

Strategic Corporate Social Responsibility Creates Social Value in Local Sri Lankan Dairy Industry: A Case Study of Lucky Lanka

B.A. Nuresh Eranda¹ and Nalin Abeysekera²

¹Department of Marketing Management, Faculty of Management, University of Peradeniya, Sri Lanka,

²Department of Management Studies, The Open University of Sri Lanka, Sri Lanka

ABSTRACT: *This paper examines the social value creation of strategic CSR initiatives. A qualitative single-case design is used by adopting the interpretivism approach. As per the findings strategic CSR improved skills and abilities of stakeholders and result in changing their lives positively. Further, hopes and dreams are created within the rural stakeholders and enhanced their entrepreneurial mind set. Social value creation is also occurred from strategic CSR activities in the form of increasing income and expanding life options, improving living conditions, restoring rights and duties, developing social capital and knowledge enhancement. Findings are compatible with the stakeholder theory since social value creation occurred to a greater extent when the organization builds a closer relationship with its stakeholders.*

Keywords: *Qualitative case study design, social value, stakeholder theory, strategic corporate social responsibility*

I. INTRODUCTION

The contemporary management is strongly focused on the interrelationships between the business and the society (Pralhad and Hammond, 2002; Prahalad, 2006, Porter and Kramer 2011). Particularly, the sustainable competitive advantage of the business is relied on how it deals with the society and its dynamics. Therefore, Corporate Social Responsibility (CSR) is emerged not as a management fad but it becomes the cornerstone of future management and business strategy. Thus, CSR has been researched extensively in the academia as a critical corporate phenomenon in business management. However, it has not been examined to explore how it creates value for the society. Therefore, this paper intends to explore the social value creation of strategic CSR activities. Particularly researcher examines how it contributes to the wellbeing of the society which has not been explored from the CSR perspective. In creating value for the society, researcher view CSR as a strategic activity and also incorporates the stakeholder theory approach.

The current outlook of CSR in the Sri Lankan corporate sector has been evolved dramatically. According to Kelegama (2014) 40 companies collectively spend around Rs.4 billion annually on CSR through various avenues. Moreover, the critical areas covered by existing CSR projects include environment protection, awareness and prevention of health risks, capacity building, youth empowerment, and SME development etc. These programs initiated by local Sri Lankan companies are important in the sense of creating social value mainly in the rural areas. Moreover, the Ceylon Chamber of Commerce is in the view that sustainability has become a business imperative for every Sri Lankan company irrespective of the size of the firm (Sunday Times, December 07, 2014). Thus, the penetration of CSR as a corporate phenomenon is improved across the Sri Lankan private sector. Another movement is some of the Sri Lankan entrepreneurs who are successful in their businesses initiated foundations and initiatives targeting different social causes. Therefore, CSR is becoming an important corporate phenomenon in Sri Lankan business organizations.

The theoretical and practical significance of this paper can be explained through several ways. Firstly, it considers CSR as a socially constructed phenomenon, which has to be studied from the social perspective and it goes beyond the organizational level analysis to stakeholder level. Secondly, the importance of CSR is explained through a broader perspective rather than merely examining the CSR and financial performance of a firm which has been researched extensively (Aguilera *et al.*, 2007; Chand and Fraser, 2006; Margolis & Walsh, 2001; McWilliams and Siegel, 2001; Orlitzky *et al.*, 2003). Empirically this research is important because of the use of multiple informants to collect data and due to the qualitative research design which will generate more in-depth perspective on CSR practices of a Sri Lankan firm. Thirdly, even Sri Lanka is well-known for hospitality and for unique culture associated with Buddhism; CSR is relatively unexplored field even the companies are allocating a considerable amount of money on it.

The remainder of this paper is starting with reviewing the relevant literature on strategic CSR and social value creation. Then, it is followed by the methodology of the study. Thereafter, the findings and the discussions are presented. The final section concludes the paper.

II. LITERATURE REVIEW

CSR as an area of research is surged during the last twenty years or so (Muller and Kolk, 2010; Smith, 2003). Blowfield and Murray (2008) mentioned that this increasing emphasis made CSR the newest 'old' thing in management research. The scholarly literature on CSR dates to at least 1950s, but still there is no consensus on definition for CSR. Griffin (2000) mentioned that CSR is conceptualized by different scholars in different ways. It can be expressed based on a collection of various terms including 'corporate philanthropy, corporate citizenship, business ethics, stake holding, community involvement, corporate responsibility, socially responsible investment, sustainability, triple bottom line, corporate accountability and corporate social performance' (Silberhorn and Warren 2007, p.353). Bowen (1953, p. 6) as one of the pioneers defined CSR as "It (SR) refers to the obligations 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." Particularly, Bowen was in the view that, social responsibility is not a solution for all the social problems a business experience, but it will be a proper guide for business in the future. One of the mostly cited definitions on CSR is provided by Carroll (1979, p. 500) as "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time". Particularly, it is important for CSR to be expanded beyond philanthropic activities and should be strategic in nature. Strategic CSR is all about relating CSR activities to the organization's core business activities. Porter and Kramer (2011) pointed out that strategic CSR should engage in social issues which are linked with firm's interest and operations. Specially, the idea of strategic CSR is to maintain an alignment of philanthropic activities with the business goals which results in the reconciliation of social and economic benefits. Porter and Kramer (2006) developed a three-tiered framework to incorporate social issues into the strategy of the organization. They developed this as a guide for organizations to prioritize among stakeholders and the relevant social issues they have to deal with. Accordingly there are three levels of interactions including generic social issues, value chain social impacts and social dimensions of competitive context. The latter two options have a higher tendency to create strategic CSR which can bring more social values.

Risipal and Bonler, (2010, p.114) defined social values as the relationship and the contribution to society as a whole. Therefore, business organizations need to collaborate with society as the locus point of creating social value. Dees (2001, p. 5) mentioned that social value creation is all about resolving social issues. Moreover, Drayton (2002) also reiterated the same idea pointing out social value involves the resolution of social problems (e.g. reduction of poverty). In order to conceptualize the social value, the study conducted by Portocarrero and Delgado (2010) is really helpful. Based on 33 case studies in Latin America and Spain, they explained the concept of social value produced by socially inclusive market based initiatives involving low income sector. Accordingly, they defined the term social value as "the pursuit of societal betterment through the removal of barriers that hinder social inclusion, the assistance to those temporarily weakened or lacking a voice, and the mitigation of undesirable side effects of economic activity". Therefore, in creating social value it is important to link the organizational activities with the social issues. Portocarrero and Delgado (2010) mentioned that there are four categories of social values: (1) Increasing income and expanding life options resulting from inclusion as productive agents into market value chains, (2) Expanding access to goods and services that improve living conditions, (3) Building political, economic, and environmental citizenship through restoring rights and duties, and (4) Developing social capital through constructing networks and alliances. Particularly, stakeholder theory can be identified to depict how the value creation happens from CSR. Wheeler *et al.* (2003, p. 16) contended that "stakeholder theory is concerned with value creation on multiple fronts, with social justice, with stability, and with the role of business in society". Mainly the idea of stakeholder theory is that organizations are required to develop relationships with its stakeholders by understanding their interests and responsibilities. Therefore, this study is based on a predicted proposition of "Strategic CSR creates social value by developing relationships with stakeholders".

III. METHODOLOGY

This research is based on interpretivism approach since the researcher needs to directly deal with informants to understand their insider perspective about CSR and their social value creation. Therefore, this study adopted a qualitative embedded single-case study design as the methodology of the study (Yin, 2009). The case study selected for this research is Lucky Lanka Milk Processing Company Limited which was started in 1991 as a domestic business thanks to the excess milk of the household cow. The reason for selecting this organization is the practice of strategic CSR activities based on its main business operations.

Researcher used both secondary and primary sources to collect the data. Secondary data is gathered mainly by using documentary evidence through annual reports, internal management reports, newspaper articles, industry journals, related documents from the internet and company web pages etc. Primary data is collected from interviews and observations. Mainly, in-depth semi-structured interviews are used. This interview method is useful in collecting detailed information from the respondents. Interviews are conducted with multiple

informants including both internal and external stakeholders of CSR programs in Lucky Lanka. Internal stakeholders include Managing Director (MD) and Supply Chain Manager. External stakeholders include mainly the beneficiaries of CSR programs including distribution agents, sales representatives, farmers, retailers and the local community. Moreover, researcher used general interview guide approach in conducting interviews with these stakeholders. All the stakeholders are selected based on purposive sampling since the researcher needs to select knowledgeable and correct respondents for the study.

Researcher used several data analysis techniques. One of those is content analysis and in this case key issues are identified within the case study. This is about generating categorical aggregation (open coding). The other analysis technique is pattern matching. This is mainly about comparing empirical based pattern with the predicted pattern. The predicted proposition of this study is developed based on the review of literature and that is “Strategic CSR creates social value by developing relationships with stakeholders”.

IV. FINDINGS AND DISCUSSION

Types of Social Values Created from CSR at Lucky Lanka

This section presents the kinds of social values developed from the strategic CSR activities in the organization. These social values are taken several forms as discussed below. ‘Be the change’ television program of the company is firstly considered to look at this social value creation from CSR activities. Accordingly, MD pointed out his experience of ‘Be the change’ television program in the following excerpt (Key sections italicized).

Excerpt 1

- Researcher: How ‘Be the change’ program important for business people?
MD: There are many businessmen who *restarted their businesses* after watching this program which were closed down in earlier
Researcher: Why do you provide advices for people through CSR programs?
MD: I do not believe in *providing money* and *other things free-of-charge* for the people, and it may not solve the problem of *poverty* and also other *social issues*. What we have to do is to *enhance their abilities* to get away with poverty.

According to this excerpt “restarting of closed businesses” can be seen as a way to improve living conditions and income of the people. More importantly MD rejects “providing money” (i.e. pure philanthropy) to solve the social problems like “poverty”. Instead, he is in the view that, it is important to “enhance abilities” which can be seen as a sustainable solution for social problems. This same idea is provided by Lucky agent in Kandy Chaminda as “I strongly believe that we do not need monetary support and instead we need new ideas and guidelines regarding how to conduct the business successfully”. Thus the common argument is that organizations need to invest in improving skills and competencies of stakeholders in order to create social value rather than engaging in mere donations. The above idea of “enhancing abilities” was seen by a company retailer Sunil (Madhuka stores, Rambukkana) in a different way mentioning that “*Be the change program enables me to get away from myths and put me in the right path*”. This retailer’s idea reflected that their abilities are hidden by myths and ‘Be the change’ program helped them to see the reality mainly in doing a business. Thus, the avoidance from myths and sharpen the ability to see the reality can also be viewed as a way to create value for the society.

Excerpt 2 points out values created for the agents and their sales representatives from the company’s CSR programs and their involvement in the company (Key sections italicized).

Excerpt 2

- Researcher: How did you change by attending the company’s positive thinking lectures?
Gamini: I and my sales staff always get the required *motivation* to do business through the programs of the company. I can *get away from the fear* to do the business by attending those seminars.
Researcher: Even your office seems different?
Gamini: Yeah. Company always advises us to *have our offices properly* and I think this is the only office a businessman has in our village. Even we can *handle new technology* since the company wants us to use them.

As per the Gamini’s idea, “motivation” and “get away from fear” are critical for small scale business community. These efforts influence on them to enhance the income and their living conditions. Moreover, “having an own office” is important for a rural businessmen like Gamini to enhance the status and life options. Further, “handling new technology” can advance their knowledge about the market place. In addition Gamini mentioned that “*many retailers have changed their way of doing business by attending to positive thinking*”

lectures of Lucky. More importantly they learnt how to do the business in a more professional manner by changing even the appearance of the person. Some have organized their shop well to provide a good service to the customer”. This is also evidenced that stakeholders are adopting their learning by participating to company’s CSR initiatives for improving the income and restoring duties.

The following interview excerpt shows how important the CSR programs to change the mindset of the people (Key sections italicized).

Excerpt 3

Researcher: So your life changed after the positive thinking lectures?
 Roshan: Yeah, I didn’t have a clear life expectation before joining the company. But these (Sales person) lectures *created an aim for my life*. Frankly, I was just playing with my friends in the village and my parents are also not educated enough to explain me the real life. So whatever, I learnt is always in my mind and I share this story with some of my friends.
 Researcher: So what is their reaction?
 Roshan: Two of them joined after listening to me. But they didn’t continue the job.

This excerpt shows that Roshan was able to develop an “aim for the life” and this will be important for a person to explore his life options in the future. This is really important for a person like Roshan because his rural surrounding deprive to become a successful person. Further, he was able to disseminate this idea to his friends even they were not successful. When we look at the philosophy of ‘AthaHitha Lanka Foundation’ (one of the CSR initiatives of the company) it is stated that people are being in poverty because most of them do not recognize their real potential and lack of their will power is the basic on which this movement is put up (Prospectus, 2014, p. 53). Thus the initiation of aims in the minds of people definitely can add value to their lives.

All in all table I presents the concepts and categories emerged from the data with respect to social values created from the organization’s CSR initiatives under the open coding.

Table I Open Coding for Social Values Created from CSR: Concepts and Categories

Data source	Concepts	Category
Interviews with agents and retailers	Understanding the right way to do business, purchasing physical assets to generate higher income (e.g. vehicles, lands), employing unutilized degree holders in the field of agriculture, improving the status in the society, enhancing entrepreneurship ability and spirit	Increasing income and expanding life options
Interviews with agents, sales people and retailers	Improving self-confidence, adopting positive attitudes, improving healthcare in the family, purchasing vehicles (motor bikes, three-wheelers, and cars), lessening work pressure, enhancing the reputation within the region (<i>‘Lucky Mahaththaya’</i>) (Gentleman)	Improving living conditions
Interviews with agents	Undertaking right methods in businesses, taking care of family matters	Restoring rights and duties
Interviews with sales people and agents	Developing relationships with agents and retailers, attachment to the company, knowledge sharing between the parties in the company	Developing social capital
Interviews with farmers, retailers and agents	Improving business and market knowledge, practice correct working methods, developing skills of farmers, Improving education level of children in the family	Knowledge enhancement

Source: Researcher’s construction based on interviews with stakeholders

Social Value Creation Based on the Development of Relationships with Stakeholders

The relationship Lucky Company develops with its stakeholders generates value for the society. Therefore, the evidence for this idea is presented in this section by highlighting the ideas of different stakeholders of the company.

Prospectus (2014, p. 42) pointed out that “*Collection of good quality milk is one of the major challenges that the Company is facing and to overcome this situation Company is working with some farmer organizations very closely and provide them necessary advice and guidance*”. Specially, in a developing country like Sri Lanka it is important to build up close relationships with the farmers due to their lack of technical knowledge and professionalism. These relationships are important to add value to the rural community. The following excerpt shows how important these relationships for farmers to add value to their lives (Key sections italicized).

Excerpt 4

Researcher: So you have a *good relationship* with the company?
 Gunapala: Yeah, I supply milk to Lucky Company from *seven years back*

(Farmer)

Researcher: Why do you think that the *relationship* with the company is important?

Gunapala: Company provides us *technical knowledge* and also they gave me a *loan to buy two new cows*. I can earn around Rs. 25,000 per month by supplying milk to the company.

Researcher: How did you use that money?

Gunapala: I have two daughters and both of them are studying in universities. So *this money is used mainly for daughters' education*.

According to above excerpt it is clear that Gunapala is supplying milk to Lucky Company for seven years and have a strong relationship as a farmer. As a result of this relationship he has gained technical knowledge and financial support from the company. More importantly his two daughters' university education is mainly depend on this money earn from Lucky company. Thus Gunapala's spending on his daughters' education confirms the social value creation of strategic CSR initiatives stemming from redefining the value chain activities in Lucky Company.

MD at Lucky has also highlighted the importance of working collaboratively with social institutions in undertaking CSR initiatives. Especially he told that "*after starting the 'positive minds club' most of the associations in the society and youth societies connected with us. I always tell them to change the focus and objectives of their association in a positive manner. For example, the things that you discussed within your society should only be the positives and refrain from discussing unnecessary things and stories. Therefore, a large number of societies and associations are connected with us*". This reflects that the company is interested in developing relationships with the society through its CSR activities. Moreover, this implies that stakeholders can be socially gained through these initiatives.

Following is an excerpt of the company's agent in Kandy which signifies the relationship that he had with the company to improve his knowledge and skills to enhance the business operations (Key sections italicized).

Excerpt 5

Chaminda:

(Agent)

I had a *good relationship* with the company and from the beginning I participated for positive thinking programs at Lucky. Particularly, the speeches of our MD *made changes in my business life* and my *self-confidence* was enhanced to do the business. I was able to face the challenges in my business life due to the guidance received in Lucky programs. I came to this current successful position in my business since I *learnt the art of doing business* through these programs. These programs *created dreams in our mind* about the success and taught us the *know-how of undertaking the business*. Specially, those who have listened and followed these programs achieved a highly successful position in their businesses. Personally, I believe that these programs created a highly successful business with *good networks*.

The above excerpt emphasized the knowledge enhancement within Chaminda's business career. Particularly, "self-confidence", "change", "dreams", "know-how" and "networks" can be viewed as essential foundations to become a successful entrepreneur in current businesses. So that, the close relationships cultivated through CSR programs of Lucky Company enhance the *entrepreneurial skills* of their agents and this can be considered as a new facet of generating value to the society.

V. CONCLUSIONS

The strategic CSR activities of Lucky Lanka create different types of social values for stakeholders. Improving the people's abilities is a main way to create social value for stakeholders. This is really important for creating a sustainable social impact because it enables access to wider variety of skills in the society. In this case, the shift from engaging in philanthropy to skills development makes a higher positive impact. The closest stakeholders of the business including agents, sales representatives and retailers have been motivated due to their participation in CSR programs which add value to their businesses and changed their lives positively. Moreover, CSR programs shaped the lives of stakeholders by instilling hopes and dreams which were lacking in the people came from remote areas of country where the myths about the life are prevalent. So that, these CSR initiatives enhance the entrepreneurial mind-set of stakeholders to build up a strong business network for the organization. Furthermore, social value creation occurred from CSR initiatives in the form of increasing income and expanding life options, improving living conditions, restoring rights and duties, developing social capital and knowledge enhancement.

More importantly the social value creation occurred to a greater extent when the company builds a closer relationship with its stakeholders. Therefore, the findings are complied with the stakeholder theory approach and it satisfies the proposition developed in the beginning of the study.

These CSR initiatives of the company addressed many social issues available in the rural economy of Sri Lanka including rural poverty, unemployment, and lack of skills. Therefore, it is important for relevant authorities to take actions for continuously linking these social issues with the CSR programs of the local corporate sector. So that, business organizations should shift to a deeper and value-based engagement with stakeholders in undertaking CSR initiatives to create value for the society.

REFERENCES

- [1]. Aguilera, R.V., Rupp, D.E., Williams, C.A. and Ganapathi, J. (2007), "Putting the S back incorporate social responsibility: a multi-level theory of social change in organizations", *Academy of Management Review*, Vol. 32 No. 3, pp. 836-863.
- [2]. Blowfield, M. and Murray, A. (2008), *Corporate Responsibility: A Critical Introduction*, Oxford: Oxford University Press.
- [3]. Bowen, H. (1953), *Social Responsibilities of the Businessman*, New York: Harper.
- [4]. Carroll, A.B. (1979), "A three-dimensional conceptual model of corporate social performance", *Academy of Management Review*, Vol. 4 No. 4, pp. 497-505.
- [5]. Chand, M. and Fraser, S. (2006), "The relationship between corporate social performance and corporate financial performance: Industry type as a boundary condition", *The Business Review*, Cambridge, Vol. 5 No. 1, pp. 240-245.
- [6]. Dees, J. G. (2001) *The Meaning of "Social Entrepreneurship"*, available at http://www.caseatduke.org/documents/dees_sedef.pdf, accessed on March 22, 2016.
- [7]. Drayton, B. (2002), "The citizen sector: becoming as entrepreneurial and competitive as business", *California Management Review*, Vol. 44 No. 3, pp. 120-132.
- [8]. Griffin, J.J.(2000), "Corporate social performance: Research directions for the 21st century", *Business & Society*, vol. 39 No. 4, p. 479-491.
- [9]. Kelegama, S. (2014), 'Strategic focus: Aligning private sector CSR efforts to national priorities for development, *CSR Conference: Responsible Corporate Growth Strategic Focus Resilience*.
- [10]. Margolis, J. D. and Walsh, J. P. (2003), *People and profits? The search for a link between a company's social and financial performance*, Mahwah, NJ: Lawrence Erlbaum.
- [11]. McWilliams, A. and Siegel, D. (2001), "Corporate social responsibility: a theory of the firm perspective", *Academy of Management Review*, Vol. 26 No. 1, pp. 117-128.
- [12]. Muller, A. and Kolk, A. (2010), "Extrinsic and intrinsic drivers of corporate social performance: Evidence from foreign and domestic firms in Mexico", *Journal of Management Studies*, Vol. 47 No. 1, pp. 1-26.
- [13]. Orlitzky, M., Schmidt, F. L. and Rynes, S. L. (2003), "Corporate social and financial performance: A meta-analysis", *Organization Studies*, Vol. 24 No. 3, pp. 403-441.
- [14]. Porter, M.E. and Kramer, M.R. (2006), "Strategy and society: the link between competitive advantage and corporate social responsibility", *Harvard Business Review*, Vol. 84, pp. 78-92.
- [15]. Porter, M.E. and Kramer, M.R. (2011), "Creating shared value", *Harvard Business Review*, 89(1/2), pp. 62-67.
- [16]. Portocarrero, F. and Delgado, Á. J. (2010), "Inclusive business and social value creation", In P. Márquez, E. Reficco and G. Berger (Eds.), *Socially Inclusive Business: Engaging the Poor through Market Initiatives in Iberoamerica*, Cambridge: Harvard University Press, pp. 261-293.
- [17]. Prospectus (2014), Lucky Lanka Milk Processing Co. Ltd., available at <http://www.luckylanka.lk/>, accessed on February 12, 2016.
- [18]. Prahalad, C.K. and Hammond, A. (2002), "Serving the world's poor profitably", *Harvard Business Review*, Vol. 80 No. 9, pp. 48-58.
- [19]. Prahalad, C.K. (2006), *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits*, Upper Saddle River, NJ: Wharton School Publishing.
- [20]. Rispal, H. H. and Bonler, J. (2010), Social entrepreneurship in France: organizational and relational issues in A. Fayolle and H. Matlay (eds), *Handbook of Research on Social Entrepreneurship*, UK: Edward Elgar Publishing Ltd, pp. 109-124.
- [21]. Silberhorn, D. and Warren, R.C. (2007), "Defining corporate social responsibility: A view from big companies in Germany and the UK", *European Business Review*, Vol. 19 No. 5, pp. 352-372.
- [22]. Smith, N.C. (2003), "Corporate social responsibility: Whether or how?", *California Management Review*, Vol. 45 No. 4, pp. 52-76.
- [23]. Sunday Times, December 07, 2014, "CBL's caring approach towards the society recognized once again", pp. 3-4.
- [24]. Wheeler, D., Colbert, B. A. and Freeman, R. E. (2003), "Focusing on value: Reconciling corporate social responsibility, sustainability and a stakeholder approach in a network world", *Journal of General Management*, Vol. 28 No. 3, pp. 1-28.
- [25]. Yin, R.K. (2009), *Case Study Research: Design and Methods*, SAGE Publications, Inc.