RESEARCH

includes research articles that focus on the analysis and resolution of managerial and academic issues based on analytical and empirical or case research

Mainstreaming an Unorganized Industry: The Case of Suguna Poultry

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Executive Summary

The Corporate Social Responsibility (CSR) framework is quite rich with its concepts like sustainability, mainstreaming, stakeholders and their inclusiveness, citizenship, etc. The debate in CSR is increasingly about making it a part of core business process rather than treating it as a compliance function. In this context, the business model of Suguna Poultry was studied and it was observed that it can help in understanding the deeper meanings of these concepts in a concrete way.

Suguna Poultry was started by two brothers, Soundararajan and Sundararajan with 200 birds 25 years back in Udumalpet, a small town in Tamil Nadu. After a lot of struggle and persistence, it scaled to reach a turnover of Rs.30,180 million in 2009, with presence in 11 states. The case is about how it managed to mesh its Business Model and Revenue Model with a Sustainable Development Model**.** The CSR theme is closely linked to their growth strategies and the entrepreneurs' basic philosophy towards business and stakeholders. The contribution of Suguna in the context of mainstreaming poultry industry, which belonged to unorganized sector in India are:

- It converted a commodity market into a product market
- It converted a neighbourhood market into a national market
- It pioneered several process innovations which changed the character of the industry itself.

The business model is based on contract farming. It contributed mainly through (i) risk mitigation for the farmers which is their major bane and (ii) by providing integrated service which reduced the stages of intermediation and cost of transaction. Their process model emerges as a combination of (a) choice of appropriate technology, (b) extended organizational processes, and (c) value creating processes.

The CSR aspects that emerge from the Suguna case are:

- Its Sustainable business model, which works for the benefit of the immediate as well as stakeholders at large. They achieved this through their entire value chain over a vast area.
- Achieving CSR within a 'for profit' objective and a 'commercial orientation' rather than through 'charitable orientation.' It offered a market relationship to farmers and not a benign or charitable relationship. This made the debt-ridden farmers self-confident entrepreneurs.
- Embedding CSR concerns in their core business processes and in the value system of management. The promoters as well as managers closely identify themselves with the contract farmers.
- Ensuring inclusive value chain model wherein all its stakeholders like growers, retailers, and customers are benefitted, and so one segment gains at the cost of another.

KEY WORDS

Corporate Social Responsibility

Sustainable Model

Mainstreaming

Embeddedness

Inclusiveness

There are several strands of thinking regarding Corporate Social Responsibility (CSR). At the two ends of the spectrum are: (a) CSR as compliance - risk management framework that helps to reinforce positive influence of business on society, and (b) CSR as a belief embedded in the core business processes of the organization. The second perspective stresses sustainability with its "notions of ethics, philanthropy, stakeholder management, and social and environmental responsibilities," which govern corporate actions (Bettignies as quoted in Mirvis and Googins, 2006). The understanding of CSR is getting richer over the years and several constructs have emerged such as mainstreaming, sustainability, transaction governance, inclusiveness, ethical practices, etc. The discussion on CSR is no longer about 'whether to make substantial commitments to CSR, but how?' (Smith, 2003). Suguna Poultry is one such case which helps us understand some aspects of 'How' in terms of various CSR constructs.

SUGUNA POULTRY

Suguna is a case of spectacular success by two entrepreneurs driven by single mindedness in an industry which is outside any corporate's radar. The evolution of Suguna can be seen as a case of how an entrepreneur can mesh business model with Corporate Social Responsibility (CSR). The case best illustrates CSR aspects in terms of mainstreaming an unorganized industry, and establishing a sustainable model which is embedded and inclusive.

The growth path and business model of Suguna provide useful insights for understanding scaling in an unchartered territory in an unorganized sector. Soundararajan (SR) and his younger brother Sundararajan (SD) sowed the seeds of Suguna in 1985 in Udumalpet near Coimbatore, south of India in a very traditional product line like poultry, unglamorous by any stretch of imagination. SR discontinued his education after schooling and takes pride in mentioning this fact, probably to distance him from any formal management training. Throughout his life, he has been crisis-driven which gives him his inspiration. Somebody who has gone through the journey can at the best explain it as a train of events and a sequence of stimulus-response actions. They tried several start-ups in the initial years and finally, SR and SD started with 200 chickens in 1985 and its present turnover is Rs.30,180 million with a presence in 11 states, and about 15 per cent share in the national poultry industry.

The Early days

SR is an entrepreneur from the word go. He tried his hand on many trades during 1976 to 1980. He engaged in various trades like cotton trading, farming, threshing machine, steel furniture industry, etc., which he carried on for a few years.The first indication of future events was their decision to buy 200 chickens on the spur of the moment on the suggestion of a well-wisher. The business staggered for some months and they migrated to poultry feed business in 1986. It gained momentum slowly and fetched a good margin. They opened a shop in Udumalpet in 1986. As luck would have it, the chicken industry hit a crisis and the prices crashed. They had about six months of feed stock and had given about Rs.700,000 to Rs.800,000 worth of credit to the market. The creditors were their own close circle of people who had themselves lost money from the crash.

SR decided to throw more money after this phase of crisis. As SD mentioned, those days they did not go by any methodical calculations and evaluations. The creditors were basically small farmers or traders and SR offered to supply them chicks which they had to grow with a buy-back arrangement. They were offered a growing charge along with feed and medicines for maintaining the chickens. Thus was born the concept of contract growth in chickens which at that point had not taken the shape of a practice or an industry. It was just an arrangement with the primary purpose of helping himself and others who were in financial distress.

The Course

The basic business model was in place but the challenge was in simultaneously scaling up both the production capacity of chickens and the marketing network. Chickens even today are grown in the backyards and sold in the neighbourhood markets. For bulk marketing, they had to go to bigger cities. The brothers used to take the chickens in a van to Coimbatore for selling to a few shop owners and would wait till the evening to collect cash. This was not the market which could handle scale.

The concept of contract farming took a couple of years to shape up. The arrangements got formalized when they acquired more growers and the roles of respective parties became clear. Suguna supplied chicks, feed, and medicines and provided supervisory, extension, and veterinary services. It streamlined processes for timely collections and prompt payments. The farmers contributed land and built a shed according to Suguna specifications. These were built to accommodate about 5,000 chicks. Suguna picked up the chickens around the 42nd day and the farmers got their payment in terms of per kg of live chicken. The number of contract farmers (CF) slowly increased from 3 to 15 during 1991-93; steadily from 100 to 2,000 during 2000, and finally galloped to the present level of 15,000.

Suguna arrived in the industry by 1997 when it reached a turnover of Rs.70 million which by the industry standard was a huge turnover. It had its critiques who said farmers would default or may not return the chickens. The mortality could be high. The market may not absorb it. Their gut feeling told them that they were on track. Simultaneously, they started supplying to more markets covering the entire state of Tamil Nadu. They got the business and revenue models in place.

The period of scaling up of operations was 1997 to 2000. If in 1998 they were selling 35,000 chickens per week, by 2000, they were selling 600,000 chickens. Suguna had achieved an annual turnover of Rs.1,000 million and had about 2,000 contract farmers in its network. It spread its sourcing to other states in 2001. At this point, SR mentioned that their intention was to "just grow" and be top-line-driven. They set up their own extruder plant and feed unit. They tied up with Aviagen of UK for Ross Brand Breeders of UK for the supply of grand parent breeds. Suguna also tied up with LOHMANN of Germany for layer breed. It has 25,000 channel partners and provides indirect employment to about 500,000 people.

POULTRY INDUSTRY IN INDIA

The achievements of Suguna have to be understood in the context of the status of the poultry industry and its market structure in India. It truly belongs to the unorganized sector. The poultry industry is divided into layer and broiler segments catering to the requirement of eggs and chicken meat markets respectively. The chicken market in India has been growing at the rate of about 15 per cent and its turnover is currently estimated to be Rs.200,000 million. Chicken is emerging as the preferred food by the meat consuming public but the per capita consumption of meat is still low in India at 2 kgs compared to 25 kgs in US and 32 kgs in Brazil. Its feed stock is characterized by a few large and hundreds of small players. Suguna is one firm which has a national presence in the market. Another dominant player is Venketeshwara Hatchery in Western India which dominates the layer (eggs) market.

Scaling of Suguna

Suguna grew at the rate of 40 per cent once it got the formula right, outpacing the market (Table 1). Ramping up happened in terms of both replicability and scalability of its business model. It set up contract farmers in other states of Karnataka (2001), Andhra Pradesh (2002), Maharashtra (2003), West Bengal (2004) and Punjab (2005) and presently has presence in 11 states (Refer to Exhibit 2 for its present status). The competitors organized farmers' agitation in some states to contain their spread. Suguna brand helped in garnering political and farmers' support. They had to provide for vagaries of the farmers, weather, and location. Per capita consumption of chicken in the country increased five-fold from 400 gms. to 2,000 gms. during this period.

Scaling up also happened through integration of the value chain. It was realized that the key to increasing the value of the value chain lay in feed which formed 70 per cent of the cost. The first large-scale feed manufacturing unit was set up in 1998. It is now one of the largest buyers of soya and other raw materials, and enjoys a huge buying power.

Another important aspect of Suguna's management is supply chain and logistics management. If Suguna has

Table 1: Financial Statement of Suguna Poultry (Rs Millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Quantity sold (Tonnes)	430	943	951	1,279	1,809	2,460	3,286	4,206	5,429
Sales	1,045.1	2,904.5	3,030.8	3,717.3	5,752.8	8,610.9	11,010.5	14,607.8	20,558
Total expenditure	992.6	2,861.8	2,939.4	4,387.9	5,602.7	8,373.5	10,966.9	13,487.3	20,062.3
Profit before tax	62.3	76.5	125.9	121	212.7	321	842.1	1,120.5	495.7

15,000 CFs, it means it has 15,000 production centres for supplying to the national market. It has to also arrange for supplying the inputs such as feeds, medicines, and vaccines to these production centres. All this means a weekly movement of about 5.8 million chickens, 8.6 millions eggs, and 22,000 tonnes of feedstock requiring about 2,500 trucks per week. It opted for a fully automated Enterprise Resource Management system which provided a platform for managing both buyers and sellers.

THE BUSINESS MODEL

Suguna proudly proclaims that its model of innovation is based on business processes and not on product. It focused on processes at growth, distribution, and retailing stages that are discussed below.

Innovations at the Growing End

Suguna visualized the model of contract farming when it did not exist even at the industry level. It integrated the value chain and reduced the levels of intermediation from 14 to 4. Initially, the chain of value processes were: Grandparent, parent stock, hatchery, feed, health care products, veterinary service, chick dealer, feed dealer, medicine dealer to farmers, broker, wholesalers, mini wholesalers, and retailers. The entire value chain was reduced to the four stages: the company (Suguna), contract farmers, wholesalers, and retailers. They grew grandparent stocks and released the day-old stocks for growing to the CF. It helped in reducing the operational complexity and risk for the growers by playing the role of an integrator.

Growing of chickens is engagement-intensive and outsourcing this activity helped in scaling rapidly. The farmers bring their land. They can never buy the feeds at the cost at which Suguna manages to do it through its buying power. Suguna provides all inputs at door step. The farmers are paid a growing charge per kg of the live bird which ensures that they are concerned about the mortality and weight gain of the chickens. The CFs can afford about six turnovers every year. Poultry is a short maturing and all-season industry and is thus tailor-made for contract farming. Suguna helped them to tie up with bankers for financing work-sheds and wherever necessary entered into a tripartite agreement with bankers and farmers. They securitized future payments on which bankers had the lien. The experience of the bankers of the CFs has been satisfactory; they are therefore extremely happy to deal with them.

The significance of Suguna method can be gauged by comparing it with the alternate business models in vogue. Other players sell raw materials and chicks to the farmers, and buy back fully grown chickens at market rate. In this type of transaction, the farmers are exposed to the vagaries of production and market. The working capital is provided by the farmers.

Their JMD, SD proudly points out, “we have a transparent system of payment to the farmers.” Once the chickens are collected from the farms and weighed at the collection points, the farmers are given a copy of the report which goes to the accounts office as an advance copy. The CFs go to the nearest Suguna office with their papers and reconcile the account. The Treasury Office releases the payment on due date once the accounts are reconciled through their bank accounts.

The farmers are insulated from market risk. They get their growing charge even if the market is depressed. SR mentioned that at the height of fear of bird flu and when the prices of birds were the lowest, they paid the scheduled rates for the growers. Suguna was not getting even the growers’ charges.

Suguna established an R&D Lab in Coimbatore which plays a critical role. It conducts research on various aspects of chicken farming including management practices. The JMD stressed on their emphasis of R&D on customizing breeds and growing to suit Indian conditions. When asked about the productivity levels of chicken, their JMD, Sundararajan made a poignant statement:

“We went for such technology and processes which are sustainable for small farmers. Our productivity does suffer in comparison to developed countries. For example, our chickens reach the optimal weight by the 42nd day which the developed countries might reach by the 39th day. This is worth sacrificing if we remember that it would require much more investment on temperature and humidity control, and these are also high-risk breeds. Also, we should keep in mind the problem of electricity in rural areas. Considering all these, we opt for sustainable processes, even if we have to sacrifice productivity.”

The efficient business process helps to keep the chicken cost low. Suguna has got for many years the Best Performance Award from the National Productivity Council of India, which is a prestigious award at the national level. It has also won the Vocational Excellence Award from the Rotary International. It was awarded the 'Asian Livestock Industry Award 2007' in Kuala Lumpur, Malaysia.

Innovations at the Consumers' End

Pioneering the Market

For a sector to become organized, both production and marketing need to scale up. Suguna has created the distribution channel which earlier used to be a logistic nightmare. There was a brand in eggs but not in the meat industry which Suguna introduced. Its brand power gave it the leverage to motivate their retailers into adopting better practices. The marketplaces for chickens are mostly unhygienic and a breeding ground for infections. Suguna changed the outlets for retailing of chickens and is now vigorously promoting cold storages. It is trying to bring in changes through training and improved infrastructure. It has even given 'Aprons' to the vendors, and has tried to differentiate the retail outlets selling their products through Suguna boards and quality processes.

Price Discovery

Another important contribution is in area of price discovery. Suguna fixes its price daily, which is communicated to the wholesalers by 2 p.m. the same day through SMSs and news channels. The margins are specified at the retail stage which is paper price plus Rs.10 per kg. There are no hidden margins and this has made pricing a transparent mechanism as it is always available in public domain. Throughout India, their prices are being watched for benchmarking. Once Suguna announces its price, the other traders also fix their prices, which are generally lower than the price of Suguna by Rs.2 per kg, reflecting the strength of the Suguna brand. Earlier wholesalers used to negotiate prices with the growers but kept them under wraps.

Suguna Farmers' Club

The CFs are called Associate Partners (AP) and their selection involves an intensive and systematic process. Their motto is 'Breeding trust, Growing together.' They mostly focus on drought-prone areas and in areas where the cost of land is low. This is an additional income to the farmers. They first educate the villagers about the proposal and business prospects through pamphlets and then conduct small meetings with groups of farmers in which they detail the required investment, expected returns, their obligations and services of Suguna. Bankers are called to this meeting to explain their lending facilities. They also show documentaries and ask the farmers of Suguna to share their experience.

Suguna is careful about the selection of farmers as they form the critical link of the value chain. The final output depends upon their growing practices, and they hold the inventory of Suguna till the birds are collected. They have had very few bitter experiences so far. They do have drop-outs, but they are able to retain the farmers who are important for them, which is a testimony to the beneficial nature of the relationship. Every year there is a churn of about 10 per cent of farmers leaving their fold. Most of them discontinue because they do not fit into Suguna's mode of joining the competitors. The JMD mentioned, "Once they stay with us for more than a year they will not leave us. The farmers who leave mostly leave by the first year."

In the interviews with the growers, the farmers mentioned that they had benefited a lot from the relationship with Suguna. It goes to their credit that their first three growers have stayed with them and this number now stands at 15,000 APs. It is a combination of trust and market-based relationship.

Standing by During Misery

The poultry industry was hit by the Bird Flu epidemic in 2006. Suguna undertook a series of very simple but effective initiatives to insulate itself and their farmers from the calamity. It followed strict bio-security procedures at the farm level through better practices in spraying and disposal of birds. It implemented a well laid-out procedure for handling dead chickens which were monitored by its supervisors. It sprayed all its vehicles, especially its tyres. It observed tight surveillance in all areas through their strong network of health team. The production was slowed down to cut losses while maintaining theme (bird) breed. It managed to avoid direct destruction or culling of eggs or birds which created a confidence among the farmers. Finally and most importantly, it paid the usual growing charges to the farmers, even though the prices crashed.

Employee Orientation

Suguna engages 3,300 employees directly and 100,000 workers indirectly. The challenge lies in motivating its managers and employees to manage the growth. Suguna has an experienced top-tier management team which comes with a professional background in veterinary, marketing, finance, human resources, etc. It believes in engaging professionals and have built a strong team of more than 100 veterinarians, about 40 chartered accountants, and marketing personnel. They have also developed a team of mid-level managers at the functional and geographical levels. It could be observed that the supervisors of Suguna share close rapport and empathy with the growers.

The challenge to Suguna lies in replicating its employee culture all over its organization spread across the country. For example, selection of supervisors is a critical task as mentioned above, as they give important inputs for the selection of contract farmers and also play the critical role of grooming the farmers to help them adapt to Suguna's culture. When the JMD was asked about this, he said, "We lay a lot of stress on selection. Also, we take care that whenever we open a new centre, we ensure that at least 50 per cent of the staff is from our existing strength. This ensures that our practices are followed and the new employees adopt our ways."

Promoters' Philosophy

SR is highly rooted in the past and carries his legacy well. He has been a high risk-taker and crises-driven. When asked about this, he responded, "I have been in deep debts many times. I have come through tough times and the future can't be worse." He closely identifies himself with the CFs. He repeatedly mentions, "I have been myself a farmer."

Suguna has not made any major foray into philanthropic activities. When asked about its philanthropic activities, SD mentioned, "According to his brother, helping the farmers grow and earn their livelihood is itself philanthropy. We are now providing livelihood to 15,000 farmers throughout the country. Besides this, we also create scope for thousands of indirect employment to the growers of farm raw materials, retailers, and transporters." The people of the region concede that operations of Suguna have helped in the overall development of the region. Suguna also provides technical inputs to the extension departments of various governments.

Financials

Suguna is still a privately held company and is yet to test its waters in the capital market. It is a financially conservative firm and needs mainly working capital. Aggressively wooed by venture capitalists and financial institutions, it has been primarily funded by the International Financial Corporation. Its turnover was around Rs.30,180 million in 2009 and has a target of reaching Rs.100,000 million by 2012 — quite an ambitious target given the nature and size of the industry. It has been consistently growing at 40 per cent per annum since 2000 and has been consistently making profit. It is now looking strategically at growing in the processed chicken market wherein the margins are more and also the prospects for future are bright.

A critical aspect of Suguna's profitability is the role of cost management. The JMD keeps a close tab on the costs and believes that the key to cost management is application of IT and a robust ERP system. It has extensive quality control processes including ISO certifications and Six Sigma.

The Challenges

Suguna continues to be on fast track but it faces several challenges. It plans to achieve Rs.100,000 million turnover and enter the processed chicken market. There are quite a few regional competitors who enjoy local concentration. Land cost has been increasing and farmers might expect higher returns for themselves. It has to either scale up per farmer or look for more efficiency. There is a need to develop management professionals in various capacities like marketing to enable marketing of processed chickens; finance if it has to enter capital market; supply chain and logistics for managing the operations, etc. It will have to move from the comfort zone of marketing live birds to processed meat which only can fetch higher yields. It will no doubt keep its pace as its promoters thrive on challenges and unchartered path.

THE ANALYSIS

Suguna Model

The Suguna Model goes beyond contract farming; it is a comprehensive model of an integrator of value added services, value creation process for the entire value chain, supply chain and quality assurance in a diffused production system, low cost leadership, etc., though not all these are covered in this case. Suguna Model is firmed up with the:

i) identification of the business model for becoming the Integrator and reducing the stages of intermediation which helped in increasing the total value addition of value chain;
ii) formalization of the key characteristics of contract farming methods like risk management, extended enterprise level management, logistics management, quality control and supervision, payment system, etc.;
iii) meshing of corporate social responsibility with the strategic and core business processes of the operations.

If the first dimension helped to increase the value, the second dimension helped to minimize the risk and transaction cost. The third dimension is less appreciated as it is seen as an off-shoot of contract farming, whereas it is the contention of the paper that a core business process which intertwines interest of all stakeholders is by itself a manifestation of CSR.

The salient contributions of Suguna are as follows:

- It transformed a cottage industry into a formal industry.
- It converted a commodity market into a product market.
- It converted a neighbourhood market into a national market.
- It offered a market relationship to farmers and not a benign or charitable relationship. This made the debt-ridden farmers self-confident entrepreneurs.
- It pioneered several process innovations which changed the character of the industry itself.

The traits of the founders can be observed in the culture of the organization. The Senior Founder is a high risk-taker, has high appetite for growth, identifies with stakeholders, banks on professionalism, etc. The decision to become an Integrator is based on the commercial principle of exploiting the value chain as well as minimizing the problem areas for the farmers (like procurement, transportation, working capital requirements) and the risk for farmers through assured buy-back arrangements. The study by Manimala (2005) points out, "The distinguishing characteristics of high and low – growth ventures and their founders were identified through an analysis of four sets of variables, namely: (a) enterprise policies, (b) founder's personality traits, (c) founder's motives, and (d) founder's background and early experiences.

The Corporate Social Responsibility Context

The business model of Suguna can be seen as a case of Corporate Social Responsibility (CSR).

A brief discussion on CSR provides a context for appreciating the CSR aspects of Suguna. According to Hawkins (2006), "The question to be considered by the corporate strategists is whether CSR and sustainable approaches are risk management or a responsible focus for the common good." The World Business Council for Sustainable Development (WBCSD) (2004) defines CSR broadly in their Report on `Making Good Business Sense' 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 as well as of the local community and society at large." Carroll (1979) groups CSR responsibilities in terms of economic, legal, ethical, and philanthropic perspectives. Over time it has taken a broader perspective to reflect various stakeholders' concerns and responsibilities, but CSR still remains out of the core business processes and is rationalized on the basis of its contribution to the bottom lines.

The alternative school stresses that CSR concern has to be embedded in the core business processes and Hawkins (2006) reinforces this when he says, "If sustainability is to be truly addressed by the community then it has to become embedded in the business culture with a clear focus within the strategic development plans of organizations." CSR for this School is not just compliance but proactively pursuing activities that would make positive impact on the society. These firms are typically ahead of regulation. WBCSD stresses 'blended value' approach which is a blend of social and financial values, and doing business within the norms, laws, and expectations of the society.

Mirvis and Googins (2006) raise the question of firm's preparedness "to take appropriate and effective actions on transparency, governance, community economic development, work-family balance, environmental sustainability, human rights protection, and ethical investor relationships."

Ratan Tata, Group Chairman, speaking on this issue says:

> "Business, as I have seen it, places one great demand on you: it needs you to self-impose a framework of ethics, values, fairness and objectivity on yourself at all times. It is easy not to do this; you cannot impose it on yourself forcibly because it has to become an integral part of you. What has to go through your mind at the time of every decision, or most decisions, is: does this stand the test of public scrutiny…?" (Mitra, 2007)

The right blend on the face of profit pressures is elusive and here lies the challenge of finding a common path, which can serve the social as well as profit goals.

An important aspect of CSR is mainstreaming which can be discussed at two levels: industry level and firm level. The concept of mainstreaming is an 'ambiguous construct' (Berger, *et al*, 2007). At the industry level, it is about the evolution and structure of a particular industry and the emergence of formal markets of an otherwise informal sector in a country. Mainstreaming at micro firm level happens when a CSR practice, "… is clearly seen to be on the company's agenda in a legitimate, credible, and ongoing manner, and it is incorporated into the day-to-day activities in appropriate and relevant ways" (Berger, Cunningham and Drumwright, 2007). One of the critical contributions of Suguna has been mainstreaming the industry and taking it to the organized sector on a national scale.

Another aspect of CSR is Corporate Citizenship (CC), which Matten and Crane (2005) define as: "the role of the corporation in administering citizenship rights for individuals." Their contention is that a corporate by itself is not a citizen but it "administers certain aspects of citizenship for other constituencies. These include not only traditional stakeholders, such as employees, customers, or shareholders, but also the wider constituencies with no direct transactional relationship to the company." Corporates do this by playing various roles of providing, enabling, and channeling (Matten and Crane, 2005). This definition places more responsibilities on corporate, which they say is a culmination of the shrinking role of government and the increasing role of corporates globally. McWilliams, Siegel and Wright (2006) distinguish between strategic CSR and altruistic CSR, and 'privately responsible' motivation (if it is bottom-line-driven) and 'socially responsible' motivation. The case of Suguna clearly brings out the ramifications of a pragmatic and realizable blend of these roles.

Mirvis and Googins (2006) discuss the development of citizenship in a firm through the Life Cycle Model. CSR of a firm typically goes through "Elementary, Engaged, Innovative, Integrated, and Transforming" stages. The last stage of transformation refers to 'Changing the Game,' 'Market Creation or Social Change,' 'Visionary,' 'Ahead of the Pack,' 'Mainstream: Business Driven,' 'Defining,' 'Multi-organizations Alliances,' 'Full disclosures' (Mirvis and Googins, 2006).

India has an interesting background in CSR. Mitra (2007) discusses the concepts of 'guilds' in ancient times and 'trusteeship' as proposed by Gandhi which according to her provide a strong heritage to our practices of CSR. These were probably the moral order of the society and societal compacts "…were made by guilds to alleviate distress and for undertaking works of piety and charity. Of course these were the structures of pre-corporate days and carried in smaller societies. The industrialists from India are known for viewing their role from broader perspectives. Mitra, quoting Mukherjee writes, "It must be said to the credit of the dominant section of the Indian capitalists that they were capable of looking beyond their short-term class interests, and could visualize and plan an overall development of the economy which was crucial for its own long-term growth" (Mitra, 2007).

The early Indian corporates had to look at enlarging the size of the cake as much as enlarging their share, and this perspective fits the strategy of Suguna and its growth path. SR and SD pioneered the transformation of the poultry sector from its cottage status to the industry status. An important aspect of the enterprise is about how it managed to mesh its Business Model and Revenue Model with a Sustainable Development Model. The CSR theme is closely linked to their entrepreneurial growth, as that settled their basic philosophy towards business and stakeholders. They do not profess about any great thrust for CSR but it is about how the concerns of CSR are adequately taken care of in their core business processes. If one looks at the growth path of Suguna, it can be observed that they were engaged in changing the game, market creation, mainstream, etc., and they were also ahead of the pack. The salient features of Suguna's Sustainable Model are listed in Box 1.

Box 1: Sustainable Model of Suguna

- Mainstreaming the poultry industry itself, which is still an unorganized industry in large part, through scaling and market creating actions.
- Establishing a sustainable development model, which works for the benefit of the immediate stakeholders as well as the stakeholders at large.
- They achieved CSR within a 'for profit' objective and a 'commercial orientation' rather than a 'charitable orientation'. This is more enduring.
- The CSR concerns are quite embedded and percolates down below to operational decision makers who empathize with their agents.
- Their policies ensure 'inclusive' business processes, wherein more than their immediate stakeholders are taken care of.

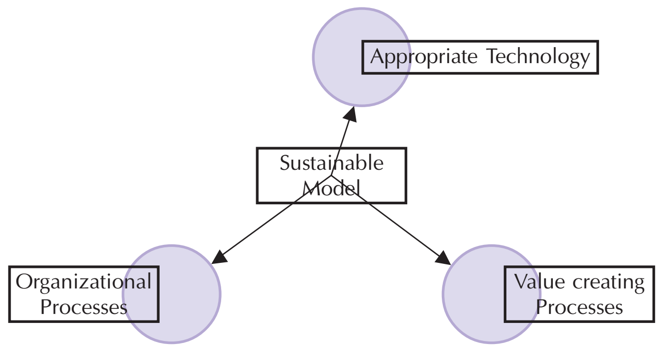
Prahalad (2005) points out that process innovation is critical for enabling the bottom of the pyramid to join the mainstream. He writes, "Process innovation is a critical step in making products and services affordable for the poor. How to deliver is as important as what to deliver." The major handicaps of small farmers are managing risks, managing transportation, managing quality of product, and procurement as he lacks buyer power, etc. These unorganized markets need a scale player who can play the role of both integrator of inputs and produce; and a channel for marketing. Mitra (2007) discusses the concept of `completing the market' which is "filling the gaps that are necessary for mainstreaming small, medium, and marginal enterprises into wider processes." Suguna went beyond market completion and actually played the role of market creation. The complexity of market creation is that there are no set market practices which they can emulate.

The critical dimensions of Suguna's business model which distinguishes it in the context of CSR are:

- Choice of appropriate technology
- Organizational processes
- Value creating processes.

The model is depicted in a diagram below (Figure 1). The sustainable model of a firm has to address both production and marketing side. The firm's equilibrium state on sustainability would depend on the pulls and pressures of these forces which would decide the equilibrium.

Figure 1: Suguna's Business Model



Choice of Appropriate Technology

Suguna chose a growing technology which was appropriate to Indian conditions. They could have chosen a technology which was highly intensive and high yielding. Once they decided on contract farming, they also chose the technology which suited the capacity of the farmers. As the JMD pointed out, there are technologies which yield shorter life of chicken but would require better growing conditions which they know their growers cannot afford. The parent breeding and chick breeding stages are knowledge- and technology- intensive, and involve huge investment, which Suguna kept with itself. It outsourced growing which is low technology but engagement intensive. The exporters of prawn in India opted for intensive cultivation with the attendant market and clinical risks. When the industry was attacked by a disease, the farmers got hit badly and the industry left behind a highly saline soil unsuitable for any cultivation. So, behind Suguna's pragmatism there was also this realism about the strengths and vulnerabilities of the farmers which dictated their choice of technology. They realized the importance of R & D for ensuring customization and Indianization of growing practices and supported it through investment on research lab and extension services. In fact, its practices are highly commended and are requested by various state governments to provide technical know-how and knowledge of extension services

Extended Organizational Processes

Suguna's promoters clearly understand the criticality of stakeholders and their concerns. Their views closely echo Tata's outlook, who said, "We do not claim to be more unselfish, more generous or more philanthropic than other people. But we think we started on sound and straightforward business principles, considering the interests of the shareholders and the health and welfare of the employees, the sure foundation of our prosperity" (Mitra, 2007).

The concern for the farmers is embedded in various realms of Suguna's activities. SR's identification with the client group is a stronger signal for embeddedness than any training, as then empathy comes naturally. Their field staff mostly come from a non-metro background and identify easily with the growers. Suguna takes care to enculture its staff into its ways. For example, when it starts a new branch, it takes care that the majority are existing staff who will train the new ones. Suguna has built a strong team of professionals from the field of veterinary, chartered and cost accountants, and marketing and management. Professionalism is necessary for ensuring fair dealing and transparency. It also brings in competitiveness. There is also a feeling of 'shared fate.' When one General Manager was asked about client relationship with farmers, he replied that the supervisors and regional managers understand that these farmers form the critical link in the chain and they are accountable for the sustenance of these farmers and their retention.

Value Creating Processes

In technology, they have been mainly adopters, but it is in the processes that they are the pioneers. The main features of their production processes are:

- Stress on proper identification and selection of contract farmers. They have a strong and arduous process for this.
- Provision of one-stop service for all inputs at doorsteps.
- Provision of critical support like technical know-how, veterinary services, etc.
- Inculcating quality processes and concerns among farmers which is a critical but difficult task.
- Mitigation of risk of the farmers by paying assured growing charges and standing by it even at the most testing times. This reduces their expected returns and also the cost of borrowings.
- Total transparency in the contract and payment system.

Suguna shines by contrast in the contract farming model. Its main differentiator has been transaction governance, which is the capacity to make the "entire process as transparent as possible and consistently enforced" (Prahalad, 2005). Suguna does lose CFs every year, but this is seen as a beneficial churn which ensures better fit of Suguna and CF. As the JMD pointed out, "if they stay with us for more than a year, they will never leave us."

In marketing, the main features of their interventions are their price discovery mechanism, ushering in branding, and bringing in quality concerns including at retail level which have been brought out. The Suguna brand and the name board at the retail outlet stand for the quality of the product for which the users are willing to pay a higher price. Now they have extended branding to eggs also. In eggs, they are now contemplating 'designer eggs' standing for more nutrition.

Branding and scale are necessary for them to ensure continuous 'off take' of produce from the contract farmers. In the beginning of the life cycle of an industry, it might be important to invest in creating awareness and best practices. As Prahalad says, "Most of the customers in BOP markets are first time users of products and services and the learning curve cannot be long or arduous" (Prahalad, 2005). In the absence of an organized industry, "It must also be recognized that many individuals do not enjoy freedom of choice and, as the trading community expands its reach, so cultural change will progressively open new channels of change" (Hawkins, 2006). In the birth phase of an industry life cycle, everybody is a pioneer, from vendors to retailers to customers, like the trust the co-pioneers had on Suguna. It is important to have inclusive processes which take care of their concerns and comfort levels. This industry was at that phase and Suguna acted as the catalyst in mainstreaming this industry.

THE EMERGING CSR MODEL

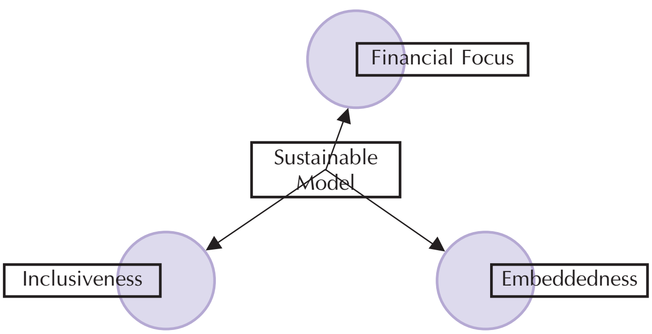
The practice of CSR stresses on the following factors:

i) Financial focus of the firm
ii) Embeddedness of CSR concerns in the firm
iii) Inclusiveness of stakeholders in the processes and interest management.

A firm with a strong financial thrust, as discussed below, may be weak in embeddedness or inclusiveness.

At any point of time, one or two of the dimensions may be stronger than the other, which would determine the comprehensiveness and sustainability of CSR (Figure 2). At the extreme, if a firm practices policies with stress on sustainability that is embedded and inclusive, but with unclear financial thrust, it will end up becoming a martyr of the cause. A balance among all the three is required. Smith (2003), for example, argues that, "the widely touted *general* rationale for making a more substantial commitment to CSR must be assessed relative to the *specific* vulnerabilities and opportunities of a particular organization."

Figure 2: The Emerging CSR Model



Financial Focus

One point that emerges from the discussion is that the thrust on financial returns need not run counter to sustainability. Also, CSR can stem from a mixture of the "desire to do good (the 'normative case') or from enlightened self-interest (the 'business case')' (Smith, 2003). Suguna has a strong financial thrust with low-cost leadership and high growth targets, but it has always been through networks of stakeholders, and through value and market enhancing strategies. Contract farming fits in with Suguna's strategy of cost leadership. It keeps a close tab on the top and bottom lines through financial and reporting systems of the enterprise. Simultaneously, it tries to maintain a long-term relationship with CFs through transparent and supportive systems. These help to keep their search cost, training and development costs of CFs and as such the overall transaction cost, low.

One stream of literature refers to the limiting effects of economics on CSR and about how firms have restricted CSR activities accordingly. There are firms, which in bad times, may not "advance their citizenship agenda (Levi-Strauss) and even regress from a more advance stage (Hewlett-Packard)" (Mirvis and Googins, 2006). The evidence to the contrary are also there with some firms, "raising the bar" for competitors and industry as a whole (Mirvis and Googins, 2006). This position is brought out excellently by Hollender (2004), when he says: "the more I dug, the more I discovered a single fact that surprised even me—namely, that some of the changes occurring in America's corporate culture are not window dressing at all, but are actually important, substantive changes rooted in a sincere desire to make the world a better place. It turned out there *are* companies taking responsibility to heart and changing the way they did business." In the case of Suguna, it can be said that not all actions with bearing on CSR are driven by ultimate profit objective. Their decision to pay normal rates when the farmers were hit by epidemic is an example. It offered a market relationship to farmers and not a benign or charitable relationship. This made the debt-ridden farmers self-confident entrepreneurs.

Embeddedness

Embeddedness refers to purposeful actions that "are embedded in concrete and enduring strategic relationships that impact those actions and their outcomes" (Gnyawau and Madhavan, 2001). There are various embedding mechanisms like primary mechanism, coaching, legends, myths, organizational rituals and rites, role models, etc. We find strong embedding of certain principles. For example, the concern for CF runs through the entire organization including in R&D. Their enculturation system of employees and selection process of farmers are strong indications of embeddedness.

Inclusiveness of All Stakeholders

The CSR concerns may be deeply embedded in an organization but it may be applied to various stakeholders selectively at various points of time. The business processes and model throw up several possibilities for conflicts of interest. During a life cycle of an organization, different stakeholders become critical to the organization and incorporating them alone may not be an inclusive system. The study by Jawahar and Mclaughlin (2001) shows, "at any given organizational life cycle stage, certain stakeholders, because of their potential to satisfy critical organizational needs, will be more important than others." Contrary to this, inclusive approach demands identification of stakeholders who are both members (eg., employees, alumni, and patrons), and nonmembers (eg., customers and suppliers) (Scott and

Lane, 2000) and reconciling their interests. Barak (2000) discusses "inclusive workplace," which "refers to a work organization that is not only accepting and using the diversity of its work force, but also is active in the community, participates in state, and collaborates across cultural and national boundaries with a focus on global mutual interest." An interesting insight is the concept of 'extended enterprise' discussed by Post, Preston and Sachs (2002). It includes, "not only the focal firm's interactions with other *businesses*, but also its relationships with other stakeholders, both internal and external" (Post, Preston and Sachs, 2002). In this context, the performance is evaluated in terms of 'relationships' rather than 'transaction.'

Embeddedness has to be thus seen along with inclusiveness to see how the CSR concerns get accommodated through the organization and through the value chain. It is probably akin to what Berger, Peggy and Drumwright (2007) refer to as 'Syncretism' which refers to the "... organizations that work to appreciate and respond to the often conflicting views and values of a diverse set of stakeholders." Inclusiveness gets inculcated through, 'the enhancement of the visibility of stakeholders' organizational affiliations' and 'the embedding of stakeholders within the organizational community' (Scott and Lane, 2000). This is both embeddedness and inclusiveness. There is also the view that, "companies involved in repeated transactions with stakeholders on the basis of trust and cooperation are motivated to be honest, trustworthy, and ethical because the returns to such behaviour are high" (McWilliams, Siegel and Wright, 2006).

The CFs in Suguna are treated as belonging to a Club. In all, they support about 15,000 contract farmers and about 500,000 commodity growers. Similarly, at the retail end, there is a network of retailers who are loyal members of the Suguna family. Suguna's relationship ends with the wholesalers but still commands the loyalty of the retailers. Within inclusion, there can be conflicts among groups. For example, favouring growers may go against the interest of retailers or consumers, and favouring wholesalers could mean hurting retailers or consumers, etc. An organization has to constantly struggle among the interest groups to find a balance. Inclusiveness and embeddedness help to resolve conflicts of interests in a satisfactory manner as there is an overall empathy. The sustainable state is reached when the organization builds capacity to settle these conflicting claims.

The clientele of Suguna are farmers from dry land, retailers who are at the lower end of socio-economic segment of the society, and workers who are landless labourers. There is no need for Suguna to reach out to local communities ignoring one's own clientele who are at the 'bottom of the pyramid.'

SUMMARY

Suguna Poultry is a lesser known case in the management circle. It has made rapid strides and has been a pioneer in several respects. This case helps to bring out the various aspects of entrepreneurship and sustainable growth model through the framework of CSR. CSR is a rich framework with multiple dimensions like sustainability, citizenship, mainstreaming, inclusive growth, etc. The Suguna case helps to highlight these concepts better. CSR gets reflected in the core practice through the choice of technology, value creating processes, and organizational processes. Their thrust on value added processes have ensured that no segment, either consumers or vendors or retailers needs to gain at the cost of other segments. They also helped to mainstream the industry which is still largely unorganized and the processes which are now the industry model.

This paper suggests that instead of looking for imprints of profit motive in CSR, to make it fit rational models, it might be useful to present CSR for its intrinsic value. CSR in the final analysis may influence profit but its return is uncertain as the benefits are intangible with huge externalities. The existing literature mostly looks at CSR in relationship to financial returns probably to make it an empirically testable proposition. Lockett, Moon and Visser's (2006) observations on CSR are that, "The fluctuating salience of the field suggests that it is not only driven by scientific momentum but by developments in business-society relations which themselves provoke redefinitions of the nature and scope of the field." The Suguna case helps to understand the manifestation of a system which underlies a mix of strategic-oriented CSR and altruistic CSR. It helps to understand how CSR can be embedded and inclusive, and how this business model and core processes need not compromise with its financial objectives. It helps to understand sustainability from the perspective of the entire value chain and stability of network.

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