Concept and Practice of Strategic Corporate Social Responsibility: Special Reference to CSR in ITC Limited

Beena D Lawania
Amity International Business School (AIBS), Amity University, Noida, Uttar Pradesh, INDIA
Dr. Shikha Kapoor
Amity International Business School (AIBS), Amity University, Noida, Uttar Pradesh, INDIA

Abstract: Strategic corporate social responsibility is a promising concept wherein the CSR policy of the company is set in line with the vision, mission and philosophy of the company. Corporate social responsibility influences business economic performances & builds the societal capital thereby bringing coherence amongst the stakeholders. The synchronization of corporate social responsibility and business strategies and practices will lead to leveraging the value and potential of the company to achieve company’s competitive advantage and realize the transformational capacity of company towards the enhancement of societal & environmental capital.

This case study is to understand the importance of strategic corporate social responsibility to the company and creation of larger societal values. This case study throws light on the ITC Limited Company’s corporate social responsibility initiatives & identification & engagement of its stakeholders in the process of CSR. The approach adopted in this case study is first to understand the strategic CSR and its importance in seamless execution of CSR activities by involving the stakeholders & utilizing the company’s resources for maximum societal & environmental impact. This study is based upon extant literature on CSR and the annual CSR reports of various companies.

Keywords: strategic corporate social responsibility, societal capital, stakeholders

I. Introduction

Corporate social responsibility refers to the responsible business activity of the companies wherein they give back the share of profit to the stakeholders & environment by way of self-regulation of legal, environment, social & ethical compliance, which is built in the business model. Though some companies go beyond the compliance & engage themselves in social good & practice high ethical standards. Corporate Social Responsibility is a broad concept with no concrete and clear definition until today. Therefore every group has its own understanding of the concept.

There are different definitions propounded by different organizations. CSR is defined by the European Commission as "the responsibility of enterprises for their impacts on society” (2011). The Commission encourages that enterprises "should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders".

The World Business Council for Sustainable Development in its publication Making Good Business Sense by Lord Holme and Richard Watts used the following definition “Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (Holme, L & Watts, 1999).

In today’s times when corporate social responsibility has created much buzz in the corporates all across the world and there is gradual advancement from the philanthropy to the organised sustainable corporate social responsibility, the companies are still struggling to make a long-term investment in CSR and the sustainability. This becomes completely important for the companies to plan a robust stakeholder based CSR Policy. The important dimension of CSR is stakeholders, which focuses on how organizations interact with their employees, suppliers, customers and communities. ITC Limited is an exemplar in recognising its stakeholders and engaging them in the corporate social responsibility activities. CSR must be looked at strategically because corporate social responsibility has become standard operating procedure for the companies in today’s time. It is imperative for the companies to develop and execute a well-planned CSR strategy, communicate the same and derive a brand value out of it. Social capital may be defined as those resources which are attributed in social
relations which facilitate community action. Social capital resources include trust, norms, and networks of association representing any group which gathers consistently for a common objective.

II. Corporate India and CSR

In India the organisations have woken up to the need of well-crafted and executed interventions to bring positive changes in the society and expanding the opportunities for its stakeholders to be part of larger success and creation of sustainable societal and environmental capital. India has emerged as the world leader by legislating on corporate social responsibility, thus sending clear mandate to the corporate to act in the true spirit of creative management and style their business conduct on the basis of responsible corporate governance. The process of responsible corporate governance through CSR was enshrined into law when the companies Act 2013 was enacted by the Indian parliament .the bill was notified in the Gazette of India on 30th August 2013. Section 135 and schedule VII say that every company having net worth of Rs 500 crore or more or a net profit of Rs 5 crore or more during any financial year shall constitute a CSR committee of the Board consisting three or more directors. At least 2% of the average net profits of the company made during the three immediately preceding financial years shall be spent on pursuance of its corporate social responsibility. India is commencing on an impressive journey of corporate social responsibility whereby it opens a gleam of new hope and benchmarks.

III. Literature review

The literature offers various interpretations of the concept of corporate social responsibility. Carroll (1979) identified four different categories of CSR which are economic, ethical, legal and discretionary/philanthropic responsibilities. This definition has its enduring usage and application in the CSR researches. Moon (2002) also makes the point that CSR “is only one of several terms in currency designed to capture the practices and norms of new business-society relations. There are contending names, concepts or apppellations for corporate social responsibility”. (Moon, vol. 23 No. 2, 2002)

Michael E porter and Mark R Kramer (2006) in their article “Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility emphasizes the importance of strategic CSR “When looked at strategically, corporate social responsibility can become a source of tremendous social progress, as the business applies its considerable resources, expertise, and insights to activities that benefit society. The literature review is focussed on understanding the concept and the practice of strategic corporate social responsibility. Kellie McElhaney developed and gave an exhaustive definition of strategic CSR “A business strategy that is integrated with core business objectives and core competencies of the firm, and from the outset is designed to create business value and positive social change, and is embedded in day to day business culture and operations.”

Hopkins, 2003 CSR is concerned with treating the stakeholders of the firm ethically or in a responsible manner. ‘Ethically responsible’ means treating stakeholders in a manner deemed acceptable in civilised societies. Stakeholders exist both within a firm and outside. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for peoples both within and outside the corporation.

CSR resurfaced emphatically over the past ten years in response to rising public concern about globalization and environmental issues ,the world has woke up to the fact that earth was a precious legacy with limited resources that has to be handed down over generations.

Michael E porter and Mark R Kramer (2006) in their article “Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility recommended that strategic CSR is about a unique position-doing things differently from competitors in a way that lowers costs or better serves a particular set of customer needs. Strategic CSR brings forth the shared value by investing in social aspects of context that gives strength to the company competitiveness.”

IV. Strategic CSR and companies

**COCACOLA CSR ACTIVITIES TIED TO ITS CORE BUSINESS**

Coca Cola started project unnati which is a collaborative effort of coca cola and Jain irrigation to build a sustainable supply chain for coke’s mango beverage, Maaza. This project aims at giving financial support and has training modules on Ultra High Density Plantation. The CSR activities of the company have given an opportunity to have a backward linkage to a slew of its brands. Definitely if the brand stands for or promotes certain values whereby they can make difference in the lives of people/stakeholders, the CSR activities strengthen the perception in consumer’s mind.

The integration of CSR in the vision & mission of company gives sustainability and continual commitment to improve the society and community that the company is engaged to for its operation and production.

**MAHINDRA GROUP CSR ACTIVITIES BASED ON SHARED- VALUES CONCEPT**

Mahindra group has consciously brought sustainability intertwined in the values and culture of the company. For Mahindra it was the step by step journey from scattered philanthropy to strategic philanthropy to shared value concept. Shared value system refers to the system of intermeshed business and CSR strategies. In their
second sustainability report which has theme “Alternative thinking- the Mahindra Approach to Sustainability”, involves proactive alignment of our business operations to the exponentially rising social and environmental demands, and new economic opportunities. “The Mahindra Sustainability Council continues to institutionalise the principles of sustainability, reduce the ecological impacts of our operations and re-strategies businesses to achieve sustainable growth.”

Mahindra has a new philosophy for CSR, Rise for Good which is the underlying value in the business activity of the company, this entails standard sustainable activities like lowering of energy consumption, H2 Infinity, the water conservation program and the greenhouse gas reduction.

TATA CSR PROGRAM BASED ON BOTTOM UP APPROACH

The CSR in Tata is based on Jamshedji Tata’s dictum: a free enterprise, the community is not just another stakeholder in business, but is in fact the very purpose of its existence. Beyond doubt Tata has emerged as leader in giving community welfare services and gradually progressed from an early philanthropic organisation to organised sustainable CSR activities. It is reported that Tata conglomerate has the highest CSR spent this year to the tune of Rs 1, 000 crore.

V. ITC Limited and CSR

ITC Limited is a big multi-brand diversified business organization and its business encompasses fast moving consumer goods to hotels, paperboards and specialty papers and packaging, agri business and IT. ITC is one of India’s foremost multi-business enterprises with a market capitalization of US $ 45 billion and a turnover of US $ 7 billion. ITC is rated among the World’s Best Big Companies, Asia’s Fab 50 and the World’s Most Reputable Companies by Forbes magazine.

THE ITC VISION: Sustain ITC’s position as one of India’s most valuable corporations through world class performance, creating growing value for the Indian economy and the Company’s stakeholders

THE ITC MISSION: To enhance the wealth generating capability of the enterprise in a globalizing environment, delivering superior and sustainable stakeholder value.

ITC’s belief, in transformational capacity of the organization in building the sustainable societal capital and thus creating enduring value for the nation, has guided the spirit of corporate social responsibility. It is imperative that company has reaffirmed the importance of measurement of triple bottom line approach to assess the contribution of company in building economic, social and environmental capital towards societal sustainability.

CSR Policy

The CSR policy of ITC Limited is emphasizing on “To direct ITC's CSR Programmes, inter alia, towards achieving one or more of the following - enhancing environmental and natural capital; supporting rural development; promoting education; providing preventive healthcare, providing sanitation and drinking water; creating livelihoods for people, especially those from disadvantaged sections of society, in rural and urban India; preserving and promoting sports; to develop the required capability and self-reliance of beneficiaries at the grass roots, especially of women, in the belief that these are prerequisites for social and economic development; to carry out CSR Programmes in relevant local areas to fulfil commitments arising from requests by government/regulatory authorities and to earmark amounts of monies towards "Enterprise Social Responsibility (ESR)" activities and to spend such monies through ESR/CSR Cells of such administrative bodies of the government and/or directly by way of developmental works in the local areas around which the Company operates; and to promote sustainability in partnership with industry associations, like the Confederation of Indian Industry (CII) through the CII-ITC Centre of Excellence for Sustainable Development, in order to have a multiplier impact” (ITC Sustainability Report, 2014)

The company has taken many CSR initiatives and it has been greatly appreciated and acknowledged. The CSR thrust has been on the engagement of key stakeholders in CSR process and therefore ITC has adopted structured approach to building partnerships in sustainable business practices. ITC has endeavoured to forge an enduring and long sustainable relationship with its key stakeholders such as shareholders, farmers, customers, suppliers, employees, local communities, regulatory bodies, media etc. ITC has institutionalised the existing relationships with stakeholders through established procedure whereby the key stakeholders are identified and consulted.

The steps in the process of stakeholder engagement are as follows:

a) Identification of key stakeholders
b) Consultation with the key stakeholders
c) Identification and prioritisation of concerns and needs
d) Addressing the prioritised concerns and needs in a consistent and transparent manner.

Stakeholders’ identification is based upon the various attributes of stakeholders such as dependency (direct or indirect dependency on organization or vice versa for example service providers, suppliers, local communities), responsibility (organisation has legal, commercial, operation or ethical responsibilities), immediacy (certain issues identified as urgent on the basis of organisational need to give attention to economic, social or environmental issues) and influence (groups and individuals who can influence organisation’s or a stakeholders
strategic or operational decision making, eg. financial capital providers and government and regulatory authorities.

**ITC AND ITS STAKEHOLDERS ENGAGEMENT**

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Key concerns, needs, expectations of stakeholders</th>
<th>ITC’s response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. SUPPLY CHAIN PARTNERS</td>
<td></td>
<td>a) Policies and best practices to support conduction of procurement activities in an open, transparent and non-discriminatory way.</td>
</tr>
<tr>
<td>a) Manufacturers ‘meet</td>
<td>a) Knowledge support</td>
<td></td>
</tr>
<tr>
<td>b) Vendor’s meet</td>
<td>b) Infrastructure support</td>
<td></td>
</tr>
<tr>
<td>2. FARMERS</td>
<td></td>
<td>a) Co-creation of the e-choupal with farmers to furnish information and agriculture know-how.</td>
</tr>
<tr>
<td>a) e-choupal</td>
<td></td>
<td>b) Communication of market realities and signals, price movement, timely weather updates, access to quality inputs and efficient market reach.</td>
</tr>
<tr>
<td>b) choupal pradarshan khets</td>
<td></td>
<td>c) Development of physical infrastructure in the form of integrated rural services hubs.</td>
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<tr>
<td>c) Regular formal and informal talks with farmers</td>
<td></td>
<td>d) Continuous engagement with policy makers for formulation of pragmatic policy that facilitates the establishment of market based institutions that improve agricultural productivity and optimise transaction costs across the value chain.</td>
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<tr>
<td>Inputs on agriculture best practices, know-how on improvement of productivity and profitability and capacity development for further investment</td>
<td></td>
<td>e) Integrated watershed management initiative to ensure water security.</td>
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<td></td>
<td></td>
<td>f) Farm Forestry Programmes whereby small and marginal farmers are mobilised to form associations to avail the interest free long term loan and a package of extension services like silvicultural training, land development, plantation and documentation management.</td>
</tr>
</tbody>
</table>

Table 1: Stakeholders’ Engagement, Sustainability report 2014 ITC LIMITED

ITC’s CSR initiatives is essentially inspired by a vision to sub serve a larger national purpose and its commitment to most disadvantaged sections of society especially in rural India through economic empowerment based on grassroots capacity building.

The company has identified important stakeholders in the social sector which are as follows:

a) Rural communities: ITC has developed a long and crucial partnership in agri-businesses through crop development activities and the world acclaimed rural digital infrastructure network e-choupal.

b) Communities in close proximity: Development of social infrastructure like education and health.

The notable CSR activities of ITC Limited in different sectors of society can be summed up in table below.

<table>
<thead>
<tr>
<th>Sectors of society</th>
<th>CSR Activities</th>
</tr>
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<tbody>
<tr>
<td>Women empowerment</td>
<td>1. Women’s Micro Enterprises, 2. Sustainable Livelihoods for Women. 3. 40,000 women members 4. 1183 self - help groups</td>
</tr>
<tr>
<td>Watershed development/rural development</td>
<td>1. 56,951 hectares brought under soil and moisture conservation 2. Rural Development ,Sanitation 3. Health Infrastructure, HealthCare and medical aid</td>
</tr>
<tr>
<td>Primary education/vocational skills/livelihood enhancement Programmes</td>
<td>3,00,000 children covered through 2,334 Supplementary Learning Centers Vocational training and skill enhancement</td>
</tr>
<tr>
<td>E-choupal</td>
<td>Agri-extension services 4 million farmers empowered, 6,500 e – Choupal installed</td>
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TABLE 2: Sector wise CSR activities of ITC Limited (ITC Sustainability Report , 2014)
THE COMPANY’S CSR SPENDS OVER THE LAST THREE YEARS AS FOLLOWS

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
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<tbody>
<tr>
<td>Corporate Social Responsibility spends</td>
<td>58</td>
<td>78</td>
<td>107</td>
</tr>
<tr>
<td>Average net profits (as specified under Companies Act 2013) for three immediately preceding financial years</td>
<td>6003</td>
<td>7320</td>
<td>8847</td>
</tr>
<tr>
<td>CSR expenditures as a % of Average Net Profits (as defined by Companies Act, 2013)</td>
<td>0.96%</td>
<td>1.06%</td>
<td>1.20%</td>
</tr>
</tbody>
</table>

Table: Expenditure on CSR activities for last 3 years (ITC Sustainability Report, 2014)

CSR expenditure will include expenditure, whether direct and indirect, borne by the Company on CSR Programmes under the aegis of approved CSR Plan. Besides, any surplus arising from the CSR Programmes, if any, shall be used for CSR. Accordingly, any income coming from CSR Programmes will be netted off from the CSR expenditure and such net amount will be reported as CSR expenditure.

ITC is an exemplar in Triple Bottom Line approach and believes in measuring the performance of enterprise in terms of value that is created for society. Sustainability is an approach of creating substantial stakeholder value through innovative development models and generating sustainable livelihood opportunities and ensuring positive environmental footprint.

The company has aimed at positive engagement of its stakeholders’ communities to conserve, promote and manage their social and environmental capital in order to ensure sustainable livelihoods and employability. ITC Company has named its CSR programme as Mission Sunehra Kal which focuses on improving the condition of stakeholders economically by building the grassroots capacity. ITC has many programmes which are envisioned to strategically supplement the national goals of sustainable development, inclusive growth, poverty eradication and environment regeneration.

VI. Conclusion

This paper investigated the concept and practices of strategic corporate social responsibility and its impact on society and environment. This paper discussed the importance of identification and engagement of stakeholders in the corporate social responsibility process to impact society and organization positively in symbiotic and sustainable relationship taking special reference from ITC Company. In preparing case study on ITC limited, it is found that the company firmly believes in transformational capacity of the company to bring upon the changes in society by leveraging the institutional strength in the form of knowledge and technology to its stakeholders and giving fair opportunities for economic empowerment. It is imperative for a company to understand and practice the CSR as value enmeshed in business model and strategize for socially and environmentally sound business practices.

VII. References

[1] CSR INDIA ready reckoner comprehensive guidelines for CSR activities by Centre for Institutional Partnership & Corporate Communications.