Review of Literature

Concepts of Corporate Sustainability & CSR

Corporate sustainability refers to the integration of economic, environmental, and social considerations on the part of corporations (Dyllick & Hockerts, 2002; van Marrewijk, 2003) and is also commonly discussed in terms of the ‘triple bottom line’ (Elkington, 1999). Thus, at its foundation, the concept of Corporate Sustainability involves corporations’ taking into consideration their environmental and social impacts in concert with their economic objectives. Therefore, Corporate Sustainability is closely related to the concepts of Corporate Social Responsibility (CSR) (Dahlsrud, 2008; European Commission, 2011), Corporate Citizenship (Matten & Crane, 2005), business ethics (Beauchamp et al., 2009; Crane & Matten, 2007), stakeholder engagement (Freeman et al., 2010), stewardship (Davis et al., 1997) and triple bottom line (Elkington, 1999). Nowadays, firms take more and more frequently into account their social and environmental externalities in their decision-making practice in order to accomplish a sustainable growth and to respond to external pressures (regulation, society), through the development of their Corporate Social Responsibility policy (CSR) (Roudaut, 2015).

There is a global convergence in the ideas of CSR and sustainability. Currently, the concept of social responsibility is associated with ideas such as sustainable development, socio-environmental responsibility and sustainability (Bulgacov et al., 2015).

The term ‘Corporate Social Responsibility’ is still in popular use, even though competing, complementary and overlapping concepts such as corporate citizenship, business ethics, stakeholder management and sustainability are all vying to become the most accepted and widespread descriptor of the field (Carroll & Shabana, 2010). In the final analysis, however, all these concepts are related, in that they are integrated by key, underlying themes such as value, balance and accountability (Schwartz & Carroll, 2008). In recent years, the subject of Corporate Social Responsibility (CSR) of has evoked immense interest. (Gulyas, 2009; Young & Thyil, 2009). Presently regarded to be at its most prevalent (Renneboog et al., 2008) representing an important topic for research (Burton & Goldsby, 2009). Perceptions and practices vary.

This topic has not only developed and evolved in both academic as well as practitioner communities worldwide. (Carroll & Shabana, 2010) but it is becoming a basic standard of
mainstream of businesses (Brejning, 2016)). CSR has a broad concept, complex and expanding across a wide range of ideas and practices (Sweeney et al, 2008). CSR is a corporate behavior and management philosophy that an increasing number of firms worldwide choose to adopt (Carroll & Shabana, 2010; KPMG, 2011).

**Sustainability, CSR and Business**

There are different views on the relationship between Sustainability, Corporate Social responsibility (CSR) and business. Sustainability is generally accepted as a key success factor for both public and private organizations as pointed out by Kuosmanen & Kuosmanen, (2009). Three major criteria govern the decisions of Organizations pursuing sustainability namely environmental integrity, social equity, and economic prosperity (Bansal, 2005). And CSR fulfills the environment integrity and social equity component of the Corporate Sustainability. Environmental integrity implies a balanced and complete organization that addresses both economic and social interfaces within the natural environment (Crittenden et al., 2011). The criterion of social equity implies that corporations should not knowingly do anything to harm any of their stakeholders (Campbell, 2007). As Crittenden points out that the contemporary stakeholder perspective, purported by Carroll, (1979) and Freeman, (1984), suggested that firms embrace expectations beyond those of financial shareholders, and this perspective has emerged as the dominant paradigm in social responsibility research (McWilliams & Siegel, 2001). Economic prosperity maintains that economic success should result from sustainability as well as sustainability should be enhancement to the firm's reputation and the ability to generate stakeholder loyalty (Bansal, 2005). CSR and sustainability are considered to be "enlightened value maximization" (Michael Jensen, 2001).

It is stated that the companies need to use social responsibilities in accordance with the policies and guidance that has been set to ensure companies successfully. CSR is a business obligation to pursue policies, make decisions, and follow the guidelines in terms of objectives and values of society (Smith, 2011). CSR is a set of policies, practices and programs that are integrated into the business operations and decision making process in the organization (Khan, 2010). Also, as defined by Uadiale & Fagbemi, (2012), CSR as a set of standards which companies set in order to provide a beneficial effect on society. Furthermore, research by Alias et al., (2011) points out that the welfare of society should be given priority by the CSR practices in order to receive
consideration among stakeholders. This indicates that the business corporation needs to convince stakeholders to actively engage CSR, for example enhancing the relationship with the community, employees, special interest groups and customers (Hibadullah et al., 2012). Therefore, CSR practices emphasize social and environmental aspects of all stakeholders, society and the environment (Ruzevicius et al., 2011; Vicianova et al., 2011). CSR is conceptualized as a six dimensional constructs which are employee involvement, customer focus, environment, corporate governance, community and society, and human rights. The main reasons company implements CSR to increase profits and make a positive contribution to society (Zhang, 2008). The CSR organizational field draws on the overarching sustainable development norm that encourages corporations to define success in relation to their ‘triple bottom line’. According to this logic, firms should pay equal attention to their environmental, social and economic performance (Loconto & Fouilleux, 2014).

Corporate Sustainability, CSR and its benefits

The scope of sustainability is broad, where are held companies worldwide are being held responsible for issues such as reducing consumption of scarce resources, not harming the natural environment, ensuring sustainable supply chain management, reducing climate change/impact, sensing consumer concerns about sustainability, increasing global economic stability through sustainability, and proactively managing business processes to protect the natural environment (Victoria et al., 2011). According to Kiewiet & Vos, (2007), sustainability reduces business risks, increases market opportunities, and is an organizational responsibility. Nguyen & Slater, (2010) reported that two out of three companies on Fortune's "Global 100 Most Sustainable Corporations" list outperformed their less sustainable competitors. The companies that embraced a long-term corporate culture of sustainability outperform their peers in terms of reputation, net income, and stock price as shown in a study published by Harvard Business School (Eccles et al., 2012). Corporate sustainability is strongly associated with market value (Lo & Sheu, 2007); the greater sustainability activities engagement can lead to greater innovation, which in turn leads to greater financial and market performance (Maletic et al., 2015). Companies generally agree that sustainability has led to innovation and increased competitiveness by lowering costs and increasing revenues as a result of better-designed and better-produced products (Deloitte, 2010; Lubin & Esty, 2010). By operating with a CSR perspective, proponents believe that
companies are capable of making more long term profits and increasing long term success, while the opponents argue that CSR would only distract firms from the economic role of businesses, namely profit generation (Buhr & Grafström, 2007). Some research on impact of CSR orientation on business performance suggests that CSR orientation positively affects several customer related outcomes (Bhattacharya & Sen, 2003), yet the overall empirical evidence between CSR orientation and business performance is mixed (Margolis, et. al., 2007). However, there are few empirical research studies (Rais & Goedegebuure, 2009) which have considered the relationship between CSR and Company Performance in the context of the developing country and (Mishra & Suar, 2010) have tried to identify the relationship between CSR and financial and non-financial variables of Indian companies. A multitude of benefits are highlighted in CSR research interestingly, some researchers have related CSR to business efficiency (Salzmann et al., 2005). Other authors maintained that CSR improves resources and skills (Donaldson & Dunfee, 1999). Some academic contributors discovered that CSR can create an opportunity to boost sales (Lindgreen et al., 2009), and it may even reduce cost and risk (Salzmann et al., 2005). CSR empirically supported indirect impact on enhanced brand image or market reputation (Harrison, Bosse & Phillips, 2010; KPMG, 2011). Other performance effects are found in cost savings from environmental programs (Gadenne, et al., 2009), differentiation effects where firms gain competitive advantages from some CSR practices that sets them apart from their competitors (Carroll & Shabana, 2010) and improvement in human resources (HR) performance. Examples of improved HR performance are increased employee commitment to work tasks and improved sales performance (Kang, 2009; Shen & Benson, 2014). Other HR related benefits range from decreased levels of employee turnover to increased firm attractiveness for future recruitment (Carroll & Shabana, 2010; Shen & Benson, 2014). CSR has also been credited with the ability to increase both the level of future cash flows and the possibility for the expected cash-flows to emerge, and in that sense, aid long term stock performance which are in the interest of shareholders (Luo & Bhattacharya, 2009; Ramchander, et al., 2012). Also, Servaes, (2012) argues that socially responsible practices “add value to a firm” when the firm take actions to increase customers awareness through advertising. At best, we understand that the CSR-business performance linkage may be preceded by the CSR-stakeholder relationship linkage (Bhattacharya, et. al., 2009). At the same time, few previous studies have also shown that CSR’s impact on consumers is moderated by culture (Williams &
Zinkin, 2007). This implies that in a collectivist nation like India, firms would need to consider responsiveness to the needs of others (stakeholders) as a moral obligation compared to individualist nations (Miller, et.al., 1990).

**Strategic Sustainability & CSR and business**

However, the benefits of CSR and sustainability are prompting companies to assimilate these concepts in their core strategy. Sustainability has become the strategic lens through which companies view their businesses. For these organizations, sustainability offers an undeniable opportunity to gain competitive advantage, drive innovation and generate bottom-line results' (Kiron et al., 2012). In a survey of hundreds of CEOs from companies around the world, 93% considered sustainability to be 'important to their company's future success' (Lacy et al., 2010: 10). Today, leading companies in environmental sustainability integrate sustainability considerations across their business functions and into their overall decision-making processes. As a result, Strategic sustainability is embedded into key operational areas such as research and development, product and process design, strategy, planning, finance, accounting, marketing, communications and human resources in addition to the facilities' operations.

This strategic mode of sustainability leads to strategic CSR. As pointed by J. J. Asongu, (2007) in his book on strategic CSR “For an action to be seen as strategic, the responsible company should take into full account the impact of that action on all its stakeholders and on the environment when making decisions. The litmus test of strategic CSR is that the company should balance the needs of all stakeholders with its need to make profits and to reward its shareholders adequately.” In his view, Strategic CSR gives competitive advantage to the firm. As further elaborated upon, in their book, the Goodworks, Philip Kotler, David Hessekiel & Nancy R. Lee, (2012) observe more corporations picking a few strategic areas of focus, ones that fit with corporate values; selecting initiatives that support business goals; choosing issues related to core products and core markets; supporting issues that provide opportunities to meet marketing objectives such as increased market share, market penetration, or building a desired brand identity; evaluating issues based on their potential for positive support in times of corporate crisis or national policy making; involving more than one department in the selection process, so as to lay a foundation of support for implementation of programs; and taking on issues the community and customers and employees care most about. Today, it is reported that many firms that engage
in CSR have a strategic intent, for example to reinforce their corporate strategy (Porter & Kramer, 2006). Thus, firms now engage in CSR to benefit as it is considered to be a long term investment that can lead to competitive advantages (Carroll & Shabana, 2010; Kang, 2009; KPMG, 2011). These claims are some of the specific reasons why we have chosen to address CSR from a strategic perspective. The support of the educational system (to increase the size and quality of a future recruitment pool) and environmental improvement programs to achieve cost savings and value chain efficiencies are other examples of CSR with a fundamental strategic intent (Luo & Bhattacharya, 2009; Porter & Kramer, 2006). In addition, the measurement of CSR practices is essential to understand the strategic value of CSR leads to the implications of the business (Smith et al, 2011). This is because CSR is a one strategic that could be adopted by the organization to determine the profitability of company. One definition reflecting that CSR has become strategic is “actions that enhance a firm’s competitiveness and reputation” (Hill, et al., 2007). We therefore view this definition as more suitable for this research. Research further suggests that CSR cannot create benefits without strategic alignment (Porter & Kramer, 2006). Thus, firms are recommended to plan, organize, manage and implement and apply CSR in the same fashion as they would apply any other strategic tool (or managerial discipline) targeting firm objectives, for example marketing (Luo & Bhattacharya, 2009; Wagner et al., 2009).

**Sustainability, CSR and Shared Value**

When CSR activities are aligned with societal needs and wants, it can create mutual value for firms and society. And the link between competitive advantage and CSR is that the real importance of CSR is in “shared value” that businesses have with society. Hence, it has the potential to positively change the way society and firms view each other. (Porter & Kramer, 2006). This can be achieved by adopting sustainable and ethical practices as a long term for both businesses and communities. Specifically, shared value is created when corporate policies and operating practices enhance the competitiveness of a company while simultaneously advancing social and economic conditions in the communities where it operates. A shared value approach reconnects business success with social progress. Firms can do this in three distinct ways: by reconceiving products and markets, redefining productivity in the value chain and building supportive industry clusters at the company’s locations (Porter & Kramer, 2011). For example, by enhancing the societal environment in which firms exist, they contribute to the wealth
development of that society. Long-term, this increases their market size in the form of new customers (Carroll & Shabana, 2010). Nowadays, the Corporate Social Value perspective has been widely spread as a new way to run business and is being highly accepted by many governments, nongovernmental organizations (NGOs) and top-ranking companies in the world such as Nestlé, Intel or Unilever (Moore, 2014). Fundamentally, CSR separates the CSR initiatives from the business of a firm and CSV tends to integrate societal and environmental impacts into the business to enhance the economic value. Nevertheless from the perspective of CSV, CSR and value creation are not diametrically opposed, but seem intertwined. As John Elkington has pointed out If Shared Value is fundamentally about creating new types of win-win results, then sustainability—in addition—is about identifying and managing the inevitable win-lose and lose-lose results that will cascade from the striking challenges that the global economy will handle in upcoming decades. (Jonathon Hanks & Nicola Robins)

**Sustainability and CSR Reporting**

Internationally, Several Reporting initiatives have emerged, including the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC), and the Sustainability Accounting Standards Board (SASB). These initiatives are specifically designed to guide managers through the process of collecting relevant extra-financial information. (Hales & Johnson, 2015). Corporate accountability and transparency is being demanded by company stakeholders by the way of straightforward CSR reporting. With regards to sustainability and CSR reporting, on review of the literature on determinants of CSR reporting (Morhardt, 2010), points that due to the lack of enough studies on the subject, the research on the impact of different variables in different regions is inconclusive. Factors that may influence CSR disclosure practices fall broadly into internal and external (Fifka, 2013; Morhardt, 2010). Although the number of voluntary CSR codes has proliferated since the 1990s, these schemes increasingly are structured by common norms, notions of best practice and reporting standards (Tschopp & Nastanski, 2014). The emerging literature on CSR reporting outside the Western world examines countries that are ‘developing’ (Momin & Parker, 2013), but little depth is included about where they are in their development journey and how the potential conflict between economic and social goals impacts CSR or CSR reporting.
Despite the ongoing debate as to whether or not social responsibilities should be the concern of corporate decision makers, it cannot be denied that corporate social responsibility has been increasingly present in today’s world. Corporate responsibility and sustainability is therefore a prominent feature of the business and society literature, addressing topics of corporate social performance, global corporate citizenship, and stakeholder management. India being the first country in the world with a mandatory CSR law, CSR and sustainability is bound to become more mainstream and meaningful for companies and its stakeholders and our study will explore this meaningfulness and the relevance.

Research Methodology

Research Problem

There are several aspects that shape the said research problem. The significance of the CSR implementation and its financial implication under the new mandatory CSR laws; the apprehensions of companies related to the applicability, implementation and likely impact of the CSR bill in India; the limited and aspect based approach of previous CSR studies and lastly lack of a comprehensive study targeting strategic CSR with business and social results providing, gave the initial inspiration for the creation and structure of the particular study.

This study aims to explore the strategic CSR and Sustainability practices prevalent in Indian corporate sector and examine its transformation process in creating shared value for stakeholders.

Statement of Problem

Previous studies in spite of showing benefits for Corporates in terms of brand value, market value, consumer confidence and improved financial performance have fallen short of checking whether CSR and sustainability are mutual value maximization tools for Corporates and stakeholders both. The inadequacy of previous studies in the topic was all motivating factors, making this as among the first studies of its kind to address the “shared value” in Indian context.

This research aims to bridge several links together. As first and foremost, CSR already is a strategy undertaken by many conventional funds to improve business and operational management. This study will help relate CSR and sustainable development’s overall impact on
society, business and stakeholders. The study intends to map the most prevalent international reporting standards for overall business responsibility performance of companies in India. Under new CSR section 135, this study will help businesses address the responsibility issues and adopt a more Strategic, practical, pragmatic and Symbiotic approach in creating Seamless shared value.