Beyond the Traditional CSR: Towards a Sustainable Agenda

Ahmad Faraz Khan and Asif Akhtar

Abstract Predominantly, Corporate Social Responsibility (CSR) has been approached by organizations in two ways—acting as donors to non-Governmental Organisations (NGOs) engaged in social sector and/or; establishing and funding their own foundations/NGOs. Both these approaches fall short in ensuring sustainability and social impact.

This research presents a conceptual model of new found ways of CSR engagement for organizations. The model connects the phenomenon of CSR to a wider developmental agenda. This research explores links of CSR with sustainable development and social entrepreneurship/intrapreneurship. It further tries to expand the policy discourse on CSR by presenting some fresh propositions.

The model shall contribute to the growing body of literature on CSR especially in the developing world milieu. It uniquely contributes to the policy making discourse, thereby reducing the vagueness regarding CSR implementation, whether voluntary or mandatory (by law).

Keywords Corporate Social Responsibility (CSR) • Sustainable development • Social entrepreneurship • Developing country

1 Traditional CSR

Corporatization of business in India is a recent phenomenon. India's arrival in the world business arena is marked by the recent rise of Indian multi-national corporations. These corporations are relatively young when compared with their American, European and south-eastern counterparts. Rise of India in the world economic landscape is marked by maturity of business and regulation in the country. Social responsibility of business has been debated in India. However, vocalisation of

---

A.F. Khan (✉)
Manappat Foundation, Cochin, Kerala, India
e-mail: faraz@vision2040.co.in

A. Akhtar
Aligarh Muslim University, Aligarh, Uttar Pradesh, India
e-mail: asifakh@gmail.com

concerns found little articulation till recent times. In this parlance, Corporate Social Responsibility (CSR) as a concept is a new found one. Recent reports suggest that most companies in India are either over spending on CSR or they are not even paying attention towards it. In order to make the business doing easy, policy makers wants to bring in clarity with respect to CSR. The policy making process can be aided by understanding the premise on which the present concept of CSR is based. Theories relating to CSR are grouped into four clusters by Garriga and Melé (2004). Firstly, Instrumental theories have a long tradition and have enjoyed a wide acceptance in business so far. As Windsor (2001) has pointed out recently, "a leitmotiv of wealth creation progressively dominates the managerial conception of responsibility" (Windsor 2001, p. 226). The instrumental theories have focused on the maximization of profit to the shareholders, achieving competitive advantage and giving the marketing money to a certain cause which is also known as cause related marketing. CSR helps in wealth creation by achieving economic objectives. One of the main objective of businesses is to maximize profit, apart from that they have to take the interest of the society as an important objective, which means, they have to work according to the interest of the society by maximizing the profit of the shareholders. Secondly, political theories have also added to the debate. These theories give prime importance to the concept of power. Power plays a very important role for the businesses as well as for the society. The more power you have in respect of the society the more responsible you will be for the society and if the responsibility is not fulfilled the way it should had been, then, the power will be taken away and thus the businesses will lose their position in the society.

The concern for local community has extended progressively to a global concern in great part, due to the very intense protests against globalization, mainly since the end of the 1990s. This sense of global corporate citizenship led to the joint statement "Global Corporate Citizenship—the Leadership Challenge for CEOs and Boards", signed by 34 of the world's largest multinational corporations during the World Economic Forum in New York in January 2002. Subsequently, business with local responsibility and, at the same time, being a global actor that places emphasis on business responsibilities in a global context, have been considered as a key issue by some scholars (Tichy et al. 1997; Logsdon and Wood 2002). Thirdly, there are integrative theories. Their premise rests on the theme that the only secret behind a businesses' growth is that how well they integrate their activities with the social demands. The integrative theories focuses on management issues, helping and guiding businesses about responsibility and stake holder's management. Finally, ethical theories talks about being good. To achieve good in the society the businesses should try to do the right things in the ethical way. This theory focuses on giving human rights, which is taken as the basis for CSR in the global market. The concept of sustainable development, on the other hand, merely means seeking to meet the requirements of the present without harming the future, aligns with this view.

These theories of CSR explores the motivations for engagement in CSR programmes by corporations. The aim of this chapter is to broaden the horizon of CSR discourse both from the perspective of individual corporations as well as

public policy concerning CSR. At the operational level, two most prominent methods of engagement in CSR is observed. Most of the big corporations have established their own foundations. Their activities are driven by a CSR strategy stemming from, either the vision of the firm or the founder's personal interests. The second prominent and more common approach is donations to Non-Governmental Organizations (NGOs). In both these approaches, CSR remains at the periphery of the organizations. Public relations utility is the prime motive behind CSR programmes. The crux behind this chapter is to explore CSR from a business sustainability point of view for the organizations and larger developmental perspective for the policy makers.

2 CSR and Sustainable Development

Bruntland report of 1987 by World Commission on Environment and Development, first defined sustainable development as 'the development that can meet the needs of the present generations without threatening the ability of future generations to meet their own needs'. Over the years, this definition has been expanded by some and contested by many. However, there is consensus that sustainable development concerns economic growth, environmental protection and social equity. Mooted in this idea is also the concept of CSR. Testament to this is the remark of former United Nations (UN) Secretary-General, Kofi Annan, at an event organized by Business Action for Sustainable Development, 'And more and more we are realizing that it is only by mobilizing the corporate sector that we can make significant progress. The corporate sector has the finances, the technology and the management to make this happen' (quoted by Wade 2005, p. 186). "CSR is not simply a feature of the new global corporation but is also increasingly a feature of new societal governance" (Moon 2007). This new governance paradigm requires understanding development from a larger canvas. As the lexicon of businesses around the world changes, social entrepreneurship is emerging as a rightful alternative of commercial entrepreneurship.

3 CSR and Business Sustainability

The business case for CSR is usually based on the premise that 'a sustainable business is built on reputation'. Intangible returns in the form of brand equity and reputation are the primary movers of CSR. Although, CSR has been linked to positive financial returns also (Husted and Allen 2007). Yet scepticism and doubt surrounds its functionality (Jayne 2004). However, Porter and Kramer (2011) posits, that "the concept of shared value offers corporations the opportunity to utilize their skills, resources, and management capability to lead social progress in ways that even the best-intentioned governmental and social sector organizations

can rarely match. It focuses on identifying and expanding the connections between societal and economic progress," thereby, providing businesses the opportunity to earn the respect of society. It is time to bring CSR from the periphery to the pivotal position in the organization. Societal problems presents a chance for social innovation. Organizations geared up for such challenges shall be much more competitive in the long run. It is important to integrate CSR across the value chain in the organization. A change in the mindset and culture is of prime importance for seeking competitiveness through social innovation. In such a scenario, broadening the debate of CSR to include new concepts such as social entrepreneurship/intrapreneurship makes sense.

3.1   CSR and Corporate Social Entrepreneurship

Social entrepreneurship promotes social change. In this parlance, the social responsibility of firms can be fulfilled by engagement in social entrepreneurship/intrapreneurship. Companies leverage their resource base to simultaneously create economic and social value, thereby going beyond both traditional business and philanthropy. Corporate social entrepreneurship requires firms to spot opportunities and leverage their internal as well as external resources to innovatively cater to new markets or develop new products/services (Austin et al. 2006). From the point of view of the firm, as customers and shareholders become more demanding, they need to respond with social, ethical and sustainable business models. Moreover, globalization has resulted in extreme competition, irrespective of the geography and industry. In such a scenario, innovation becomes a necessity for sustenance. Business models based on corporate social entrepreneurship shall be more resilient to business cycles and sustainability.

In 2006, Prahalad gave the concept of "Fortune at the Bottom-of-the-pyramid". New business models have evolved around the world to serve the poor or in some cases poorest populations around the world. However, the sanctity of such approach is contested by many researchers. Karnani (2006) calls this theory erroneous and delusional. He argues in favour of treating the poor as producers rather than consumers and raise their real income. Though empirical evidence to support such claims is hard to find, it is prudent to avoid generalizations. A case by case approach is appropriate in such a scenario. Focussing on double or triple bottom-line requires the firms to treat CSR as an integral part of the Corporation's vision and strategy.

The process of corporate social entrepreneurship flows from the leadership through the articulation of vision and strategy. Internalization of social and ethical dimensions in the firm's strategy is the first step in this direction. Secondly, the search for synergy with the economic dimension is critical. Finally, the decision to leverage internal resources or mobilizing external resources needs to be taken. Generally, firms follow a similar process for articulation of their CSR. The scope of CSR activities is wide enough to accommodate social entrepreneurship as well as

intrapreneurship. Unlike the traditional approach of outsourcing the social responsibility to a foundation or NGO, this approach is focussed on developing a structure within the firm. A culture of promoting social intrapreneurship shall get a boost with a supportive leadership. Synergy between CSR initiatives and intrapreneurship can lead to mushrooming of social intrapreneurs/entrepreneurs. The central idea is not to segregate social measures from the primary activities, but to create systems within the larger ambit of the business model. A stand-alone CSR initiative is hardly profitable and more often than not proves to be a burden on the resources. However, the success in this respect is dependent on the motivation behind the whole process. Research suggests that the motivations may vary in practice. Some may be more altruistic in nature while others being more utilitarian (Austin et al. 2006). Altruistic motivations may fall short in rigor and disciple required for business. Moreover, a more utilitarian approach can pay rich social and financial dividends.

Firms have a choice of fulfilling their social responsibility via the social enterprise route. Alter (2006) segregates social enterprises into mission centric, mission related and social enterprise unrelated to mission. In mission-centric social enterprises, social activities are central to firm's mission. In such enterprises, a conscious effort is made to achieve financial sustainability while engaging in social activities. In mission-related social enterprises, social activities may not be at the centre, but synergies are realized from other profit seeking activities of the firm. A cross-subsidy approach is common among such enterprises, where profits from one section of the business is used to subsidize other non-profit sections. In social enterprises unrelated to mission, activities are directed at earning profits to finance social programmes of the firm. Whereas, social programmes rarely have anything to do with the mission of the enterprise.

At the operational level, Alter (2006) identified seven models of social enterprises using the 'practice-to-theory' approach (Table 1). The models are suggestive in nature. In practice, combinations with varying degree of complexity may be found.

A Case of Grameen Danone Foods
Established in 2006 as a joint venture between Grameen Group of Bangladesh (founded by Mohammed Yunus) and Groupe Danone of France, Grameen Danone Foods envisioned to reduce poverty by creating business and employment opportunities for local people. The enterprise was established to exploit the local milk producing capacity of Bangladeshi households. Danone's dairy technology and supply chain expertise added to the synergy. The resultant product, a yoghurt called Shokti Doi contains protein, vitamins, iron, calcium, zinc and other micronutrients aimed to fill nutritional deficits of children in Bangladesh. The yoghurt is produced at an affordable price of 6 Bangladesh Taka (BDT) (=0.06 euros). The whole supply-chain contributes to the social

Table 1 Social enterprise models

Operational model	Description
Entrepreneur support model	Its mission centres on facilitating the financial security of its clients by supporting their entrepreneurial activities
Market intermediary model	Its mission focuses on facilitating clients' financial security by helping them develop and sell their products in high-value markets
Employment model	Its mission centres on developing skills and employment opportunities for its clients
Fee-for-service model	Its mission centres on rendering social services to clients in the sector in which it works
Service subsidization model	Business activities and social programmes overlap, sharing costs, assets, operations, income, and often programme attributes
Market linkage model	The social enterprise functions as a broker connecting buyers to producers and vice versa, provides market information, and then charges fees for these service
Organizational support model	The organizational support model is an external model, its business activities are separate from social programmes. It is created as a funding mechanism to cover programme costs and operating expenses of the parent organization

Source: Alter (2006)

gains. Micro-farmers are the primary source of milk for the yoghurt. Sales ladies distribute the yoghurt door-to-door and receive a 10 % provision. In total, Grameen Danone Foods is responsible for the creation of about 1600 jobs within a 30 kilometre (km) radius around the plant. In addition to this, solar energy is used for cleaning the installation, and biodegradable packaging is used to ensure pollution neutrality. The success of such ventures can be gauged in terms of social impact as well as the financial bottom-line.

4 Indian CSR Policy Discourse

Traditionally 'social' has been the domain of the governments in India. However, corporations have been doing philanthropy on different scales depending upon their urge and resources at different times. The initial paternalistic approach of the corporations towards the employees got extended into a trusteeship approach after Independence. The present form of CSR, initially showcased by the public sector enterprises, percolated down to the corporations only after the liberalization reforms of 1992. The boom in the economy during the last decade and rising global concerns about corporate social irresponsibility triggered the debate about public policy on CSR. In this sense, Corporate Social Responsibility is new to the Indian policy discourse. The Companies Act, 2013 provided the much needed articulation

to the concerns of public. Schedule VII of the Act, underlines the areas of expenditure for the corporations. Though, the companies falling under the purview of the Act are handful, CSR as envisioned by academics and theorists is demonstrated by a miniscule percentage of businesses across the country. Securities and Exchange Board of India (SEBI), the stock market regulator mandates top 100 listed companies to include 'Business Responsibility Reports' in their annual reports to be displayed on their websites. Through its various notifications and policy documents, the government is trying to inculcate CSR in the Indian corporate culture.

The missing link in this approach is the interweaving of CSR policy with other policies of the government. A more forward looking approach by the policy makers shall include concepts such as social impact assessment, social venture capitalism and social entrepreneurship in this discourse. The policy discourse on CSR can be expanded to include some fresh propositions. The aim of these propositions is to present fresh perspectives for consideration rather than to make assertive statements to be taken as true or false.

1. Government is a social venture capitalist—Public institutions across the country has tremendous resources at its disposal which are under-utilized. Resources in the form of capital as well as physical infrastructure can be harnessed to its full potential if such institutions become social venture capitalists. For instance, the primary school infrastructure across the length and breadth of the country can be leased to for-profit or not-for-profit social enterprises to deliver value and ensure equitable growth. 'Start-up India, Stand-up India' is one such initiative, where the government is trying to create a 'Fund of funds' for boosting investment in social enterprises. Corporations can be made part of such funds through amendment in Schedule VII. Creating a facilitative policy regime which can accelerate the growth and impact of social entrepreneurs shall be a boon for the development of the nation. Cash rich government enterprises can pool their CSR funds to create sector-specific 'Social Venture Funds'. Such an initiative can have multiple benefits of capital growth, knowledge sharing and desired social impact.

2. Government is a social entrepreneur—The original idea behind the establishment of public sector undertakings (PSUs) was to ensure balanced growth of the nation, by making state an entrepreneur. However, the reality of PSUs turned out to be quite different. The idea should not be to create capital intensive corporate behemoths, rather, lean innovative social enterprises focussing on local problems. Section 8 of Companies Act, 2013 permits the establishment of 'Not-profit Organization'. It enjoys numerous exemptions under the Companies law, however, the profit cannot be distributed among the shareholders. Governments/ public institutions as one of the shareholders in such an entity can open up a whole new space for social entrepreneurship.

3. Industry associations are social venture capitalist—At present, the laws pertaining to CSR is applicable to a handful of big corporations and listed companies. Social responsibility of others cannot be overlooked. Industry associations such as Confederation of Indian Industry (CII), Associated Chambers of

Commerce of India (ASSOCHAM), Federation of Indian Chambers of Commerce and Industry (FICCI), and National Association of Software and Services Company (NASSCOM) to name a few can initiate 'CSR funds' where members and non-members can contribute. The additional benefit of this approach will be the unleashing of network capacity of these associations. Moreover, real knowledge transfer will take place from experienced corporates and professionals to new social enterprises. Such an initiative can go a long way in creating an entrepreneurially powered socially responsible ecosystem for the development.

4. Governments and Industry associations join hands in creating a Social Entrepreneurship Start-up Ecosystem—Sharing the social responsibility by building a social entrepreneurship ecosystem can go a long way in addressing the sustainability challenges. Time and again, India has relied on its entrepreneurship potential to make a mark in the international arena. Government-facilitated ecosystem shall include a platform where international agencies, donors and corporates can interact with nascent social entrepreneurs. Such an ecosystem shall include: database of best-practices; learning and collaboration opportunities; updated information on taxation regime and other laws; incubation facilities; short-term courses; patent protection and credit facilities. Confidence in the developmental sector can be restored by a facilitative legal regime, transparency and entrepreneurial energy.

5   Conclusion

The debate of sustainable development in India is skewed towards the government's role and its past failures. Lately, the social responsibility of corporations has got attention. Shifting the responsibility from governments to corporations in the wave of minimalist regulation approach, is by no means a solution. It is imperative to expand the horizon. Social entrepreneurship provides a new way of engagement in CSR for both governments and organizations. It is not an addition of verbosity to literature, rather clears the air for practitioners. Thinking from the entrepreneurial mindset seems not only logical, but also practical.

References

Alter, S. K. (2006). Social enterprise models and their mission and money relationships. In A. Nicholls (Ed.), *Social entrepreneurship: New models of sustainable social change* (pp. 205–232). Oxford: Oxford University Press.

Austin, J. E., Leonard, H., Reficco, E., & Wei-Skillern, J. (2006). Social entrepreneurship: It's for corporations too. In A. Nicholls (Ed.), *Social entrepreneurship: New models of sustainable social change* (pp. 169–204). Oxford: Oxford University Press.

Garriga, E., & Melé, D. (2004). Corporate social responsibility theories: Mapping the territory. *Journal of Business Ethics, 53*(1–2), 51–71.

Husted, B. W., & Allen, D. B. (2007). Corporate social strategy in multinational enterprises: Antecedents and value creation. *Journal of Business Ethics, 74*(4), 345–361.

Jayne, V. (2004). Sustainable and responsible... Now a fact of management life? *Management-Auckland, 51*(3), 26–33.

Karnani, A. G. (2006, November). *Fortune at the bottom of the pyramid: A mirage* (Ross School of Business Paper, p. 1035).

Logsdon, J. M., & Wood, D. J. (2002). Reputation as an emerging construct in the business and society field: An introduction. *Business and Society, 41*(4), 365.

Moon, J. (2007). The contribution of corporate social responsibility to sustainable development. *Sustainable Development, 15*(5), 296–306.

Porter, M. E., & Kramer, M. R. (2011). The big idea: Creating shared value. *Harvard Business Review, 89*(1), 2.

Prahalad, C. K. (2006). *The fortune at the bottom of the pyramid*. Pearson Education India.

Tichy, N. M., McGill, A. R., & Clair, L. S. (1997). *Corporate Global Citizenship: Doing business in the public eye*. San Francisco, CA: Lexington Books.

Wade, M. (2005). Good Company Citizenship: Does governance change the role of companies in society? In *Governance and Sustainability: New Challenges for States, Companies and Civil Society*. Greenleaf Publishing in association with GSE Research, *186*(199), 186–199.

Windsor, D. (2001). The future of corporate social responsibility. *The International Journal of Organizational Analysis, 9*(3), 225–256.