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Analysis: Corporate Social Responsibility (CSR)

In their article, “Multinational companies: can they foster well-being in the eyes of the poor? Results from an empirical study” by Strotmann, Volkert, & Schmidt address researchers’ concerns that the CSR approach does not meet the claim of mutually beneficial impacts.

According to Strotmann et al., “when attending to CSR activities to the poor, corporations fail to understand and consider the concerns of the poor comprehensively”. The authors believe that the business case model of the CSR tends to overlook vital activities such as poverty alleviation, which, according to the scholars, is the best position for favorable economic positions. Instead, multinational corporations have endeavored in exerting oppression to developing nations where the common citizens are marginalized and cannot defend themselves subsequently resulting in constant detriment of the poor societies. 

Recently, the development research expanded the scope of poverty to non-pecuniary dimensions of deprivation and well-being like education, health, and empowerment. The researchers feel that the CSR approach disdains the multidimensionality of poverty by devaluing non-financial initiatives; as a result, multinational corporations lack discernible impacts on individuals’ wellbeing. Strotmann, Volkert, and Schmidt’ article addressed the neglected multidimensionality of poverty. To achieve the goal, the authors developed their primary experimental analysis on the theoretical framework of Amartya Sen’s Capability Approach which is based on Bayer Model Project (MVP) in India (Strotmann, Volkert & Schmidt). The

authors' goal of the empirical analysis was to show that the activities introduced by the MVP have discernible impacts of wellbeing.

MVP was founded in 2011 in rural India. The MVP project was subject to section 135 of the 2013 India Companies Act. According to the available data, the Act requires the financial institution "to spend at least 2% of their average pretax net profit over the three preceding financial years on CSR activities (Strotmann et al.). The Act insists that projects that are beneficial to the multinational businesses' goals are not CSR activities. Specifically, the regulation maintains that the businesses should direct the CSR activities to the local areas. Strotmann et al., argue that "in India, corporate community development and CSR activities are perceived as moral obligations". Also, the 2013 Companies Act proposes that CSR activities should include eradication of poverty and extreme hunger, empowering women and promoting gender equality, improving maternal health, promoting education, reducing child mortality and promoting environmental sustainability (Strotmann et al.). In a bid to assess whether the CSR activities made a difference to the poor societies, MVP is assessed through two approaches and two control Indian villages by an autonomous external assessment team.

The independent team incorporated the Human Development and Capability Approach as the methodology of assessment in the MVP, a model developed by Laureate Amartya Sen. In this model, poverty is understood to be deprivation in living a good life. On the other hand, development is understood as the capability of expansion (Strotmann et al.). From a Capability Approach (CA) perspective, assessment of society wellbeing and human development demands the project and its assessment to direct attention to individuals and learn what they perceive to be important (Strotmann et al.). This implies that the assessment must consider human development impacts and challenges in a comprehensive way that is crucial in fully integrating

relevant factors that are vital for considering CSR effects. To achieve credible outcomes, a combination of qualitative and quantitative techniques in two control villages and two models were applied in project evaluation. The model and the control villages were chosen to ensure they were all located in Karnataka area (Strotmann et al.). Also, the researchers ensured that the villages consisted of village characteristics such as composition, infrastructure, employment, health care facilities, and education. Strotmann et al., hint that “in 2011, the researchers set the quantitative baseline as 1000 households and approximately 2300 individuals”. The baseline served as the baseline before the CSR activities were introduced to the model villages. The activities included education, health, and microfinance. To assess the impacts of CSR, by 2014, the research team had interviewed over 1100 households and over 2500 people on their perception of CSR impact. This implies that about 94% of people were interviewed two times (Strotmann et al.).

The empirical analysis was founded on two indirect assessments: contrasting reported well-being development of non-participants and participants in the two model villages and by comparing reported well-being changes in the control villages and model villages. Strotmann et al., argue that “the measure of well-being was based on the question; would you say your well-being has improved or worsened in the last three years?” The answer to the question falls in a five-digit scale of either improved or worsened. From 2011-2014, 1812 people from 922 households were interviewed. Strotmann et al, argue that “in the entire population, 70% of the people believed that their well-being has improved, 29 % of the population believed that the CSR activities had no impact on their wellbeing and less 1% believed that the activities had led to a declined wellbeing”. The positive human development of wellbeing the two control villages and

the two model villages were attributed to the general economic development in rural Karnataka in the period of CSR initiatives.

The Strotmann et al. essay relied on a proved model, which is a crucial strength in examining the impact of CSR impact of the well-being of the people living in the area. However, the empirical analysis disdained the developmental research concerns on the multidimensionality of poverty. Basing my argument on the research question, personally: would you say your well-being has improved or worsened in the last three years, the researchers focused on a multidimensional of social factors. Generally, researchers have that well-being result from many factors such as factors; sleep, exercise, a good career, or a sense a belonging. To me, well-being encompasses a lot of factors: a healthy relationship, a clean environment, a healthy body, and finances. All these factors result from social responsibility, which is provided by many multinational corporations in different social contexts across the globe. Specifically, the authors' main aim was to make the readers believe that the CSR approach is imperative in improving the well-being of individuals in poor different social contexts.

What makes Strotmann, Volkert & Schmidt's article unique and influential is the effectiveness in its writing as well as the choice of case studies. To answer the developmental researchers' concerns on the concept of poverty multidimensional disdain by the CSR business model, the authors selected two of the poorest villages in India with the village characteristics. Along with an empirical analysis format, the authors presented all the challenges and positive impacts of MPV in rural India, which according to me refuted all the researcher claims that CSR activities do not meet the poor cultures' demands. Usually, the researchers prefer empirical evidence in order to clear any doubts. The authors accomplished this goal by providing empirical research conducted through qualitative and quantitative techniques. The tone is appropriate for

the developmental researchers, who according to me are the targeted audience. In addition, taking into account that the empirical analysis of CSR activities of the MVP started in 2011 and concluded in 2014, it is sensible to argue that the rhetorical situation is apt particularly to the modern era when organizations are expanding globally at an extremely huge rate (Strotmann et al.).

In my opinion, the importance of Strotmann, Volkert & Schmidt's review article lay not only on convincing the researchers that the CSR approach has immense positive impacts on the wellbeing of different social-cultural contexts across around the world but also on alerting scholars that government regulations have immense contributions on CSR impacts. According to me, the authors have exhaustively proven that the CSR is an essential model especially when regulated by Acts that favor specific CSR activities. Going by the Human Development and Capability Approach, I personally think that the authors presented a good explanation of multinational corporate social responsibility which has convinced me to believe that the CSR model is addressing all the concerns of the poor society. In fact, I noted that the biggest threat that may hinder the CSR is the legal Acts governing specific areas. For instance, in the MPV project, CSR activities were conducted on 2% of the net profits as required by section 135 of the 2013 Indian Companies Act. From what I construed from the Strotmann, Volkert & Schmidt's article is that in order for researchers to find the CSR impact, they should also assess the local Acts. Therefore, according to me, the review article convinces me that the CSR model immensely improves the wellbeing of the people in different social-culture contexts.

Works Cite

Herald Strotmann, Julgen Volkert, & Melinda Schmidt. "Multinational Companies: can they foster well-being in the eyes of the poor? Results from an empirical study." *International Journal of Corporate Social Responsibility*. *Springer Open*, 25 Jan. 2019, <https://jcsr.springeropen.com/articles/10.1186/s40991-019-0040-0>.