



CORPORATE SOCIAL RESPONSIBILITY – A MERE CHARITY OR A MARKET OPPORTUNITY

S. Gopalakrishnan*

Dr. K V Kannan**

**Research Scholar, Faculty - Vidyarupa School of Business Studies, Prist University, Thanjavur.*

***Asst Professor, Government Arts College, Dharmapuri.*

Abstract

The financial performances of the various business enterprises in the earlier years were predominantly focused towards making profits somehow and maximize the shareholders wealth. The current business world witnesses a rapid change in terms of their core objective to value maximization by a total revamp of their strategies to have give and take policy. Corporate social responsibility factors aid the organisations to boost up their revenue, profits and the overall financial performances. Elevating the weaker sections of the society by extending all the facilities once extended to the rich alone has become the need of the businesses not only from the point of view of serving them but also in doing a volume business game. This study looks into the way CSR activities help the business houses to create a market opportunity while into charity.

Introduction

The business world across today witnesses vast changes happening in the way the same are being carried out. Value maximization principle has replaced the mere profits maximization principles as the core objective of the business of the current world. The corporate social responsibility of the business plays a significant role in enhancing the value of any enterprise. The effects of the business on the society at large and the environment are keenly observed today by the stakeholders. How the interests of the entire stakeholder community are taken care by the business houses are watched. As the globalisation has become the need of the hour for most of the business enterprises, the need to implement defined business practices with a very well defined focus on public interest and environment policies. The organisations which uphold this corporate social responsibility principle only would be able to convert their investments productively into a sustainable benefits.

Social Responsibility

Social Responsibility is defined as, “The obligation of an organization’s management towards the welfare and interest of the society which provides it the environment and resources to survive and flourish, and which is affected by the organization’s actions and policies.” A Socially Responsible organization focuses on protecting and improving society and the resources it uses rather than on solely making profits. Such an organization never runs after profits but will create a situation whereby due to continuous socially committed operations, the profit follows the business. It is from Social Responsibility that the term Corporate Social Responsibility originated. The CSR definition used by Business for Social Responsibility is: "Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business." This is a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment, & a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”.

As the core objective of any organization in the current world is the value maximization rather than the profit enhancement, an entity must be highly responsible enough for providing overall value to all stake holders along with focused approach towards ensuring returns to shareholders. The entities therefore must initiate deliberate attempts in developing a sound corporate governance, extensive philanthropy, fostering human rights and values, building up a culturally driven environment aiming to have highly motivated workforce, preservation of the environment in which it operates, promoting fair trade and totally a very healthy competitive style throughout the entire operations. The Triple Bottom Line (TBL) Known as “People, Planet, Profit, is a criteria used for measuring organizational and societal success. This has become a dominant approach towards implementing and measuring CSR.

Role of Business in Society

Expanding global commerce is shaping relations and deepening interdependencies between states, cultures and people. Economic openness and advances in technology, science and communications have led to the globalization of business and, thus, to a fundamental shift in the pattern of economic activities and opportunities. Due to the expanding reach of business, with hardcore universal principles, the global market place has become an imperative for creating more robust and equitable markets. Responsible business practices results in advancement of international co-operation and development by including the social obligations along with economic considerations in their objective.

The contribution of business to society is multi-faceted from creating employment, ensuring income, enhancing technical skills, providing social benefits, strengthening the management and to bring focused market based solutions to any pressing



environmental issues. Responsible and proactive business practices respect human rights and ensure safe and decent workplace environments, aim environmental protection and focuses on good corporate governance in order to create a sustainable value and benefits for the shareholders, workforce, other investors, government and any other member of the stakeholder community. The business which stands to manage the risks and opportunities would always places a premium in their overall valuation by connecting increasingly to the environmental and social performances.

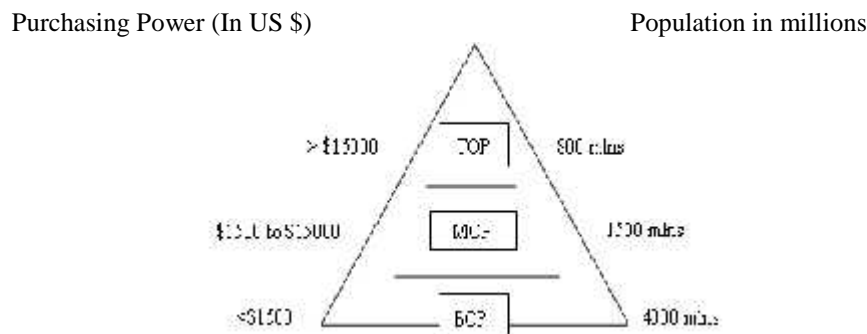
Entities are assumed to be responsible socially due to the anticipated benefits from their actions. The benefits include, enhancement of reputation, better corporate image, roping in qualitative workforces, etc. Of course, aiming to have a stupendous economic growth will be on the top of the priorities for the entities due to these actions. As higher costs are always associated with the any social obligations of the business, it is presumed that corresponding benefits arising due to the same will get offset against the related costs, but still the CSR of the business is indispensable in the current world. The CSR is one of the complex, challenging and dynamic activity which the businesses face today in terms of providing a strong base for a sustainable development and business growth.

Bottom of the Pyramid – Social Responsibility or Market Opportunity

The business should uphold the economic principle of self help and mutual help for achieving an equitable development of all the segments of the society. In this regard the bottom of the pyramid theories thrusts on the need to focus on providing market solutions to the poor and weaker sections of the society rather than initiating mere outflow centric charitable works. The entities should consider economically weaker sections as those who would be able to participate effectively in the market and help them in a total upliftment of their status instead providing freebies which in the long run is not at all viable and sustainable.

For business there cannot be any disparity by the way they serve various layers of the pyramid. In the past, the bottom of the pyramid was never part of a valid market and the competition existing among the business houses were meditatively concentrated towards having a big share in the middle of the pyramid and the Top of the pyramid sections. The sole reason for such a strategy was the pattern of affordability witnessed at various layers of the pyramid. As it was quite un-affordable for the bottom of the pyramid segments to avail the products or services offered to MOP or TOP segments, the same was never considered as a market.

The following diagram illustrates the population wise segmentation



Source: The fortune at the bottom of the pyramid by C K Prahalad

There are more than 4000 mlns of people in the bottom of the pyramid which constitutes 80% of the total humanity in the world, who live on less than \$2 per day. The research performed by C K Prahalad which magnifies the hidden fortunes at the bottom of the pyramid, thrusts on the importance of mobilisation of huge investments by big corporate houses in the world aiming to convert the poverty into a business opportunity. The principle of co-creation must be adopted by the enterprises by considering the BOP segments as the real consumers and equally important joint problem solvers.

Eventhough income levels are considered as the main aspect of poverty, the research performed by Alkire & Santos 2010, which gives a multidimensional poverty index communicates that the factors affecting the BOP segments are non availability of basic amenities like toilets, flooring, housing or even water in a walkable distance. The index creates a lot of variations in countries where the basics are not granted by the government. The index proves categorically that the need of these amenities are so stronger than the income levels. The index also says that the poor segments are deprived of the access to the goods and services which defines the base of the pyramid. As the income of these segments is informal, they have very limited access to markets which blocks their purchases even if they long for it.



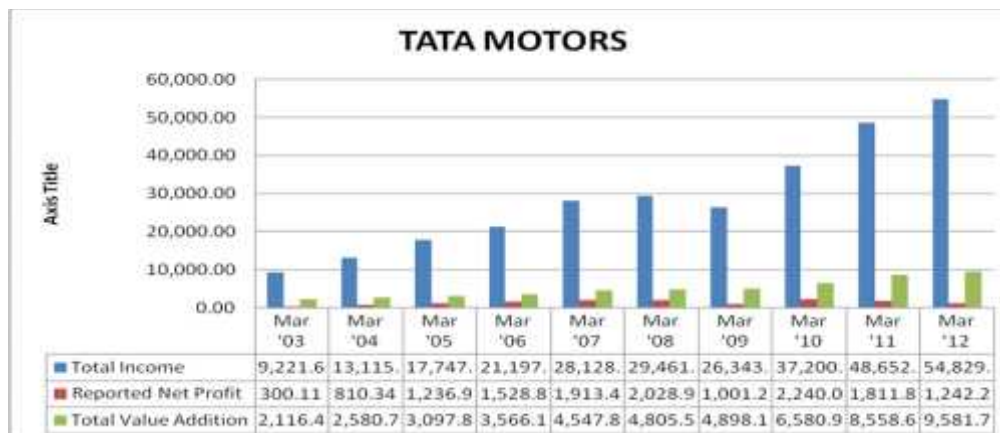
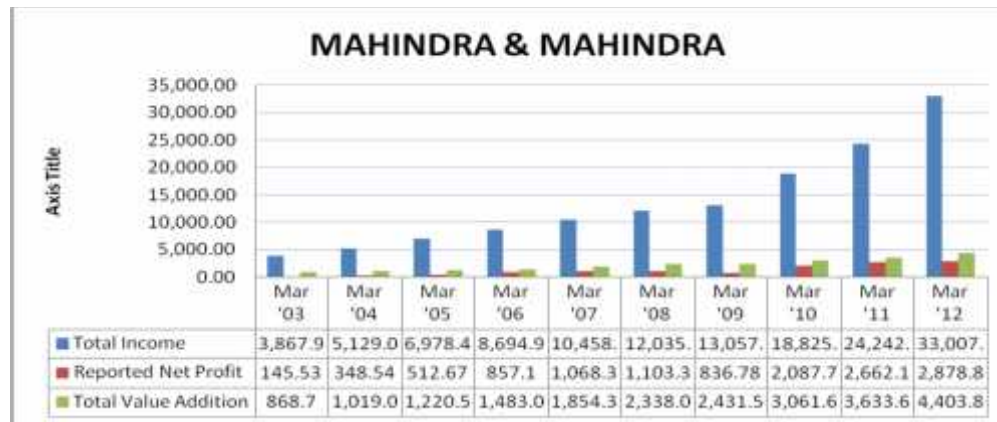
Analysis

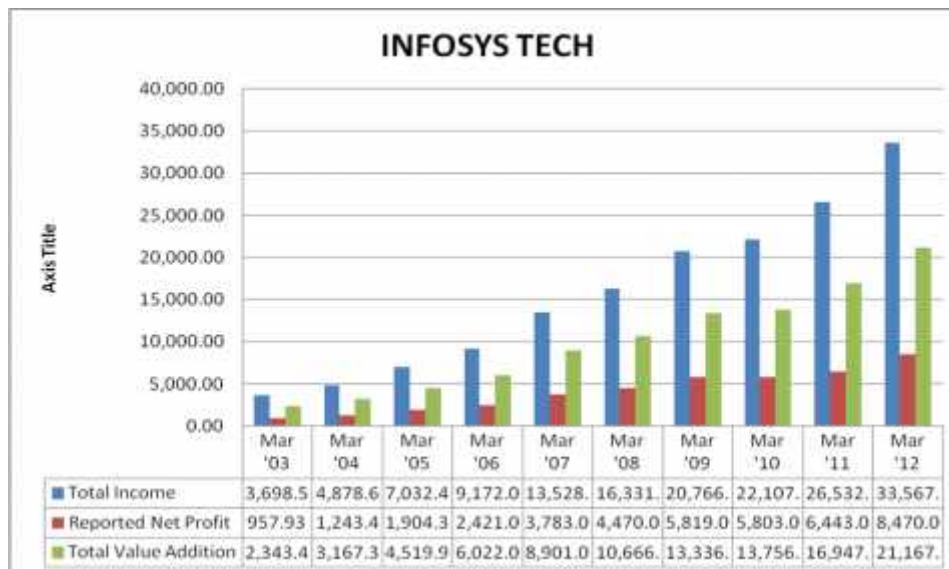
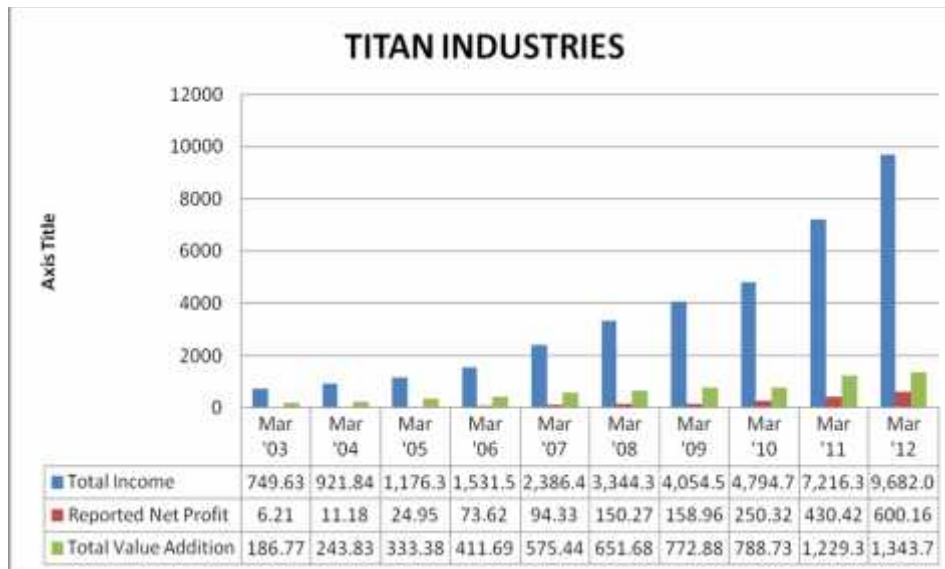
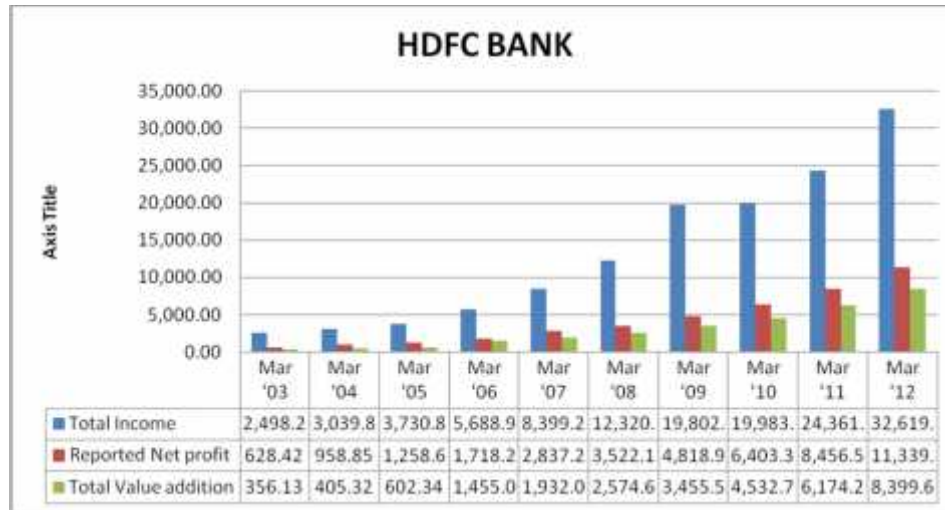
There are many organisations in India and other parts of the world which emphasises these bottom of the pyramid principle and made a very good impact in their financial performances, internal and external. The company's which have a very clear mission and vision to establish themselves sustainably have blended these CSR principles and reaped much benefits in terms of revenue, profits and market value. The following analysis of 9 different organisations with 4 out of 5 as their CSR ratings establishes the how financially they have grown over years. The performance of their share prices in the market for 5 years upto 2012 gives an indication of their performances. The CSR ratings were based upon their efforts in contributing into development of the bottom of the pyramid sections by extending their goods and services and consistent and constant CSR activities to lift the weaker sections in the society.

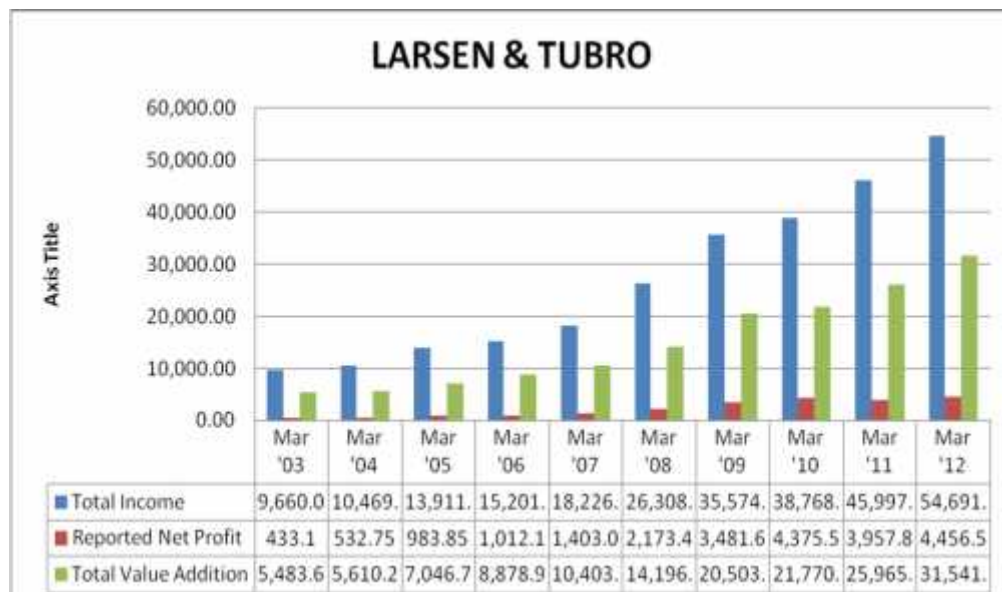
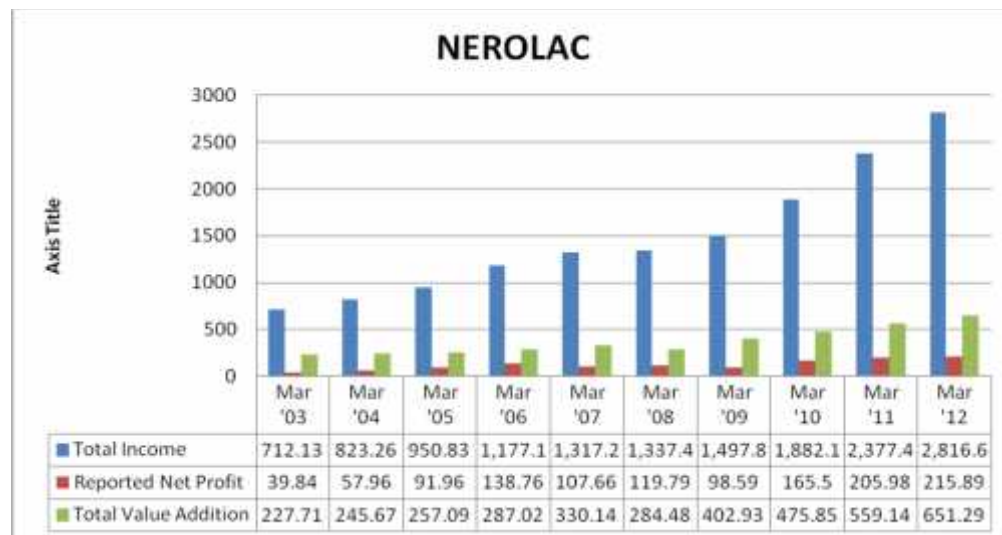
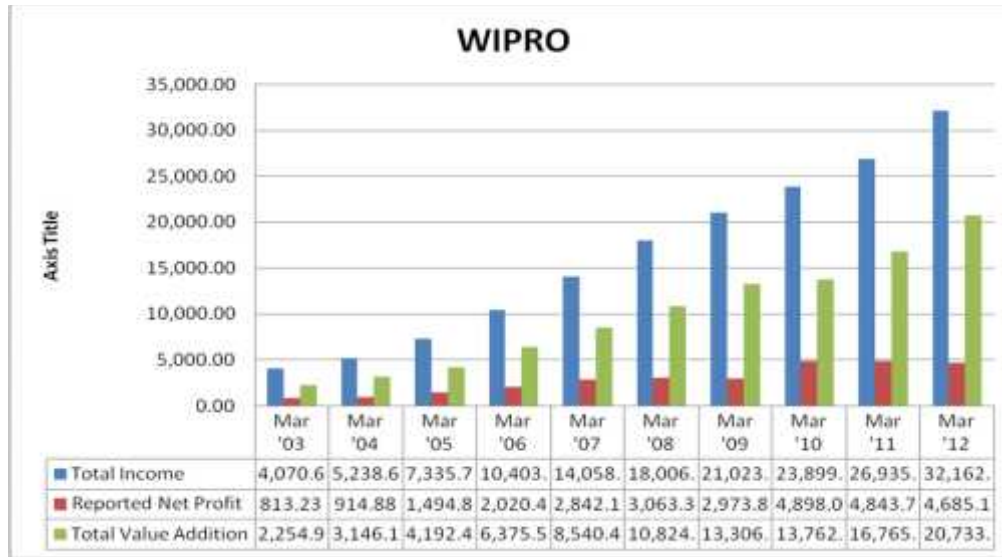
Share Market Price Performance - 5 Years Till 2012					
S. No	Company	CSR Ratings	Price Range (Rs)		Face Value (Rs)
			All Time Low	All Time High	
1	Mahindra &	4	121.4	967.95	5
2	TATA Motors	4	25.29	333.4	2
3	HDFC Bank	4	159.77	703.65	2
4	Titan Industries	4	35.14	311.75	1
5	Infosys Technology	4	1101	3475.85	5
6	WIPRO	4	12.58	491.4	2
7	Nerolac Paints	4	179.25	1152.7	10
8	Larsen & Tubro	4	561.79	2171.25	2
9	TATA Steel	4	148.65	922.25	10

Source: moneycontrol.com & Karmayog

The data of the reported income, net profit and total value additions made by the above organisations for 10 years upto 2012 also indicate that the growth is consistent and steady.









Inferences

- The CSR ratings of these organisations are high.
- The share prices and the performances in the market are very good for the last 5 years
- The total income, reported net profits and the total value addition for the above enterprises are showing an increasing trend for a period of 10 years upto 2012.

Conclusion

The business houses must come out with a model to enter into the Bottom of the pyramid market and to explore the same to take advantage and simultaneously lifting the standard of the living of these segments. While coming out with a model, it is to be ensured that a value is always created throughout the chain to result in a much affordable price for the poor by maintaining the quality. Organisational aspects, which refers to the internal readiness and the value chain aspects which describes the external readiness are two hard pressing elements to be considered by the business in this regard.

The strategy itself signifies the approach needed in the process of innovation and marketing in the BOP. The introduction of sachets of premium health drinks, shampoo, and other cosmetics by various companies are initiatives towards this move of marketing in BOP segments whereby simultaneous opportunities are exploited to serve the society as well as developing the market base and the corresponding economics through volume game. Considering the another extreme, the introduction of NANO car by TATA is another move towards accomplishing this objective of developing the BOP segments by extending the once termed luxury to this segment at a much affordable price. Over and above the organisations as specified above, companies like, Hewlett Packard, Hindustan Lever, Dupont, Dr Reddy's Labs etc have embraced this principle and are contributing towards alleviating the poverty simultaneously helping to improve their own bottom line.

Therefore, to summarise, CSR must be an obligation beyond any requirement of law to be pursued in the long run to achieve their goals by the enterprises. Whatever best suited to the society to be contributed by the organisations, extending their goods and services to all the segments by bridging a gap between price-quality and cost-quality trade offs. The business must be committed continuously to behave ethically and contribute towards economical development by improving the quality of life of the workforce, their families, the local community in which the business operates and the society at large.

References

1. The fortune at the bottom of the pyramid by C K Prahlad.
2. Kotler P & Roberto EL –“Social marketing. Strategies for changing public behavior“ -New York, Free Press - 1989
3. Andreasen Alan R. -” Ethics in Social Marketing “- Georgetown university Press – 2001.
4. Doppelt Bob – “Leading Change toward Sustainability, a Change-Management Guide for Business, Government and Civil Society”- Greenleaf Publishing - 2003.
5. Audited financial statements & annual reports for 10 years upto 2012 for the 9 business organisations.
6. Karmayog site.
7. Moneycontrol.com.