

Antecedents and Consequences of Corporate Social Responsibility in Poverty Alleviation Initiatives

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Abstract. For many years, agencies and corporations have initiated programs and implemented interventions to help impoverished groups but the results of these initiatives have often been quite discouraging. Adverse shocks such as severe health incidents or loss of employment, can happen in every household. These incidents can severely impact households, especially the poor. These impoverished households are likely to need both economic and social restoration. Thus, corporations are increasingly asked to provide innovative solutions to human poverty. One solution is through Corporate Social Responsibility (CSR), and another is through Social Entrepreneurship (SE), a strategy that seeks an opportunity to satisfy some unmet needs that the state welfare system will not or cannot meet. By studying both CSR and SE, we will highlight the mechanisms, key similarities and differences of these two forms of strategy and develop a framework that approaches poverty alleviation more systematically and effectively.

Key words: corporate social responsibility, social entrepreneurship, impoverished groups

Abstrak. Selama bertahun-tahun, para agensi dan korporasi telah memulai program dan implementasi intervensi untuk menolong kelompok miskin, namun hasil inisiatif itu sering mengecewakan. Peristiwa yang mengejutkan seperti gangguan kesehatan berat atau kehilangan pekerjaan, dapat terjadi dalam setiap rumah tangga. Kejadian tersebut dapat sangat memengaruhi rumah tangga, terutama pada orang miskin. Rumah tangga yang jatuh miskin ini membutuhkan baik pemulihan ekonomi maupun pemulihan sosial. Dengan demikian, korporasi makin dituntut menyediakan solusi inovatif terhadap kemiskinan manusia. Salah satunya adalah melalui tanggung jawab sosial perusahaan (TSP), atau melalui kewiraswastaan sosial (KS), suatu strategi yang mencari kesempatan memuaskan kebutuhan yang tak akan atau tak dapat dipenuhi oleh sistem kesejahteraan negara. Dengan mempelajari TSP dan KS, kami akan mengemukakan mekanisme, kesamaan kunci dan perbedaan kedua bentuk strategi tersebut dan mengembangkan sebuah kerangka pendekatan pengurangan kemiskinan secara lebih sistematis dan efektif.

Kata kunci: tanggung jawab sosial perusahaan, kewiraswastaan sosial, kelompok miskin

The Marketing Issue Being Researched

*Corporation's Motivational Reasons for
Commencing CSR Programs in Poverty Alleviation
Compared to SE*

We need to identify the antecedents which lead companies to adopt a CSR strategy in poverty alleviation and then compare it with the antecedents of SE. Is it an internal decision, external pressure or other? Corporations increasingly see themselves in

a no-win situation, caught between critics demanding a higher level of CSR and investors applying relentless pressure to maximize short-term profit (Porter & Kramer, 2003). In that case, examining the mechanism behind their decision is essential.

The Successes and Failures of Conducting CSR and SE Strategies in Poverty Alleviation

The opportunities associated with low-income markets are becoming increasingly apparent to both scholars and managers. According to Porter and Kramer (2003) many companies assume that social and economic objectives are separate and distinct. This can lead to an unfocused and failing CSR

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strategy. SE is also challenged to develop practical, workable ways to achieve effective and inspiring results in alleviating poverty regardless of declining government funding and the slowed growth of private contributions to nonprofits (Colby, Stone, & Carttar, 2004). Despite these challenges, the movement of non-profits toward income generation strategies continues to grow (Massarsky & Beinhacker, 2002). We need to investigate what constitutes success and failure of earned income strategies for social entrepreneurs. By using case studies we will analyse factors that contribute to a success or failure of companies in their CSR and SE programs.

The Relative Competitive Advantages, Disadvantages, and Interactive Dynamics in a Mixed Market

Private sector and poverty reduction are two topics that seldom complement each other in people's minds (Wallich, 2000). However, recently more and more businesses and governments realize the importance of the private sector's role in international development, especially in alleviating poverty (Hopkins, 2001). Both CSR and SE are able to reach the poor (Prahalad, 2005; Yunus, 1998) but what are the advantages and disadvantages? Is there interaction between the two? If yes, the interaction between CSR and SE could offer great potential for discovering new forms of collaborative value creation in support of poverty alleviation programs (Selos & Mair, 2005).

CSR and SE Strategies to Increase the Economic Welfare of Low Income Consumers

Research on CSR has largely focused on the company and its profitability (Margolis & Walsh, 2003). The same case appears with SE. We are unaware of the effectiveness of CSR and SE strategies to increase the economic welfare of the recipients. We need to examine the effectiveness of these programs, with success defined by both the company/non-profit involved and the recipients of the program.

The Importance of This Issue – Academically and Managerially

Why should companies integrate social performance, specifically poverty reduction, into their business strategy? There are several underlying reasons: First, fighting poverty helps establish secure and stable societies that benefit businesses in a number of ways. Second, poverty exacerbates a number of conditions—including environmental degradation, inadequate health, education system etc.—that add directly to the cost and risks of doing business (Engineer Against Poverty, 2004). Overcoming these problems helps to reduce cost, improve resource efficiency and boost productivity (Matthews, 2002). Third, corporations will obtain an informal social licence, assisting in conducting business in sensitive environments. The result could produce competent and healthy workers, prosperous consumers and investors, and provide the predictable, rule based and non discriminatory trading and financial systems, through which transaction costs can be reduced and corruption eliminated.

The United States government has recognised the role corporations could play in promoting social welfare (Margolis and Walsh 2003). Currently, there are more and more companies recognising the importance and value of combining commerce and social development. (Alvord, Brown, & Letts, 2004) suggest that some research has been done to assess the characteristics common to large scale, successful poverty alleviation initiatives (e.g. Krishna, Norman, & Milton, 1997; Tandler, 1989). Some researchers have focused on the organisational and institutional characteristics of effective development agencies (e.g. Brown & Covey, 1987; Korten, 1980) and others have observed the characteristics of successful social movements (e.g. Gamson, 1975; McAdam, McCarthy, & Zald, 1996; Tarrow, 1998). Also, some have focused on assessing the relationship between a corporations' engagement in socially responsible business activities and its profitability (Margolish & Walsh, 2001). But there is less research on the links between CSR and SE. We believe through an in-depth study of CSR and SE mechanisms we would help bridge the gap between business initiatives and social issues.

Concepts, Theories, and Frameworks

We will first address the concepts and definitions of poverty, followed by exploration of CSR and SE. The World Bank (World Bank, 2000) defined poverty as relevant to the current condition and is expanded to include all the dimensions of human well-being: adequate food, shelter and comfort; reduced vulnerability to external shocks; access to education, health care, and basic infrastructure; and the opportunity to participate in social and political life on an equal basis with the rest of the population. However, the poor are survivors who are adaptive, and value and brand conscious. The poor can be very determined when they are offered opportunity (e.g. Hill, 2001; Magleby, 2005). The poor wants to be actively involved in the global economy. They have similar needs as the middle class society, they want choices and leisure products (World Business Council for Sustainable Development, 2006).

Most companies tend to focus on the rich and some on second tier of middle class but there is a huge potential of customers who have little disposable income but are a promising market if business can rethink its strategies. Firms need to look outside the box in order to develop innovative products and services that can provide unique needs in the emerging economy (McIntosh & Mohan, 1999). According to Prahalad (2005, p. 3) "What is needed is a better approach to help the poor, an approach that involves partnering with them to innovate and achieve sustainable win-win scenarios where the poor are actively engaged and, at the same time, the companies providing products and services to them are profitable." Kolodner (1994) and Yunus (1998) suggested that the private sector through their CSR program and SE can sufficiently impact whole nations in reducing poverty.

Next, we will look at what CSR is. "Corporate social responsibility is the commitment of businesses to behave ethically and to contribute to sustainable economic development by working with all relevant stakeholders to improve their lives in ways that are good for business, the sustainable development agenda, and society at large" (World Bank, 2000, p. 3). CSR is an effective media within the company to reach low income consumers and alleviate poverty. It is regarded as a vehicle through

which the private sector can contribute to poverty reduction and other social objectives (Fox, 2004). In his book *The Practice of Management*, (1955), Drucker suggested (p. 382): "[But] what is most important is that management realize that it must consider the impact of every business policy and business action upon society." Drucker distinguished between two types of corporate social responsibility. First, what business does to society and second, what business can do for society. Social impacts are an often unintended but inescapable by-product of business (Drucker, 1974). Business purpose should consider economic performance and social responsibility.

We will look at what SE is. SE "combines the passion of a social mission with an image of business-like discipline, innovation, and determination commonly associated with" for example, the high-tech companies of Silicon Valley (Dees, 2001, p. 2). Social entrepreneurs are individuals with innovative solutions to society's most complicated social problems such as poverty, human rights, lack of education etc. Rather than leaving societal needs to the government or business sectors, social entrepreneurs find what is not working and solve the problem by changing the system, spreading the solution and persuading societies to take new steps (Weerawardena & Mort, 2006). Under the narrow definition, SE typically refers to the phenomenon of applying business expertise and market-based skills in the non-profit sector such as when non-profit organisations develop innovative approaches to earn income (Reis & Clohesy, 1999; Thompson, Alvy, & Lees, 2000).

Common across all definitions of SE is the fact that the underlying drive for SE is to generate social value, rather than personal and shareholder wealth (e.g. Zadek, 2005), and the activity is characterised by innovation, or the creation of something new rather than simply the replication of existing practices. The main driver for SE is the social problem being addressed (Austin, Howard, & Wei-Skillern, 2003). But why social entrepreneur? Just as entrepreneurs change the face of business, social entrepreneurs act as the change agents for society, seizing opportunities others miss and improving systems, inventing new approaches, and creating solutions to change society for the better (Dees, 2001). While a business entrepreneur might create entirely new industries, a social entrepreneur comes up with

new solutions to social problems and then implements them on a large scale. We argue that both CSR and SE can offer viable solutions to lift the poor out of poverty.

Proposed Methodology

Due to the relatively new and unexplored nature of the phenomena—the mechanism of CSR and SE in alleviating poverty—this study adopts an exploratory research design (Eisenhardt, 1989; Yin, 1984). An exploratory methodology such as this has been identified as being particularly useful for research examining strategies in emerging economies (Hoskisson, Eden, Lau, & Wright, 2000). In addition, qualitative research has provided critical insight into innovation (Galunic & Eisenhardt, 2001), entrepreneurship (Miner, Bassoff, & Moorman, 2001) and alliances (Larson, 1991, 1992), as well as a variety of other phenomena, such as social issues (Dutton & Dukerich, 1991), organisational change (Smith & Zeithaml, 1996) and proactive responsiveness to environmental uncertainty (Sharma & Vredenburg, 1998).

The initial context of this study is Australia. We will use a cross-sectional multiple-case studies research design. This will include (a) Interviews with managers who are involved in CSR strategy from various sectors (e.g. Banking, Pharmaceutical, Energy). The interviews with managers are especially important when it comes to critically evaluating the role of companies' capabilities in successfully launching a CSR program targeting low income consumers (Hart & Christensen, 2002). Number of cases: six which consist of 3 successful programs and 3 unsuccessful programs; (b) Interviews with managers from various SE organisations that are involved in poverty alleviation programs. Number of cases: 6 (six) which consist of 3 successful and 3 unsuccessful programs. By using multiple case studies we aim to increase the external validity by analysing the logic between cases; (c) Interviews with 'low income individuals' as recipients, including direct observations which involve a field visit. We will draw a random sample of five individuals from each community group (ie. case study) for in-depth interviews.

The unit of analysis is the low income individual (involved in a program) and key informants (Companies with CSR programs and Social Entrepreneur

organisations). Pattern matching and explanation-building within the case will be applied to increase internal validity (Yin, 1984). There are several objectives. First, we will conduct an analysis of firm mechanisms leading to entering a poverty alleviation program. We will propose that these antecedents will greatly impact the consequences. Second, under what conditions CSR and SE program succeed or fail. Third, analysing the impact of these programs from the perspective of the poor is crucial in refining the shortcomings of many CSR and SE programs. We aim to develop a theory on how companies successfully or unsuccessfully enter this unique business environment and to develop a framework that would facilitate future hypothesis testing (Eisenhardt, 1989).

Initially, we will develop preliminary research questions to provide guidance for this study and help identify meaningful and relevant activities (Yin, 1981). This will include collecting data on the background and success of each venture, strategies used to enter low-income markets, product design and development, knowledge transfer and sharing, the leveraging of existing capabilities, and inter organisational relationships (London & Hart, 2004).

Data collection will involve several overlapping steps (Yin, 1984). The first step is to conduct an exhaustive search for existing cases and other archival information on poverty alleviation program entry by multinationals, local companies, and non-profit organisations. Subsequently, we will select 12 case studies (6 for companies' CSR and 6 for SE) for further in-depth analysis which will include collecting archival material and contacting key informants. The 12 case studies will be further separated into successful and unsuccessful programs. These ventures will not be selected randomly, rather they will be chosen because they offer a variety of approaches to explore opportunities in alleviating poverty (Sonenshein, Gorman, & Werhane, 1997). Ideally, we will collect and review the materials on the organisation and venture in advance.

Contribution to Knowledge

This research will make several contributions. First, understanding the complexity of companies' decision toward CSR and SE activities will verify or

contrast other studies in business strategy and business policy. The result of this investigation will be an essential part for business policy makers and marketing scholars in formulating policy or decision to alleviate poverty. Second, the exploratory approach used to examine the most successful or unsuccessful strategies in alleviating poverty will be a good start for companies who are about to penetrate the low income market. Third, this research will present evidence if there is an imbalance of exchange between companies' CSR, SE activities and the poor. There are perceptions that CSR is only increasing corporate image and brand value, but not benefiting the poor. If corporate responses to poverty are evaluated only in terms of benefits for the firm and its shareholders, we will never learn about their impact on society and most importantly on the intended recipients of these initiatives (Margolis & Walsh, 2003).

Finally, by analysing both CSR and SE strategies (advantages and disadvantages), a company might build partnerships with local social entrepreneurs and engage in projects that match specific, relevant needs to corporate resources. Many companies have started to tap into the market of social needs (Hart & Christensen, 2002). In many cases social entrepreneurs are better than companies at scanning for opportunities and building up grassroots efforts from very limited capital (Seelos & Mair, 2005). By using corporate funding instead of purely philanthropic sources of capital, social entrepreneurs could gain access into additional resources of corporate knowledge and managerial skills to enhance SE's effort.

By understanding the mechanism, advantages and disadvantages of CSR and SE, we aim to offer solutions on how to deliver an effective poverty alleviation strategy. Understanding CSR and SE paves the way to a future that may allow coming generations to satisfy needs better than we are able to satisfy even the basic need of today's population. It benefits global corporations' own economic interest, while at the same time creating social value for those who need it most (Seelos & Mair, 2005).

Progress

We are currently conducting further literature

studies to support our research questions. Additionally, we are undertaking some preliminary qualitative research interviews on CSR and SE. We are trying to observe some initial conditions; why the company or individual starts a CSR or SE program; difficulties and successes; interviewing recipients of CSR/SE initiatives to get their views on the successes or failures of a program.

Specific Issues for Feedback

1. Conducting a valid and reliable case study on the new phenomenon. The concept of social entrepreneurship is considered new (Alvord, et al 2004). Thus, what are the necessary steps to explore this new phenomenon?

2. Problems and challenges facing CSR and SE in the past. Which past research needs to be studied concerning CSR and SE?

3. Academic views on current poverty alleviation programs launched by corporations or non profit organisations. Do most academics have similar perceptions regarding these poverty alleviation programs? (Either through CSR or SE)

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