Research Proposal

Shared value Creation through Strategic Corporate Sustainability in India

Introduction

With rapid globalization and market liberation policy in place, in the last two decades, India has turned into one of the world’s leading developing economy and has undergone a significant transition in the way businesses thrive and manage, with the main goal of the corporations being acquiring excellence and all-round growth. On the other hand, with a stark reality gazing it, home to the largest population living in absolute poverty and the largest number of malnourished children. However, the quest for fiscal growth does not always culminate in social progression, with its aftermaths often being harmful to the natural ecosystems, environment, society and communities, leading to global warming, pollution, depleting natural resources, urban degradation, and several other social & environmental issues. With the background of global recession of 2007-9, public perception and pressure and government statutory policies, the turn of events have pressurized firms to undertake serious endeavors into an extensive array of Corporate Sustainability initiatives and Corporate Social Responsibility (CSR) activities as a business practice globally rather than just a marketing gimmick.

With a plethora of material available on the intertwining and often synonymously used business concepts of Corporate Sustainability, Corporate Social Responsibility, Strategic CSR and Sustainability in today’s contemporary world by several leading business scholars, leaders and practitioners. It has come to the fore that these practices are not only the future but are indispensible today for businesses, social communities and the world as a whole. The terms Corporate Sustainability, ‘CSR’, 'Strategic Sustainability' and ‘Creating Shared Value’ are defined herewith

Corporate Sustainability

Dow Jones Sustainability indices defines Corporate Sustainability as a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. The United Nations’s Global Compact, the world’s largest global corporate sustainability initiative, defines Corporate Sustainability as a
company’s delivery of Long-term value in Financial, Environmental, Social and Ethical terms. Furthermore, the four pillars of Corporate Sustainability include Sustainable Development, Corporate Social Responsibility, Stakeholder theory and Accountability. (Mel Wilson, 2003)

**Corporate Social Responsibility**

Philip Kotler & Nancy Lee, (2005), define the concept of CSR is “a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.”

**Strategic Corporate Social Responsibility**

David Chandler & William B. Werther, Jr., (2013) define it as the incorporation of a holistic CSR perspective within a firm’s strategic planning and core operations so that the firm is managed in the interests of a broad set of stakeholders to achieve maximum economic and social value over the medium to long term.

**Sustainable Development and Corporate Sustainability**

David Chandler & William B. Werther, Jr., (2013) furthermore define Sustainability quoting United Nations World Commission on Environment and Development (1987), as “Sustainable development is development that meets the needs of the present without compromising the ability of further of future generations to meet their own needs”. In practice organizations such as WBCSD (World Business Council for Sustainable Development) (2007) further defines it as “Sustainable development involves the simultaneous pursuit of economic prosperity, environmental quality and social equity. Companies aiming for sustainability need to perform not against a single, financial bottom line but against the triple bottom line.” (Elkington, 1999)

**Strategic Corporate Sustainability**

Price Water House Coopers defines it “As sustainability moves up the boardroom agenda, it is increasingly being integrated into corporate level strategic planning. Management now need to balance increased regulation, protecting the brand and ensuring stable supply chains with seeking opportunity for enhanced performance and using the sustainability agenda for strategic advantage. Developing and integrating a detailed sustainability vision into your long-term
strategic plan in a way that creates lasting value whilst also building public trust is a common challenge for all types of organizations.”

**Shared Value**

Harvard’s Michael E. Porter & Mark R. Kramer, (2011) Shared value refers to the interconnection/dependency between shareholders and society value, in simple terms optimizing economic (profitability) efficiency by improving society’s quality of life by addressing its needs and challenges.

**Stakeholders**

Harrison et al., (2010) defines Stakeholders as “groups and individuals who can affect, or are affected by, the strategic outcomes of a firm”. Cavanagh & McGovern, (1988) categorize communities, customers, government and environment as external stakeholders, while employees, managers and stockowners – as internal ones.

**Triple bottom line**

The responsibility of a business is not just about generating economic profit (profit), but also about caring for society as a whole (people) and the environment (planet). These three elements of profit, people and Planet are the basis of Triple Bottom Line (Fauzi et al., 2010). This framework for measuring performance created by J. Elkington went beyond the traditional measure of profit and return on owner value with regards to environmental and social dimensions.

**CSR in India**

In India, CSR was present since pre-independence era, but in the form of corporate philanthropy and the idea of trusteeship as promoted by Mahatma Gandhi, when corporations spent on education and other social welfare activities such as health services, and even clean water etc. Post Independence too, several companies continued to contribute, though evolving from institutional building (educational, cultural and research) to community development through various projects voluntarily. While companies in North America and Europe were not pressured by stakeholders to adopt CSR practices, till recently the companies in India had not faced any
such pressures nor were they legally bound to formally report CSR activities unlike their global counterparts in developed countries who are legally bound to report their activities adhering to the Global Reporting Initiative (GRI). But with the release of the Section 135 and sub-sections (1) and (2) of section 469 as the Companies (Corporate Social Responsibility Policy Rules. 2014 in the Companies Act, 2013, by Indian government have led to a formulation of a concrete base for future of CSR in India. The act makes it mandatory for companies, (private limited or public limited, listed or unlisted) with a net worth of Rs 500 crores or an annual turnover of Rs.1,000 crores or a net profit of Rs 5 crores has to spend at least 2% of its annual average net profit made during the three preceding financial years spend on CSR every financial year) and constitute a CSR Committee of its Board, which would formulate and recommend a CSR Policy and share an annual CSR report with the Annual financial statement (MCA,2014). Every company that meets the net profit, net worth, or turnover criteria of the Act Making India the World’s only and first country to have a law making CSR practice and its reporting obligatory for Companies in India, unlike Western countries, like Denmark, France, Holland, Sweden, Norway, and Australia, where only the CSR reporting is mandatory (Satish Y. Deodhar, 2015). Even Before this framework was available for guidelines; the practice of CSR was not new to companies in India, as they already followed CSR plans based on international CSR standards, policies and principles. However, what this Act does is bring more companies into the fold and has a wider impact. This will not only increase CSR spends now, but also push companies to judiciously, systematically and strategically spend the increased budgets to achieve cumulative goals on ground.

A global consumer study found only 6 percent of consumers in ten countries including India opined that the business’s aim in society is to “Just make money” against a whopping 81% of consumers saying “companies owe a accountability to address major social and environmental issues beyond their local communities” and a majority of 93% of consumers saying “companies must go beyond legal compliance to operate responsibly” (Cone Communications/ Echo Global CR Opportunity Study, 2011). Therefore, CSR and sustainability have become critical aspects and differentiating factors in strategic decision making of a firm. However, many studies have highlighted that the developed countries like the US, UK and many European countries have strong concepts of CSR and its reporting (Crane & Matten, 2007; Gurvitsh & Sidorova, 2012). These countries have developed and implemented Sustainability and CSR standards, principles,
indices, and frameworks, to be adopted by their organizations for their global outreach as a benchmark and a roadmap for achieving excellence in their Sustainable practices.

Although Academic literature suggests that CSR creates value (Porter & Kramer, 2011; Orlitzky et al., 2011; Lindgreen et al., 2012). Several researches on the Corporate Sustainability, CSR and value creation has been carried out in developed countries, there is a paucity of such studies in India especially with respect to firms in India linking the “shared value” creation and its qualitative and quantitative aspects on stakeholders, environment and society. Internationally also, there is no major research linking strategic management and shared value. Also, apart from secondary data of the company’s websites, there has been no major research analyzing the CSR reporting techniques and framework of companies in India benchmarking them.

This research represents a study of current practices of Corporate Sustainability and Strategic Corporate Social Responsibility of firms operating in India and an examination of the relationship between sustainability and CSR and a resultant shared value preposition for all stakeholders involved.