GRASSROOTS INNOVATIONS FOR SUSTAINABLE DEVELOPMENT

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ABSTRACT

Businesses work in societies and not in vacuum, hence it becomes imperative for them to give back to the society in which they operate and earn profits for their longevity. They must not only invest in ventures which can turn profitable quickly but also in businesses which require sustained inputs over longer term and usually have less than normal profits. The idea of this paper is to explore whether socially relevant businesses which are otherwise considered unprofitable and unviable can run as profitable businesses which not only enhance share holder's value but can solve a social problem simultaneously.Most of the times we see that socially relevant causes run as philanthropic activities of corporate or depend upon government funding. The objective of this paper is to identify revolutionary ideas, application of sound management principles, turning ideas into profitable businesses and, most importantly, the conviction to bring about a positive change in the society.The paper is based on the research carried out by analyzing different case studies in the realm of social business. Many managers claim that the costs of sustainable development outweigh the benefits. However, this argument is a reflection of an old institutional context in which managers are trapped. This article offers suggestions to help managers break free of this context and rise to meet the challenges of sustainable development.

INTRODUCTION

The World Commission on Environment and Development (WCED) defines sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." This definition assumes that all people must be able to maintain a reasonable quality of life indefinitely. However, more recent conceptions of sustainable development now recognize that it relies on the intersection of three important principles related to the environment, social equity, and economics.

Sustainable value creation is a core business strategy focused on addressing fundamental societal issues by identifying new scalable sources of competitive advantage that generate measurable profit and community benefit. Sustain ability is just another way of saying "the good life" as a combination of a high level of human well-being, and high level of ecosystem well-being that supports it. Sustainable value creation is to see business opportunity in fundamental societal issues and to generate profitable innovations from them. Companies view value creation narrowly, optimizing short term financial performance in a bubble and miss the most important customer needs and ignore broader influences that

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determine their longer term success. Companies must take the lead in bringing business and society back together. The solution lies in the principle of shared value, which involves creating economic value in a way that also creates value for society by addressing its needs and challenges. Businesses must reconnect company's success with social progress.

Value creation is not social responsibility or philanthropy but a new way to achieve economic success. Realising it will require leaders and managers to develop new skills and knowledge such as far deeper appreciation of societal needs, a greater understanding of true bases of company's productivity and the ability to collaborate across profit and non-profit boundaries. Government must learn how to regulate in ways that enabled shared values rather than work against it. The purpose of the corporation must be redefined as creating shared value, not just profit in itself.

LITERATURE REVIEW

Hart et. al., (2003) in their research seeks to demonstrate that the global challenges associated with sustainable development are multifaceted, involving economic, social, and environmental concerns. These challenges have implications for virtually every aspect of a firm's strategy and business model. Yet, most managers frame sustainable development not as a multidimensional opportunity, but rather as a one-dimensional nuisance, involving regulations, added cost, and liability. This approach leaves firms ill-equipped to deal with the issue in a strategic manner. They developed a sustainable-value framework that links the challenges of global sustain ability to the creation of shareholder value by the firm. They showed how the global challenges associated with sustainable development, viewed through the appropriate set of business lenses, can help to identify strategies and practices that contribute to a more sustainable world while simultaneously driving

Michelini and Fiorentino (2012) in their research tried to put into practice the shared value principle, for-profit companies engaging in strategic CSR and implemented new hybrid business models. These models include the social business model and the inclusive business model. The purpose of the paper is to understand which characteristics distinguish social and inclusive business models and what kind of benefits and risks are connected to each model. In order to identify the features of the inclusive business and social business models and the benefits and risks associated with these models, ten case studies were analyzed. Analysis of the business models was based on a theoretical framework developed through the analysis of the literature.

Santos (2012) in his paper proposed a theory aimed at advancing scholarly research in social entrepreneurship. By highlighting the key trade-off between value creation and value capture and explaining when situations of simultaneous market and government failure may arise, he suggested that social entrepreneurship is the pursuit of sustainable solutions to neglected problems with positive externalities. This article provides a conceptual framework that allows understanding the growing phenomena of social entrepreneurship and its role in the functioning of modern society.

Acs et. al., 2013 in their research paper provides structure and clarity to the concept of social entrepreneurship, situating it within the context of charity and philanthropy as sources of social value creation. Identifying social entrepreneurship as creating both social and economic value, they discuss productive, unproductive, and destructive entrepreneurship in terms of social value creation. To illustrate these issues comparative case studies are presented on Microsoft Corporation and Grameen Bank. Even if their successes have been derived from different motivations, these highly innovative ventures have created significant economic and social value.

Bocken et. al., 2013 in their paper investigated that how businesses might create balanced social, environmental and economic value through integrating sustain ability more fully into the core of their business. A value mapping tool is developed to help firms create value propositions better suited for sustain ability. In addition to a literature review, six sustainable companies were interviewed to understand their approaches to business modelling, using a case study approach. Building on the literature and practice, a tool was developed which was pilot tested through use in a workshop. This tool intends to support business modelling for sustain ability by assisting firms in better understanding their overall value proposition, both positive and negative, for all relevant stakeholders in the value network.

Biggemann et. al., 2014 *in their* paper aims to address the question of how value can be created through social responsibility programs or other means, so that sustain ability is achieved through increasing stakeholders' participation in the process of design and selection of such programs, so that transparency is maximised and trust can be built with the lasting benefits of co-creation of value. This paper studies the relationship between sustain ability, corporate social responsibility, and value co-creation based on qualitative research data gathered from two embedded case studies. The first case study in a large mining company operating in New Zealand and the second case study is based on the New Zealand Merino Company. Findings of this research suggest that sustain ability is built with the participation of many interconnected entities, that is, suppliers, manufacturers, retailers, or more generally stakeholders whose actions are fostered by social responsibility that fuels the pride, trust, and consistency of the members of the value chain.

How Value Creation differs from Corporate Social Responsibility (CSR) Creating value should supersede CSR in guiding the instruments of companies in their communities. CSR programs focus mostly on reputation, whereas value creation is integral to a company's profitability and competitive position. It leverages the unique resources and expertise of the company to create economic value by creating social benefit. CSR is discretionary and is done in response to external pressure while value creation is integral to competing.

Companies can create value in three ways:

- **Reconceiving products and markets** – Companies can meet social needs while better serving existing markets, accessing new ones, or lowering costs through innovation.

- **Redefining productivity in the value chain** – Companies can improve the quality, quantity, cost, and reliability of inputs and distribution while they simultaneously act as a steward for essential natural resources and drive economic and social development.

- **Enabling local cluster development** – Companies do not operate in isolation from their surroundings. To compete and thrive, they need reliable local suppliers, a functioning infrastructure of roads and telecommunications, access to talent, and an effective and predictable legal system.

Why the urgency?

Why companies have pursued sustainable value creation before and why there is an urgency to do so now? Some companies and industries are feeling a "push" towards sustainable value creation. The firm's core strategic targets- the pursuit of new operations: the desire to grow in emerging markets or in an increasing competitive field- are putting societal concerns more directly in the path toward achieving those objectives. For others there is a "pull" towards sustainable value creation. Over time, business model is becoming less compatible with deeply rooted societal issues that are nearing a breaking point, such as health concerns or dependence on finite resources. The industry, geography and maturity of a business will all play a role in determining the exact time line along which to pursue sustainable value creation. In the words of Kris Gopala krishnan, Former President and CEO of Infosys Technologies, Inc., "The long term sustain ability of a company hinges on the larger society feeling the benefit of the company's existence. Sustainable value creation is in the self interest of the company." existence. Sustainable value creation is in the self interest of the company."

CASE-A

Frugal innovation: Devi Shetty's Narayana Hrudayalaya conduct heart surgeries at world's cheapest rates

Cardiac surgeon Dr. Devi Shetty is on a mission to build 5,000-bed "health cities" across India, encouraged by the success at his nine-year-old Narayana Hrudayalaya hospital in Bangalore.Cardiac surgeries in the United States can cost up to US$50,000. In India, they typically cost around US$5,000-US$7,000. Depending on the complexities of the procedure and the length of the patient's stay at the hospital, the price tag increases.

At Narayana Hrudayalaya, however, surgeries cost less than US$3,000, irrespective of the complexity of the procedure or the length of hospitalization. About 45% of Shetty's patients pay even less. Of these, about 30% are covered under a micro-insurance plan for health care called Yeshasvini that reimburses Narayana Hrudayalaya at about US$1,200 a surgery.

To ensure the viability of the project, Shetty has devised a hybrid pricing model. Apart from the regular package of US$3,000 a surgery, he also offers semiprivate and private rooms for those who want and can afford better personal amenities. The medical facilities are the same for every patient, however. The upgraded rooms, which comprise around 20% of the total available at the hospital, are priced at US$4,000-US$5,000 and "offset the losses incurred from treating the poor.

The managing team at Narayana Hrudayalaya follows the unique accounting practice of studying the profit and loss account on a daily basis. "By monitoring the average realization per surgery and their profitability on a daily basis, they are able to assess how much concession they can afford to give the following day without adversely impacting their profitability. The hospital has been profitable from the first year. JP Morgan and PineBridge Investments each hold a 12.5% stake in the company. Kiran Mazumdar-Shaw, chairman and managing director of biotechnology firm Biocon owns a 2.5% stake, and Shetty and his family own the remainder of the company

CASE-B

Sustainable value creation: Indira Nooyi, Chairman and CEO, Pepsico

"There's not enough money that we can give away to be viewed as a responsible company in 200 countries and we cannot do it sustainably. So the only way it can work is to weave responsibility into the core business of the company" said Indira Nooyi, Chairman and CEO of Pepsi Co. Sustainable value creation is indeed based on the foundation of a company's traditional fiduciary responsibilities to shareholders and its fundamental drive for profit. Pepsico is rethinking its strategic challenges by pursuing opportunities aligned with Strategic value creation. For example: in Mexican region of Jalisco, Pepsico is investing in farmer training and providing small and medium size corn growers the seeds, fertilizers, and agrochemicals, and water usage guidelines that help them produce abundant crops. The objective is to improve the quality of corn supplied to company's factory by local producers (whose products previously fell below its quality standards). While generating increased business value to the company through a more effective supply chain, these investments are also raising the living standards of the local community. This example makes clearer how sustainable value creation takes a company beyond "business as usual." Another company in this situation might well choose simply to absorb the fluctuations in transport and raw material costs from sourcing its inputs from outside the local area. But rather than endure rising costs or inconsistent quality as a continuing pain point shaped by external forces, Pepsico chose instead to confront the underlying problems head-on: in a way that led to better value both for the business and the community. This is a powerful example of funding business opportunity in fundamental societal issues- a goal at heart of a sustainable value creation strategy.

The company also aims to improve water efficiency by 20% by the end of 2015 and provide access to safe water to 3 million people in developing countries. In 2010, Pepsico foundation contributed nearly $26 million toward charitable causes including nutrition, activity, and education.

CASE-C

Campbell Soup- Value Creation through employee engagement

Campbell wanted to commit to a ten year CSR business agenda of macro targets that included reducing its environmental footprint as well as levels of childhood obesity and hunger in ten communities in which the company operates. Company realized that the speed and success of the program would require the support and ownership of the employees whose jobs were most closely connected to the program. Without an investment in honoring employees and building their engagement in the firm in return, such a broad strategic shift would not have been possible.

The company worked around three basic principles

- Engage
- Incentivize &
- Mobilize

As a result of this effort corporate and team goals became individual goals by integrating metrics into personal performance plans, recognition systems, and the financial incentive compensation program. As a result of this effort from 2007 to 2010, revenue from the nutrition line of Campbell products soared by $1.2 billion. This part of the portfolio now makes up 32% of company revenue. In tandem with financial returns, the program has gained recognition: the company's line of Healthy Request soups has won awards from the American Heart Association.

CONCLUSION

Social entrepreneurship is a serious business. Not only does it help in value creation and social inclusion; in the long term it will help in sustainable development as well. 'More for Less' is the new mantra. More value creation at the expanse of less use of energy, minerals, non renewable resources and a lower threat to the environment. It is not meant for those who view their success only on the basis of y-o-y (year on year) return on investment and quarterly profits.Driving sustainable social enterprises require efforts on the part of both the entrepreneur and the investors.Returns may be few and far between but they will be sustainable in the long term and at lesser expense to the society and environment.However it is imperative to understand that no businesses run on charity. Social businesses should be self fulfilling and oriented at growth and not be seen merely as social obligations. They require sound business plans, top notch managerial skills, good governance and organizational structures; more so in the wake of their limitations as to financing and other budgetary constraints. In the words of Dr. Devi Shetty, founder and director Narayana Hrudayalaya "Charity is not sustainable, there has to be a business model" and "Innovations have to be affordable; a magic pill will not do"

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