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Corporate citizenship: Panacea or problem?

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Timothy J. Mohin

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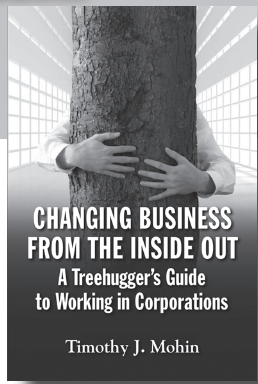

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Corporate Citizenship: Panacea or Problem?

The Complicated Case of Hindustan Unilever

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- Corporate social responsibility
- Stakeholder theory
- Corporate citizenship
- Base of the pyramid
- Critical management studies
- Eco-social paradigm

In this paper I examine the dilemma between being a market leader and a corporate citizen in the case of Hindustan Unilever Ltd. Grounded in secondary data collected from various published sources, I uncover the contradictions that underlie the positive picture of Hindustan Unilever's CSR activities. By drawing on corporate social responsibility and stakeholder theories, I highlight how difficult it is to categorise an organisation as solely positive or negative in its impact on its social and physical environment. I conclude by arguing that we need more sophisticated evaluative frameworks to understand and evaluate real-world initiatives in this area.

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The discourse of corporate social responsibility (CSR) or corporate citizenship (CC) has morphed through multiple iterations (Matten *et al.* 2003; Waddock 2004; Jonker and Marberg 2007). However, it is still beleaguered by paradigmatic conflicts, to the degree that it is said to be occupying parallel universes (Waddock 2004). The two key paradigms are the dominant economic paradigm (Korhonen 2002) and the new eco-social paradigm (Jonker and Marberg 2007). While some scholars take the view that the dominant economic paradigm underlies the serious difficulties in this discourse (Korhonen 2002; Jonker and Marberg 2007), some others have highlighted the utility of this paradigm for pragmatic and instrumental reasons (Stroup and Neubert 1987; Burke and Logsdon 1996). In an attempt to bridge this gap and reject the separation thesis (Freeman 1994), there is an increasing focus on strategic CSR that marries profits and social goals. The base of the pyramid (Prahalad 2005) model is an example of this approach.

Prahalad (2005) used Hindustan Unilever Ltd (HUL) as a prime example to illustrate this approach in his book. However, there have also been controversies surrounding the HUL approach and its role as a corporate citizen (Karnani 2007a, b, c) and specifically the base of the pyramid approach. In this paper, I examine the relationship between the two roles that HUL plays: a market leader and an exemplary corporate citizen. I try to provide a balanced and integrated perspective on the issue at hand and illustrate how complex these situations are and how difficult it is to evaluate firm performance as a corporate citizen. Specifically, I draw on stakeholder theory, considered to be an essential process in the operationalisation of corporate social responsibility or corporate citizenship (Matten *et al.* 2003).

Literature review

Archie Carroll (1991) describes a hierarchy in corporate social responsibility towards a company's stakeholders. This hierarchy begins with economic responsibilities followed by legal responsibilities, ethical responsibilities and discretionary responsibilities. But as Werther and Chandler (2006: 9) argue,

> what was ethical or discretionary in Carroll's model is becoming increasingly necessary today due to the changing environment within which businesses operate. As such ethical responsibilities are more likely to stand on par with economic and legal responsibilities as foundations for business success.

Werther and Chandler (2006) advocate the view that a firm should incorporate an increasingly broad stakeholder perspective within its strategic outlook. Because according to them, both CSR and strategy are primarily concerned with the firm's relationship to the environments within which it operates. The firm strategy addresses how the firm competes in the marketplace; CSR considers the strategy's impact on relevant stakeholders.

Jonker and Marberg 2007 provides a concise summary of the turns that CSR and CC literatures have gone through. At the first pass, CSR 1 emphasised corporate philanthropy and charity programmes as manifestations of corporations doing the right thing (Frederick 1987). CSR 2 was an attempt to build business logic to corporate responsiveness with a focus on the bottom line (Waddock 2004). This phase saw an emergence of the examination of the relationship between CSR and financial performance (Carroll 1999). CSR 3 followed with its emphasis on business ethics and legislative compliance. Companies tried to move away from this approach by promoting voluntary compliance as a viable alternative (Waddock 2004). Finally, CSR 4 is about moving away from a corporate-centric discourse to a cosmos-centric discourse (Frederick 1987). In a way, it is the closing of a loop and coming back closer to CSR 1, which is a normative approach to CSR. For a more in-depth discussion on this topic, please refer to Frederick 1998, Jonker and Marberg 2007, Matten *et al.* 2003 and Waddock 2004.

Through the many twists, turns and reruns there is general agreement that this topic is fraught with challenges. One of the challenges is the conflict between the paradigms that underlie (Korhonen 2002; Jonker and Marberg 2007) the various takes on CSR theory and practice. The two major paradigms are the dominant economic paradigm and the eco-social paradigm. The conflict between proponents of the dominant economic paradigm including the capitalist and instrumental perspectives on CSR and proponents of the normative perspectives and eco-social perspectives is well documented (Argandona 1998; Hendry 2001; Matten *et al.* 2003). The dominant economic paradigm advances the perspective that a firm's responsibility is restricted to its shareholders. In this paradigm, a firm may engage in ethical and philanthropic causes provided that investment enhances the shareholders' interests (Korhonen 2002). This paradigm is more aligned with CSR 2 and CSR 3. Korhonen (2002) describes globalisation, specialisation, mass production and economic growth, and competition as central features of the economic paradigm and argues that these aspects negatively impact the potential for stakeholder collaboration. On the other hand, the eco-social paradigm proponents take the stance that 'we live in societies, not just in economics, economy being just one part of society' (Reich 2002: 171 in Waddock 2004). Therefore, according to this paradigm, a firm's social responsibilities include a wider range of stakeholders than just the shareholders, including the natural world. This approach advocates the concept of common good (Argandona 1998), sustainable natural ecosystems (Ehrenfeld 2000) and the use of organic or holistic metaphors (Korhonen 2002) as the foundation for corporate social responsibility or corporate citizenship. This paradigm is more closely aligned to CSR 1 and CSR 4.

An equally important challenge is the parallel, sometimes overlapping, and sometimes conflicting divide that exists between academics and practitioners in this field (Waddock 2004). For example, Van Luijk (2001) points out that the whole terminology of corporate citizenship has been invented because the industry has not been comfortable with the language of business ethics that permeates the normative CSR discourse. Further, CC terminology has been 'very much driven by practitioners, managers, consultants and the popular business press' (Matten *et al.* 2003:111), who have neglected the political roots of the notion of 'citizenship' and what it entails. As Waddock (2004) points out, 'some degree of corporate citizenship' is present in all firms and in the ways they treat stakeholders and especially nature.

One of the theoretical frameworks that push the CSR/CC discourse from theory and definitions to operationalisation is the stakeholder theory (Matten *et al.* 2003). First advocated by Freeman (1984), this theory analyses the relationships between the firm and various groups in its social and physical environment, because a corporation is formed with a nexus of contracts (Jensen and Meckling 1976). This relationship is bound both by legal, financial and economic contracts (Jones 1995) as well as relational contracts (Williamson 1985; Hendry 2001). Developments in stakeholder theory mimic the development in CSR/CC theories. Similar to CSR/CC, stakeholder theory is also divided between separation (Freeman 1984) and reconciliation (Gibson 2000; Hendry 2001) theses. The two trends in the literature on stakeholder engagement include the ethical strategists who do not separate morality from strategy and the Habermasians who position moral communication through dialogue separately from business concerns (Noland and Phillips 2010). The Habermasians resemble CSR 1 and CSR 4, while the ethical strategists are more closely aligned with CSR 2 and CSR 3.

Similar to CSR/CC theories, stakeholder theory has taken three routes: descriptive, normative and instrumental (Donaldson and Preston 1995). Descriptive theory describes 'what is', while normative theory expounds 'what ought to be' and instrumental theory focuses on explicating the relationship between a firm's actions with regard to stakeholder and corporate performance outcomes. Although an attempt has been made to develop a convergent stakeholder theory (Jones and Wicks 1999), this endeavour is fraught with theoretical and practical dilemmas (Freeman 1994; Trevino and Weaver 1999) and they still occupy parallel universes (Waddock 2004).

A critical aspect of stakeholder theory is that the firm itself is viewed as an equilibrating entity (Venkataraman 2002). This process operates through three mechanisms. The first mechanism is embodied in the 'moral manager' who adheres to ethical norms and high standards (Carroll 1991). The second mechanism is embodied in a process of bargaining in which each stakeholder group has equal rights and protections with the other stakeholders (Venkataraman 2002). The third mechanism is embodied in institutions and acts in the event of moral hazards, information asymmetries or negative external events (Hill and Jones 1992). Furthermore, the firm is responsible for both equilibration and governance and argues that each carries with it responsibility—in the case of governance, responsibility suggests that the firm's owners are responsible for being good stewards of resources while, for equilibration, responsibility indicates that stakeholders are responsible to one another (Waddock 2004).

As mentioned above, CSR/CC/stakeholder theories that take the instrumental approach try to marry ethics with economics, thus bringing together the common good and the business strategy. In his book Prahalad (2005) illustrates this possibility with the example of Hindustan Unilever and its corporate strategy for corporate social responsibility. However, this approach has not invited much of a critical look (with rare exceptions such as Karnani 2007a, b, c) and has been accepted as the panacea to the challenges that the world faces today. However, this approach neglects the power differentials that exist among stakeholder groups and the conflicting claims of different stakeholder groups (Hill and Jones 1992). Hill and Jones (1992) also highlight the managerial role in balancing stakeholder relations to achieve and maintain a cooperative solution. A deeper analysis reveals that it is a simplistic solution and highlights how complex and challenging this terrain is for academics and practitioners alike.

In this paper, I examine HUL's various initiatives and the controversies surrounding them both in theory and in practice to offer a more critical but integrated and balanced view. Finally, I argue for the need to invent new and comprehensive ways of evaluating a firm's impact on its various stakeholders, because there may be occasions when the competing stakeholder claims are so divergent that the firm's performance may look very different from each stakeholder's perspective.

The case: Hindustan Unilever Ltd

Introduction to the company

Hindustan Unilever Ltd (HUL) is India's oldest and largest fast moving consumer goods (FMCG) corporation, with a dominant presence in almost all consumer categories. The company's turnover, at US$2.6 billion, is nearly half of the total branded FMCG business in India. Employing about 22,000 people in India, HUL's brand equity remains unrivalled in that country. With 40 factories, 2,000 suppliers and associates, and 4,000 redistribution stockists covering 6.3 million retail outlets, HUL has a remarkable reach and impact on India. In his speech at the 75th Annual General Meeting of HUL, Harish Manwani (HUL Chairman) said that since its inception in 1933, the company has always lived by a single belief that 'What is good for India is good for HUL' (HUL Press Release, 4 April 2008). The company changed its name from Lever Brothers to Hindustan Lever in 1956. Since then, it has grown strong local roots in the country and its culture; and this dimension has been emphasised in the mission statement of Hindustan Unilever: 'Our deep roots in local cultures and markets around the world are our unparalleled inheritance and the foundation for our future growth. We will bring our wealth of knowledge and international expertise to the service of local customers'.

HUL as a corporate citizen

Hindustan Unilever Ltd is well known for its corporate social responsibility actions. In its CSR communication document, it proposes three levels of impact of the business on society: voluntary contributions, impact of operations, and impact through the value chain. Its vision is that the most important impact on society must happen through its direct and core operations. In his much-lauded and path-breaking book, *The Fortune at the Bottom of the Pyramid*, C.K. Prahalad describes HUL as a role model in marrying the twin goals of public concern and private profits. According to the HUL website,[1] corporate responsibility is integral to its vision, which is to earn the love and respect of India by making a difference to every Indian. The belief is that CSR should be seen as a core business activity. According to HUL, 'The Company firmly believes that it has commitment to all its stakeholders—consumers, employees and the community in which it operates'. It has received multiple awards and accolades for its efforts. Some of the awards include the Bombay Chamber of Commerce & Industry Civic Award for 2004–2005, UNESCO Water Digest Water Award 2008–2009 in the category of Best Domestic Non-Electric Water Purifier, 2007 Commendation Certification for Significant Achievement in Human Resources Excellence by the Confederation of Indian Industry (CII), and the 2000–2001 Good Corporate Citizen Award by the Bombay Chamber of Commerce & Industry.

HUL enacts its role as a socially responsible corporate citizen in four different arenas: corporate governance, social agenda, economic agenda and environmental agenda. HUL has established a Governing Council for Corporate Responsibility that is spearheaded by HUL's Management Committee. This council is responsible for the corporate responsibility strategy of the company. HUL is also a member of the UN Global Compact and follows the Global Compact Principles. HUL's CR Governing Council also issues regular updates on the company's progress on UN Global Compact activities. On the social front, HUL has identified health and nutrition and empowerment of women as its social goals. Its economic agenda is driven towards enhancing livelihoods. HUL's environmental agenda focuses on water conservation and cutting greenhouse gases.

Next, I describe HUL's key initiatives.

Project Shakti

Project Shakti is HUL's flagship CSR initiative. In this project, HUL identifies entrepreneurial women in various villages in India, trains them and appoints them as direct-to-home sales people for HUL products in their respective villages. These women are called *Shakti Ammas* (*Shakti* means energy/power and the goddess and *Amma* means mother). Through this initiative, the company addresses its social goals of empowerment of women and propagation of health and hygiene awareness, as well as its economic goal of enhancing livelihoods. The Shakti initiative, which began as a pilot in Nalgonda district of the state

1 www.hul.co.in

of Andhra Pradesh in 2000, now has close to 40,000 Shakti entrepreneurs across many states and is poised to grow even more exponentially. The first and primary goal of the Shakti Project is to increase the reach in the rural market (Prahalad 2005). Another goal is to create purchasing power in these sectors so the overall market can be expanded. According to the HUL website,[2] Project Shakti's objective is to create income-generating capabilities for underprivileged rural women by providing sustainable micro-enterprise opportunities. This project also aims to improve rural living standards through health and hygiene awareness. *Shakti Ammas* or the Shakti entrepreneurs take care of the promotional and sales needs of their own and satellite villages. At the outset, these entrepreneurs need to invest between Rs15,000 (US$291) and Rs20,000 (US$388) (Prahalad 2005) for inventory. They often need to borrow to meet the initial investment. Most of these women are already members of women's self help groups, which follow the Grameen Bank model of small savings in groups by women towards savings and income generation. These women, when successful, make up to Rs700–1,000 (US$13–19) per month, thus augmenting their income and increasing their own buying capacity. To support these women and improve their business skills, HUL conducts extensive training programmes. Moreover, to support this initiative, HUL has launched two other initiatives: public–private partnership (PPP) Campaign for Handwashing with Soap, and Project iShakti.

Lifebuoy Swasthya Chetna: PPP Campaign for Handwashing with Soap

To support the Project Shakti initiative, HUL has launched a behavioural education campaign called Lifebuoy Swasthya Chetna—Health & Hygiene Education. This campaign is focused on educating the rural population about germs and the consequences of germs on health to increase soap usage as a means of deterring bacterial infection (Prahalad 2005: 223). This project is said to have touched 120 million people in more than 50,676 villages across India since 2002. HUL has also partnered with the World Bank, Netherlands Water Partnership, London School of Hygiene and Tropical Medicine, UNICEF, USAID and the Environmental Health Project in a campaign to promote handwashing with soap. These initiatives, while sowing the seed for increased soap consumption in rural areas, have also advanced HUL's social goal of hygiene and nutrition.

iShakti Project

HUL's iShakti Project is an IT-based rural information service providing information and services to meet rural needs in agriculture, education, vocational training, health and hygiene. In their paper, Patel *et al.* (2006) term this project as crossing the digital divide in rural India. They describe iShakti as a real-world, intelligent, interactive and adaptive web application. iShakti covers 5,000 villages and reaches 1 million people. This project was nominated as a finalist in the Stockholm Challenge (Economic Development category), an international

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2 www.hul.co.in/careers-redesign/insidehul/oursuccessandchallenges/shaktiprogrammeindia.aspx

award for ICT projects in underserved regions of the world. iShakti leverages the Shakti distribution network by layering a virtual channel on top of the physical channel (Patel *et al*. 2006). A project conceived through intense dialogue with the users, it provides relevant information to the rural population while building scalable market and brand development activities.

Fair & Lovely Foundation

HUL's Fair & Lovely face cream is the largest selling fairness cream in India. HUL's Fair & Lovely Foundation aims at economic empowerment of women across India by providing information, resources and support in the areas of education, careers and enterprise. The Foundation has many eminent Indian women on its board and has embarked on a series of projects to achieve its goal of economic empowerment of women. For instance, the Foundation has awarded over 600 scholarships to deserving girls. Its Project Suvarna identifies and harnesses budding women athletes. Project Swayam trains women to become preschool teachers. The Foundation also organises careers fairs for young women.

Greening Barrens

HUL is also committed to reducing its eco-footprint. HUL's Water Conservation and Harvesting project has two objectives: 1) to reduce water consumption in its own operations, regenerate subsoil water tables at its own sites through the process of 5R—reduce, reuse, recycle, recover and renew; and 2) help adjacent regions to implement appropriate models of watershed development. HUL has also focused on effective recycling of effluent water, and carbon credits.

Apart from these major initiatives, many of the HUL plants and offices are also engaged in localised initiatives such as: local schools for disabled children in Assam (around HUL's tea plantations); Asha Daan, which takes care of over 300 infants, destitute men and women and HIV-positive people; Sanjivani, a free mobile medical facility that has provided medical assistance to more than 143,364 patients since 2003; donation to Tsunami Relief to the tune of Rs10 crores (US$1.9 million); and various other initiatives.

Impact of HUL's CSR initiatives

In this section, I describe the impact of these various CSR/CC initiatives on the twin goals of corporate citizenship and market leadership. See Table 1 for a quick summary of how each initiative advances HUL's strategic goals with regard to both CSR/CC and business.

A surface-level examination of the impact of HUL initiatives on both CSR and business results would show that HUL has achieved the holy grail of CSR/CC: positive impact on all the stakeholder groups. However, this would be a simplistic conclusion unless we examine the critical voices surrounding these initiatives among both academics and activists. Therefore, in this section I summarise and present both the positive impact and potential criticisms and controversies surrounding HUL's CSR and business strategies and practices. These are drawn from both academic and popular press.

Table 1 HUL's CSR initiatives and their impact on CSR goals and business

Initiative	CSR goal	Business benefit
Project Shakti	Empowerment of women	A well-established and well-trained rural distribution network
Project iShakti	Heath and nutrition	Changing attitudes towards use of soaps and other products Awareness of HUL brands and products
Lifebuoy Swasthya Chetna—public–private partnership Handwashing Campaign	Health and nutrition	Changing attitudes towards use of soaps
Fair & Lovely Foundation	Women's empowerment	Reputational damage control
Water Conservation and Harvesting Project	Environmental goal: water conservation	Reduced waste and costs Reputation enhancement
Carbon credits	Environmental goal: reduction in greenhouse gases	Reputation enhancement

Project Shakti/iShakti

A path analysis-based impact assessment study by Xavier *et al.* (2008) found evidence that involvement in Project Shakti led to entrepreneurial development. In turn, entrepreneurial development led to increased economic and social empowerment of women. These three elements independently induced a feeling of pride and a sense of privilege among the women associated with the Shakti project. A large majority of the participants in this study reported positive change in many arenas of their life after their involvement with Project Shakti. Table 2 presents these figures from the study reported by Xavier *et al.* (2008).

Similarly, Bart Loman's (2006) Master's thesis on Project Shakti in Tamil Nadu found that the project increased the income of the women considerably and that there were significant changes in social and cultural empowerment through this initiative, mainly because of an increase in exposure to the outside world. These women were found to be more confident and proud of their

Table 2 Percentage of respondents experiencing positive change on 11 impact dimensions

Source: reproduced from Xavier *et al.* 2008

S. No	Dimension	Percentage of respondents who experience positive change
1	Ability to socialise and speak in public	98.45
2	Freedom to take decisions on her own for minor personal needs	89.53
3	Husband/family members consulting her before taking vital decisions	95.74
4	Self-dependence for personal expenses	76.36
5	Ability to take lead roles in public activities	83.72
6	People in the village acknowledge her as a well-informed person	92.64
7	Ability to run business independently	95.35
8	Support from family members for her entrepreneurial activities	96.9
9	Capability of opening a bank account and familiarity with banking formalities	87.98
10	Availability of cash in hand	88.37
11	Opportunity to mingle/interact with others	98.84

achievements and were treated with more respect by their family members, since they augmented the family income. This study also reports changes in opinion about girls' education. However, both these studies also present interesting data about the challenges and controversies in this project.

As mentioned earlier, Project Shakti has had positive impact on social and economic empowerment. But there are also a few challenges associated with Project Shakti for it to be truly effective as a BOP (bottom of the pyramid) strategy that marries profits with poverty reduction. For instance, every *Shakti Amma* needs around Rs15,000–20,000 (US$294–392). For poor people who live on under US$2 a day (BOP definition), this is a fairly large sum of money. For many poor women, raising the initial investment required of a Shakti dealer is bound to be difficult. The danger is that this requirement might make this scheme accessible to women of the lower middle classes who can much more easily raise the money, rather than the poorest of the poor on whom the BOP model claims to focus. This concern is validated by the data presented by Xavier *et al.* (2008) reproduced in this paper in Table 2. In their description of the source of funds for initial investment by *Shakti Ammas*, they show that 48.84% of the respondents had access to their own funds, 22.48% of the respondents had to rely on bank loans, and only 23.65% of the respondents relied on self-help group loans. Therefore, one can assume that at least close to 50% of the respondents initiated their ventures with relative wealth.

Loman (2006) similarly reveals that while *Shakti Ammas* were poor, they were not the poorest of the poor. HUL also tends to favour women who were most likely to become successful entrepreneurs in terms of skills and previous sales experience (Loman 2006). This concurs with other evidence from micro-enterprise programmes and poverty reduction studies. For instance, Shaw (2004) writes that the micro-enterprise earnings of microfinance clients in south-eastern Sri Lanka are linked to their initial incomes, and poorer clients face barriers to entry to the most promising micro-enterprise occupations. This means that while this innovative approach may have opened up the rural markets for HUL, it may not necessarily result in reduction of poverty or substantial increased income generation for the poor, because this programme creates more consumers than producers. Moreover, Loman (2006), whose sample also included ex-entrepreneurs from Project Shakti, reports that the local Shakti-management did not always give sufficient support and was primarily interested in sales.

Another key challenge with HUL's Project Shakti is that focusing and nurturing individual entrepreneurship might not necessarily lead to the increased prosperity of the region or village. While selling soaps and shampoos may increase the income of the *Shakti Ammas*, they are selling to the poor and there is no evidence that buying soaps and shampoos increases the income of the consumers. As of now, there is not much data on the trickle-down effect of Project Shakti on the income of the village or the region. Therefore, on a long-term basis, if only one or two families are increasing their purchasing power through participation in Project Shakti and the rest of the villagers remain mere consumers and do not find effective ways to participate in and partake of the larger economy, it might be difficult for Project Shakti to continue on its growth path. The project may end up reproducing and reifying the existing feudalistic economic arrangements rather than increasing the purchasing power of the BOP markets as claimed by the proponents of the BOP approach.

iShakti/PPP Handwashing Campaign

Pilot study results of the iShakti project reported by Patel *et al*. (2006) suggest that there was a statistically significant impact on attitudes, awareness and usage in the four test villages. For example, there was an increase in general usage of shampoo from 81% to 95% and toothpaste from 56% to 72%. There was also an increase in unaided awareness of HUL brands: Clinic Plus from 84% to 95% and Pepsodent from 36% to 47%. There was an increase in usage of HUL brands: Clinic Plus from 39% to 58% and Pepsodent from 5% to 15%. Finally, there was an increase in response rates of targeted product promotions (55%) compared with standard approaches (3–10%). Therefore, Project Shakti and iShakti together led to positive results for both the company and the women associated with the programme.

However, there are environmental challenges in the BOP strategy of selling soaps, shampoos and detergents in the BOP (rural) market. Both Prahalad (2005) and Karnani (2007a) recognise the negative impact of the proliferation of single serve packages on the environment. Prahalad (2005) is more optimistic about the willingness of corporations to solve the environmental problems than Karnani (2007a) and less in touch with the on-the-ground realities of refuse collection and recycling facilities in rural India. Karnani (2007a) is concerned about the lack of adequate refuse collection facilities in poor villages and slums where the single serve packages are used more commonly.

Maria (2003) summarises the research on the cost of water pollution in India. According to this review, in India, 80% of the domestic and irrigation water needs in rural regions is met by groundwater. Groundwater in India is already highly contaminated, with sewage alone contributing 80% of the pollution. The current cost of environmental degradation is estimated to be between US$5,672 and 13,758 million, translating into an average of 4.53% of the country's GDP. One of the reasons attributed to this level of water pollution is the increase in use of chemical fertilisers and pesticides. Between 1984 and 1996, there has been an 80% increase in the use of fertilisers and a 240% increase in the use of pesticides. Maria (2003) concludes this survey by stating that most of the studies have been done on industrial pollution but not much research has been done on the impact of domestic water pollution. However, antibacterial agents are shown to lead to increased allergies in children (Levy 2000) and to increase resistant bacteria in fish population (Ervik *et al.* 1994). Thus, use of chemical-based soaps may pose a great danger to the groundwater in India. However, there is very little mention of the environmental challenges associated with the large-scale use of chemical-based soaps on the rural environment (soil and water quality) in management literature.

Traditionally, most rural Indians have used non-polluting, non-chemical-based natural products for hygiene purposes (Shiva 2002). There is no data, either actual or projected, about the impact of such large-scale conversion from non-polluting natural products to chemical-based personal products on the water bodies and hence the livelihood of villagers. Like DDT and other chemical products that were adopted without much thought about the potential impact on the physical environment and by extension on society at large, replacement of natural cleaning products by chemical soaps, detergents and shampoos by a large section of the population may result in major environmental degradation that is yet to be examined. Considering that most of rural India has limited to non-existent sewage treatment, this may have serious long-term implications.

Activists such as Shiva (2002) and Sharma (2002) accuse the Wash Hands campaign by the World Bank, UNDP and others of pandering to the multi-national corporations who make and sell soaps (such as Unilever and Proctor & Gamble) and are looking for ways to get into the untapped rural markets. For instance, Shiva writes that Kerala, one of the Indian states in which this campaign has been launched, has the highest female literacy rates, lowest diarrhoea rates, lowest child mortality rates and therefore has no need for cleanliness education.

As mentioned above, HUL's environmental initiatives have also yielded impressive results in the reduction of water consumption and emission of greenhouse gases. Since 2000, through a series of technology innovations, HUL has reduced its groundwater consumption by 50%. HUL has also applied technologies to recycle treated effluent water and 70% of HUL sites are now zero discharge sites. Under this scheme, a number of families have benefited in two villages: Khamgaon (Maharashtra) and Karchond (Dadra and Nagar Haveli). HUL is also the first Unilever business worldwide to be awarded carbon credits under the Clean Development Mechanism scheme operated by the United Nations Framework Convention on Climate Change. But, as outlined above, there are environmental challenges associated with their strategies for growth in rural markets. Furthermore, there are also criticisms of Hindustan Lever's mercury dumping practices in Kodaikanal, a biodiversity-rich hill station in Tamil Nadu (*Multinational Monitor* 2001).

Fair & Lovely Foundation

The Fair & Lovely Foundation is presented as a potential vehicle for women's empowerment by HUL. Fair & Lovely is a skin-whitening cream marketed by HUL. With over 50% market share, Fair & Lovely leads the market in skin-whiteners in India. Tumato (2007) writes about how Unilever tells Western women that they are beautiful as they are (in its Dove campaign) but in India it is a different story. The common theme of Fair & Lovely commercials is that a dark-skinned young woman wearing traditional Indian clothes doesn't get a job/boyfriend/husband but turns her life around after using Fair & Lovely face cream for a few weeks. The first issue here is to examine whether it is appropriate for a company of HUL's stature to exploit and reify a racist stereotype. As Tumato (2007) highlights, it is the same Unilever that mounted Dove's 'Real Women' campaign using women with curvy, wrinkly or saggy bodies that also promotes the ideal of 'fair is lovely', thus promoting different standards and ideals for women in different markets.

A second issue is the effectiveness of these products. Both Karnani (2007b) and Tumato (2007) argue that Fair & Lovely is not necessarily more effective than any sun block cream. This leads to the accusation of hypocrisy on the part of HUL; one on the hand it claims that one of its social goals is emancipation of women, and on the other, it tells women that they need to be fair to be lovely, and that they need to be fair and lovely to be successful in life. Ultimately, the All India Democratic Women's Congress (AIDWC) filed a complaint with the government, which eventually banned two of these offensive commercials in 2003. Recently, the Maharashtra State Commission for Women gave Fair & Lovely the dubious 'award' for the most gender-insensitive television advertisements. As with the shampoos, HUL markets 'affordable', small-size pouches of Fair & Lovely cream to encourage the poor to buy it.

Strategic Issues

In his paper, 'Fortune at the Bottom of the Pyramid: A Mirage—How the private sector can help alleviate poverty', Aneel Karnani (2007a) critiques Prahalad's bottom-of-the-pyramid approach. His argument is that the market at the BOP is generally too small monetarily to be very profitable for most multinationals and hence 'BOP is indeed too good to be true' (Karnani 2007a: 4). In this paper, Karnani proposes that the BOP proposition is logically flawed and inconsistent with evidence. First, he contests the size of the BOP potential market projected by Prahalad (2005) in terms of both absolute number of people who fall into this particular segment and their purchasing power. Karnani writes that the World Bank estimates the number of poor people (whose purchasing power parity is US$2) at 2.7 billion in 2001, which is inconsistent with Prahalad's estimate of 5 billion. He also highlights that average consumption by poor people is only US$1.25 per day and if there are only 2.7 billion poor people, the market size is only US$3.4 billion and not US$13 billion as posited by Prahalad. Karnani (2007a) also argues that smaller packages do not increase 'affordability' because the only way to increase real affordability is to reduce the price per use.

Karnani (2007a) also writes that BOP is free market ideology taken to an extreme because it may result in poor people spending money on products such as soaps and shampoo that would have been better spent on higher priority needs such as nutrition, education and health. He cites Banerjee and Duflo (2006) and Efroymoson and Ahmed (2001) to show how the poor (like the rich) may make bad choices in how they spend their money but with much more devastating impact, because every penny diverted to alcohol or tobacco (or soaps and shampoos) could buy more nutritious food for the children of the poor. His argument is that BOP romanticises the poor as 'value conscious consumers' and that, in developing countries, where legal and social mechanisms are weak, BOP strategy may end up exploiting the poor without reducing their poverty levels or increasing their income.

Finally, yet another criticism about the growth of multinational corporations in emerging economies comes from an economist. Kumar (2000) described how a substantial proportion of current foreign direct investment (FDI) inflows into India take the form of acquisitions of existing enterprises in the country. He argues that in about 27% of the cases, acquisitions have been made by Indian affiliates of MNCs, often with their internal fund accruals and domestic borrowings. He uses Hindustan Lever Ltd (then) as an example of this trend. He describes how even in the very early stages (1913) this company took over several companies that were engaged in the soap trade and merged them. He also describes how even before the economy was opened up in 1991, Hindustan Unilever, then called Hindustan Lever Ltd or HLL, acquired a number of smaller companies as well as added capacity on a lease basis.

Following the liberalisation policy of the Government of India since the early 1990s, Hindustan Unilever has been even more aggressive in strengthening its market presence through acquisitions. Kumar (2000) lists the companies acquired from March 1993 to January 2000: Kothari General Foods, Doom

Dooma India, Tea Estates India, Kissan Products, Stepan Chemicals, Vashishti Detergents, Quest International, Cadbury's Ice cream, Tata Oil Mills Company (TOMCO), Merryweather Food Products, Kwality Ice creams, Milkfood Ice creams, Kwality Frozen Foods, Rossell Industries Ltd, Lakme Ltd, and Modern Foods Industries. Kumar (2000) argues that such acquisitions, financed through domestic borrowing and internal accruals, lead to a much smaller amount of capital inflow from abroad but the profits resulting from the new acquisitions will be repatriated to the foreign parent in proportion of the ownership as dividends. HUL's parent company, Unilever, owns 52.10% of the equity of Hindustan Unilever Ltd. Therefore, more than 50% of the dividend outflow from the company leaves India. Furthermore, many of the acquired companies were home-grown companies that succumbed to the larger multinational corporation.

Discussion

In this section, I discuss the application of CSR/CC and stakeholder theory to the HUL case and the BOP approach to CSR/CC. First, I look at the relevance of various CSR/CC theories to the HUL case. Next, I examine the case from the perspective of the two key paradigms in CSR/CC discourse. Finally, I use stakeholder theory to examine the case.

To summarise the variations in CSR research: CSR 1 emphasised corporate philanthropy; CSR 2 attempted to build business logic into CSR; CSR 3 focused on business ethics and legislative compliance; and CSR 4 is moving away from a corporate-centric discourse to a cosmos-centric discourse. HUL has been successful in philanthropic actions such as donation to Tsunami Relief and village reconstruction after the 2001 Gujarat earthquake. A philanthropic action rests on the normative that corporations are also citizens and they are responsible for contributing to the collective well-being of the community/ies that they nest in. This falls under the CSR 1 framework and is the least complicated in terms of evaluating the impact of HUL's CSR actions. However, when we move into CSR 2 and 3, our analysis is more complicated. Based on HUL data, one can argue that there are areas in which accomplishment of core activities could be a vehicle for social citizenship actions. For example, HUL's Project Shakti has resulted in positive impact on social and economic empowerment of women entrepreneurs enrolled into the Shakti project while opening up a reliable distribution and marketing channel in the rural markets. Similarly, HUL's environmental sustainability initiatives such as reduction of its carbon footprint, improvement of effluent processing technologies, reduction of consumption of water and reduction of quantity of oil in soap seem to have worked quite well in terms of intended outcomes for all the stakeholders.

But there are also other ways in which the BOP approach does not seem to work well. In areas of economic emancipation in rural India, there is insufficient evidence for the claim that this can be achieved through the BOP approach of combining profits and the accomplishment of social goals. This could perhaps be because of the unacknowledged conflicted stakeholder relations between the firm and the rural population. For the Shakti entrepreneurs to be successful, their neighbours must make purchasing decisions that may affect their own needs adversely. For instance, they may be spending their money on luxury goods such as shampoo or antibacterial soaps, while their return on health would be better if the money was spent on eggs or milk for their children. There is also the unknown effect of 795 million people in rural areas with insufficient sewage treatment facilities switching to chemical-based soaps, which may pollute their water bodies, thus affecting their very livelihoods irrevocably.

The BOP/CSR approach advocates finding win–win situations in corporate social citizenship activities. Unless the CSR advocates scrupulously bring to the fore these potential conflicts between stakeholders, corporations may couch all their activities in the CSR/CC language while taking no responsibility for the potential negative impact. This is especially dangerous in the developing nations that lack mature legal systems and the political will to implement the existing legal systems. It is when corporations couch marketing strategies in CSR terms that one needs to be even more vigilant than ever. Perhaps we also need to acknowledge that there are areas in which the conflict is so deep that, unless we address the fundamental questions around these conflicts, we will be finding surface solutions that look good on paper or the website. Such solutions leave more lasting negative impact over time at worst, or at best make no difference to the stakeholder groups involved, but the corporation uses its propaganda to feel and look good.

Next, let us look at HUL's case from the perspective of the paradigms that underlie CSR/CC discourses: the dominant economic paradigm and the new eco-social paradigm. HUL claims that its key purpose is to provide a better quality of life. But, HUL's market growth strategies through CSR initiatives may not necessarily result in a better quality of life for all Indians. The irony of the BOP approach is that it aims to increase the purchasing power of communities by making them 'consumers' (Karnani 2007a). Will consuming more soaps and toiletries improve the earning potential of the rural population? Although it appears that some individual women enhance their income-generation potential, we have no data on if and how Project Shakti contributes to the collective uplifting of the Indian population. Therefore, more systematic research needs to be undertaken to discover and document the trickle-down effect of Project Shakti, if any. Moreover, as this paper highlights, the potential environmental impact of large-scale conversion to chemically based soaps is neglected in most of the BOP and CSR/CC rhetoric and protested against heavily by local environmental activists. This makes HUL more a player in the dominant economic paradigm with an instrumental approach to stakeholder management than a player operating in the eco-social paradigm (Jonker and Marberg 2007). However, if the potential environmental damage of its market growth is considered a necessary evil, HUL does come across as a socially responsible, sustainability-oriented corporate citizen contributing positively to society.

Hypocrisy is a staple topic in CSR conversations. For instance, Werther and Chandler (2006: 91-93) argue for the importance of distinguishing between the cynical corporation, superficially addressing CSR, and the corporation genuinely seeking to introduce sustainable business practices. They cite Enron as an example of an organisation that on the surface had excellent CSR credentials. In the case of the Fair & Lovely Foundation, HUL can certainly be accused of a hypocritical corporate move toward white (green) washing its credentials rather than genuine corporate citizenship. Moreover, Karnani (2007b) and others argue that the face cream does not undergo any certification nor is it tested for effectiveness. Does that make HUL an insincere corporate citizen? One cannot argue that either, because there is sufficient evidence in other areas where it has had substantial positive results. In this case, it is even more difficult to argue that HUL's corporate citizenship practices belong in the new eco-social paradigm. Whether the Fair & Lovely Foundation—which builds its legitimacy through influential and prominent Indian women, awarding scholarships to women and organising careers fairs—would offset HUL's collusion in maintaining and exploiting racial bias is a moot question. In this case, it can be clearly said that HUL's focus is more on its shareholders and economic bottom line than on being an exemplary social citizen. These types of conflicting element in a firm's CSR/CC initiatives are rarely addressed in literature. For example, Prahalad (2005) and other BOP advocates do not pay any attention to the incendiary nature of the Fair & Lovely debate (Karnani 2007b). This paper is an attempt to provide a balanced and nuanced view of the phenomenon.

Finally, I look at the case data through the lens of stakeholder theory. Donaldson and Preston (1995) contrast the input–output model of the firm with the stakeholder model. In the input–output model of the firm, suppliers, employees and investors contribute inputs, which the firm transforms into outputs for the benefits of customers. The stakeholder model of the firm assumes that all persons or groups with legitimate interests in an enterprise are equally important to the firm. Stakeholder groups include customers, communities, employees, political groups, investors, trade associations, suppliers and governments. In stakeholder theory, the firm itself is viewed as an equilibrating entity (Venkataraman 2002) operating through three mechanisms. The first and third mechanisms are outside the scope of this paper because it analyses HUL and its stakeholders rather than individual managers, executives and the institutions in which they are embedded. The more relevant one is the second mechanism, the process of bargaining in which each stakeholder group has equal rights and protections with other stakeholders (Venkataraman 2002). Much of stakeholder theory does not address the highly conflicting relations and especially the power differentials between organisations and stakeholders (Friedman and Miles 2002). It is important to bring to the surface both the positive and conflicted stakeholder relations of the firm with its stakeholders in order to understand the whole picture.

As mentioned above, Project Shakti has positive impact on the Shakti entrepreneurs and their families, especially in terms of social and cultural empowerment. But, 50% of the women entrepreneurs had access to personal funds for initial investment, indicating strongly that these were women of relative means. Moreover, there is much talk about women's self help groups as a vehicle for Project Shakti, but only 25% of the women had borrowed from women's self help groups. However, it is definitely an excellent marketing strategy designed to bring the invisible rural majority into the folds of the market. Most of this rural majority is powerless in terms of information, education, wealth and awareness. Furthermore, given the corrupt nature of Indian politics, there is not much help or responsibility from their elected officials. As Shiva (2002) contends, the public–private partnership (PPP) Handwashing with Soap campaign is an attitude-changing marketing programme to create new markets rather than a real CSR initiative. Even though women activists had been protesting against the Fair & Lovely commercials for years, they were not taken off air until after the court decision and the criticism from the Minister of Broadcasting. Similarly, pressure from the environmental and social activists could not stop the PPP Handwashing with Soap campaign being promoted and supported by large, powerful players such as the World Bank and large multinational corporations.

In conclusion, it is important to acknowledge that CSR/CC is not a singular discourse; nor is it a panacea to all the problems of the world. This paper has demonstrated the complexity involved in evaluating a firm's CSR/CC initiatives through an analysis of HUL's initiatives. It is important for academics and practitioners to acknowledge the actual potential and the limitations of CSR activities. In certain industries, the very nature of the business could be antisocial and anti-environmental. For these companies to move from a corporation-centric to cosmos-centric approach, they will need to radically switch their products and services, not just improve their processes. CSR 4 is a much more likely proposition for a firm founded on a cosmos-centric world-view.

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