

# From Corporate Social Responsibility (CSR) to Creating Shared Value (CSV): Case Study of Mobarakeh Steel Company

Sasan Ghasemi <sup>1\*</sup>, Mohammad Nazemi <sup>2</sup>, and Tooraj Hajirahimian <sup>2</sup>

<sup>1</sup> ALA Excellence Consulting Group, Isfahan, Iran

<sup>2</sup> Mobarakeh Steel Company, Isfahan, Iran

\* Corresponding author Email: sasanghasemi@yahoo.com

## Abstract

**Purpose:** This case study aims to explain the CSR practices in Mobarakeh Steel Company and examine its transformation process from practicing corporate social responsibility to creating shared value.

**Design/methodology/approach:** Through document reviews, observations, and discussions with managers and employees at Mobarakeh Steel Company (MSC), the required data for the current study was obtained.

**Findings:** The CSR evolution in the four major periods in the Mobarakeh Steel Company's history were illustrated followed by the discussion on how the company transformed towards creating shared value.

**Research limitations/implications:** This paper is limited to the study of a single case company. Despite examining a single corporation, given the size and significance of the investigated corporation, findings provide helpful insights to managers and corporate leaders of manufacturing industries. Recommendations for managers and corporate leaders on CSR implementation are provided in the paper.

**Practical implications:** Since this paper illustrates on the implementation of CSR by a giant industry from Middle East and its transformation process from corporate social responsibility to shared value creation, it can provide benchmarking insights for managers, corporate leaders and chief executive officers.

**Social implications:** As corporate social responsibility addresses the community well-being, studies of this nature can guide more companies on how to engage in social responsibility which can ultimately benefit the society.

**Originality/value:** Studies of corporate social responsibility in an Iranian context are limited. Moreover, this is among the first studies of its kind to address the CSR implementation and transformation process in a giant manufacturing industry of Iran.

**Keywords:** Corporate Social Responsibility, Creating Shared Value, CSR, Manufacturing Industry, Iran

**Paper Type:** Case study**Introduction**

Alongside the profit making objectives, businesses have a responsibility towards society to enhance the quality of life for community members, provide social welfare and contribute to economy while preserving the environment and natural resources. This is specifically crucial for large corporations in developing countries, where the giant industries can play a key role in the economic and social development of their nation and lend a helping hand to government in the development of their country. According to the World Business Council for Sustainable Development (WBCSD), corporate social responsibility has been defined as a business commitment which contributes to sustainable economic development through team work with employees and their representatives, their families, and local and public communities, to improve the quality of life by means of beneficial ways both for the business itself and for development (Jamali, 2006). There is a growing interest with regards to CSR and it represents a new direction for most business leaders (Hawkins, 2006).

This paper is a case study of the CSR practices in Mobarakeh Steel Company. The required data for the current case study is obtained through document reviews, observations, and discussions with managers and employees at Mobarakeh Steel Company (MSC). This paper explains the background of corporate social responsibility in MSC. Through elaborating the four major stages of the company's history, we highlight the role of CSR in each period and explain how the perspective of MSC transformed from Corporate Social Responsibility (CSR) to Creating Shared Value (CSV). Additionally, the major motivations of the company in addressing social issues are discussed. Overall, this research was focused on three main areas, namely CSR evolution, CSR motivations, and CSR practices.

**CSR Evolution in Mobarakeh Steel Company**

Mobarakeh Steel Company is a giant Iranian steel company, located 65 km south west of Esfahan. Being the largest steel maker in Iran and one of the largest industrial complexes operating in the country, MSC produced hot and cold rolled sheets and coils, pickled coils, narrow strip coil, tinplate sheet and coil galvanized coil, pre-painted coil and slab, in accordance with national and international standards.

The CSR activities and initiatives at Mobarakeh Steel Company can be categorized under four major periods in the company's history (Figure 1), namely:

- 1) Structuring Period
- 2) Launching Period
- 3) Operation Period
- 4) Development Period

The structuring period played a pivotal role in shaping the concept of corporate social responsibility in the company. The construction of this industrial factory in a region with traditional infrastructure was new phenomenon for the local community and there was a growing need for evaluating the environmental and cultural impacts of this industry on the local region. Thus, the company performed some preliminary studies with the help of leading local universities in 1983 to investigate the issues and characteristics of the region. Moreover, a new unit called "regional development and

evolution management” was established to coordinate the issues regarding the industry and community.

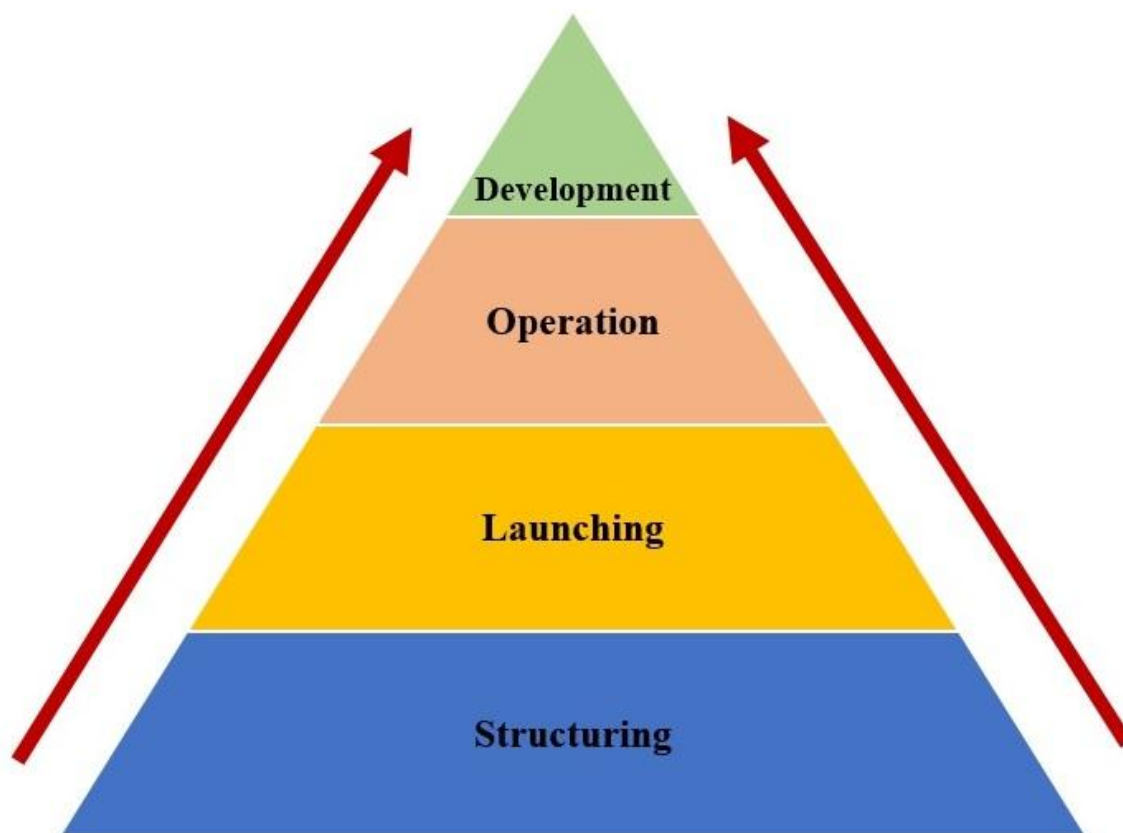


Figure 1: CSR Evolution Periods in Mobarakeh Steel Company

The launching period involved constant positive interactions with the surrounding environment to align the key stakeholders with the company. During this period, numerous units of the company which required human resources and energy supply were established in accordance with the relevant regulations and under constructive interactions with the community. Moreover, the company started a new committee named “Industry and Village Relations” and launched the concept of green belt in the company. This resulted in cooperation with villagers and local farmers for water supply through making suitable water pools and educating the locals to take use of them, making new roads for easier accessibility, and planting trees in the region. During this period, out of the 9 strategic themes of the company, 3 core themes revolved external issues of the company in line with the social responsibility of MSC, which indicates the importance of CSR for the company at the time.

The operation period focused on minimizing the conflicts of the company and society and meeting the expectation of the local residents. Moreover, the company evaluated the potential outcomes of its activities, processes and decisions on the surrounding environment and took necessary steps to control its impacts. To this end, a new unit called “research council” was founded comprising of several university professors from the region in the fields of sociology, management, economy, agriculture, and environment. Additionally, some other sub-committees such as “Industrial Affairs” and “Service Affairs” were founded during this period.

The development period started after an increase in the share price of the company in the stock market and investments made for the development plans. The diversity of the

company's products with higher value added, maintaining a minimum 45% of the national market share, and obtaining the organizational excellence award in 2010, enhanced the national and global significance of the company's brand. This initiated a change in the company's perspective of corporate social responsibility and transformed it towards creating shared value (CSV) to strive for achieving global excellence awards and enhancing the company's competitive edge in global markets (Figure 2).

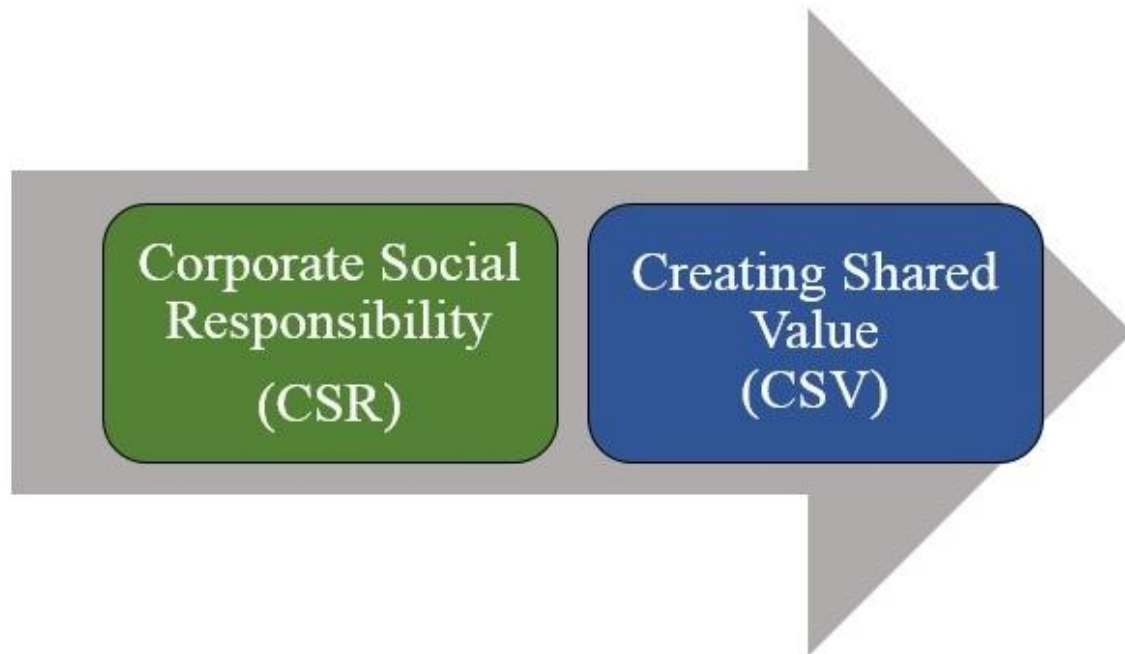


Figure 2: Transformation from Corporate Social Responsibility (CSR) to Creating Shared Value (CSV)

Increase in the expectations of stakeholders from Mobarakeh Steel Company after obtaining organizational excellence award (i.e. EFQM) and the need to actively compete in national and global markets encouraged the company to take more ambitious steps in the area of social responsibility and transform towards creating shared value. To achieve this objective, MSC necessitated implementation of the following key tasks:

- Setting challenging goals
- Preparing and disclosing annual CSR reports
- Identifying and finalizing frameworks for enhancing the brand of the company through CSR objectives
- Striving to promote the use of CSR indicators in national evaluation of companies and competitiveness analysis
- Preparing the roadmap for achieving the defined goals and planning for the operation of tasks in other sub-groups of the company
- Aligning the goals and tasks of all units to achieve synergy, enhance efficiency and reduce costs
- Benchmarking the experiences and achievements of leading organizations in the area of CSR to reach global standards
- Conducting research and development and using expert opinions with regards to the social impacts of activities and decisions made by the company

- Disclosing the company's social activities and initiatives to inform and raise awareness about the company's social performance among various stakeholders
- Performing operational plans to make improvements in areas identified by local and international assessors

The company defines its social responsibility policy as creating convergence between industry and society in line with creating shared values approach and with the goal of establishing a win-win relationship with stakeholders.

### **Motivations for Addressing Social Responsibility**

The major objective of the company in practicing CSR is to obtain competitive advantage in global markets. Social responsibility initiatives can enhance the value of the company's brand and facilitate profitability for the company. Other key motivations for addressing social responsibility by Mobarakeh Steel Company include social awareness, regional, national and international rules and regulations, available standards, and the determination of the company's management team to achieve social responsibility standards. To this end, figure 3 depicts the key drivers of corporate social responsibility for MSC.

Given the importance of environmental conservation for sustainable development, Mobarakeh Steel Company has considered environment as one of the key priorities in its policy making and constantly strives for greener manufacturing. Moreover, according to the mission of the company to play a pivotal role in industrial, economic and social development in the country and enhancing the technology level of steel industry, and in line with the vision of the company, one of the key drivers for practicing CSR at Mobarakeh Steel Company is the company's mission and vision. Besides, due to the significant role of the company in social development of the nation and the growing demands of the society from the company, social drivers play a key role in driving CSR practices in MCS.

Some of the main social expectations from MSC include employment, economic development and growth, improving the infrastructure in the region, and environmental preservation. Additionally, government and other legal units expect the company to practice social responsibility. Being a key player in the economy and industry of Iran, the government expects from Mobarakeh Steel Company to cause growth and development in industry and economy and ultimately in society.



Figure 3: CSR Drivers for Mobarakeh Steel Company

### **CSR Practices of Mobarakeh Steel Company**

The CSR practices of Mobarakeh Steel Company address seven major areas, namely interaction with local communities, compatibility, transparency, employees, environment, culture and sport, and philanthropy.

#### *Interaction with local communities*

The company strives for creating convergence with local communities and establishing a win-win relation through performing the followings:

- Identifying suitable economic, industrial, social and cultural opportunities in the region to be utilized in decision makings
- Responsiveness to expectations from the community in regional development
- Obtaining feedback from local community regarding the activities and decisions of the company
- Benchmarking suitable methods for communicating and interacting with the community
- Identifying improvement areas in terms of social responsibility



#### *Compatibility*

All the activities of the company are monitored to ensure their compatibility with rules and regulations. Prior to performing any activity in the area of social responsibility, relevant rules and regulations are reviewed to avoid any conflict and ensure compatibility.

#### *Transparency*

Mobarakeh Steel Company enhances its transparency through the following activities and initiatives:

- Introducing the company to external stakeholders through conducting public and specialized visiting sessions
- Proactive media communication and relation
- Participation in symposiums and gatherings for introducing the company and its key activities in the area of social responsibility

#### *Employees*

The highlight of the company's social activities towards employees include raising awareness among employees (and workers) towards CSR and encouraging their participating in social initiatives, meeting the needs and expectations of employees, training and development programs for employees, incentives and motivational programs for employees, health and medical schemes for employees, employee appreciation with a diverse approach for all employees including minorities, and female employees, establishing work-life balance, creating a safe and healthy working environment, and respecting seniors and taking use of their expert opinions.

#### *Environment*

Environment is among the most important stakeholders and one of the key drivers for CSR implementation of Mobarakeh Steel Company. Thus, the company has defined the following policies with regards to the environment:

- Environmental management system based on ISO 14000
- Avoiding environmental pollution
- Commitment to continuous improvement in environmental performance
- Reduction in the consumption of energy and natural resources
- Waste reduction
- Recycle management
- Communicating the environmental policies of the company with the employees, suppliers, contractors, consumers and other stakeholder groups
- Responsiveness towards environmental issues

#### *Culture and sport*

The company promotes exercise among employees and their families, supports the sport activities of female athletes, and seeks to scout and support talents among young generation in various sport fields.

#### *Philanthropy*

Mobarakeh Steel Company is committed to philanthropic activities through providing financial and non-financial support to humanitarian organizations, NGOs, and cultural and religious centers.

## Conclusion

A corporation can control and enhance its environmental, societal, and economic performance by being mindful of its surroundings (Castka et al., 2004; Smith, 2007). Since successful implementation of CSR requires knowledge and skills (Shinnaranantana, et al., 2013), business leaders should have an in-depth understanding of the social responsibility of their business through examining the sphere of influence for their corporation.

This study explained the CSR practices at Mobarakeh Steel Company and elaborated the development process of CSR towards its transformation to shared value creation in the company over the years. Overall, the current case study supported the notion by that in addressing these sustainability challenges companies move through stages of learning (Maon et al., 2010; Spitzcek, 2009; Zadek, 2004).

In implementing social responsibility, corporate leaders and chief executive officers are advised to take into account the following 2 key recommendations:

- Be open-minded and identify the significant emerging issues in your community/society. A successful CSR strategy should bridge between the corporation and its stakeholders.
- Be proactive and communicate your company's CSR practices to stakeholders to maintain and strengthen their trust links with the company.

## References

- Castka, P., Balzarova, M.A., Bamber, C.J. and Sharp, J.M. (2004), "How can SMEs effectively implement the CSR agenda? A UK case study perspective", *Corporate Social Responsibility and Environmental Management*, Vol. 11 No. 3, pp. 140-149.
- Hawkins, D.E. (2006), *Corporate Social Responsibility: Balancing Tomorrow's Sustainability and Today's Profitability*, Palgrave Macmillan, New York, NY.
- Jamali, D. (2006), "Insight into triple bottom line integration from a learning organization perspective", *Business Process Management Journal*, Vol. 12 No. 6, pp. 809-21.
- Maon, F., Lindgreen, A. and Swaen, V. (2010), "Organizational stages and cultural phases: a critical review and a consolidative model of corporate social responsibility development", *International Journal of Management Reviews*, Vol. 12 No. 1, pp. 20-38.
- Shinnaranantana, N., Dimmitt, N. J. and Siengthai, S. (2013), "CSR Manager Competencies: A Case Study from Thailand", *Social Responsibility Journal*, Vol. 9 No. 3, pp. 395-411.
- Smith, A. D. (2007), "Making the case for the competitive advantage of corporate social responsibility", *Business Strategy Series*, Vol. 8 No. 3, pp. 186-195.
- Spitzcek, H. (2009), "Organizational moral learning: what, if anything, do corporations learn from NGO critique?", *Journal of Business Ethics*, Vol. 88 No. 1, pp. 157-73.
- Zadek, S. (2004), "The path to corporate responsibility", *Harvard Business Review*, Vol. 82 No. 12, pp. 125-32.



**To cite this article:**

Ghasemi, S., Nazemi, M., & Hajirahimian, T. (2014). From Corporate Social Responsibility (CSR) to Creating Shared Value (CSV): Case Study of Mobarakeh Steel Company. *Global Business and Management Research: An International Journal*, 6(1), 15-23.