

# From CSR to CSV to ESG – A Deeper Integration of the Business and the Society

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This short essay chronicles the progression of strategic thinking in international business from CSR to CSV to today's ESG issues and how businesses can integrate the twin and ever-conflicting missions of profitability and social progress as a dual mission firm. Dual mission firms or DMEs are still an emerging concept and there are very few in the global business, one such firm is Unilever with its Unilever Sustainable Living Plan or USLP. In India, AMUL has been a DME from its very inception and SBI has joined the ranks. Yet DMEs are few and far between. The need of the hour: integrate ESG goals and business goals as a twin mission that compliments and reinforces one another.

## Introduction

**T**HIS short post on the progression of strategic thought since the advent of stakeholder theory in the 1960s captures the essence without delving into the academic literature and this article is without citations – written easily, so that everyone at IIFT family – students, faculty members and non-teaching staff can read this article.

## Defining the Three Terms

CSR stands for corporate social responsibility. CSV stands for creating shared value. ESG stands for environmental & social governance practices. Since the advent of stakeholder theory in the 1960s and awareness in business that it has a social responsibility commenced, but was on the back burner for a very long time. The majority of the Fortune 500 firms merely gave lip service to the thought and allotted funds for a charity that had no relation to its core business. In this respect, large Indian business houses like Tata, Mahindra and Birla Group did a better job by providing schools, and hospitals. The House of Tatas stands out in this respect with a series of hospitals, especially TMCH – Tata Memorial Cancer Hospital. Among the central public sector units – Maruti Suzuki India Ltd provides training to drivers and makes them self-sustainable with loans for taxis to join e-commerce

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companies like UBER and OLA. Among the MNCs, Hindustan Unilever took a definite step towards deeper integration of the business and society with its project SHAKTI – which had twin and conflicting objectives of doing business – deeper penetration of rural markets by providing self-sustainability to village women by giving them micro-loans to buy Unilever products and sell them.

## Towards a Deeper Integration

The process of deeper integration began with the global financial meltdown in 2008, which resulted in the demise of Lehman Brothers and the loss of employment for nearly a million Lehman employees globally. This resulted in strident calls from renowned strategy academics like Henry Mintzberg, Gary Hamel, Michael Porter, Rozabeth Moss Canter and Kathleen Eisenhardt for deeper integration of business and society and pursuing profit goals blindly at the expense of the society and the shareholder wealth maximization paradigm – long considered as *sin qua non* for business came under severe criticism from academics and progressive thinking CEOs like Jeffrey Immelt of GE or Narayana Murthy of INFOSYS around the world.

This led to the birth of SHARED VALUE – first enumerated in 2008 by none other than Michael Porter himself in a 2008 HBR article. Porter clearly outlined the fundamental pillars of creating shared value or CSV – how to integrate the twin and conflicting objective of pursuing profits and social goals together – DOING WELL AS WELL AS DOING GOOD. One MNC – Unilever took to CSV like a fish in water with the launch of Pureit – a water purifier that requires no electricity and tap connection – which can be used in villages to provide safe and pure drinking water – thus reducing the incidence of water-borne diseases like typhoid, cholera and jaundice – three major killers of children in rural India. Project SHAKTI was another clear step in the CSV direction. Other companies like NOVARTIS came out with an AROGYA scheme to provide medicines at a low cost. Parle Agro came out with ₹5 pack of its popular PARLE G glucose biscuit – providing poor children with an affordable snack in school. BANDHAN Bank and India's largest bank – SBI began the process of financial inclusion by providing zero balance accounts linked to AADHAR and transfer of benefits to the account directly, utilizing modern digital technologies. NARAYANA group of hospitals under its visionary CEO – Dr. Devi Shetty started providing affordable diagnostic services and cardiac operations for as little as ₹60,000 – the cheapest in the world – payable in installments to prevent cardiac-related deaths. Globally many progressive thinking firms took to the CSV principle – GE, Toyota, Pfizer, P&G, and large pharmaceutical firms. The biggest push towards a deeper integration of business and society came when the COVID-19 pandemic broke out and multiple biotech firms like Moderna, Pfizer, and Serum Institute came together around the world, integrating 1000s of scientists, virologists, genetic specialists on a digital dashboard to launch the Covid Vaccine in record time to save the humanity in 2021.

The vaccine launch was a watershed moment in the history of business! It triggered the ESG paradigm post-COVID. Three drivers are accelerating the ESG

movement today: (a) Progression of academic thought in strategy literature (b) progression of AI technologies – the third generation GEN AI (ChatGpt) (c) greater awareness among consumers, Governments and the public alike about business malpractices. This article enumerates the three drivers briefly.

## **Progression of Academic Thought**

In the 1960s the theories of strategic management primarily came from the field of Economics. Porter's five forces, SWOT analysis and the BCG matrix came from I/O theory or industrial organization theory. In the 70s integration of the rational school of thought and the behavioural school of thought – led by Herbert Simon with bounded rationality theory and Edith Penrose and James G March – the behavioural theory of the firm began. Economics and Psychology started appearing in strategy literature together. A deeper integration of Economics and Psychology took place in 1997 with an enumeration of Dynamic Capabilities Theory by David Teece, Gary Pisano and Amy Shuen. On the parallel another stream of literature began to make its presence felt in the strategy field – the stream of innovation literature with Clayton Christensen in 1998 – with his theory of disruptive innovation and Henry Chesbrough with his theory of open innovation. These two theories gave birth to modern E-commerce and social media giants like Amazon, UBER, Google, Facebook, LinkedIn, X, and Air BnB. Disruptive Innovation theory commenced a Silicon Valley and start-up revolution in China and India. However, these theories still didn't result in a deeper integration of business and society. The theory that led to ESG is the PARADOX Theory by Wendy K Smith and Marianne Lewis. First enumerated in 2000, this is the dominant theory of strategy literature today – this theory highlights the ever-present conflicting objectives in day-to-day business and how to combine Two Opposing Pillars of Thought. Several books like "Originals" by Adam Grant, "Thinking Fast and Slow" by Daniel Kahneman, "GRIT" by Angela Duckworth and "David & Goliath" by Malcolm Gladwell further strengthened the Paradox Theory before the pandemic broke out in 2019. Smith and Lewis's Dynamic Equilibrium paradigm published in 2011 won the Academy of Management Review, paper of the Decade (2010-2020) award in 2022 and the authors reflected the progression of Paradox Theory over the decade. A recent 2023 book published by these two authors – Both/ And Thinking by HBS Press outlines the dynamic equilibrium framework for managers in a practical manner. On the parallel – "Radically Human" by Wilson and Daugherty published in 2023 – HBS Press highlights deeper integration of human-AI interactions.

## **Progression of AI**

From machine learning – first generation AI, to Deep Learning – second generation AI to codeless AI on LCAP – low code application platforms AI is increasingly becoming an integral part of our daily lives – personal and professionally. AI is dissolving industry boundaries, giving birth to new industries, and destroying many older ones. The fourth generation AI – SWARM INTELLIGENCE on a Quantum Cloud is on the way. SWARM AI has a significant feature – IT POOLS

HUMAN THOUGHTS. So far the integration of tacit knowledge – that of humans and explicit knowledge – that of machines has been a manual process since the advent of PCs in the 1980s. Swarm AI automates this integration process – this may revolutionize strategic thinking in the future and give birth to a superior breed of intelligence allowing novel solutions to complex socio-economic, climate change and poverty-related issues.

## **A Greater Degree of Awareness**

The advent of social media and in the aftermath of the crisis in 2008 has led to increasing awareness among consumers, the public and Governments around the world about malpractices that businesses have indulged over the decades since WW II and has raked in huge profits at the expense of the society. From soiling oceans to employing child labour to polluting the environment to huge salaries and parks of top management – everything has come to light and has led to worldwide protests against big business.

## **Conclusion**

This article concludes by highlighting what is ESG today all about. It incorporates the ten following aspects:

- (1) Transparency in financial disclosures.
- (2) Transparency in salaries and parks of every employee.
- (3) Equity and inclusion of racial justice, LGBTQ and greater participation of women.
- (4) Green practices, claiming carbon credits, circular economy and sustainability.
- (5) Pursuance of millennium development goals – the 17 UN SDGs.
- (6) Pursuing business at the bottom of the pyramid.
- (7) Coming out with new business models to create a deeper impact on poverty removal.
- (8) Integrating AI-human thought to arrive at new solutions to complex problems.
- (9) Continuous innovation on digital platforms.
- (10) Building brands with a strong social message.

**We are progressing towards a new era of strategic thinking where:**

Tomorrow Arrives Faster than we think and it is just not as business as Usual for Global Business

## ***Conflict of Interest***

*The author declares that they have no conflicts of interest.*