

**Questioning the Corporate responsibility Department Alignment
with the Business model of top Indian Companies**

***Abstract:** The Response Report (2007) insisted on the necessity to focus on internal stakeholder instead of external stakeholders. In that sense, this contribution provides some insights concerning the importance of the alignment of the Corporate Responsibility Department with the business model of top Indian MNCs. More specifically this paper posits the impact of the CR Dpt. whether it is process or vision oriented and the role of CSR into the performance of rising top Indian companies using the study of the Indian companies listed in the Forbes Global 2000 ranking according to the Jacopin-Fontrodona matrix (2008) between 2005 and 2012 and their annual and CR reports.*

Keywords: Corporate responsibility, Alignment, Business model, Indian companies, Stakeholder Management

As one of the BRIC, India has been one of the countries that best has faced the current financial crisis putting on top of that a strong emphasis on corporate responsibility (CR) on the first hand. On the other hand, despite a rising recognition of its necessity, CR departments have been hit by the restructurings linked with the financial crisis in the sense that benefits related to CR are more long term than short term oriented. Indeed, the financial reporting to the stock exchanges and analysts is an additional difficulty for public companies to keep their compromise with CR because short term returns on investment (ROI) are always more compelling.

Therefore managing the alignment of the CR Departments with the business models of the companies can be a solution to improve CR impact. This contribution will question the CR department alignment with the business model of the top Indian companies to provide some insights concerning the two following elements :

- 1- Until what extent do the Indian public companies appearing in the year 2013 Forbes 2000 ranking present a superior alignment between their CSR Department and their business model than the Indian companies represented in the same ranking in 2005? Is it possible to determine if this superior alignment comes from a higher focus on process or on the vision of the company?
- 2- Until what extent have Indian companies present in 2005 and represented in the Forbes 2000 index in 2013 improved their alignment between the CR Dpt. and the business model? Is it possible to determine the importance of the alignment of the CR Dpt. with the organization at this stage in terms of bottom line performance?

The current contribution lies on the lack of results of the stakeholder management (Response Report, 2007) and the fact that the internal alignment between the business model of the organisations and the drivers of the CR department was not studied in the mentioned report. Moreover, some studies (Pruzan, 2001; Robin and Reidenbach, 1988, Smith, 2003; Stewart, 2006;) have tried to propose some frameworks to embed CR into the organisations.

In that sense, Jacopin and Fontrodona (2009) have developed a matrix that enables to determine through a previous analysis of the business model and CR model of a company the alignment or misalignment of its CR Department with the organization base on the original Kase et al. (2005) framework developed in CEOs as Strategists.

The aim of this contribution is to check the evolution of the alignment of the CR Department with the business model of top Indian companies between 2005 and 2013 through the prism of the Jacopin-Fontrodona Matrix using the positioning of Indian Forbes 2000 at these years combining it with an analysis of the business model and CR model of the companies through their 2011 and 2012 annual reports and CR/sustainability reports.

This contribution is inserted in a wider project where the same methodology is applied to top companies among several industrialized and emerging countries to determine until what extent an alignment of the CR Dpt. with the business model has been occurring in the recent years and to track its subsequent impact.

The full theoretical body of the model is found in Jacopin-Fontrodona (2008) and only key references are kept in this paper to understand the matrix.

In this paper, first will be described the original Kase approach concerning the focus of business models either on vision or process. In a second part, the focus is given on explaining the Jacopin-Fontrodona matrix on the difficulties to achieve a CR deepening through its possible alignment with the business model. Third, the Indian situation is discussed based on the analysis of its major MNCs. Last, some conclusions and some limits of the current survey are set up.

Theoretical body and presentation of the matrix

The capacity to discern some key success factors between the alignment of the CR department with the rest of the organisation should be apprehended diagnosing first, the cognitive process

approach of CEOs as strategists – the cognitive approach to strategic decisions (Barr *et al.*, 1992; Clapham *et al.*, 1991; Hart *et al.*, 1994; Kagono, 1988; Mann *et al.*, 1992; Mintzberg, 1990a, 1990b, 1990c; Tikkanen *et al.*, 2005; Weick, 1979) - and second, analysing the cognitive process approach of the CR department. The cognitive approach is in keeping with the resource-based view of the firm (Barney, 2001; Ulrich *et al.*, 1984; Ulrich *et al.*, 2004).

Table 1: The PIF and PA framework

	PIF	PA
Decision-making guide	Image driven	Profit and operation driven
Temporal framework	Mid and long term	Short term
Constituting factors	Former knowledge of the company. Same cultural values	Based on ability to improve existing process. Knowledge of company less important
Cash flow	Fundamental	Permanent crisis as a management solution
CEO instructions	Implicit	Explicit
Combination between CEO and COO	If CEO is PIF, PA or PIF at lower levels	If CEO is PA, PA at all lower levels

Source: Kase (2005)

The Kase, Sáez-Martínez, and Riquelme's (2005) framework seems particularly adapted to explore this issue because it is one of the few that consider the cognitive perspective, analysing top executives. Kase *et al.* (2005) and Kase and Jacopin (2007) illustrated the validity of this framework for Japanese and Spanish companies such as Nissan, Sony, Santander and BBVA. When the cognitive processes are value-laden, culture-bound and long-

term oriented, then the approach is considered as Proto-Image of the Firm (PIF). On the contrary, the search for the cash-flow generation, matter-of-fact, and rather short-term surviving is associated with a Profit-Arithmetic (PA) approach. Kase et al (2005) stress that neither of the two approaches is superior. In each and every situation; it depends on the business environment and the skills and experience of the executives concerned. If PIF is adopted (provided the firm's financial position is solid) in a more mature business environment or with a predictable pace of change, the PA-approach is particularly efficient when the firm is in jeopardy and its survival questionable.

In conclusion, there is no doubt to insist on the relevancy of the PA and PIF models concerning the orientation of the business models. The idea to adapt this framework to the CR environment comes from the inner contradiction of the CR Dpt. On the first hand, this department should be given more latitude to expand but corporations needs to deliver on a short time period (e.g. quarters). In that sense, the opposition exists since its beginning. On the other hand, the financial crisis has put enough more incentive on "business as usual" and to "short-termism". These elements are a threat for the DNA of the CR Dpt. Therefore, the idea of this framework is to pinpoint the possible elements of contradiction of the CR Dpt. at the current moment and particularly to check out if CR dpt. should temporarily lose their long term perspective to deliver value on the short term or if their main quest – creating value on the long run – should be kept under all circumstances.

More precisely, the short term approach can be assimilated to a PA one while the long term approach can be considered as a PIF one. The PIF model is based on image, it is logical that it is based on external perception of the stakeholders. By opposition, a vision more based on process and efficiency is more linked with a focus on internal stakeholders because it implies that the CR Dpt. follows the same metrics than the other Dpt. of the company.

Table 2: Adaptation of the PIF/PA framework to CSR

	PIF	PA
Decision-making guide	Image driven	Profit and operation driven
Temporal framework	Mid and long term	Short term
Constituting factors	External Stakeholders	Internal Stakeholders, and above all management
Expression of CSR results	Qualitative	Quantitative
Quest for	Maximize Value Creation	Minimize Reputational Risk
CSR Manager instructions	Implicit	Explicit

Source: Jacopin's adaptation from Kase generic model PA and PIF (2009)

A PIF approach looks for qualitative results because it searches the approval of external stakeholders and transversal metrics. By opposition, a PA approach implies highly defined processed and therefore accurate/quantitative metrics.

If both approaches are supposed to ensure the development of the CR Dpt. , it has to be noted that the recognition of this department will be based I n the PIF approach on the offensive results (i.e. maximizing value creation) it gets whereas the PA approach will definitely insist more on a defensive approach (i.e. lowering the reputational risks).

Last but not least, an organization based on process lets less initiative to its employees and therefore instructions are explicit in a PA structure. By opposition, a structure where vision and creativity are mandatory will give more implicit instructions.

Hence, the issue will be to check out the internal alignment existing between the business model approach and the CR approach through the following matrix:

Cognitive process: crossing the CR approach with the Business Model Approach

Table 3: Cognitive process: crossing the CR approach with the Business Model Approach

	CR Approach		
		PA	PIF
Business Model Approach	PA	alignment (A) 1 - 2	misalignment (B) 3 - 4 - 5
	PIF	misalignment (C) 6	alignment (D) 7 - 8

Source: Jacopin & Fontrodona, (2009)

Several situations may occur.

Case A:

The alignment may occur on two bases:

- 1- There is no implementation of the CSR approach and by default, it is aligned with the business model.
- 2- There is an alignment between the business model of the organization and the CSR department. Most of the time, the CSR department has evolved from a PIF inspiration to short term goals and an implementation in terms of processes

Case B:

The misalignment may occur on three bases:

- 3- The business model is clearly focused on the profit arithmetic model and the development of processes. CSR remains backwards and is not integrated in the business model and will not be integrated in it.

- 4- The business model is clearly focused on the profit arithmetic model and the development of processes. CSR remains backwards and is not integrated in the business model but there is a willingness to implement it in the future.
- 5- The CSR department would be eager to move forward keeping a long term focus. Nevertheless, the business model – focused on a PA approach – prevents an alignment from happening. The question remains to know until what extent an alignment is necessary between the business model and the CR department.

Case C:

- 6- The misalignment happens in this situation when the CSR department has short-termed target in an organization with a focus on long term. This case is exceptional.

Case D:

This situation may occur in two situations:

- 7- The company focuses on a PIF model and its CSR department has not reached its proficiency until now. Nevertheless, the aims of this department are focused on the long term.
- 8- The company has a business model based on the PIF characteristics and its CSR department has identified its key drivers aligned with the priorities of the organization.

Results and findings:

The results can be analysed taking into consideration the two questions looking respectively at tables 4 and 5.

Generally speaking, the number of Indian companies appearing in the Forbes Global 2000 ranking has increased from 30 to 56 between 2005 and 2013. 28 out of the 30 companies that were initially ranked in 2005 still remain in this indicator. The other 2 companies were not

considered as relevant for this survey because their performance were not sustainable over time. Among these 28 companies, 25 have improved their ranking between 2005 and 2013; what demonstrates the vigour of these companies that did perform better than their competitors.

In the following paragraphs, the issue is to try to understand the impact of CR in the global performance of Indian top companies based on 1) the rising importance of CR over time between 2005 top companies and the newcomers in the ranking and 2) a possible change of pattern among 2005 top companies in the recent years.

Q1- The alignment of the CR Department with the business model has increased over time be it in process or in vision (from 3/28 in 2005 to 6/26 in 2013 in process and from 0 in 2005 to 4 in 2013 in vision), what demonstrates the effectiveness of the integration of CR within Indian companies. Nevertheless, it has to be said that if the alignment by default (case 1) has decreased over time from 10/28 in 2005 to 7/26 and the misalignment occurring by a lack of CR interest has decreased as well from 7/28 to 4/26, they are still relevant. The rise of many Indian companies can be explained therefore much more by the economic boom (internal growth, diversification of the economy - cf development of the real estate and infrastructure top companies, internationalization made possible thanks to internal growth) than by a possible CR alignment. The more optimistic factor comes from the fact that always more companies (0/28 to 4/26) focus on renewable energies and strong emphasis on R&D.

Last but not least, process is the solution chosen by the upcoming Indian companies to improve the CR impact; which is not surprising taking into consideration the usual operational efficiency of these companies.

Q2. The results of this table are quite optimistic as well because virtually all companies that were present in the 2005 Forbes 2000 ranking have decided to push further their alignment with the business model of the companies. Again, strategies in terms of process have been favoured. However, it has to be noted that the progression of upcoming Indian Forbes companies has not been strong enough to change drastically the ranking among top Indian companies; what might be seen as a possible minor impact of a CR alignment in terms of innovation catalyst.

Implications and conclusions:

This is a contribution done on a small sample of companies. Therefore, next contribution should be extended over years in terms of number of companies and variables to determine until what extent the alignment of the CR Department with the business model is a key issue in order to achieve a major CR impact.

Until now, the major difficulty remains to isolate the global impact of CR on the rest of the company.

The fact that all Indian companies represented in the Forbes 2000 have decided to push their alignment of their CR Department with the business model is nonetheless extremely positive for CR.

CR Dpt. alignment with business model of top Indian MNCs

Table 4: Results by clusters of the Indian top companies -Matrix Business Model vs. CR Department: Forbes 2000 of 2005 vs. Forbes 2000 of 2013

		CR Department				
		PA – from to		PIF – from to		
Business Model	PA	Alignment by default Bank1 Commodities 7 Utilities 1 Consulting 1 Commodities 3 Banks 2 Equipment Good 1 Infrastructure 1	Alignment based on process Bank 1 Commodities 1 Equipment Good 1 Banks 2 Equipment good 2 Utilities 1 Infrastructure 1	Misalignment/ CSR is not a priority Bank 4 Utilities 1 Retail 1 Equipment Good 1 Commodities 2 Banks 2 Real Estate 1	Transitional CSR towards Process Bank 4 Consulting 1 Equipment Good 1 Consulting 1 Banks 2	Misalignment / Long term focus Consulting 1
	PIF	Incoherent		Towards a Long term CSR Alignment Utilities 1 Project finance 1	Alignment based on long term CSR 0 in 2005 Project finance 1 Utilities 2 Pharmaceutical 1	

CR alignment in 2005 of Forbes 2000 Indian companies present in 2005 and still present in 2013

CR alignment in 2013 of Forbes 2000 Indian companies not present in 2005 and present in 2013

Source: Author

CR Dpt. alignment with business model of top Indian MNCs

Table 5: Results by clusters of the Indian top companies -Matrix Business Model vs. CR Department: Forbes 2000 present in 2005 and still present in 2013

		CR Department				
		PA –		PIF –		
Business Model	PA	Alignment by default Bank1 Commodities 7 Utilities 1 Consulting 1 Bank 1 Commodities 5 Consulting 1	Alignment based on process Bank 1 Commodities 1 Equipment Good 1 Bank 8 Commodities 3 Consulting 1 Retail 1 Equipment good 2	Misalignment/ CSR is not a priority Bank 4 Utilities 1 Retail 1 Equipment Good 1 Bank 1	Transitional CSR towards Process Bank 4 Consulting 1 Equipment Good 1 Utilities 1 Equipment Good 1	Misalignment / Long term focus Consulting 1
	PIF	Incoherent		Towards a Long term CSR Alignment Utilities 1 Utilities 1	Alignment based on long term CSR 0 in 2005 Utilities 1 in 2013	

CR alignment in 2005 of Forbes 2000 Indian companies present in 2005 and still present in 2013

CR alignment in 2013 of Forbes 2000 Indian companies present in 2005 and still present in 2013

Source: Author

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