**Strategic Corporate Social Responsibility: A Perspective from India and China**

Mona Sinha, Shiva Nandan and Monica Nandan

Emerging markets, led by behemoths like China and India, present great opportunities as well as great challenges for multinational corporations (MNCs). As market saturation and maturing populations compelled firms to step out of the developed world to explore global prospects, many floundered in their attempt to replicate their business models in these uncharted territories. With rising income and awareness levels emerging markets are expected to grow to nearly USD 30 trillion by 2025 (Atsmon, Child, Dobbs, & Narsimhan, 2012). Consumers continue to swell the ranks of the middle class and the wealthy are getting wealthier.

Yet a majority of the population across the globe remains at subsistence levels. In emerging markets MNCs have to cater to such consumers with limited resources—in an unfamiliar cultural and social context—where inadequate infrastructure and resource shortages constrain their operations and business strategies. MNCs have to face challenges such as poverty, illiteracy, absence of employment skills, severed distribution chains, and inadequate infrastructure (e.g., water, electricity and roads). Often, they have to create human capital by training, educating, providing health care, improving living conditions and providing livelihood opportunities. Land acquisition has to be managed sensitively by balancing regulatory and societal needs. Capital has to be arranged to encourage entrepreneurship, build vendor networks or even set up distribution infrastructure. Navigating the regulatory and political landscape also adds to the uncertainty and costs (Sheth, 2011).

Thus, paradoxically, the developing world offers large potential markets and resources to MNCs but may necessitate corporate social responsibility (CSR) initiatives not just for operational success but even for existence. MNCs require great agility, flexibility, creativity and resource-intensive investments for designing and bringing to market products that cater to diverse income levels and developmental landscapes. Originally aimed primarily at social and environmental issues, CSR now is a firm's practice, commitment and resource investment in improving communities (Kotler & Lee, 2004). It is being equated, more holistically, with the triple bottom line – people, profits and planet. This philosophy is rooted in the idea that by serving communities and/or the environment companies' move away from a narrow philanthropic platform to a broader corporate citizenship one, and this enhances both profitability and corporate reputation in the long run (Sheth & Sinha, 2015). Thus, CSR in its ultimate form embraces the potential of 'doing well by doing good' (Sisodia, Wolfe, & Sheth, 2007).

The United Nation's Global Compact program has 8,368 companies from 161 countries voluntarily implementing corporate sustainability initiatives which aligns their strategies and operations with societal goals focused on issues like human rights, labor, environment and anti-corruption. Participating companies adopt and practice five sustainability elements: principled business, strengthening society, leadership commitment, reporting progress and local action, and engaging multiple private and public stakeholders – business, civil society, government and the UN (The Global Compact, 2013). This trend is growing with greater number of MNCs adopting some form of social and environmental reporting (Arya & Salk, 2006) and the idea of having one combined report for both financial and sustainability reporting is also gaining ground (Eccles & Krzus, 2010). When companies such as those participating in the Global Compact and/or those that are ranked highly on the list of world's most sustainable companies, as declared by agencies such as Corporate Knights, Forbes, Newsweek etc., enter emerging markets they may be more likely to leverage their prior CSR expertise by bringing their practices to bear in these markets.

Many global brands and successful MNCs in India and China increasingly incorporate "strategic CSR" as part of their branding strategy and offer solutions that cater not only to the end-user but to a multiplicity of stake-holders including community members. Traditionally, CSR has been characterized by a number of stages (Caroll, 1999, Googins, Mirvis, & Rochlin, 2007, Zadek, 2004). Inherent in all these typologies is the notion that companies engage in CSR activities due to a variety of reasons and motivations. At one end of the continuum many firms may carry out CSR in a haphazard and piecemeal fashion – they may be altruistically inclined and may be active in charitable causes. Other organizations may be motivated by legal and regulatory compliance considerations, wherein they are mandated to contribute a portion of their profits to societal development projects. Another motivation for companies is that in order to be successful they need to be engaged with the government, community members and other relevant audiences. This tacit approval and support from various stakeholders serves as a "license to operate" and provides justification for CSR. Finally, at the other end of the continuum CSR activities can be strategic in nature where a company can address specific social or environmental issues in ways that fit strategically with its long-term vision, core competencies, intellectual property and other resources.

As mentioned earlier, the challenges of doing business in economies such as India and China are diverse as well as daunting. Global brands and MNCs including Apple, McDonald's, Nike, Coke and Google have encountered resistance relating to product acceptance, negative perceptions with regard to cultural influences, degradation of the environment and adverse impact on local products. This coupled with increased competitive pressures from other global brands (e.g., Pepsi, Microsoft) as well as national players (e.g., Tata Industries, Lenovo) who are communicating with the same set of stakeholders (consumers, government, community members, suppliers, etc.) in increasingly vocal and aggressive tones leads to a cacophony of voices that do not reach the desired audience – worse it can contribute to increased confusion and conflict.

In order to be competitive on a long-term basis, MNCs have to differentiate themselves by incorporating the triple bottom line perspective (as stated in the beginning of this narrative). Consciousness of the socio-environmental consequences of a firm's actions necessarily entails incorporating "strategic CSR" as part of the branding strategy. More importantly, a firm has to have a clear vision regarding what it stands for and what are its core brand values (CBV). The core values summarize the corporate brand identity and are fundamental principles around which all the activities of the company are based (Urde, 2003). Many successful companies such as Starbucks, Ben and Jerry's and Ikea design activities around their core values (Nandan & Nandan, 2014). The core values of a corporate brand form the basis of a company's business strategy (Louro & Cunha, 2001). Ideally, consistency between the Core Brand Values (CBVs) espoused by the company and its CSR activities is desirable. This is a strategic imperative and the essence of Strategic CSR. A Global Brand will be able to differentiate itself from competition and find enhanced acceptability if it can communicate the congruence of CBV and CSR to different audiences.

Take for example, Unilever Corporation's philosophical foundations that aims to make a positive social and environmental impact not as an act of charity but as a good business model (Economist, 2014). Unilever believes in transformational change by changing entire systems, not merely incremental improvements. Its' many initiatives include objectives such as empowering women, eradicating poverty and accelerate global development. One of its priorities is to provide universal access to safe drinking water, sanitation and hygiene. Its three leading brands—Lifebuoy, Pureit and Domestos--are making a difference in these three areas. Since 2010, Lifebouy's hand washing program has reached 257 million people, and Unilever is participating in a Global Public-Private Partnership for Handwashing with Soap (PPPHW) which aims to give families, schools and communities in developing countries the power to prevent diarrhea and respiratory diseases by supporting the practice of proper handwashing. Similarly, Unilever is working closely with UNICEF to ensure the availability of local resources and services to build affordable household toilets and modify sanitation habits in developing countries. Unilever partnered with WaterAid to provide over 140,000 people with access to water, sanitation and hygiene in Bangladesh. Additionally, through the Water and Sanitation for the Urban Poor (WSUP) multi-sector partnership, Unilever is providing sustainable water and sanitation services, promoting hygiene, and raising the health standards in these communities (Unilever, 2015). In India, Hindustan Unilever (HUL) launched Pureit water purifiers after several years of R&D investment. This new product launch originated in a critical consumer need and the United Nations' Millennium Development Goals, and it spurred an entirely new line of business (small appliances) for which HUL had to build new external competencies such as in distribution, as well as bring about changes in internal mind-set (Rangan & Sinha, 2012). Pureit has expanded to several countries such as Bangladesh, Brazil, Indonesia, Mexico, Nigeria and Sri Lanka (Shashidhar, 2013).

Apart from new product development, Unilever's sustainability philosophy also reflects in its' production and processes. Unilever China has partnered with industry and government in the China Sustainable Palm Oil Supply Chain Forum, aiming to achieve 100 percent certified sustainable palm oil by 2020 (Environmental Leader, 2013). In addition, its' zero waste goal has resulted in more than 240 factories in 67 countries eliminating landfill waste. Anything remaining is creatively used as well. For example, its' largest factory in Hefei, China, uses its' waste in the manufacture of bricks and paving (Sustainable Brands, 2015). Unilever China has also partnered with the All-China Women's Federation and set up a program in ten regions to care for children left behind by migrant workers. By educating the parents, attempting to create a connection via parent-child telephone cards and weekly letters, and other such initiatives, Unilever tries to make a positive social impact much needed by 58 million children …30 percent of the total children in rural China (China CSR, 2009).

In conclusion, there is still a huge potential for MNCs to expand and thrive in developing markets such as India and China in spite of the myriad challenges (infra-structural, political, cultural and economic) of conducting business in these countries. In order to gain greater acceptability, MNCs have to take into consideration the needs of a multiplicity of stakeholders and not just those of consumers and investors. Thus, in addition to focusing on their own bottom line, companies have to contribute to the socio-economic and environmental well-being of local communities and markets. Admittedly, this is not an easy task as competing stakeholders may have conflicting interests. We propose that multinationals should consider using a "Strategic CSR" approach that ensures congruency between the values espoused by the company's brand and its CSR activities. We used Unilever's CSR activities in India and China to illustrate how a global brand can play an important role in enhancing the quality of life of local communities while at the same time conducting its business operations profitably. The future is indeed bright for companies that are willing to travel this path.

**References**

Arya, B., & Salk, J. E. (2006). Cross-sector alliance learning and effectivness of voluntary codes of corporate social responsibility. *Business Ethics Quarterly, 16*(2), 211-234.

Atsmon, Y., Child, P., Dobbs, R., & Narsimhan, L. (2012, August). *Winning the $30 trillion decathlon: Going for Gold in Emerging Markets.* Retrieved from McKinsey Quarterly.

Caroll, A. B. (1999). Corporate social responsibility: Evolution of a definitional construct. *Business & Society, 38*(3), 268-295.

China CSR. (2009, June 4). *Unilever And ACWF Care For Migrant's Children In Rural China*. Retrieved from China CSR: http://www.chinacsr.com/en/2009/06/04/5361-unilever-and-acwf-care-for-lmigrants-children-in-rural-china/

Eccles, R. G., & Krzus, M. P. (2010). *One Report: Integrated Reporting for a Sustainable Strategy.* Wiley.

Economist. (2014, August 9). *Unilever: In Search of the Good Business*. Retrieved from Economist: http://www.economist.com/node/21611103/print

Environmental Leader. (2013, April 5). *Unilever Sustainably Sourcing 36% of Agricultural Raw Materials*. Retrieved from Environmental Leader: http://www.environmentalleader.com/2013/04/05/unilever-sustainably-sourcing-36-of-agricultural-raw-materials/

Googins, B. K., Mirvis, P. H., & Rochlin, S. A. (2007). *Beyond Good Company: Next generation Corporate Citizenship.* New York: Palgrave MacMillan.

Kotler, P., & Lee, N. (2004). *Corporate Social Responsibility: Doing The Most Good For Your Company And Your Cause.* Wiley.

Louro, M. J., & Cunha, V. P. (2001). Brand Management Paradigms. *Journal of Marketing Management, 17*(7-8), 849-875.

Nandan, S., & Nandan, M. (2014). Aligning Core Brand Values (CBV) and Corporate Social Responsibility (CSR) to Enhance Corporate Brand Equity (CBE). *Indian Journal of Marketing, 44*(8), 21-31.

Rangan, K., & Sinha, M. (2012). Hindustan Unilever's 'Pureit' Water Purifier (Case # 9-812-020). Harvard Business School Case Study.

Shashidhar, A. (2013, July 7). *HUL: A Clear Solution*. Retrieved from Business Today: http://www.businesstoday.in/magazine/special/innovation-hul-pureit-water-filters/story/195888.html

Sheth, J. N. (2011). Impact of Emerging Markets on Marketing: Rethinking Existing Perspectives and Practices. *Journal of Marketing, 75*(July), 166-182.

Sheth, J. N., & Sinha, M. (2015). B2B Branding in Emerging Markets: A Sustainability Perspective. *Industrial Marketing Management*, October (Forthcoming).

Sisodia, R. S., Wolfe, D. B., & Sheth, J. N. (2007). *Firms of Endearment: How World-Class Companies Profit from Passion and Purpose*. FT Press.

Sustainable Brands. (2015, January 30). *Unilever Achieves Zero Waste to Landfill Across Global Factory Network, Creating €200M in Savings, Hundreds of Jobs*. Retrieved from Sustainable Brands: http://www.sustainablebrands.com/news_and_views/next_economy/sustainable_brands/unilever_achieves_zero_waste_landfill_across_global_f

The Global Compact. (2013). *United Nations Global Compact Strategy 2014-2016.* United Nations. Retrieved from http://www.unglobalcompact.org/docs/about_the_gc/UNGlobalCompactStrategy2014-2016.pdf

Unilever. (2015, September 26). *Achieving Universal Access to water, Sanitation and Hygiene*. Retrieved 2015, from Unilever: https://www.unilever.com/sustainable-living/transformational-change/achieving-universal-access-to-water-sanitation-and-hygiene/

Urde, M. (2003). Brand Management Paradigms. *Journal of Marketing Management, 37*(7/8), 1017-1040.

Zadek, S. (2004). The Path to Corporate Responsibility. *Harvard Business Review, 82*(12), 125-132.