



## TEACHING NOTE

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# Tesco's Corporate Social Responsibility Initiatives

### Synopsis of the Case Study

The case study while giving an overview of global retailing and UK retailing industry, also outlines the Corporate Social Responsibility (CSR) initiatives in retailing industry. The 'retailing industry' connotation is used through out this case study signifying the nature of companies like Tesco, Wal-Mart, etc., and excludes single-brand retailing outlets. Elaborate details are given about Tesco's CSR initiatives spanning its entire value chain. The case also highlights the benefits that are achieved by Tesco from its CSR efforts. Primarily, this case can be used to highlight the seemingly perplexing nature of CSR initiatives in retailing industry. After all, no retailer (of the type discussed in this case) produces anything on its own. It produces invisibles and that is service. It produces a place utility. Given the nature of service rendered, costs involved in adhering to high CSR standards, what should retail companies do to align their profit goals with societal goals?

Prior to taking up this case for discussion in the classroom, I would like the participants to be proficient with the following:

### Prerequisite Conceptual Understanding

1. Porter E. Michael and Kramer R. Mark, "Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility", *Harvard Business Review*, December 2006
2. Bonini Sheila M.J., et al., "What consumers expect from companies", *The McKinsey Quarterly*, Number 2005
3. Correlation and Regression Analysis
4. Content Analysis

### Pedagogical Objectives

- To understand the relationship between CSR initiatives and profitability / bottom-line of the company
- To explore the possibility of CSR as a competitive advantage
- To understand and analyse whether CSR initiatives are guided by local (where the company is operating its stores) needs or should a company have umbrella CSR initiatives
- To analyse the CSR initiatives of Tesco over the years and study the patterns thereof

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This teaching note was written by R Muthukumar, IBSCDC. It is only an illustrative orchestration of the case study 'Tesco's Corporate Social Responsibility Initiatives'. It is never meant to limit the learning outcomes.

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### Assignment Questions

- What is CSR? What are the different formats of delivering CSR?
- Would CSR increase the bottom-line of the companies? Discuss the impact of CSR on profitability – using regression analysis.
- Would CSR initiatives yield competitive advantage for companies?
- Are the CSR initiatives influenced by local needs or the company's policies?
- What are the patterns in CSR components? Which stakeholder does Tesco prioritise?

### What I want to analyze

- What is the need for the organisations to undertake CSR?
- What are the CSR initiatives taken up by Tesco?
- Important areas of Tesco's CSR efforts
- How will CSR benefit the companies?
  - i. Is it just an image makeover? or
  - ii. Will that result in monetary gains?
- Pattern of CSR components
- Correlation between CSR components and benefits
- Are CSR needs influenced by local needs or company's policies?
- How these initiatives did help the company beyond cost savings?
- Will these measures help in upholding goodwill of the company?
- Having undertaken such measures, is Tesco better of its competitors?

### Teaching Note Flow

Different teaching approaches might be followed for this case study given its nature. However, I would imagine that it would be very useful to start this case by asking the participants, "What do you mean by CSR?" When the discussion is opened with this broad question, the participants have a chance to look at the big picture of CSR. Then, it would be good to follow it up with the following set of questions:

1. What is CSR? What are the different ways/forms through which CSR manifests?
2. What is the importance of CSR initiatives? Why should companies embrace them? Can CSR be a competitive advantage for companies?
3. How do you distinguish between CSR and corporate philanthropy? When the individuals belonging to a company actively engage themselves in a philanthropic activity, for instance Bill Gates (through his Bill and Melinda Gates foundation) etc, would it constitute a corporate philanthropy or individual philanthropy?
4. Is there any distinction between Corporate Responsibility and CSR? Is it correct to presuppose that, most of the times, the distinction between Corporate Responsibility and CSR gets blurred resulting in, at such times, an undue credit for the companies?

5. Let's look at some hypothetical instances. An oil refining company pledges its support to an afforestation project. A large retailer decides to slash its fleet size by 35%. A paint manufacturing company undertakes to clean up the local waters. On the other hand, a software company's employees work for a day in a month in a local community hospital. A company adopts and funds a local school. Of these, what can be characterised as CSR initiatives and Corporate Responsibility initiatives?
6. What's 'social' in their responsibility? Companies' benefit immensely from CSR initiatives as the image improves and propels business prospects. The (un!) intended consequences are quite fathomable. Adam Smith observed, "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love." Are corporates, therefore, doing what's minimum expected of them rather than doing a 'selfless' service to the society in which they operate?
7. Do you think every form of business should undertake CSR initiatives? Many a times, it is argued that for small companies (although their societal impact can be substantial), this can be a luxury that they can seldom afford.
8. Should companies from some industries be more 'socially conscious' than other industries? For instance, Oil and Petroleum, Chemicals, Textiles, Automobile, Shipping, Steel, Airlines and Aerospace, Food, Pharmaceuticals, etc.
9. How do you assess and distinguish between CSR initiatives of companies from developed world and companies from emerging economies?
10. Are corporations doing enough on CSR? If yes, can you share with us a few exemplary and outstanding instances? If no, why do you think so and what need to be done to sensitise them to be 'socially responsible' companies?
11. Has the relevance and importance of CSR grown with increased globalisation, seamless world and companies being subjected to microscopic scrutiny?
12. What is the role of regulation in ensuring high standards in CSR? Should they be made mandatory? For instance, mandating the companies to devote a certain percentage of their revenue to CSR initiatives?
13. What is the role of leadership in ensuring high standards in CSR? Should he lead from the front? How should a CEO balance shareholders' interests and stakeholders' interests?
14. What is the role of business schools in sensitising their participants to the importance of CSR?
15. Do you think, given the fact that research on CSR had been widening its horizons and continues to attract varied interests in the subject, not enough has been fructified in actual practice? If yes, why do you think there is so much gap between what the literature advocates and what the corporates practice?

Depending upon the time available, the faculty can orchestrate the case. Primarily, the case is being used to establish an important fact that companies can actually 'profit' from CSR initiatives and definitely money spent on socially responsible activities is well spent. CSR, if handled well, can be a competitive advantage for a retailing company. I tell them that it is a good case of deferred revenue expenditure. The benefits of this expenditure are available in the future.

Accordingly, I suggest the following teaching flow:

1. Debating about and understanding the importance of CSR initiatives and different forms of delivering through CSR

2. Highlighting the relevance of CSR initiatives in the retailing industry
3. Analysing Tesco's CSR initiatives, establishing the relationship between the bottom-line and CSR initiatives. How Tesco undertook CSR in its business framework?
4. How Tesco is benefited by implementing CSR?
5. Expectations of consumers, NGOs and governmental agencies on business organisations for undertaking CSR?

Pedagogical Objectives	Classroom Deliverables
<ul style="list-style-type: none"> <li>• To understand the relationship between CSR initiatives and profitability / bottom-line of the company</li> </ul>	<ul style="list-style-type: none"> <li>• To meet the first pedagogic objective, I would ask the participants to do correlation and regression analysis between CSR contributions and profit of Tesco. Further, I would suggest questioning the participants over potential benefits of CSR initiatives. It can be a free discussion just driven by logic and the case facts and concepts</li> </ul>
<ul style="list-style-type: none"> <li>• To explore the possibility of CSR as a competitive advantage</li> </ul>	<ul style="list-style-type: none"> <li>• To have a healthy discussion whether or not CSR initiatives result competitive advantage, ample evidence would be provided in the case study, by the way of explaining how Tesco benefited from its initiatives. Further, correlation and regression analysis between CSR contributions and market share of Tesco can be done. Moreover, compared with competitors' market shares</li> </ul>
<ul style="list-style-type: none"> <li>• To understand and analyse whether CSR initiatives are guided by local (where the company is operating its stores) needs or should a company have umbrella CSR initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• To have a discussion on the third objective, it can be a free discussion just driven by logic and the case facts and concepts</li> </ul>
<ul style="list-style-type: none"> <li>• To analyse the CSR initiatives of Tesco over the years and study the patterns thereof.</li> </ul>	<ul style="list-style-type: none"> <li>• I would provide all the initiatives of Tesco and explain in detail. Content analysis can be done for finding out the patterns of CSR.</li> </ul>

**The Big Picture**

CSR initiatives would result in creating a win-win-win situation for the company and its stakeholders.