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Table of Content

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Corporate Social Responsibility and Social Entrepreneurship:
A Case Study from India

Dr. Mehul Chauhan
Executive Director
Gramodyog Sansthan Mandala - 481661
Madhya Pradesh, India

Satyendra C. Pandey, Assistant Professor
Institute of Rural Management Anand (IRMA) – 388001 India
Satyendra@irma.ac.in

Abstract

Distinctions are usually drawn between social entrepreneurship and corporate social responsibility based upon the implications, the impact and stimulus required. Limited empirical evidences are there in the existing literature to suggest any connect between social entrepreneurship and corporate social responsibility. This article points out the efforts of development and encouragement of social entrepreneurship as a CSR activity by Mahan Coal Ltd, a joint venture of London-listed Essar Energy and Aditya Birla Group flagship Hindalco Industries. The study field is concentrated around Mahan coal block, located in Singrauli district of

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Madhya Pradesh in India. Implications are drawn based upon the success observed in the initiative and future directions and explored.

1. INTRODUCTION

"In contrast to [Milton] Friedman, I do not believe maximizing profits for the investors is the only acceptable justification for all corporate actions. The investors are not the only people who matter. Corporations can exist for purposes other than simply maximizing profits." — John Mackey, Founder and President of Whole Foods (Reason, 2005).

Over past two decades Corporate Social Responsibility (CSR) has gained considerable importance for businesses all over the world. The concept is of paramount significance for any company or organization as a prerequisite for brand value and business growth. More so, CSR is also relevant when it comes to tackling with unforeseen and unexpected situations, where society may question the social responsibility of a business and thereby challenging the corporate reputation (Sacconi, 2004).

Consequently, relevance of CSR can be seen in two ways for businesses. First, a main challenge for businesses is to establish connect with society in a way that the positive public image of the company is built, maintained and enforced. Companies, more often have a track record when it comes to CSR and a perception is build around that by the internal and external stakeholders. Since a firm is dependent upon its stakeholders both internal and external stakeholders, building a

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good track record is very important. Every activity and action of the company should be directed at this objective which can be labeled as CSR enforcement. Second, whereas enforcing the image through visible and significant work is important and a long term activity, CSR reputation of the company can be severely affected by sudden critical events. For handling these kind of incidents companies need to have a recovery mechanism. Recovery mechanism should make an attempt to handle any kind of untoward incident that may arise out of normal operations of the company. Also its role would be ensure that CSR activities have a positive impact on the society in which it is operating.

Hence, a company needs to strike a balance between CSR enforcement and CSR recovery to handle peaceful as well as adversarial situations. These two can be skillfully balanced if a company takes into consideration needs and wants of the society in which it is operating. Social involvement can be one such integrative function involving practices that can help on establishment of positive relations with the society (Waddock, 2004). This positive relation with the society can be achieved in several ways. One such way can be encouraging social entrepreneurship in order to create healthy and favorable livelihood for the community. Companies can help significantly in building these social organizations through partnerships. Social entrepreneurship can prove to be a very promising instrument for addressing social needs; it calls for added support in the form of formation, guidance, policy and sustenance (Peredo and McLean, 2006). The aim of this paper is to explore the link between corporate social responsibility and social entrepreneurship. The specific research question that this paper is trying

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to address is how a corporate can deliver on its corporate social responsibility by making interventions which facilitates social entrepreneurship. The interface between Social entrepreneurship and CSR can be very compelling and innovative, with the potential of changing society. This can also lead to new forms of collaborative value creation in support of sustainable development. The remaining sections of this paper are organized as follows: Section 2 presents the theoretical basis in the form of review of related strands of literature on CSR and SE. Section 3, attempts to establish a link between CSR and SE on the basis of extant literature. Developing on the theoretical underpinnings and link established in the previous section, Section 4 presents a case study of a successful social entrepreneurship corporate initiative by Mahan Coal Ltd. This is followed by a discussion of the role of CSR in SE and identifying a suitable mechanism of championing such initiatives. The paper concludes with implications and recommendations.

2. THEORITICAL FOUNDATIONS – A REVIEW OF THE LITERATURE

This section presents a theoretical background of the main concepts that are objects of the study. First subsection deals with the literature on Corporate Social Responsibility while the second with Social Entrepreneurship.

2.1 Corporate Social Responsibility

The entire debate and discipline of corporate social responsibility has seen its birth from an opposing paradigm of the one proposed by Friedman where he argues that

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businesses need to maximize profit and social development is the responsibility of governments and not business (Friedman, 1970). The other thought is based on morality, legitimacy and a greater good for the society this view presses for a wider role of business in society (Goodpaster, 1991; Jones, 1999; Wood, 1991).
Across the globe Corporate Social Responsibility (CSR) has become an important strategic policy for organizations. Though coined few decades back it has gained serious traction in the 21st century. Definitional issues of corporate social responsibility are wide ranging and a subject of deliberation right from the inception of concept in the management vocabulary. Academicians have tried to define the term in a comprehensive manner, however with little success. First definition of Corporate Social Responsibility was proposed by Bowen (1953) he defined it as ''the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.''

The concept primarily originated from two sources, One; CSR from an ethical point of view and other as part of sustainable development programs promoted by the United Nation (United Nations, 1992). The idea that businesses should take responsibility other than performing its duties of value creation in terms of economic gains came into existence as early as 1950 (Carroll, 1999). Since then activities of ''corporate social responsibility'' (CSR) have grown considerably in two respects. First, the aim of responsiveness to the target group has widened with the inclusion of employees, suppliers, dealers, local communities, and even nations. Second, the content of CSR has expanded. CSR which was once content to

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narrow concerns of corporate are now touching the broad and complex issues such as unemployment, pollution, urban decay, poverty, and community welfare and enterprise development. CSR today is a concept that captures wide range of problems and concerns that corporate wants to address in their environment (Holmqvist, 2009). Vogel (2005, p.2) defines CSR as “practices that improve the workplace and benefit society in ways that go above and beyond what companies are legally required to do”. He further that CSR “enables citizens to both express their values and possibly influence corporate practices, by ‘voting’ their preferences through what they purchase, whom they are willing to work for, and where they invest” Vogel (2005, p.3-4).

2.2 Social Entrepreneurship

In the world around a number of new and innovative initiatives are defying the obstacles that have prevented businesses from providing services to the poor. These initiatives are collectively flagged as a phenomenon called “social entrepreneurship”. Social entrepreneurship presents inspired models of value creation combined with social good. Martin and Osberg (2007) note that the word entrepreneurship is a mixed blessing because on one hand it connotes a special innate ability to sense and act on an opportunity and the other hand entrepreneurship is an *ex post* term because entrepreneurial activities require a passage of time before their true impact is evident.

Importance of entrepreneurship for economic boost, value creation, providing employment, establishing external linkages and collaborations are widely

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discussed in the scholarly work. Much has been said and written about entrepreneurship, mainly as a driver of economic and capitalistic activity (Thompson, Alvy, & Lees, 2000). But need for social value creation and social regeneration sparked the interest of researchers, agencies and corporate into social entrepreneurship. These social enterprises against the common notion can be for profit, cross-section or hybrid in nature. Just like non-for profit social entrepreneurship, the for-profit social entrepreneurship can also a wide geographic scope from community to regional, to national and international (Marshall, 2011). A closer look suggests that, interest in social enterprises and social entrepreneurship has been growing among the practitioners and scholarly work now for past few decades to address the needs of the society. Discussions on the topic have attracted attention from a variety of participants and have proceeded in different directions. Social entrepreneurship in its essence captures two distinct yet important virtues: creating social value and creating economic value (Austin, Stevenson, & Wei-Skillern, 2006). Thus, social entrepreneurship is a field that aims at solving social problems in a sustainable manner.

In the terminology, 'social' refer to their aim of generating non-economic outcomes, and 'enterprise' is manifest in their financial structure (they aim to be self-financing and independent and not reliant on donations and philanthropy), and their innovation in trading goods and services to bring new responses to unmet needs, and/or contracting to supply services on behalf of the state (Haugh, 2005). In their findings Mair, Battilana and Cardenas (2012) reported that Social

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Entrepreneurial Organizations (SEOs) mostly focus on four activities which are training, networking, educating, counseling and lending.

3. CONNECTING THE DOTS: CORPORATE SOCIAL RESPONSIBILITY AND SOCIAL ENTREPRENEURSHIP

Conventional human wisdom may provoke us to resign ourselves to the innumerable social problems world is facing today. The scale, scope and complexity of social problems like abject poverty, inaccessibility to health facilities and education, etc. seem too challenging, however inspired social entrepreneurship have shown us the path of taking up these challenges. Basing their design on social needs and local support social enterprises are capable of overcoming many such social problems. While social entrepreneurship appears to have a primary objective of social value creation rather than economic value creation, it needs external help and support to launch itself and monitoring and mentoring as in case of any other start up. This is where for profit enterprises and corporate can extend a real help under their socially responsible behavior.

The interface between SE and CSR efforts can offer a new and innovative form of collaborative value creation in support of sustainable development (Seelos & Mair, 2005). Linking SE and CSR efforts can be very promising in terms of impact on achieving goal which can benefit society at large. Scholarly literature has proposed a collaboration wherein implementation of CSR efforts may be facilitated through collaboration with local forms of social entrepreneurship. This would not only lead to credibility for the work but will also lead to effectiveness through a deeper reach out. By engaging and developing local social entrepreneurship the company may

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engage in certain types of projects that match specific, relevant needs to corporate resources and also meet the requirements of the communities. Hart and Christensen (2002) in their work highlighted how some companies have started to tap into the market of social needs. Support from corporate not only supplies necessary funding required to start an enterprise but also supplies the necessary pool of corporate knowledge, managerial skills and capabilities to successfully run a venture. This type of synergistic relationship between the social entrepreneurs and corporations would use CSR budget to invest in markets which are unexplored and less established by turning people with basic needs into customers and subsequently winning trust in all its operations (Seelos & Mair, 2005). Social entrepreneurs may be good at organizing things at small scale but as the scale goes up and market expands it becomes difficult for small entrepreneurs and entrepreneurial groups to manage things. This is where corporate can contribute immensely to manage the scale and scope of operations.

4. FRUITS OF A DISTINCTIVE EFFORT - NURTURING SOCIAL ENTREPRENEURSHIP: CASE OF MAHAN COAL LIMITED

In this section, case example of Mahan Coal Limited sets the stage for an attempt to provide a perspective on the field.

4.1 Mahan Coal Limited: Company Overview

Mahan Coal Limited is a natural resources development company headquartered in Singrauli district of Madhya Pradesh in India. Company is a joint venture of London-listed Essar Energy and Aditya Birla Group flagship Hindalco Industries. Following its incorporation, Mahan Coal Limited obtained various mandatory

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permissions, approvals and pre-mining clearances thereafter as per the extant law. Five principle values are the drivers for all the decisions and organizational actions which are profiting the entire stakeholder value-chain, inclusive development, ecological responsibility, social conscientiousness and operational efficiency. Social conscientiousness as value acts a driver for corporate social responsibility of the company.

4.2 Social entrepreneurship and capacity building initiatives

Since its incorporation company has been putting in sincere efforts to give back to the community. As mentioned in the Environment Clearance, there are only three villages – Ameliya, Budher and Suggo – with a total population of about 5,000 which will be affected only partially by the project are given maximum attention and support. Since the project is not displacing this population the major effort is towards the capacity building and developing entrepreneurial skills. A very important and thoughtful women centric program has been launched by the company to ensure livelihood of women in the community. Mahan Mahila Stitching Centre started with the aim to impart basic skills of sewing and stitching over a period of four months. The women trained under this program are now able to earn around 300 rupees per day while previously they were not even able to venture out of their homes to pursue any kind of employment. A simple skill has now redefined the social skills of these trained women who can contribute to the family income and make savings for the difficult times. Another plan of empowerment is in the direction of setting up a sanitary napkin manufacturing unit which will be fully operated and managed by the women in these villages. Women are being trained on such skills and also awareness is spread for adopting hygienic practices. These sanitary napkins will be sold at a subsided rate for the usage of women in these villages which will not just contribute to towards the livelihood sustainability but also towards hygienic health practices.

To make the region economically prosperous and self-sufficient company has taken up other key activities for the unemployed male population as well. Unemployed youth are provided security guard training so that they can find employment in nearby establishments. Heavy vehicle drivers training is being imparted to unemployed youth by a TATA Motors driving training Centre. Mushroom cultivation training is another such initiative which has empowered the people to earn their own livelihood with minimum requirement to move out in search of employment. All of this has opened a range of employment opportunities and enterprise development.

5. DISCUSSIONS

Increasingly, corporations are expected to engage themselves more proactively in meeting the unmet needs of the communities in which they operate. Stakeholders demands from the businesses have gone beyond the normally understood obligation of “do no harm” to the responsibility of being “a positive force” in contributing to the needs of the society (Warhurst, 2005). To achieve a sustainable pattern of development corporations need to first understand the social, economical and environmental challenges the communities face. To achieve the goal of a patterned development which can be replicable to other locations, corporations

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must engage themselves and work in close collaboration with the communities. Promoting social entrepreneurship by an enterprise increases aggregate social giving. Time is just about right for CSR advocates to remind themselves of their original aims—that is, to find ways to deliver solutions to the big global problems of our time (Doane, 2005). These problems are wide ranging and present worldwide such as poverty to climate change to education, etc.

The evidence from the case study presented suggest that social entrepreneurship if given proper and ample support in the form of training, capacity building and guidance can result in greater efficiency and larger acceptability of CSR activities for a firm. As a responsible corporate, Mahan Coal Ltd. has been working with the villagers in not only supporting their livelihoods but also to enable them in starting their own small businesses. This kind of support has a twofold benefit, it reaches out to individuals who can be brought to the advantaged section through capacity building and it also helps these kinds of people to employ other villagers as well in their own enterprises. A common approach by the companies running such a mega project would be to employ people from the affected communities. However, this approach favors few as the specialized skills would be possessed by few and not all. A more holistic approach which is adopted the company is not only employing the selected few but also training many other and enabling the community to work towards their livelihoods.

Stakeholders now differ in their views and have interests far beyond the traditional ideas of altruistic behavior, corporate philanthropy and the prevention of negative impact of a business (Frooman, 1998; Luoma & Goodstein, 1999). Indeed, such stakeholders (which also include the communities and societies in which these businesses operate) are requiring businesses to be a positive force to support the war against the crises. Stakeholders reckon that addressing the broader societal goal should be the ultimate aim for the enterprise through its CSR activities. The company even before the development of coal block started working on the community development covering the areas of healthcare, education, sustainable livelihood and women empowerment. Skill enhancement training has been a remarkable effort by the company which has resulted in making people self-employed.

6. IMPLICATIONS AND RECOMMENDATIONS

As discussed earlier corporate giving in form of creating and nurturing social entrepreneurship can bring great rewards to the company as well as the community and society. Executing social responsibility in this form is not only a noble cause but also a model of capacity building. As seen in the case of Mahal Coal Limited the company has been providing the community necessary training and opportunity to become self-sustaining. However, a central challenge may lie in monitoring and constant guidance for a long period of time. Also skillset need constant up gradation so that the practices do not become redundant and costly for the population.

7. CONCLUSIONS

In the recent years CSR has become inescapable priority for business leaders (Porter and Kramer, 2006). Companies are obliged to play a positive role in the

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society as corporate citizens. This means being responsible in the way they work, perform their operations, give to the society and not just few occasional philanthropic activities. Businesses are already required through regulation, finance conditionality and stakeholder demand to minimize impacts on the communities and environment where they operate. Conventional theory that "business of business is business" and that wealth will trickle down to the poor has been shown not to hold true within many countries. The initiatives by the case company although not exemplary in nature can serve as a guide to other companies which are making use of natural resources. Also sustained should become the sine-quo non for these kind of CSR activities because unless and until these initiatives are sustained and well driven the poor and marginalized would not get the desired benefits. Also for companies to succeed in their efforts, CSR cannot remain fragmented and disconnected it has to adopt an integrated and affirmative approach. Efforts should also be to find a shared value in all the operations of the company (Porter and Kramer, 2006).

7.1 Limitations

This study is based on a single case setting with a pre-defined focus and scope. Case studies have an inherited limitation of being embedded in a particular context, however case studies are also an excellent source of theoretical generalization and theory building. The case site chosen for this study should not be considered as a model organization.

7.2 Future research directions

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Within its scope this study has provided an account of linkage between social entrepreneurship and corporate social responsibility. On the basis of observations a few recommendations can be made for exploration in future studies.
Replication of this study is recommended in other companies (in similar and different industries) which are adopting social entrepreneurship as a means of serving the society and delivery their corporate social responsibility. A cross case analysis of multiple case settings will lead to greater external validity and theoretical generalization.
Statistical generalizations may be possible in future studies that take into account the causal relationship between company performance, social entrepreneurship measures and expenditure on corporate social responsibility in large survey-based studies. However, care should be taken in generating valid data points and data sets.

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Corporate Integrality:
Strong Culture-Strategy Linkage Through Transformational Leadership

Cristine Margaret R. Atienza, DBA
cristineatienza@icloud.com

1. Overview

Corporate integrality requires putting together the different parts of a whole to create unity. This process needs the strong driving force of transformational leadership to build a strong linkage between corporate culture and strategy, as illustrated in Figure 1.

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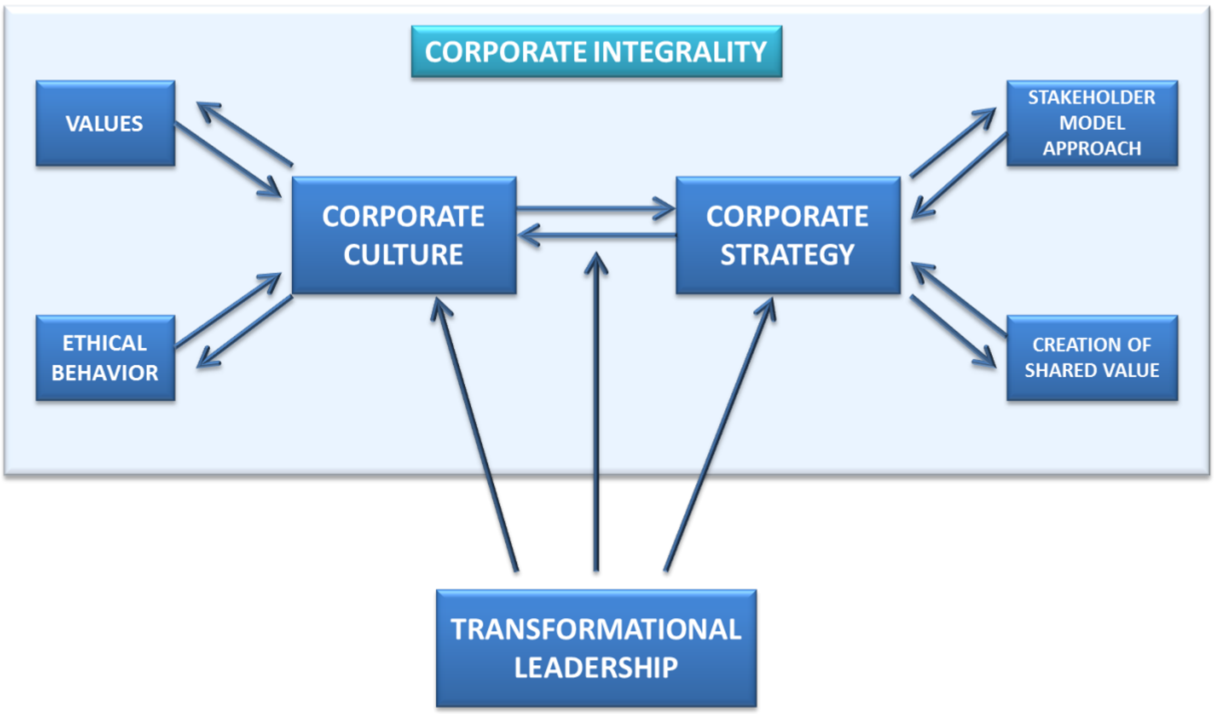

Figure 1. Proposed corporate integrality framework

In the proposed corporate integrality framework, culture has to create a compelling corporate strategy and strategy has to shape corporate culture. This will only happen if both culture and strategy have strong values-based foundations and directions. The creation and pursuit of this kind of culture and strategy – that can promote and sustain corporate integrality – highly depends on transformational leadership.

This paper aims to examine extant literature on the proposed corporate integrality framework, its different elements and their relationships. Further, it will

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highlight the importance of this framework in a period when the role of classical economic principles, as basis for corporate sustainability, has reached a point of debate (Nirenberg, 2009).

2. Brief Background

Compartmentalization pertains to the tendency of a person to repress “moral values, aspirations, feelings and emotions” and to disengage “the moral responsibility of his self” in certain environments, thus limiting his capacity for “moral courage and moral integrity” (Rozuel, 2011, p. 686). In business, compartmentalization has triggered a wide-range of corporate tragedies in the last decade. The consequence is a “crisis of trust, inequality, and sustainability” (Jackson and Nelson, 2004, p. 2) and the conclusion that business no longer has the prerogative to claim autonomy and isolation from moral concerns (Grassl & Habisch, 2011).

On the other hand, integrality refers to wholeness, from which moral strength and consistency proceed (Rozuel, 2011). The post-crisis period has witnessed a growing desire to have an “integrated life, where faith (however, one understands it) and work (of whatever kind) are integrated, not compartmentalized” (Miller and Timothy, 2010, p. 53). This holds at both the personal and corporate level.

Corporate integrality promotes strong corporate performance. This is because a unified objective from “the combined wisdom of multiple individuals”

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(Doerscher, 2010, p. 23) and a common fundamental standard (Ofori & Sokro, 2010) increases both effectiveness and efficiency.

The ultimate importance of the corporate integrality framework lies in its capacity to propagate and create values, wherein its strength lies and expands. It starts with values and ends with value creation. Values serve as the input and output of the model and therefore, integrate or hold an organization together.

This study will attempt to show that another key in making the model work is to have a close linkage between culture and strategy. Since not all types of culture and strategy are highly compatible, this study will try to define what type of culture and strategy could support and strengthen each other.

Moreover, it is the goal of this paper to define what should serve as the authentic foundation of corporate culture, a powerful albeit deemed as the "subjective, intangible side" of business (Green, 1988). Having seen the high costs of ethical failures (Thomas, Schermerhorn & Dienhart, 2004), businesses have recognized more the role of values and ethical behavior (Ferguson & Milliman, 2008) in creating a corporate culture that is capable of committing to a long-term competitive strategy (Thomas, 1990).

Strategy is another key component of corporate integrality. This paper will look at the corporate strategy directions that businesses should take, considering recent lessons on the social character of business (Thomas, Schermerhorn & Dienhart, 2004). Society and business have a mutual need for each other.

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Consequently, the creation of shared value (Porter & Kramer, 2011) and the stakeholder theory (Freeman, 1984) are good candidates for a cohesive and integral business strategy.

Finally, the power of transformational leadership is essential to build a strong values-based culture, to craft and executive a strategy dedicated to societal progress, to bridge any gap between culture and strategy, and ultimately, to promote corporate integrality. It is thus imperative to define what constitutes transformational leadership.

3. Corporate Integrality

Corporate integrality is the highest level of organizational development, as illustrated in Figure 2. To be integral connotes wholeness or completeness. It means being able to integrate various units and perspectives in an organization with the objective of improving its products and services, as well as the lives of the people that form part of it (Cacioppe & Edwards, 2005).

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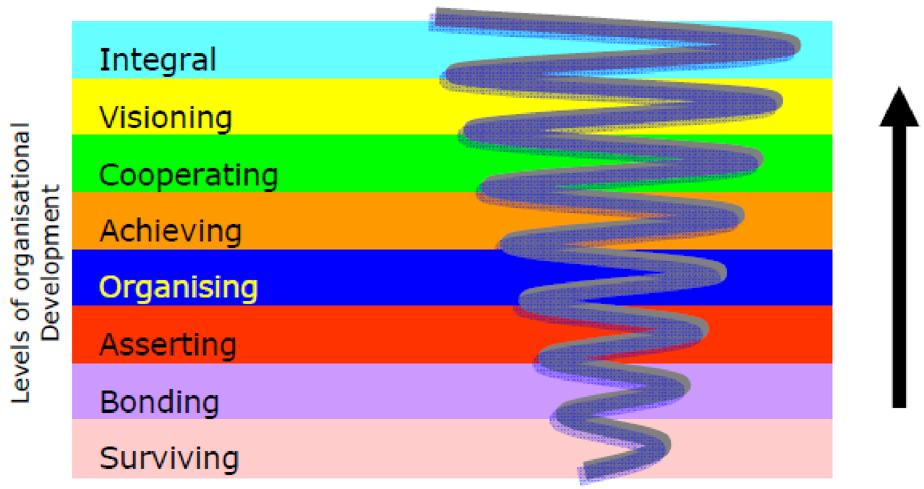

Figure 2. The spiral of organizational development (Cacioppe & Edwards, 2005)

Corporate integrality, in this study, has three elements: (1) a corporate culture founded on values and ethical behavior; (2) a corporate strategy directed towards stakeholder approach and creation of shared value; (3) a strong linkage between these types of corporate culture and strategy. Each of these elements is discussed below.

3.1. Corporate Culture

Corporate culture is an important aspect of organizational integration. It refers to the "underlying assumptions, beliefs, values, attitudes, and expectations" (Vallabhaneni, 2008, p. 112) that members of an organization have to emulate as they pursue results together (Siegal & Stearn, 2010). It is a set of traditions and

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standards of behavior that bind people together and define their uniqueness relative to competitors (Vanim, 2001).

Rules and directives are not sufficient to shape or manage a corporate culture (Want, 1990). There are different factors at varying levels of culture – society, industry, and organization - that interplay and influence the creation of a corporate culture. Figure 3 shows how a unique culture emerges from the specific external environments of society and industry and the internal structure of the organization (Fombrun, 1983).

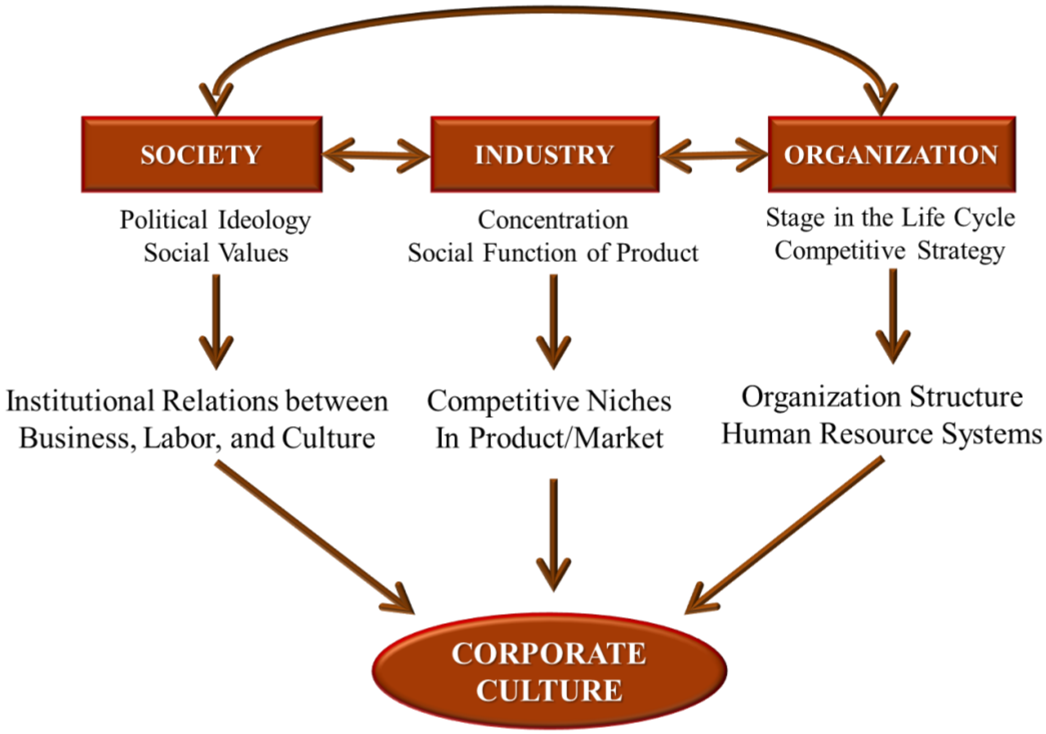

Figure 3. Levels of culture and the emergence of corporate culture (Fomdrun, 1983, p. 143)

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In the corporate integrality model, values and ethical behavior serve as solid foundation for a coherent and encompassing corporate culture (Figure 1). The two are distinct, albeit inseparable, and reside in the individuals that make up an organization.

Values mainly consists of the "philosophical views, priorities, and sense of purpose of the organization" (Ferguson & Milliman, 2008, p. 441) It shapes the identity of the entire organization and its members, facilitates commitment, serves as guide for exemplary organizational citizenship behaviors, and directs policy implementation in any organization (Ofori & Sokro, 2010). It serves as the vital input for good reasoning and effective decision-making (Stainer, 2006) and gives "the depth, substance, and integrity" necessary to thrive in a fast-evolving environment (Sundrum, n.d.).

On the other hand, ethical behavior consists of actions rooted in deep values and convictions, not in mere obedience to rules and regulations. An organization needs "a bedrock of good ethical behavior," which should not just be an "add-on phenomenon" (Stainer, 2006, p. 254), but a deeply embedded element in its culture (Grassl & Habisch, 2011). It implies sincerity, which is defined as the "degree of congruence between discourse and practice, and of consistency between words and deeds" (Fassin & Buelens, 2011, p. 593).

3.2. Corporate Strategy

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Strategy goes beyond "operational effectiveness" (Porter, 1996, p. 61), which mostly focuses on technology, process, productivity, systems or structure that will enable a company to do better than its competitors. Porter (1996) defined strategy as "the creation of a unique and valuable position, involving a different set of activities." (p. 68) He claimed that competitive advantage does not come from individual activities alone but from an entire system of activities, which competitors will find difficult to imitate. The strength therefore of strategy comes from the concept of "strategic fit" (p. 70) – that is, from ensuring that the chosen activities fit and reinforce one another – and from doing many and not only a few things well and integrating them effectively (Porter, 1996). This then makes strategy an important avenue for corporate integration.

This study considers the creation of shared value (Porter & Kramer, 2011) and the stakeholder theory of the firm (Freeman R. E., 1984) as the best strategy candidates that support corporate integrality. This is primarily because of their integrative nature and approach to strategy and more importantly, their stronghold on values and welfare as core motivators for strategy formulation and implementation.

In recent years, strategic success has become heavily dependent on how business incorporates the welfare and the quality of life of those working within the organization and the rest of society in its strategy. Numerous studies have proven the positive correlation between corporate social and financial performance (Orlitzky, 2011). Humanistic business models have presented a paradigm shift to

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society-oriented strategies, directed at improving living standards in societies where a business operates. (Spitzeck, 2011) This involves an "embracing and inclusive approach" to business (Stainer, 2006, p. 257) .

Traditional businesses, with purely economic orientations, focus on the opposition between labor and capital, disengaging business from society. However, Kanter (2011) claimed that great companies follow an alternative logic. They recognize that business, as an intrinsic fragment of society, should be involved in building institutions and providing for the needs of the community (Kanter, 2011). This means taking part, in the light of the spirit of solidarity and subsidiarity, in addressing the problems of poverty, education, health, etc. (Booth, 2009).

Porter and Kramer (2006) were able to explain further the necessary integration between business and society. They pointed out that businesses need a vigorous society to provide the needed human and natural resources to produce goods and services that will satisfy human needs. At the same time, society needs successful businesses to improve quality to life through technology and innovation, and job and wealth creation. This mutual dependence has led to the principle of shared value or the creation of value for both business and society. Adding a social dimension to the value proposition of business means integrating social impact into the overall corporate strategy and therefore, refining the substance of strategy (Porter & Kramer, 2006).

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There are three ways to create shared value – i.e., re-conceptualization of products and markets, re-definition of value chain productivity, and development of local industry clusters. The point therefore is not simply to create social programs but to come up with competitive business models that meet societal needs through a new set of best practices anchored on shared value (Porter & Kramer, 2011).

Shared value is very much consistent with the stakeholder approach to strategy, a big turnaround from the input-output model of the firm, as shown in Figure 4 (Donaldson & Preston, 1995). It binds several elements of a business into a whole. Freeman (1984) defined stakeholder as any individual or group who is affected by or can influence the attainment of organizational objectives.

The stakeholder theory posits that business should design and implement strategies that satisfy all groups that have a stake in the business. Essentially, it involves managing and integrating the "relationships and interests of shareholders, employees, customers, suppliers, communities and other groups in a way that ensures the long-term success of the firm." A stakeholder approach thus calls for an integrative approach to corporate strategy – that is, satisfying multiple stakeholders simultaneously, not separately (Freeman & McVea, n.d.).

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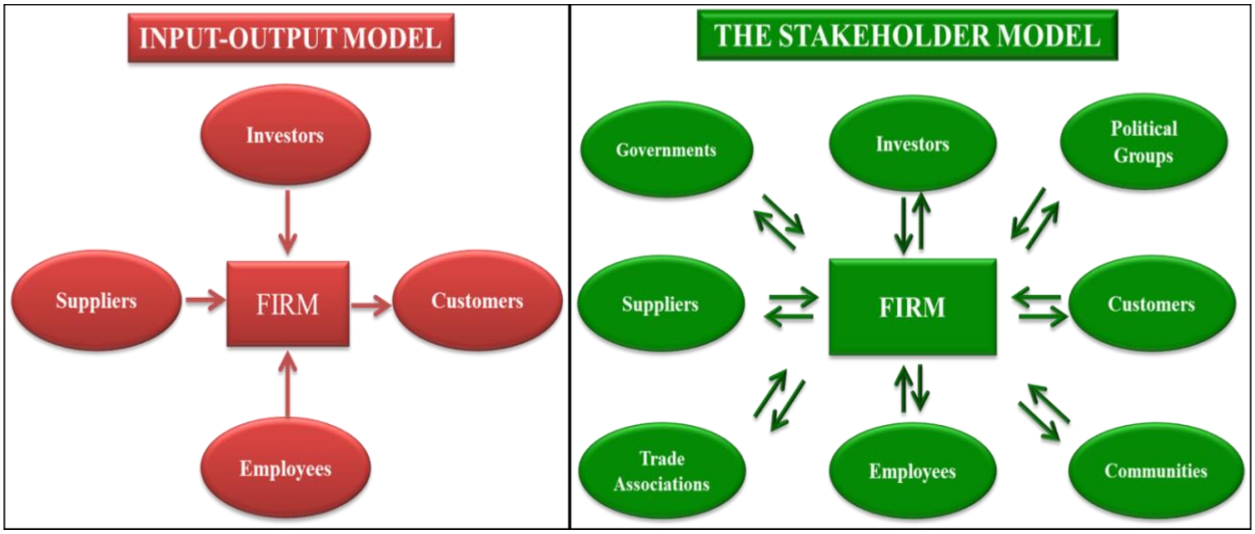

Figure 4. Input-output model versus Stakeholder model (Donaldson & Preston, 1995)

3.3. Corporate Strategy-Culture Linkage

While noteworthy corporate strategy is about creating shared value for business, its stakeholders, and society, corporate culture is about "creating value internally" (Mahrokian, Chan, Mangkornkanok, & Hee Lee, 2010, p. 14). Thus, both corporate strategy and culture involve creating value. This brings forth the idea that corporate integrality is about creating 'powerful value' – that is, by marrying the internal value created by culture and the external value produced from strategy.

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Journal of
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Culture and strategy reinforce one another. On one hand, culture plays a crucial role in making strategies work (Green, 1988). By providing the necessary setting for people to produce excellent strategy results, culture executes strategy through complete organizational involvement and commitment. (Mahrokian, Chan, Mangkornkanok, & Hee Lee, 2010). An excellent strategy will prove worthless if the people that make up the organization do not accept it. Strategy implementation, as opposed to strategy formulation, which simply requires analysis, is a process driven by people.

Johnson (2010) used the term paradigm to define the core assumptions and beliefs common to the members of an organization, which provides a "relatively homogeneous approach" (p. 29) needed to face complexities and build competencies to achieve real competitive advantage. Figure 5 shows that the paradigm, the cognitive and cultural dimension of the organization, is the mechanism by which people are able to create strategy, with the influence of environmental forces and organizational capabilities, which, in themselves, cannot produce strategy.

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Figure 5. Strategy development - A cultural perspective (Johnson, 1992, p. 30)

On the other hand, a unique culture is built through successful strategies. This is because culture is actually a reflection of what has worked well in the history of a business (Schwartz & Davis, 1981). Great strategies, therefore, enhance organizational stability - which then provides a solid ground for participation and commitment amongst employees - and yield consistency, a good indicator of a strong corporate culture capable of producing positive results (Gordon & Ditomaso, 1992).

Ultimately, the strong linkage between corporate culture and strategy lies in people. Both culture and strategy come into being through the actions, insights,

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and perseverance of people. In relation to the model, it is important to note that values reside more in people, not in the organization per se.

Hence, it is important to keep people motivated and committed by satisfying their desire for “goods” (Argandona, 2009, p. 2), whether extrinsic, intrinsic or transcendent. Extrinsic goods are those that are outside of the person (e.g., salary, recognition). Intrinsic goods rest inside the person (e.g., satisfaction, knowledge). Transcendent goods are those which a person seeks not for himself but for others (e.g., virtues, values) (Argandona, 2009). The corporate integrality framework and culture-strategy linkage presented in this study can supply all these ‘goods’ and therefore, has the power to sustain the commitment and hard work of people.

4. Transformational Leadership

As the ultimate success of the corporate integrality framework lies in people, it therefore follows that leadership plays a positive role in making the model work. In this case, transformational leadership is proposed.

Transformational leadership pertains to the “leader moving the follower beyond immediate self-interests” through visioning, inspiration, intellectual stimulation, or personal growth consideration. (Bass, 1999, p. 11) It presupposes beliefs in “altruism, universal rights, and principles," which provide a good ground to motivate behaviors that produce impressive results. Concretely, “selflessness, treating followers, and teammates as ends rather than means, and viewing leadership practices as having ethical significance regardless of their

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consequences" encourage transformational leadership behaviors (Groves & LaRocca, 2011).

4.1 The Components of Transformational Leadership

In this study, the proposed transformational leadership model has three components: (1) personalist leadership; (2) ethical leadership; and (3) proficient leadership. All three provide significant and distinct contributions towards the achievement of corporate integrality.

Figure 6. Proposed transformational leadership components

Personalist Leadership

Transformational leaders have to be personalist leaders. This proposition takes off from the definition of leadership as "the process of influencing people toward achieving an objective." As such, it involves motivating, energizing, directing, and aligning people (Kotter, 1990). Essentially, the object of leadership is the people.

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Hence, leadership has to know how to give prime value to human persons. Treating employees as mere factors of production and as instruments to achieve business goals are the two tendencies of business that promote a poor idea of the human person (Sandelands, 2008), equating his value to what he is able to produce (Cusick, 2006). However, transformational leaders have to recognize that "the business of business is the human person" (Sandelands, 2008, p. 93).

The concept of "personalist economics," which now seems to be a better alternative to mainstream economics, considers persons as capable of acting freely, giving value to others, and modeling moral principles (O'Boyle, 2001).

The success of business is a function of the hard work of its people. To sustain commitment and motivation, the people have to embrace the purposefulness of their work (Kainz, 2008). Defining a purpose greater than profit can guide long-lasting strategies and encourage actions based on trust and conviction, not on rules and structures. This is what the corporate integrality framework advocates.

Ethical Leadership

Leaders have to live coherent lives. The effect of transformational leadership behaviors on followers depends on the perception of congruence

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between the internal values and external behavior of the leader (Fu, Tsui, Liu, & Li, 2010). They need to see leaders making the right ethical choices and responding to the good of society to set a high ethical climate and standard in the organization (Banerji & Krishnan, 2000).

The principles of "the inviolable dignity of the human person and the transcendent value of moral norms," considered as the main pillars of Catholic Social Teaching (Stormes, 2010, p. 9), offer a good guide for transformational leaders. The incarnation of these values provide a good basis for election to leadership.

The credibility of a leader improves as they try to act and enable others to act selflessly so that purposes of greater worth than self-interest prevail. Moreover, genuine power serves, not usurps, and therefore, enables and influences others to serve as well (Drew, 2010).

In contrast, the "infectious greed," expressed in various ways over the last decade (Clarke, 2005, p. 599), has brought about the catastrophic downfall of many leaders. The world witnessed how financial leaders gave priority to personal gains and simply passed on harms to the other fragments of the system and the rest of society. All these point to the importance of the moral character of leaders over technical competence and hard work (Naughton & Specht, 2011).

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It is therefore imperative that transformational leaders understand their role and responsibility towards a bigger whole. Leaders need to integrate the parts into a whole and to incarnate noble mission statements into concrete and effective practices that redound to "a good life for all" (Naughton & Specht, 2011, p. 2). This is also the end-objective of the corporate integrality model.

Proficient Leadership

Transformational leaders need to have the "right content" (Kirckpatrick & Locke, 2006). The effectiveness, along with the security, of a leader greatly depends on his proficiency (Atienza, 2011). Certainly, the quality, adaptability and versatility of leaders make corporate success possible (Reilly & Karounos, 2007).

Proficient leadership is a key element to sustain trust and credibility, which are the factors that facilitate access to followership and cooperation (Robbins, 2008). It determines the extent to which transformational leadership influences organizational citizenship (Podsakoff, MacKenzie, Moorman, & Fetter, 2006) and corporate integrality.

As the "guardian of organizational purpose" (Montgomery, 2008, p. 59), the leader generates, refines, and acts on the vision, and provides the main links between strategic planning and operational decision-making (Gluck, 1981). This also means that it is the function of the leader to keep the integral parts of a business in right balance while pushing the organization forward (Montgomery, 2008). This balancing act is essential to preserve corporate integrality.

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Journal of
Global Good Governance, Ethics & Leadership
ISSN 2230-2360 (print) ISSN 1177-3510 (online)

4.2 Transformational Leadership and the Proposed Corporate Integrality Framework

As explained previously, transformational leadership behavior serves as a crucial force to achieve corporate integrality, mainly through its influence on the people, who are the main creators and drivers of culture and strategy. Moreover, developing and sustaining a culture and strategy that is founded on value creation highlight even more the need for transformational leaders who will be the ones to inculcate and promote values.

Transformational leaders facilitate the "common acceptance of values," a process which implies creating a "link between obedience and command" (Litzinger & Schaefer, 1982, p. 79). Notwithstanding, the most effective way for leadership to influence culture is through the incarnation of corporate values – that is, to be role models and coaches in reinforcing the key elements of the desired corporate culture (Dayaram, 2010). This presupposes having internalized deeply the values upheld by the organization (Litzinger & Schaefer, 1982).

In relation to strategy, the challenge of execution lies mainly in the leaders (Montgomery, 2008). The leader is the starting point of strategy as he drives the spirits of his people to achieve a common objective (Hsieh & Yik, 2005). In a corporate strategy that hinges on value creation, the leader faces the challenge of looking for means to sustain value creation, without producing social or

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environmental damage (Clarke, 2005). This requires a leader that possesses integrity and empathy for the rest of society.

Meanwhile, the stakeholder approach does not assume that stakeholders come in "tidy packages" but often have their respective agenda. Hence, a transformational leader will facilitate working together towards a common mission and vision (Stainer, 2006, p. 260). Groves and LaRocca (2011) claimed that transformational leadership has a strong association with the confidence of followers in the stakeholder model and that followers of such leaders are likely to be more concerned with multiple stakeholder engagement and the betterment of society.

5. Conclusion

This paper has presented a wide range of literature related to the proposed corporate integrality framework, highlighting its importance in a world that has seen much of the negative results of compartmentalization.

Corporate integrality, through a strong linkage between culture and strategy, is achievable if the organization has engraved strategy in its culture and when culture is as an essential part of strategy. Strategy has to reinforce a culture backed by values and ethical behavior. This is possible when strategy is directed towards creating value. Meanwhile, culture plays a key role in sustaining a strategy that serves the good of stakeholders and society at large.

Journal of
Global Good Governance, Ethics & Leadership
ISSN 2230-2360 (print) ISSN 1177-3510 (online)

Finally, this paper has presented the strong influence of transformational leadership in promoting excellent corporate culture and strategy and in forging their strong linkage.

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Journal of
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Journal of
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Journal of
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In the Pursuit of Profit: The Dichotomy of Stained Violence and Sustained Benevolence of the Business Corporation

Rohan Sarma
Fellow and Head, Empanelment Committee, Training and Capacity Building
National CSR Hub
Tata Institute of Social Sciences, India

Dr. Vibhav Singh
Assistant Professor, IMT Ghaziabad, India
singh_vibhav@yahoo.co.in

Introduction

This paper is an attempt to historicize, problematize, and contextualize Corporate Social Responsibility (CSR) in India, under conditions of changing socio-political-economic- cultural contexts.

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Journal of
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Business corporations in contemporary societies strive to be global enterprises and several are guided by global ethical business frameworks. Globalization compelled organizations to be sensitive and responsible to stakeholders and nations in which they operate (Chaudhri, 2006). Corporations need to constantly balance local and global expectations in being 'glocal'. A 'glocal' organization is expected to align its CSR policies to the cultural specificities and stakeholders. There is an increasing tendency today in global firms ascribing to a 'doing good while making profit' doctrine (Blodgett et al., 2014). Investors are beginning to consider global institutional behaviours that contribute to society as a factor for investment decision-making. Even the so-called erstwhile 'passive' consumer has today become an informed social citizen and has a preference for products that are produced under socially responsible and socially desirable conditions (Scalet and Kelly, 2010). CSR has acted as a differentiator; global consumers are ready to shift from one brand to the other if the price or quality was similar (SustainableBrands Report, 2015)[1]. To concur this viewpoint, Sen and Bhattacharya (2001) found consumer's decision to buy a product is influenced by CSR initiative adopted by them. The CSR has been traditionally dominated by perspectives from Western Europe and North America leaving Asian perspectives are under theorized. Research shows Asians have a preference for businesses that are socially responsible (Chaudhri, 2006).For instance, Tata Groups have paved path of how

[1] http://www.sustainablebrands.com/news_and_views/stakeholder_trends_insights/sustainable_brands/study_81_consumers_say_they_will_make_

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business houses can flourish financially while developing the society. In comparing the CSR initiatives of seven Asian countries, Chappel and Moon (2005) demonstrate how in India, CSR is not yet considered to be a function of development for most business corporations.

CSR is the human face of capitalism. Just like capitalism is replete with inherent contradictions, CSR, as a byproduct of capitalism, too is inherently paradoxical. Often, irresponsible corporate conduct is sought to be offset with corporate responsibility. Voluntary corporate responsibility is also often an afterthought, a curative measure after the damage is done. While on the one hand, companies report profit, this is also coupled with instances of increase in vulnerabilities, deprivations, and poverty. There is a need for the corporate sector to rise to the occasion in the garb of a responsible corporate citizen and through CSR, provide solutions to tackle social and environmental challenges[2].

While globalization led to increased competition among firms, it also affords possibilities for setting global standards of ethical business conduct. In the structural shift from Keynesianism to a neoliberal market economy, which institution is responsible for safeguarding the rights of the poor and destitute and providing safety nets for social protection? Neoliberalism is characterized by the abdication of the responsibilities of the State and a greater role played by the market. However, the market economy is foundationally premised on the Social

[2] Work under press, Sarma and Samajdar, 2015.

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Journal of Global Good Governance, Ethics & Leadership
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Darwinist principle of 'survival of the fittest'. The fittest is most necessarily the healthiest and the poor and hungry cannot be either healthy or fit. Thus, the poor are wiped out in Adam Smith's market economy and have to fend for themselves albeit structural deprivations and disadvantages. It is under these changing conditions, that the corporate sector through its CSR can provide relief and social assistance to vulnerable communities through inclusive growth, whose marginalizations and vulnerabilities are exacerbated as a result of unresponsive and insensitive State and corporate activities.

CSR literature showcases complex and unclear theories on its subject matter. Garriga and Mele (2004) classify them as instrumental theories, political theories, integrative theories and ethical theories. Development theories state that during 'transition from poor, predominantly agricultural economy where majority of workers are self-employed, to a more prosperous society that is predominantly urban and industrial where most workers are employees, self employed small producers are squeezed out of agriculture and non-agricultural activities. Historically, the transition is bound to involve prolonged periods of 'non-inclusive' growth during which some people accumulate capital and control over deployment of resources, including land, while others lose their access to the means of production, control over production processes, together with their relative independence. Collective efforts from the government, industry and civil society is required in overcoming loss of livelihoods and skills and re-skilling people to for work new sectors' (Colquhoun, 1806 as cited in Allies, 1989; Harvey, 2005). Lee (2007) calls for paradigm change in theoretical grounding of CSR research and advocates to shift from ethics oriented arguments to performance-oriented business studies. He further asserts that as an academia we should beyond making business case for doing CSR.

In our pursuit of economic growth by any means, at any cost, we must be cognizant of the moral, ethical and social aspects of the process of attaining economic growth. In other words, we are arguing that it is equally important to focus on fair distribution along with focus on production and consumption, to devise fair procedures and systems and have respect for the ecology and communities in taking economic decisions, both by the State as well as the business corporation. Therefore, the challenge of CSR in a globalized world is to engage in a process of creating and re-creating standards of global business behaviour. With globalization, there is also the potential of greater value chain and supply chain responsibility as the extent and number of stakeholders in the business chain are larger and often inter-terrestrial.

Philosophy and History of Global CSR leading into contemporary CSR applications

The notion of responsibility of the modern business organisation – the corporation, arises from the notion of 'corporate personhood' whereby after a legal 'incorporation', the corporation gets embodied as a legal person (Bakan, 2004). As a legal person, the corporation enjoys rights and privileges akin to that of a legal person or citizen. But, rights and responsibilities go hand in hand. Scepticism

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regarding corporate entities has come from a sense that such entities exercise the rights and privileges of personhood but rarely corresponding duties and responsibilities.

The origins of the traditional firm as a profit maximizing entity can be traced to the Industrial Revolution in the late nineteenth century. Kristoffersen, Gerrans and Murphy (2005) point out that the traditional firm abided by the law when forced to, but was expected to behave as ruthlessly as possible in the pursuit of profit – all in the name of social welfare as per Adam Smith's model of the market economy. The proposed paper aims to address a fundamental question – *do business corporations have any responsibility beyond making profit?* Milton Friedman (1970) responds in the negative, through his "the business of business is business" thesis, where according to him the only responsibility of business is to increase profits and the traditional model of business is a profit maximizing institution. Thus, while the classical view holds that business exists only for shareholder wealth maximization and its responsibility lies in compliance of law and payment of taxes, in a changing global competitive context, the role of business in society has also changed and this is marked by a paradigm shift in recognition of stockholders as just one of the many stakeholder constituencies (Evan and Freeman 1993) and is marked by stakeholder communitarianism where business considerations traverse beyond profit. We shall view this stakeholder movement as a threat to profit.

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At the outset, it is important for us to clearly delineate and understand the original purpose, function and social responsibility of the business corporation. According to Owen D Young of General Electric, large corporations have an obligation beyond profit making and in being good citizens, service to society must precede profit considerations. On the other hand, Henry Ford of Ford Motors believed in the traditional capitalist logic of Adam Smith which advocated that public welfare could only be improved by increasing production, providing goods and creating jobs. Thus, Ford believed that the business corporation had primarily an economic obligation and economic role, and all other obligations and roles were secondary to the primary economic role.

From the beginning of the Industrial Revolution, business has assumed its role in society to be largely economic. It was only during the Great Depression in 1933, that the traditional role of the firm was challenged. It was believed that government intervention to regulate would play an important role in economic stabilization. There is evidence to show that post the Great Depression, with Keynesianism as the dominant development paradigm, government regulation and legal constraints led to improved business conduct. During the Second World War too, business contributed immensely through supporting massive social assistance programs. However, post the Second World War, there was confusion about the responsibilities of business. While corporate managers focused on ‘common good’, there was no available theory on why the firm should focus on ‘common good’ and at what costs to the profit motive should these be pursued. (Kristoffersen, Gerrans and Murphy 2005).

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Journal of
Global Good Governance, Ethics & Leadership
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It must be mentioned that during crisis situations, the corporate sector has responded and today we are faced with a global crisis – of alleviating poverty and inequality, addressing climate change, securing food-water and energy security etc. Another approach to CSR is to view CSR as 'collaborative problem solving' (Halal)[3].

This paper advocates 'political CSR' (Scherer and Palazzo 2008 in Crowther and Aras, 2008) which refers to CSR as a movement of the business corporation into addressing social and environmental challenges. At a generic level, political theories on CSR focus on the responsible use of business power and in discussing corporate governance and corporate citizenship, the corporation is expected to demonstrate responsibility during crises.

CSR: Critical appraisal

Defining CSR is a challenge scholars have grappled since its inception. Friedman 1970 views CSR as 'The business of business is to maximize profits, to earn a good return on capital invested and be a good citizen obeying the law – no more and no less'. Perhaps Milton Friedman is the most popular advocate of the mainstream, neoclassical economic perspective on CSR. He is the proponent of the 'Stockholder theory' that opines corporate executives and managers have no right,

[3] http://www.greenleaf-publishing.com/content/pdfs/jcc02hala.pdf?productid=159 as accessed on 26/12/15

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obligation or expertise to address social concerns, their only obligation is to maximize shareholder wealth. Friedman (as cited in Kristoffen, Gerrans and Murphy 2005) is also of the opinion that 'CSR constitutes actions that violate the profit maximizing objective'. In other words, neoclassical economic theory assumes that expenditures on social welfare is a digression of business activity and a business is owned and managed by 'homo economicus' whose only goal is to maximize profit. A.B Carroll (1979) argues that CSR is 'the economic, legal, ethical and discretionary expectations that society has of an organization at a given point in time'. Carroll's definition points out to two important concepts. One, that CSR refers to the expectations of society from the firm. This expectation arises from a social contract between business and society. However, the social contract theory suggests that business's approach to CSR must be flexible as societal values differ across time and space and business must be cognizant of the local context in taking CSR decisions.

According to McWilliams and Siegel (2001:17 as cited in Kristoffen, Gerrans and Murphy 2005), CSR constitutes 'actions that appear to further some social good beyond the interests of the firms which is required by law'. Firstly, this definition seems to be skeptical about the effectiveness of CSR in its usage of the term 'appear'. We have often seen that CSR becomes dominated as a public relations or brand building exercise, with very little impact on the ground level. Secondly, the term 'social good' or 'common good' is problematic. This is akin to the argument of pursuing economic growth at any cost, by any means in the garb of 'development' and for 'common good', but where there are significant cultural,

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social and environmental costs involved and for the sake of 'social good', the development process exacerbates the vulnerability and destitution of already marginalized communities. Thirdly, this definition assumes that social responsibility is a non - commercial activity and apparently CSR is 'beyond the interest of the firms'. This definition hints at CSR only in terms of compliance and therefore advocates a CSR that tends to be disengaged and unsustainable considering CSR is an additive function. It is here that the authors would argue that CSR is not an alternative to the traditional profit maximizing objective of the firm, but a necessary part of contemporary business operation. CSR and Sustainability is an integral part of business conduct and business strategy, rather than a selective and occasional intention of demonstrating responsibility. In other words, CSR is a complementary part of the corporate objective function.

The World Business Council on Sustainable Development (2000)[4] defines CSR as '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 and of the local community and society at large'. This definition highlights ethical business as corporate social responsibility rather than conceptualizing CSR as an external obligation. While there is a stress on the economic role of business in contributing to economic development, this definition also emphasizes on improving the quality of life of all stakeholders. However, it is

[4] As accessed on 26/12/2015, http://www.wbcsd.org/work-program/business-role/previous-work/corporate-social-responsibility.aspx

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to be mentioned that the Companies Act, 2013 which serves as the CSR law in India clearly States that employee welfare is not a valid CSR intervention. Overall, this definition lays equal emphasis on both the internal and external dimensions of social responsibility of the business corporation.

The authors would like to argue that CSR is a complex, ambiguous and evolving concept. Perhaps the major challenge in discussing CSR stems from its definitional aspects as discussed in the previous section. There is no one universally accepted definition and CSR could have many definitions, depending on which school of thought it draws from. The definitional problem of CSR leads to policies and programmes also being vague and open ended. Broadly there are the following three schools of thought- Voluntary/Altruistic CSR, Egoistic/Regulated CSR, and strategic CSR.

Voluntary/ Altruistic CSR aims to initiate and support ad-hoc, philanthropic activities. Often, the motivation for this type of CSR is the individual whim of business leaders or may be a means to deflect the attention away from instances of corporate business misconduct. Voluntary/Altruistic CSR is characterized by ‘giving programmes’ that are charitable and philanthropic and employee volunteerism, which may be criticized for its disengaged approach. This type of CSR is unsustainable and may not always have the desired impact on the community as it may backfire once the community understands the subtle politics behind the actual reasons for undertaking such welfare programmes. In the Indian context, there was limited adherence to the ‘National Voluntary Guidelines on

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Social, Environmental and Economic Responsibility of Business', that was issued by the Ministry of Corporate Affairs in 2011 and this necessitated an institutionalization and structuring of the CSR agenda in India with the passage of the DPE guidelines on Corporate Social Responsibility for Central Public Sector Enterprises in 2010, subsequently revised in 2013 and the passage of the Companies Act in 2013.

Egoistic/ Regulated CSR advocates for greater regulation of the business corporation through State intervention. In India, CSR was first regulated and mandated for the Public Sector Undertakings (PSUs) through the passage of the Guidelines on CSR in 2010, subsequently revised and firmed up in 2013, which further coincided with the Companies Law in 2013. Regulated CSR is derived from the Keynesian school of thought that advocates a greater role of the State, as opposed to market forces.

Strategic CSR is increasingly being recognized that for CSR to be sustainable and for CSR to be a part of business activity, there is a need for the integration of social activities into the corporate profit maximizing objective. Hence, with the shift in discourse in recent decades on sustainability, the discussion on CSR has largely revolved around business sustainability through strategic CSR. Porter and Kramer (2011) argue that if firms use the same lens that guide their core business choices, they will realize that CSR initiatives are not a burden, rather it is a source of innovation, opportunity and competitive advantage. Porter and Kramer are of the opinion that through CSR, it is possible to 'create shared value'. This value

Journal of
Global Good Governance, Ethics & Leadership
ISSN 2230-2360 (print) ISSN 1177-3510 (online)

creation must be beyond financial considerations and also include social and environmental value. *The present paper argues a shift from compliance perspective to strategic perspective in doing CSR.* The strategic CSR model assumes that doing CSR contributes to profit maximization. Given below is the CSR and Sustainability budget for the year 2014-15 of a total of 20 Crores INR of Tata Global Beverages. It is interesting to see that the amount allocated for responsible business is more than the amount spent on CSR compliance. This is a demonstration of corporate conduct where being a responsible and ethical business is prioritized over CSR spending as per legal compliance.

Redefining CSR in Indian Context: Beyond Profit?

Economic transformation in post- liberalisation India has had deep consequences. The most visible manifestation of this transformation has been that while the bond within societies decreased, it increased between economies. In the changed framework, social protection regulations diminished while profit making entities gained greater support and freedom. *It improved the health of the company's balance sheet but raised a critical question "profit for whom?".*

Drawing from Barry (2005: 102), we argue that rules that require companies to go beyond profit will not develop spontaneously as they are seldom related to the activity of business itself. Hence, there is a need for State regulation of corporate behaviour, as has been the case in India. Given below are the guidelines, both

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voluntary and prescriptive, that have served as a guiding framework for CSR in India:

- Corporate Social Responsibility Voluntary Guidelines, 2009 – Ministry of Corporate Affairs
- Guidelines for CSR for CPSEs, 2010 – Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises[5]
- National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011 (revision of 2009 voluntary guidelines) – Ministry of Corporate Affairs[6]
- Revised Guidelines for CSR and Sustainability for CPSEs, 2013 - Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises[7]
- Section 135, Schedule VII of Companies Act, 2013 – passed by both houses of Parliament[8]
- CSR Rules, 2014 – Ministry of Corporate Affairs[9]

In the Indian context, the State owned corporations or the Public Sector Undertakings (PSUs) have been instrumental in the Indian growth story by operating more like social enterprises through an equitable distribution of profit

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[5] http://dpe.nic.in/sites/upload_files/dpe/files/glch1223.pdf as accessed on 26/12/2015.
[6] http://www.mca.gov.in/Ministry/latestnews/National_Voluntary_Guidelines_2011_12jul2011.pdf as accessed on 26/12/2015
[7] http://dpe.nic.in/sites/upload_files/dpe/files/glch1231.pdf as accessed on 26/12/2015
[8] http://www.mca.gov.in/Ministry/pdf/HLC_report_05102015.pdf as accessed on 26/12/15.
[9] http://www.mca.gov.in/Ministry/pdf/General_Circular_21_2014.pdf as accessed on 26/12/15.

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Journal of
Global Good Governance, Ethics & Leadership
ISSN 2230-2360 (print) ISSN 1177-3510 (online)

while undertaking development projects concerning the national agenda. Thus, for PSUs the idea of Corporate Social Responsibility (CSR) was born much before the Companies Act of 2013, through its community development' initiatives since its inception post Indian independence.

The State regulated CSR in India that is mandated by law, emerged against a background of several instances of corporate irresponsibility, coupled with the limited adherence to the voluntary CSR agenda. Corporate irresponsibility, in cases like the Dow Chemicals and the Bhopal Gas tragedy and Unilever's toxic thermometer plant in Kodaikanal that has serious health consequences to cite a couple of examples, has resulted not only in a trust deficit between corporations and various stakeholders, but also ensured that the 'benevolence' and 'charity' done, more as an afterthought, was often superficial and most importantly unsustainable as it negated participatory methodologies and bottom up planning. *This paper shall also bring in perspectives on the need for social and environmental sustainability, viewed from stakeholder perspectives.*

In Western Europe and North America, the 1970s marked a watershed era for CSR as stakeholder activism gained momentum. As opposed to earlier instances of voluntary CSR, post 1970s, the public becomes the driver of CSR where there is a shift from supply driven CSR to demand driven CSR, where the public and the local communities demand corporate responsibility and corporate accountability in corporate conduct. Thus, public pressure necessitated State regulation through

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stringent legal compliances and guidelines for business corporations. Hence, since the 1970s, there have been many instances of companies being forced to pay for social costs resulting from business operations, as a direct result of stakeholder activism. As a result, when 'externalities' become internalized by corporations as social and environmental costs become private costs borne by firms, profitability gets affected. In other words, this leads to a kind of situation where in being an ethical business through internalization of social and environmental costs in the value chain, the amount available as net profit for CSR spending reduces. *In the view of the authors, this model of inclusive and sustainable CSR is preferred over internal irresponsibility but external spending.* For example, if a business employs child labour either directly or indirectly in its supply chain and then spends heavily on donating to a child rights organization, it amounts to sham CSR. Thus, for CSR to be sustainable, the authors stress on ethical business, so that even in the likelihood of loss or reduced profitability, the business corporation can continue to demonstrate responsibility and accountability. The other approach for CSR to be sustainable is when companies adopt CSR as a business strategy where those social activities are pursued where the corporation not only has business interests, but also has the core competency.

With the institutionalization of CSR through the passage of the Companies Act in 2013 and the DPE guidelines on CSR for CPSEs in 2010 and revised subsequently in 2013, there has been a shift in CSR discourse from a discourse of benevolence to project based social development projects. CSR is to be viewed as a means to an end and CSR could be used a catalyst for inclusive growth and sustainable

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development. To put it simply, after the poor success in achieving the Millennium Development Goals, CSR is viewed by nation States as a collaborative effort to attain the Sustainable Development Goals.

When CSR was first mandated for the PSUs in India in 2010, the guidelines issued by the Department of Public Enterprises (DPE) under the Ministry of Heavy Industries and Public Enterprises, was unable to differentiate between projects on CSR and Sustainability. Even today, there seems to be a disconnect between these two concepts where both are pursued by business corporations as separate goals. At the core of sustainability lies a radical departure from traditional business conduct, whereas CSR continues to be an external activity that is often seen as having no relation with the business itself. Hence, CSR and Sustainability seldom have a dialogue with each other. Over the years, it has been realized, and this is evident in the revised DPE guidelines for CPSEs in 2013 where CSR and Sustainability have been merged. In other words, the CSR policy in India suggests that CSR activities ought to be sustainable since the financial sustainability depends on meaningful and engaged CSR.

In reviewing and analyzing the legal framework of CSR in India, *the authors feel that while the revised DPE guidelines on CSR and Sustainability for CPSEs issued in 2013 by the Ministry of Heavy Industries and Public Enterprises are progressive and a step in the right direction where CSR has been viewed as a catalyst o*f national development and a means to the end of nation building, unfortunately, the

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CSR law in India – the Companies Act, 2013, issued by the Ministry of Corporate Affairs, is open ended, vague and regressive. Section 135, Schedule VII of the Companies Act, 2013 and the CSR Rules, 2014, have the following drawbacks. The CSR Law in India does not in any way challenge corporate power. It does not make the corporate sector accountable for its harmful actions on socio – economic life and on the environment, in its capacity as a business. As of today, the CSR Law in India does not have any penal clause. It merely States that if a corporation is unable to spend on CSR in a particular financial year, it must disclose the reasons for non - spending. It does not address the internal responsibilities of a business corporation in its clear Statement that any activity in the ordinary course of business does not constitute CSR and expects merely external spending on CSR by corporations. Although stakeholder theory clearly mentions employees of a company as important internal stakeholders, the law clearly States that employee welfare does not constitute CSR. The CSR Law does not expect companies to report the social, economic and environmental impact of their CSR activities. The law restricts CSR activities to mere output and outcomes, but does not concern impact. The CSR Rules of 2014 that serves as guidelines in operationalizing the Act, and lays down the valid list of CSR activities clearly States that the 'list is indicative and not exhaustive and should be interpreted liberally'. (CSR Rules 2014). While every policy ought to have some flexibility, if activities are interpreted liberally and becomes too open ended, there is a danger of everything constituting as CSR, which is then used by business corporations to evade responsibility for their actions and continue to support activities that are ad-hoc and not strategic in nature.

The failure of business corporations to integrate CSR and business strategy has resulted in an asymmetry between organizational values and ability to maximize profits. There is a pressing need to align CSR strategy with business strategy, with the active engagement of all stakeholders and accentuate the strategic aspect of CSR. Katavic and Kovacevic (2011) argue that organizations merely spending their profit on social and environmental issues cannot be touted as demonstrating strategic CSR. Viewed from a pragmatic perspective, since CSR does not fall into well-defined functions of marketing, operations, sales, human resources and finance, organizations are not certain about what to expect from CSR initiatives and how to place it on an organization's future map (McElhaney, 2009). On the other hand, strategic CSR is believed to have a positive impact on financial performance as well as on a firm's reputation (Peloza, 2006; Dawkins and Lewis, 2003). Porter and Kramer (2006) suggest that strategic CSR appropriates advantages to leverage context specific areas to transform value chain in order to benefit society in the backdrop of business strategy. This approach marks a shift from responsive CSR, which is grounded in constant mitigation of detrimental effects caused to society by business. Building on the strategic CSR approach, Galbreath (2010), highlights that CSR needs to be factored across six dimensions in the firm - firm's mission, strategic priorities, markets, customer needs, resources and competitive advantage. If two organizations have two identical products being produced and one of them attaches social aspect to their product it seen that though cost to produce will be higher but revenues earned will also be on a higher side (McWilliams & Siegel, 2001).

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Journal of
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In historicizing corporate social responsibility, it is imperative to discuss corporate social irresponsibility. To counter corporate irresponsibility, corporations also indulge in elaborate public relations and branding exercises undertaken to undo the human rights violations, environmental, social and economic violence that has stained communities and thereby resulted in 'profit' being termed as pejorative in popular consciousness. The paper shall argue that there are 'limits to growth' and hence there are limits to profit maximization. In the traditional capitalist utilitarian logic, the pursuit of profit is the ultimate end of business and the means are justified as long as the ends are met. Using a pragmatic perspective, the paper seeks to argue that the pursuit of profit is not undesirable, but a pursuit of the ends of profit maximization at the cost of ignoring the processes and dynamics of capital accumulation for wealth creation, is to be questioned. The authors prescribe social accounting frameworks and frameworks for 'damage assessment' in advocating corporate accountability, rather than focus on mere corporate responsibility. The authors argue for a transition from corporate philanthropy to responsibility and eventually to corporate accountability. For this transition to be effected, corporations must traverse beyond legal compliance and must be willing to act and be held accountable for decisions and actions.

It is to be mentioned that legal, political and cultural factors enable as well as disable the corporation to be responsible. While it is true that the CSR law in India, backed by political will has necessitated the corporate sector to be responsible

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Journal of
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through mandatory CSR, it is largely cultural factors that focus on corporate accountability such as pressure groups and public activism.

Barry (2000: 103) argues that the corporation can only be socially responsible, the less competitive the market is, for it is only the monopolist who has sufficient surplus to engage in charitable causes. This raises a pertinent question. Does CSR then encourage the formation of monopoly capitalism?

CSR: The way forward

Economists (such as Friedman) have a skeptical view on CSR and question its viability in a competitive environment. Several scholars also discuss conditions under which CSR can be economically justified. In his 1958 paper titled 'The Dangers of Social Responsibility', Theodore Levitt argues that CSR is a profitable strategy and that in the absence of profit, there would be no philanthropy. He believes that the only ethical approach to CSR is to pursue CSR when profitable and thereby admitting that profit is the real objective behind any socially responsible activity. Levitt also makes an interesting argument in his paper whereby he advocates for separate responsibilities and functions of the public and private sector. At this juncture, it is important to understand the three sphere model of society. We argue that understanding the three sphere model of society is the basis for understanding the social responsibility of business and the role of business in society. In the three sphere model, society is largely viewed in terms of three major institutions – State, industry and civil society. The primary

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responsibility of the State is welfare while the primary responsibility of industry is to create wealth, infrastructure and jobs as per the traditional industrial capitalist logic. Thus, the question to be raised is – does CSR expect the corporate/industry sector to assume the responsibilities of the State, particularly under the contexts of a neoliberal market economy that is characterized by increasing withdrawal of the State from the social sector and with the market playing a determining role?
We would like to argue that CSR does not expect the corporate sector to substitute for the State, rather, as a corporate citizen, demonstrate responsibility in addressing maldevelopment and underdevelopment, which are often the consequences of unscrupulous business activity itself.

For example, recent developments in 'strategic' CSR theory discuss CSR and profit maximization as parts of the same process where it is believed that doing CSR is a means to the end of making more profits. However, it is to be kept in mind that local communities are not passive recipients of charity. To cite a field example of one of the authors during an evaluation study of a road construction as part of CSR, the community view of CSR was different from that of the company. Under CSR, one of the coal companies had repaired a road and made a huge public relations exercise out of it highlighting its commitment to community development. When the first author visited the site for evaluating the project and interviewed stakeholders, families were of the opinion that the road was repaired not keeping the community in mind, but to facilitate quicker transportation of coal for the company. There are several instances such as these which demonstrate an asymmetry between the perception of CSR of business corporations and local

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communities respectively. While consumer perception of a corporation's involvement in CSR is a valuable signal of the firm's reliability and its commitment to quality and honesty, in many cases such as the above cited example, CSR widens the trust deficit between business and society and also poses a threat to the sustainability and continuity of the business itself.

Possibly the paradigm shift in CSR today is that CSR is no longer charity or corporate philanthropy, but requires corporations to undertake project based activities that include planning, implementation, monitoring and impact. With CSR and sustainability today co-existing and CSR being a means to achieving the ends of sustainable development, the role of CSR today is twofold. One, to demonstrate itself as an ethical and responsible business where responsibility is demonstrated at the level of the value chain in the way the company conducts business, notwithstanding external CSR expenditure. At another level, CSR is a means of gap filling in addressing development deficits and supplementing State developmental efforts. To cite the potential of CSR, there are approximately 248 State owned Central Public Sector Enterprises (CPSE) in India, largely located in very remote geographical areas and 272 backward districts under the Backward Region Gran Fund (BRGF) identified by the Planning Commission. If we were to assume that every CPSE were to just commit to development of one backward district through clear time bound targets in a phased manner, we would have ensured that backwardness and inclusive development would be addressed substantially. Companies need to understand that more than a burden, CSR is an opportunity to address the increasing trust deficit between business and society and

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is an opportunity to do ‘good’. However, one must remember that CSR is beyond good intentions today. The major question remains as to how to sustain the benevolence through earning profit through ethical means and secondly a shift from philanthropy and charity to project based, strategic CSR.

The paper also engages with how benevolence can be sustained through streamlining and structuring of fragmented CSR initiatives through a philosophy and strategy. While CSR is not merely about benevolence, social and environmental considerations need to be reflected in business values, goals and decision making. The scope of ‘doing good’ or sustaining benevolence must be ensured in the capacity of a business, through the creation of economic wealth or profit. We also argue that ethical business practices are more meaningful than the existing practice of external dis-engaged spending characterized by ‘band-aid’ and ‘quick fix’ solutions that do not address deep rooted structural issues.
We would also like to argue that it is not always possible to control corporate behavior and activity through regulations, rules and norms. However, globalization affords the possibility of businesses committing to global standards of ethical behavior through adoption of UN Global Compact and the Global Sullivan Principles. As Barry (2000: 103) argues, no business is immune from the corrective process of the market under globalization. Drawing from Barry (2000: 102), the authors believe in the inadequacy of ad-hoc corporate philanthropy and the limitations of the ‘stockholder theory’ since it in no way challenges ‘corporate hegemony’ and fail to view the role of business in society in a more holistic sense, beyond the uni-dimensional function of profit maximization. Moreover, in most

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Journal of
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cases of corporate benevolence as CSR, it is difficult to ascertain whether the intention is genuine and benevolence engaged and deep or whether CSR is being undertaken purely as an instrumental function to make more profits. We believe that for contemporary businesses to be sustainable and successful, they must adopt the philosophy of stakeholder communitarianism in their business strategy where although a threat to commerce and profit, it ensures that the business is able to integrate social and environmental concerns in its business conduct. It also must be pointed out that business is not expected and cannot solve all social ills through CSR. In being a responsible corporate citizen, it can do two things. Firstly, by being reflexive and bringing about modifications in business conduct through widening its ambit from shareholder to stakeholder perspectives, it can reduce and abstain from violence against nature and peoples in its pursuit of profit. Secondly, CSR is a collaborative effort to attain sustainable development goals, with business contributing in the capacity of a business, through identification and honing of its core competency in the development process.

The Way Forward for the Persistent 'Shareholder versus Stakeholder' Debate

Given below is an analytical framework proposed by the authors that discusses how CSR is a means to an end, through the incorporation of John Elkington's principle of 'triple bottom line':

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Journal of
Global Good Governance, Ethics & Leadership
ISSN 2230-2360 (print) ISSN 1177-3510 (online)

Development Challenges[10]	**Solution to the challenges**[11]**.**	**John Elkington's Triple Bottom Line concepts**
Development with Equity[12]: Equity is further divided into: a) Inter-generational equity: The concept of sustainability is embedded deeply in inter – generational equity. b) Intra-generational equity: How does economic growth better living conditions of people and improve human development indicators?	Inclusive Growth – of backward districts, and of poor, hungry and deprived communities	Profit (sharing profit fairly and responsibly)
Development that safeguards dignity of communities and that has respect for and	Stakeholder engagement/consultation	People

10 Idea drawn from Ramachandra Guha's 'Dilemmas of Development'
11 Concepts in CSR Act, 2013 and CSR and Sustainability Guidelines for CPSEs, 2013 and CSR Rules, 2014 that may be interpreted and applied to address development challenges
12 Equity refers to a fair distribution of the fruits of economic growth. In other words, equity encompasses the idea of social justice i.e giving each person what they deserve.

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acknowledges cultural diversity and pluralism without flattening out local customs, traditions and belief systems.		
Development with an ecologically sensitive approach.	Environment Sustainability	Planet

The debate between shareholder and stakeholder will remain and there are no clear answers, but questions and dilemmas that keep lingering for further enquiry and research. While there is an increasing consensus among businesses that shareholders are just one of the stakeholder groups, there are corporations who firmly believe and operate on the profit maximising principle. Eventually, it depends on how individual businesses perceive their role in society. While the view on the role of business in society has not changed, there appears to be changes in the nature of the wealth maximizing process and the economic understanding of the wealth maximizing process. While the authors agree that without profit, benevolence cannot be undertaken, let alone be sustained, we would also argue that profit is not a determinant of responsibility, being an ethical business is.

Conclusion

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Journal of
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The paper is not advocating a new concept beyond profit per se, but rather argues that one cannot conceptualize CSR beyond profit, as profit making is inevitable for sustaining benevolence. What is being argued is that profit does not necessarily have to be associated negatively if the process of accumulation of profit is characterised by fair and equitable distribution and as long as capitalism serves the poor, hungry, deprived and marginalised.

We would like to briefly summarize the dilemmas in the CSR discourse that has been discussed above in detail in this paper by posing the following questions: Is CSR a means to an end or is CSR an end in itself? (The authors believe that CSR is a collaborative means to supplement efforts to attain the Sustainable Development goals). Should a business corporation focus on financial sustainability or on social and environmental impact of its business operations? (Increasingly it is being realised, that if social and environmental costs are not addressed by business corporations, their existence is under threat in a globally competitive context). Is it possible to be profitable as well as responsible? (The authors argue that responsibility has little to do with profitability, if ethical business is followed). Should corporations maximize shareholder wealth or maximize social welfare? Are investors willing to trade financial wealth creation for 'corporate social performance' (Carroll 1979)? Are corporations profit driven enterprises or social enterprises? (Public Sector Undertakings (PSUs) in India have operated more as social enterprises and have continued to make profit and contributed to the Indian growth story). Assumptions of business in doing 'good' versus what society

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actually wants/needs. (To address this dilemma, needs assessment through evidence based and scientific research. There needs to be a systematic and scientific research that evaluates the impact of 'doing good'). Corporate Responsibility or Corporate Accountability? Shift of CSR from philanthropy/charity to a rights based approach? Explicit cost of socially undesirable corporate behaviour versus implicit cost that leads to loss of reputation and widening of trust deficit between business and society? Free market capitalism that focuses on economic growth and increasing stakeholder wealth versus Communitarian Capitalism or the German Social Market that is based on a stakeholder model and focuses on human development? Does State regulation improve business conduct or does it increase corruption thereby affecting corporate governance negatively? Shift from money based and compliance based CSR to engaged and strategic CSR?

To conclude, the authors are optimistic that CSR has the potential to herald a new age business paradigm of inclusivity and sustainability and operate within the following framework where the business corporation: (a)Makes people and communities 'informed partners' of the firm rather than adversaries (b) Shares profits fairly and responsibly. This is important for creating shared prosperity and for addressing equity and social justice, the essence of CSR. (c) Is accountable in the consumption of environmental resources. (d)Enables people's access to community resources and common property resources. (e) Manages community resources commonly, sustainably and responsibly. (f)) Integrates goals of food

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security, energy security and water security sustainable development, human rights, poverty alleviation and social justice in the process and activity of business itself.

Journal of
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Startups in India: Need for a Sustainable Ecosystem

Bharat Chillakuri
Mahindra Ecole Centrale, School of Humanities and Social Sciences
bharatchillakuri@gmail.com

Entrepreneurship and innovation are the engines of economic growth and the societal progress. Entrepreneurial drive by itself cannot deliver sustainable economic growth and hence, requires the support of an ecosystem that is sustainable and scalable. This entrepreneurial drive is challenged by risk, government policies, advances in technology etc. and thus, it is imperative for the entrepreneurs to understand the environment, and the entrepreneurship in an economy and gauge its performance effects on the nation's economy. Although the last decade had witnessed considerable advances and breakthrough in the rise and growth of startups, the entrepreneurship culture in India is still at a nascent stage and is in search of a stimulus that can help entrepreneurship play a pivotal role in the development of Indian economy. The main objective of this paper is to study the recent advances and the forces that underpin the startup ecosystem in India. Literature evidence that the development of an ecosystem is a continuous process with the support of many players in the ecosystem will occur over a period of time. The study also suggests that creating a robust and sustainable ecosystem requires linking large companies, entrepreneurs, academicians, researchers, Human Resources, Government agencies and funding organizations. Finally, this paper

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sheds light on the future of the startups and the determinants that would fuel the growth of startups in India.

Introduction

There is an increasingly greater emphasis on the promotion of entrepreneurship across the world and India is no exception to this fact (Valdez and Richardson, 2013). Today, entrepreneurship is recognized by all the nations as a key driver for economic growth enhancing the per capita income of the nation. Entrepreneurship not only contributes to the economic growth of the nation but helps in job creation and address key social challenges. Research also evidences that innovation and entrepreneurship transform economy in the developing countries (Maimone et al., 2016) as they are the engines of economic growth and the societal progress (Allen, 2009). The success of any business enterprise depends on the ability to come up with new ideas, be it a startup or an established organization. One of the key driving force for entrepreneurship is innovation and thus entrepreneurs keep ideating, with possible multi solutions for the same problem. However, it has to be noted that not all the ideas generated would turn into a service or a product. Those ideas that successfully translate into business are the ones that keep the business growing. A guiding principle for the successful entrepreneurs is to treat no idea or innovation as a bad idea as the success of those depend on the environment and depends on several other factors leading to an ecosystem. In order to bring life to the new ideas, the entrepreneurs require the support of other actors termed as *an entrepreneurial ecosystem.* Entrepreneurial Ecosystem refers to the social and economic environment affecting the local/regional entrepreneurship. Thus, it is

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important to understand the nature and the dynamics of the ecosystem for the organizations to succeed. Last decade witnessed a phenomenal change, where the entrepreneurs are inching towards startups. Hence, an attempt is being made to understand the Indian startup ecosystem in India and the trends shaping up the ecosystem.

Although, there are many definitions of what a startup is, the general understanding of a startup is considered to be an entity that has begun operations recently. Since, the current study revolves around Indian startups and the entrepreneurship, the study adopts the operational definition by Department of Industrial Policy & Promotion (DIPP) that defines startups as an "entity incorporated or registered in India not prior to seven years, with exceptions to startups that operate in the biotechnology space with the annual turnover not exceeding 250 million". This study does not take into consideration the spin-offs nor the newly formed subsidiaries of the parent organizations as the focus in on entrepreneurship and the newly begun entities.

Startups in India – The Current Scenario

Geographically, India is 7th largest country. Incidentally, Indian economy is also the 7th largest, based on the Gross Domestic Product (GDP) and poised to become the third largest by 2030. India is dominated by agriculture and its allied sectors until 1990's, where the growth rate was very modest. This period was characterized by people who are deprived of training, technology, innovation and the policy support. Indian industry and the economy witnessed a paradigm shift with the

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introduction of Liberalisation, Privatisation and Globalisation policy (1991). The LPG policy of India established the path for a free economy that allowed multinational organizations to invest in India and Indian organizations. This has marked a new beginning in Indian economy giving rise to Industrial development (Brandl and Mudambi, 2013) corporate governance (Khanna and Palepu, 2000) and connectivity (Lorenzen and Mudambi, 2013).

Much of India's growth in the past two decades can be attributed to service sectors of which, Information Technology industry contributed to the major share. The IT industry in India plays a significant role, contributing USD 154 billion to the nation's GDP in 2017, a growth by 8 percent compared to last year. The industry is expected to reach USD 225 billion by 2020 and USD 350 billion by 2025 (NASSCOM, 2015). Exports contribute to about USD 117 billion and the domestic contributes to USD 38 billion in 2017. Two-thirds of the export revenue is generated from the US and the rest of the world contributes to one-third of the revenues. The success of the IT industry can be attributed to the availability of the skilled workforce and the graduate additions every year.

Technology-based entrepreneurship has gained relevance due to the growing number of Information Technology/software organizations in India (Venkataraman, 2004). Last 10 years, India witnessed a phenomenal growth in technology startups as the current valuation is expected to be US$32 billion (NASSCOM, 2017). The rise in the startups can be partially attributed to the expansion of the entrepreneurship education that is consistent with the global

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initiatives fostering the growth of private enterprises (Global Entrepreneurship Monitor Report, 2016/2017).

Indian Startup Ecosystem Landscape in 2017

Indian Startup Ecosystem is still in developing phase but is growing at a compound annual growth rate of 30% over the past five years. During the first half of 2017, Indian startups received funding of US $6.4 billion from both the U.S and the non-U.S investors. Indian Startup ecosystem also witnessed a rise of startups that cater to the needs of the nation especially in Healthcare, Education, Inclusion, Clean Energy and Agriculture (NASSCOM, 2017). As per the report "Indian Start-up Ecosystem – Traversing the Maturity Cycle –2017" by NASSCOM, the total tech startups in 2017 are expected to be between 5000 – 5200. India is home to third largest startup base and is just behind U.S and UK. The number of startups was less when compared to the previous years as the focus was shifted to the solving the problems than mere existence and thus the key areas that focused were Fintech, Analytics, Artificial Intelligence and Internet of Things etc. Majority of these startups are located in the tier I cities – Bengaluru (27%), Delhi (25%), Mumbai (16%), Hyderabad (6%), Chennai (4%) and Kolkata (2%) due to the availability of the talented and skilled workforce required for the organisations. Tier II and Tier III cities contribute to 20% of the startups.

There was an increase in the total funding value in 2017, an increase of 45% over the previous year although the number of startups declined by 13% compared to 2016. As per the NASSCOM report (2017), investors believed in the growth of the e-commerce startups and thus 70% of the funding is placed in e-commerce

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verticals – travel & hospitality, food-tech, SCM & logistics, health-tech and fintech verticals. Oyo Rooms, India's largest hotel network has raised $250 million funding last year is an example of startups attracts funding in India. The funding value increased 2.3 times for Fin-tech and 2.2 times for high-tech while it decreased by 40% for food vertical.

Over the last decade, several entrepreneurs have started their enterprises. However, the number of startups that have attained the status of the unicorn is not so encouraging thus underlining the need for a sustainable ecosystem. Unlike the U.S., the startup ecosystem is not matured in India, however, it has potential to grow. Lack of government support, investments, mentoring, and bureaucracy are attributed to the linear growth of the ecosystem. Having realized this, the policymakers are working on several policy measures to benefit the entrepreneurs (Ministry of Micro, Small & Medium Enterprises, 2013). The performance of the MSME's depends on the macroeconomic factors, environmental and regional adaption and thus calls for a stable ecosystem that helps the small enterprises. The Government of India has set an explicit policy to become a leading business-friendly economy and thus the focus is also on the ease of doing business (World Bank, 2008; 2013). Although the rise in startups due to these initiatives cannot be measured, the ease of doing business has been on the rise. Metro cities like Mumbai, Bengaluru, Delhi, Hyderabad, and Chennai are leading the race and for the year 2017, the state of Telangana is ranked number one (Business Reforms Action Plan, 2017). The government of India has taken several initiatives – Startup India Hub, Startup India Learning Program, Global Entrepreneurship Summit etc.

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Journal of
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Startup India is first of its kind initiative initiated by the honorable prime minister of India Sri. Narendra Modi. The objective of this initiative is to build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities. The initiative also has an action plan with three main focus areas – Simplification and Handling, Funding Support and Incentives, Industry-Academia Partnership and Incubation (StartUp India, 2016). This has given rise to a 30% of the new startups since 2016.

An online platform Startup India hub was launched by Government of India in June 2017. The objective of the hub is to create a single point of contact for the startup ecosystem and to discover, connect and exchange information across the parties involved in the startup ecosystem. The hub also connects all the investors, funds, mentors academia, incubators, accelerators, corporates, government agencies and other parties involved so as to share information and thus acts as a one-stop shop for all the startups. One of the key government initiatives is Startup India Learning Program. The program is a 4-week online entrepreneurship program conducted in collaboration with UpGrad, an online higher education platform that provides rigorous industry-relevant programs designed and delivered in collaboration with world-class faculty and industry (UpGrad, 2017). Another key initiative encouraging the startups is removing the sanctions on Foreign Direct Investment (FDI). With this, startups can raise up to 100% funding the foreign venture capitalists or any foreign funding agencies.

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Make in India initiative launched by Government of India in 2014 also helped spur the growth of startups. The initiative was a call to business leaders and potential investors around the world to transform India into a global design and manufacturing hub. Make in India has opened doors for investments especially with higher levels of Foreign Direct investment as a result of which several sectors like Railways, Defence, and Space etc. have been attracting investments underscoring the importance of regulatory policies being relaxed facilitating investments and thus ease of doing business in India (Make in India, 2014). Industry associations play a significant role in the growth of the startups. One such initiative is setting up of *T-Hub*, a public-private partnership between the government of Telangana and three of India's premier academic institutes in the state, Indian School of Business (ISB), National Academy of Legal Studies and Research (NALSAR) and International Institute of Information Technology, Hyderabad (IIIT-H). T-Hub the largest technology incubator in the country acts as a liaison between the startups, academics, corporate and the government agencies (T-Hub, 2017). T-Hub is a not for profit organization and attracts the startups not only from all parts of India but from other countries as well. It also trains and equips innovators with the necessary entrepreneurial skills so as to succeed in their enterprises.

Of all the initiatives, *Global Entrepreneurship Summit* that was held in November 2017, needs a special mentioning. India hosted the eighth annual Global Entrepreneurship Summit (GES) from November 28 – 30, 2017. The summit provided a platform to share, network, collaborate and exchange ideas among the

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1500+ attendees that included entrepreneurs, investors, academicians, venture capitalists, government officials and businessmen across the world making it truly global (Global Entrepreneurship Summit, 2017). The summit was one such opportunity to showcase the entrepreneurial spirit, resources, and the talent country has to offer. The Summit, which was held in partnership with the United States of America and NITI Aayog was addressed by the honorable prime minister of India, Shri Narendra Modi, and Ms. Ivanka Trump, Advisor to Donald Trump, president of United States. With the theme, *Women First, Prosperity for All*, the summit focused on supporting the women entrepreneurs as the percentage of women entrepreneurs in the developing economy is low and often confront with barriers in starting a business (Venkatesh et al., 2017) as women experience difficulties with access to capital, markets, and business networks.

A conceptual framework of Sustainable Startup Ecosystem in India

*Ecosystem refers to a group of interconnected businesses, organizations, and individuals that form with the objective of pursuing some sort of mutually agreed outcome (*Agrawal et al., 2017) consisting of multiple actors working in tandem that affects the entrepreneurial / startup performance. The literature on ecosystem has mentioned hundreds of actors that affect the growth of startups (Theodoraki and Messeghem, 2017). Bala Subrahmanya (2017) highlights the need for a sustainable ecosystem and points out that an ecosystem cannot be built overnight and requires the support of several actors. The fact that India is the third largest startup ecosystem in the world reiterates the need for a sustainable ecosystem that attracts talent, investors, and entrepreneurs and is a base upon which new

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entrepreneurs can build their enterprises (Khanduja and Kaushik, 2008). Several governmental and non-governmental agencies like National Institute for Entrepreneurship and Small Business Development (NIESBUD), Progress Harmony Development (PHD) Chamber of Commerce and Industry, The Entrepreneurship Development Institute of India (EDII) have laid the efforts to foster entrepreneurship in India (Dana, 2000).

Post the economic liberalization (1991) and the Information Technology boom, the Indian market has undergone several structural changes especially with the rise of knowledge-intensive sectors calling for a robust ecosystem linking several actors in the ecosystem leading to sustainable development. The actors in the ecosystem are divided into two factors – Primary and Secondary similar to Porter's (1985) Value Chain. Primary factors are considered to be the core that is indispensable in nature, while the secondary factors can be treated more as enablers supporting the ecosystem. Each of the actors plays a significant role in the development and sustaining the entrepreneurial ecosystem in India. All these are interrelated and needs the support of others as each of the actors grows strong, there would be little need for the industry associations or government agencies to reinforce the need for entrepreneurship/startups in building sustainability into the environment.

Primary determinants affecting the entrepreneurial performance are finance, markets, early customers, and talent. Finance is the least understood factor by the entrepreneurs and thus, most of the startups fail here, seed stage funding continues to be a big challenge in spite of government allowing foreign direct investments.

Funding for startups often starts from friends and family, private equity, venture capital. Once the startup is stabilized, they will be able to attract FDI's. Access to markets - both domestic and international market is another determinant for the startups as small companies often fail to sustain due to their inability to penetrate into the markets due to the market barriers. Similarly, early customers play a critical role in the success of startups. Most often they become repetitive customers and does a word of mouth publicity when they are satisfied with the goods or services purchased. Indian population is huge and has millions of students graduating every year. These graduates prefer joining an established organization than being associated with a startup as joining an MNC is considered to be a status symbol for many of the Indian youth. Indian startups also lack experience in sales, marketing and thus, it is essential for the startups to have people with like-minded nature who would go along with the company (Rai, 2014). A recent survey by McKinsey highlights the shortage of talent faced across the globe as it estimates India will need 200,000 data scientists in the future (Fractal, 2015). In spite of India being the favorite destination for IT outsourcing, search for skilled professionals to support the new technologies like big data, cloud computing, machine learning, artificial intelligence is in high demand.

Secondary factors include government policies & initiatives, academia, technology, industry, investors, accelerators, cultural support, regulations, infrastructure, incubators, industry associations, mentors, and media. Each of them plays a significant role in the success of the entrepreneurial journey when these do not support the ecosystem they become barriers to the growth of the startups. Of all

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Journal of
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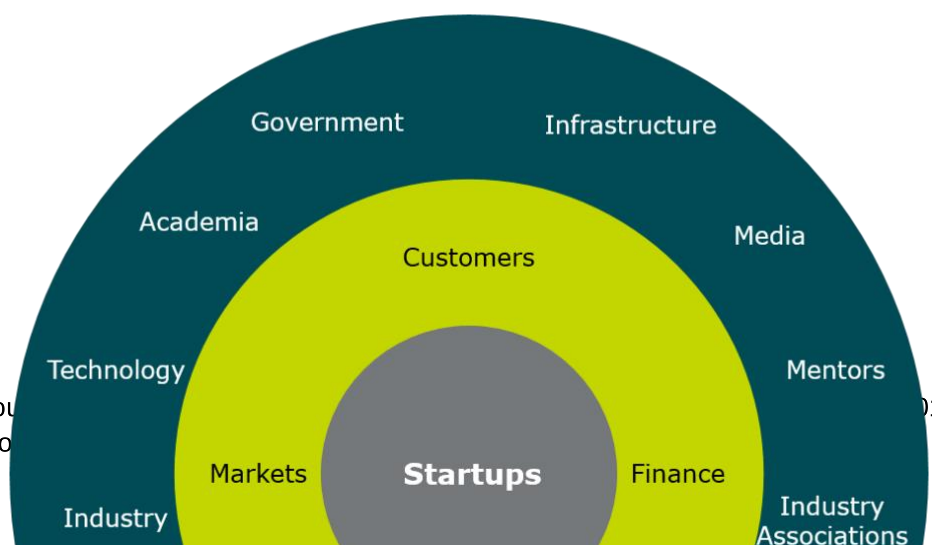
the factors cultural support requires special mentioning. Culture refers to the preference for self-employment and the tolerance of risk and failure. In a typical Indian culture, families encourage their children to secure a job rather than to start their own venture. Further, entrepreneurs were treated as someone who is either unemployed or unemployable (Ganesh, 2016). This is in contrast to the global trends, where 42 % of the youth are interested in starting their own business (Global Entrepreneurship Monitor Report, 2016/2017). Though the trend has changed over the last few years, entrepreneurs are encouraged due to their family background and thus, the social status of the entrepreneur also plays a critical role in establishing a startup. Infrastructure refers to access to the transport, telecommunications or even the basic amenities like access to water and electricity. In terms of the technology startups, access to broadband and electricity plays a critical role. Until 2016, there was no comprehensive policy dedicated to startups and as a result, entrepreneurs saw a sudden confrontation with legal processes. Prior literature also highlights that the developing countries like India possess relatively immature legal and governmental policies (Marcotte, 2014) and often take a non-linear path (Peng, 2003) due to which harnessing entrepreneurship and innovation become extremely difficult.



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Journal of
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The study underlines the need for a comprehensive ecosystem that fuels the economic growth leading to sustainable development. The current timeframe is characterized by the growth of tech startups and for the next two decades, there would be a lot of new technologies emerging to support the business and hence, entrepreneurs need to keep a constant watch for the opportunities to excel in their entrepreneurial journey.

The second objective of the study is to shed light on the future of the startups especially in Indian context. The startup market is increasing in popularity and the number of startups is bound to grow multifold in the future. It is much easier for the entrepreneurs to own a startup due to access to venture capitalists, funding agencies, mentors, accelerators and the government initiatives. However, in order to survive in the market, these startups have to be innovative and provide differentiation. An attempt is being made to study the determinants both internal

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and external that would change the way the startups are functioning today as they envision a paradigm shift in the growth of startups.

Corporate Accelerators

Until recently, venture capitalists were only the major source of funding for the startups, especially in India. However, there is a paradigm shift in the source of funds for the startups. Termed as Corporate Accelerators, big players in the marketplace started to provide necessary support not limiting to financial assistance to early-stage startups. Large corporates are able to attract startups as they provide equity free funding, mentoring and the knowledge sharing. Besides, these accelerators fund those startups that operate in the same domain and thus, it is a win-win situation for both the parties. The corporations will have access to the new ideas and technologies leading to innovation, while the startups are being nurtured, funded and mentored as startups have cited mentoring as one of the most critical elements for them to sustain in the marketplace (Bala Subrahmanya, 2015, 2017). Some of the pioneers in this space with a focus on Silicon Valley Startups are Barclays, Google, Facebook, Amazon, Target, Qualcomm, Sprint, Disney, Samsung, and Microsoft. In 2017, Outcome Health, a platform for actionable health intelligence backed by Google is listed has become a billion-dollar company. Similarly, in China, internet giants like Baidu, Alibaba, Tencent have invested in startups that are closer to become Unicorns (CB Insights, 2017). Although this trend is nascent in India, it is beginning to gain momentum in the last one year. As the large organization adopts this, it is only a matter of time before other organizations are likely to follow. Tech Mahindra, a leading IT

service provider is partnering with 30 tech startups across US, UK, India, and Israel. It is also encouraging and invests in their employees offering ideas around artificial intelligence, Internet of Things (IoT) etc. Infosys, a global leader in technology services has invested $62 million in startups operating in IoT, automation, and drones. Similarly, Wipro, another leader in technology services has invested close to $25 million in startups in IT space (Inc42, 2017).
Social Media firm Facebook expressed its interest to invest in Indian startup ecosystem in 2018 supporting small businesses in India run by women. Through its online startup hub, Facebook will assist entrepreneurs in their initial stage and help financially in scaling up their businesses and plans to train 5,00,000 Indians in the next three years.

Startup Acquisitions

Most companies get acquired, when the company is in early stages of business. However, the recent trend has taken most of the entrepreneurs by surprise. Be it the acquisition of Shazam by Apple or the acquisition of AppDynamics by Cisco. Such acquisitions bring innovation, excitement and create unrest in the industry.
Following the global trend, Indian startup ecosystem witnessed 123 acquisitions, though the number is less compared to the previous year 2016 (155), the trend was encouraging. Notable acquisitions were Halli Labs, a machine learning company by Google; ItzCash, a prepaid cash cards firm by Ebix Inc; Freecharge, an e-commerce site providing online facility to recharge prepaid mobile and DTH by Axis Bank; Little Internet and nearbuy, an online marketplace platform allowing customers to connect with local merchants by Paytm (Inc42, 2017). The trend has

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been changing slowly wherein the startups are acquiring some of the largest companies. The recent acquisition of eBay India by Flipkart has taken the industry by surprise.

Startups to Unicorns

The dream of any startup is to first become a Unicorn. Achieving this status is considered to be a sense of excellence. Unicorns are those companies, whose market valuation is more than $1 billion. These companies are characterized by growth and will reach scale first before they turn into a profit-making business. In contrast to Unicorns, cockroach grows slowly and steadily as these organizations are not ready to take the risk and hence keep a tab on spending money. Unicorns attract funding agencies and venture capitalists due to the growth and the scale. However, the agencies are looking for those organizations that have a sustainable growth than those companies than those with swift growth.

The year 2015 was considered to be a year of Unicorns. Across the world, 81 startups have become unicorns in 2015, while 2016 was very tough for the startups with 43 Unicorns. The year 2017 was better when compared to the previous year with 57 startups becoming Unicorns (Recode, 2017). The U.S. (32) and China (18) contributed to the majority of the Unicorns in 2017 (Visual Capitalist, 2017). According to Pitchbook, a data, research company that covers private capital market, venture capital, private equity, M&A transactions, U.S. has 128 active Unicorns as of 2017 (Pitchbook, 2017). Paytm, the largest mobile payments and commerce platform in India is the only Indian company listed in 2017 Unicorns.

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India is a home for 10 unicorns, whose total valuation is 35.4 billion with Flipkart at ($11.6), Snapdeal ($7), Paytm ($5.7), Olacabs ($3.65), ReNew Power Ventures ($2), Hike ($1.4), Shopclues ($1.1) and Zomato ($1), InMobi ($1) and Quikr ($1) with 1 billion each. Of all these Unicorns Paytm needs a special mentioning during the time of demonetization in India. India's largest mobile payment and commerce platform has virtually become an alternative for cash in India post the demonetization effect. Unlike other counties, cash is the only medium of transactions for most of the shopkeepers in India. Paytm has shown an alternative way of payments and transaction to Indians and companies like Mobikwik and Freecharge were quick to absorb it.

Venture Capitalists put in their money where their return on money is assured, be it a Unicorn or a Cockroach. With the economic slowdown across the globe, investors are diversifying their money and investing in those startups that will survive irrespective of the economic downturns and the financial recession. This has led the venture capitalists to look at cockroaches, whose growth is slow but steady. Moreover, these startups can stand on their own and can take things in their stride. Building a sustainable business is a key strategy and therefore it is important for the organizations to focus on long-term strategies. Those startups that withstand the tougher times would automatically attract the funding and they are likely to be noticed by the investors in their endeavor to become a Unicorn. Many of the Indian startups has potential to become a Unicorn and there are at least 50 of them spread across industries such as e-commerce, financial technology, healthcare technology,

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logistics, and travel (Quartz, 2017). These companies are often called as *Soonicorns*, meaning startups with a potential to become Unicorns.

Talent Management

Talent management is a strategy of managing and retaining the talented and skilled employees of the organization. As such, startups range from small to medium-sized and doesn't have the luxury of the large companies to innovate on HR practices. Right from the Silicon Valley in the U.S to the startups in India, talent management is one problem that is bothering all the entrepreneurs. These startups recruit individuals, who are multi-talented with niche skills and ability to reinvent strategies. Highly skilled people are always in demand and has a strong and continuous demand irrespective of the economy or the country in which they work. On one hand, there is growing unemployment in countries like U.S and India and on the other hand, there is a shortage of skilled workers. This shortage can be attributed to either skill mismatch or missing the right skill required for the job. As a result, there exists *War for Talent,* where the employers bid for the talent. These organizations often tend to be more employee-centric as they play a critical role in innovation.

Silicon Valley firms like Facebook, Google, Apple stand as a role model in people management practices that all other companies look up to. These organizations encourage innovation and allow employees to do the best of their lives thereby leading as an example in attracting and retaining the talent. Silicon Valley firms provide more benefits and perks for the employee and create a congenial workplace that creates excitement at work. The current generation of employees is new millennials, who are passionate about things they like. They are also ambitious and curious to explore new things. At the same time, they are risk-averse. Prior studies indicate that these generations who cannot connect with their workplace leave their organization without having another offer in hand. These generations engage in discussions with an open mind and being transparent. Indian startups have taken a new route in recruiting professionals for their firms. They are holding hackathons in identifying the right talent. Until 2016, these startups were recruiting graduates from premier technology institutes such as Indian Institute of Technology (IIT's), Indian Institute of Management. However, these startups find the recruitment process at these institutions too rigid and had to pick the best from the available candidates thereby limiting their recruitment search. Several startups like Paytm, Portea Medical, KNOLSKAPE, Grofers, and Oyo have decided to do away with the IIT's and instead focusing on tier II colleges in India that can supply right talent in right budget. On the flip side, these institutions have blacklisted few startups firms for delaying the joining dates. These institutes would not give first slots to these organizations irrespective of the package offered to the students. (Times of India, 2017). Talent management must fully integrate all the HR related activities into a business strategy connecting all the HR functions in the organization. PiLab, people, and innovation group of Google test and assess new people management approaches before they are implemented.

Crowdfunding

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Indian startups have attracted billions from across the world through private equity and venture capital funds. However, the early stage startups that are yet to make revenue are struggling to find financial sources. These entrepreneurs depend on family, friends, crowdfunding or their personal savings. In the recent past, crowdfunding has become the alternative source of finance to investor funding. It is a practice of raising small amounts of money from a large number of people through social media. This concept is very popular in the developed countries like U.S, UK. Global crowdfunding industry is growing at an exponential growth and is expected to generate 50 billion dollars by 2018. In India, though the number is small as the typical Indians are averse to risk and would invest in a company only if it is registered. Enthusiastic individuals, who wish to raise funds can create a profile and detail the project and the goals of the company to the larger audience through social media. In return, entrepreneurs would pay off either in terms of rewards or in the form of equity. In the next few years, crowdfunding platforms are expected to grow in large number. Some of the leading crowdfunding platforms helping the startups raise finance are RangDe, Faircent, Ketto, FuelADream, Catapooolt, Bitgiving, Crowdera, Milaap, Impact Guru, Wishberry. Indian startups are hopeful if the crowdfunding can be regulated by Securities and Exchange Board of India (SEBI), there would be more people financing the startups and thus crowdfunding can be seen as an alternative investment for most of the businessmen (Crowdsourcing Week, 2017).

Technology Incubators

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Technology incubators assist technology-oriented entrepreneurs in the early stages of the startup by providing the required infrastructure in the form of finance, workspace, shared facilities and other necessary business support services. Technology incubators in India are either the university incubators, public-private partnership or the government supported helping the entrepreneurs in making their ideas a reality. Besides they also provide mentoring, business planning and helps in identifying the right talent for the success of the venture. Getting early seed funding is considered to be the biggest hassle for most of the entrepreneurs and for them technology incubators seems to be the safest best in converting their ideas to business. Entrepreneurship in India has taken a U-turn with the universities introducing entrepreneurship courses and encouraging ideas through their technology incubators (Agrawal et al., 2017). All the leading IIT, IIM and the popular universities have technology incubators in place facilitating business growth through academics and hence a growth of 30% in student startups. It is important to drive entrepreneurial culture as they not only become entrepreneurs but they live, work with the decisions that affect the communities (Audretsch, 2017). As per NASSCOM report (2017), there are about 190+ active incubators with a year over year increase by 36%. By 2020, NASSCOM expects that the industry-academia partnership would boost innovation as the government of India plans to set up 35 new incubators and 31 innovation centers.

Conclusion

Developing countries like India has tremendous opportunities for Entrepreneurship and Innovation. Entrepreneurship coupled with Innovation can taste success when

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they challenge risk and ambiguity that is essential for startups in order to be grounded in the business. The literature on the risk-taking ability of entrepreneurs in the Indian context reiterates the shyness and the fear of failure (Dana, 2000). In spite of these, Indian startups have disrupted some of the large established companies with their innovation and market-driven technologies. These startups have not only created new businesses and job creation but also has potential to offer much to the society. What makes very special about the entrepreneurship is that the successful entrepreneurs often take the role of venture capitalists by investing money in the startups that has potential to grow.

India is second largest populous country next only to China with 1.3 billion people. Similarly, India is one of the youngest nations with more than 60 percent of the population is in the working age group and the number of graduates coming out of the colleges is more than 6 million every year (Dwivedi and Tiwari, 2013). In spite of the amazing numbers, India has not harnessed the entrepreneurship effectively. This calls for a need to foster the spirit of entrepreneurship for which sustainable ecosystems have to be created supporting the entrepreneurs. Access to funding, markets, government regulations, entrepreneurship education becomes a decisive factor for the success of entrepreneurship. The Global Information Technology Report, 2016 by World Economic Forum (2016) paints the lack of entrepreneurial education as concern for the development of the startup ecosystem in India. Industry-Academia interface, government-industry associations and the other combinations such as incubators-accelerators should drive the entrepreneurship readiness enabling the students to start their own enterprise even before they

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complete their graduation so they know what to do after completion of their studies.

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