produce a significant and comprehensive transformation of the way a company operates. The following elements are central to that process: creating an enabling environment, fostering corporate social responsibility, amplifying corporate purpose and values, generating double value, building strategic alliances. It is concluded that corporate social responsibility, values-based organizations, value creation and co-generating value have significant relationship with corporate social entrepreneurship. It is further concluded that the highest correlation exists between CSE and enabling environment (.490). Infact, corporate social responsibility and CSE also possess strong correlation with .415.

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