Why Every Company Needs a Corporate Social Responsibility Strategy Towards Institution Building?

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ABSTRACT *"CSR is not a cosmetic; it must be rooted in our values. It must make a difference to the way we do our business." - Phil Watts, Group Managing Director Royal Dutch/Shell Group*

The corporate responsibility has been captioned under many names, including strategic philanthropy, corporate citizenship, social responsibility, triple bottom line etc. Regardless of the label, for now the dominant paradigm underlying corporate social responsibility or CSR is centred on the idea of creating "shared value." The heart of the concept rests on the ability of a company to create private value for itself, which in turn creates public value for society. This paper attempted to know different phases of CSR strategy to develop institution building. Finally, this paper reveals the reason for CSR strategy and there is a need of CSR strategy for institution building.

Introduction

As a company grows larger it may seek a more disciplined approach to its philanthropic activities, either through the creation of a formal foundation to oversee the company's charitable contributions or the creation of a "community affairs" liaison within the company to direct its activities. Some programs may have compelling business logic, but they may have little or no connection to the corporation's business strategy or core competencies. At present, the amended Companies Bill 2012, is passed with majority votes in the parliament, CSR now became mandatory for the first time in any country with India setting the trend of 2% of Net Profit for CSR initiatives.

Objectives of the Study

1. To know the conceptual framework of corporate social responsibility and institution building.
2. To understand the CSR strategies towards Institution Building.
3. To evaluate and classify the CSR practice.
4. To reveal the findings from the study and suggest some measures on the basis of the study.

Research Methodology

The present study is in descriptive and micro in nature. Conceptual framework was developed from the secondary data comprising of the published literature, annual reports, web based information and journals etc.

Conceptual Framework of Corporate Social Responsibility (CSR)

Corporate Social Responsibility, each word contributes to the total concept. Corporate indicates organisational action both in the unitary sense and the aggregative sense (the sum total of behaviours of the individual decision makers).Social pertains to the aggregate products (the overall intended and unintended economic, political, environmental, social, and communal consequences) of corporate action as it affects diverse stakeholders. Responsibility is a duty or obligation to satisfactorily perform or complete a task (assigned by someone, or created by one's own promise or circumstances) that one

must fulfil, and which has a consequent penalty for failure.

Institution Building

Institutions are social arenas where unique strategies are pursued for inducing and maintaining values which satisfy societal needs. Organizations are formal, social mechanisms which facilitate constant transmission of values. Basically institutions are organizations with a unique identity and respect. We feel proud to be associated with them.

Professor Udai Pareek, one of the early day stalwarts associated with building the Indian Institute of Management Ahmedabad believed the following as the three features that characterise an institution:

- "Its functions and services are related to society's commonly agreed requirements as tested by its adaptability over time to handle human needs and values.
- Its internal structures embody and protect commonly held norms and values of the society to which it is related, and
- Its achievements over time include influencing the environment in a positive way"

Why there is a need of CSR strategy for institution building?

- Given the enormous tug towards CSR, without the accompanying discipline, the question for corporations is not whether to engage in CSR, but what the best way forward is for crafting CSR programs that reflect a company's business values, while addressing social, humanitarian and environmental challenges.
- Considering the many disparate drivers of CSR within a company, and the many different motivations underlying the various initiatives, we find it to expect a company to somehow weave all this together and incorporate it as part of business strategy.
- We argue that every corporation should have a CSR strategy that unifies the diverse range of a company's philanthropic giving, supply chain, "cause" marketing, and system level initiatives all under one umbrella.

Evaluating and classifying CSR practice

In this spirit we advance the platform of three Phases of CSR, which is a descriptive framework from which strategic implications will be drawn. Evaluating and classifying CSR practice within these three Phases accommodates the wide range of activities business leaders describe as CSR and provides a framework to devise a comprehensive CSR strategy that integrate all of these efforts.

The Primary Theatres of CSR Practice

In Phase 1 we group activities that are primarily motivated by charitable instincts, even though they may have potential business benefits. Phase 2 represents CSR activities that are symbiotic and intended to benefit the company's bottom line, as well as the environmental or social impacts of one or more of their value chain partners, including the supply chain, distribution channels, or production operations. In Phase 3 we classify programs that are aimed at fundamentally changing the business's ecosystem.

Phase 1: Philanthropic Giving

The first CSR Phase focuses on philanthropy, either in the form of direct funding to non profit and community service organizations, employee community service projects, or in kind donations of products and services to nonprofits and underserved populations. Corporate philanthropy may be characterized as the "soul" of a company.

Examples of in-kind giving include IBM's computer donations through its global KidSmart Early Learning program and Microsoft's donation of almost $300 million in software products to nongovernmental organizations (NGOs) across the globe.

Phase 2: Reengineering the Value Chain

This CSR approach, which has become increasingly popular among both academics and corporate leaders, may be considered roughly analogous to the "shared value" framework, in which the corporation seeks to co-create economic and social value.

Phase 3: Transforming the Ecosystem

The third CSR domain is emblematic of wide scale and disruptive change to a corporation's business model that puts the priority first on crafting a solution to a societal problem, which would then lead to financial returns in the longer run.

Initiatives in the Phase 3 CSR domain are typically led by a company's CEO or senior management, who can spearhead long-range business strategies that require broad change throughout the organization.

The Challenges of drafting a CSR Strategy

The differing motivations for corporations to undertake initiatives in the three respective CSR theatres, and the wide variations in how the programs are managed in each theatre, underscore the challenge for corporations in crafting a unified CSR strategy.

• Different Measures of Success

After the survey 25 CSR managers, who attended an executive education program in 2011 information has collected. They reported 168 significant CSR initiatives at their respective companies roughly divided 40 percent in Phase 1, 40 percent in Phase 2, and 20 percent in Phase 3. As might be expected, the motivation for the program and the expected benefits that their companies hoped to derive were very different in the three

CSR Phases/Theatres:

Table No. 1: Different Motivations and Benefits

Theatre 1 Motivation/Benefit to the Company					
Generates new business opportunities	Improves company's social standing	Improves company's brand reputation	Increases employee motivation	Supports company's philanthropic priorities/ Initiatives	Reflects preferences of operating managers
23%	60%	60%	49%	56%	34%
Theatre 2 Motivation/Benefit to the Company					
Creates new business opportunities	Reduces operating costs	Improves supply chain performance	Improves company's environmental impact	Protects resources on which the company depends	Markets to socially responsible consumers
36%	21%	19%	40%	33%	36%
Theatre 3 Motivation/Benefit to the Company					
Promises significant and new business/ market opportunities	Promises significant new operations or supply chain or manufacturing efficiency	Promises long-term gains by significantly changing its business environment	Creates an important solution to a social or environmental problem	Fulfils senior management or chief executive's social mission	
59%	48%	96%	78%	67%	

Source: Kash Rangan et al., (2012)

Of the programs classified can be seen from Table No.1, respondents indicated high hopes of long term return on both counts.

The Way Forward for Strategic CSR: Auditing, Editing and Developing

i. Auditing

The first step for a company to begin devising a CSR strategy is to classify and categorize its plethora of CSR programs into one of three theatres we have described.

Figure No. 1: Auditing the Activities by Phases of CSR
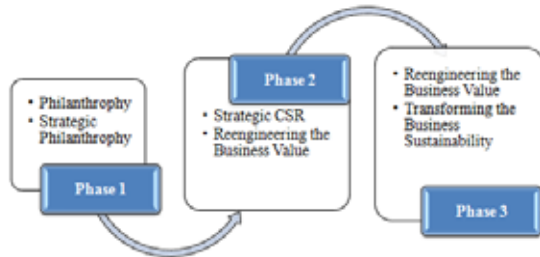
ii. Editing

Having classified the company's CSR initiatives in the auditing process, the purpose of the editing effort is to move the programs in each theatre from the top of to the bottom of For example, in Phase 1, unconnected philanthropic efforts should be moulded to yield a more strategic thrust.

iii. Connecting the Dots

As these examples demonstrate, a credible and rigorous audit almost automatically provides insight about how a company should edit and improve its CSR practice. Once a company has completed this essential first step, it needs to progress to coordinating its CSR initiatives within and between the three theatres.

iv. Organizing for CSR Strategy Development

Ideally, well-managed CSR creates social and environmental value, while supporting a company's business objectives and reducing operating costs, and enhancing relationships with key stakeholders and customers.

Table No.2: Different Roles and Responsibilities and Developing a CSR Strategy

	Factor 1	Factor 2	Factor 3
Business Perspectives			Strategy Leaders
Functional Perspectives		Operating Leaders	
Community Perspectives	CSR Leaders		

Findings

- Phase 1, a small number were identified as potentially addressing a new business opportunity for the company, while a majority of the highlighted benefits were softer, such as improving the company's reputation.
- Phase 2 programs were more readily linked to revenue opportunities or cost efficiencies, demonstrating that double or triple bottom line measurements may be appropriate in this theatre, since many environmental and brand-enhancing efforts have a short- to medium-term pay off.
- In Phase 3, success is indicated if the company effectively transforms its business strategy and prospers in the new ecosystem it creates.

Suggestions:

- Phase 1 strategies connect with important community needs, present the employees' sense of values, and improve the company's reputation.
- Phase 2 strategies will ideally directly save costs and/or increase revenues in the short to medium term, while making a significant contribution to the company's value chain constituents, and
- Phase 3 strategies can be visionary and shape the company's long term future.

Conclusion

The fact remains that, despite its critics, a rapidly growing number of companies in the world practice some form of CSR. Finally, the systems and processes we have suggested in this paper come close to describing the role of a Corporate Responsibility Officer (CRO). So, we can say the efforts of managers fruitful towards institution building and welfare of the society.

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