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INTERVIEW

Business and society: Creating shared value: In conversation with N. R. Narayana Murthy, Founder, Infosys

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Abstract With corporations playing a dominant role in society today, the centrality of the role of business to society is being researched from multiple perspectives ranging from moral, legal, economic, strategic, social, and environmental. Several approaches to and theories on the subject have emerged in the literature over the years, such as corporate social responsibility, stakeholder management, shared value, corporate citizenship, and corporate environmentalism, and have found acceptance in practice as well. This paper surveys the changing approaches to the role of business in society and reflects on some of the practices in a conversation with NR Narayana Murthy, Founder, Infosys.

Context note

Corporations have begun to dominate every facet of modern life and society. The rising power of corporations in the last few decades has resulted in greater scrutiny of their actions and impacts on society. While this is not altogether new, the recent years have seen a renewed focus on this from academics, policy makers, and managers. Such expectations have been driven by several trends. One, the rapid growth in the economic and political power of corporations and stories of corporate failures has led to an increasing trust deficit between corporations and citizens. Two, there have been increased concerns about the earth's ecological future, both its decline, as well as the realisation that a variety of the earth's precious assets are controlled by large corporations. Three, the emergence of new technologies, which have increased the reach and power of corporations, while simultaneously allowing individuals and communities to organise themselves. Four, changing norms and values within communities, for instance, the demand for greater transparency and accountability, the national movements for democracy and those against corruption, are posing new challenges to both corporations and society in general. Five, corporations, entrenched as they are in the current economic system, are seen as both the genesis of the problem as well as the potential solution. There is an increasing recognition of the potential

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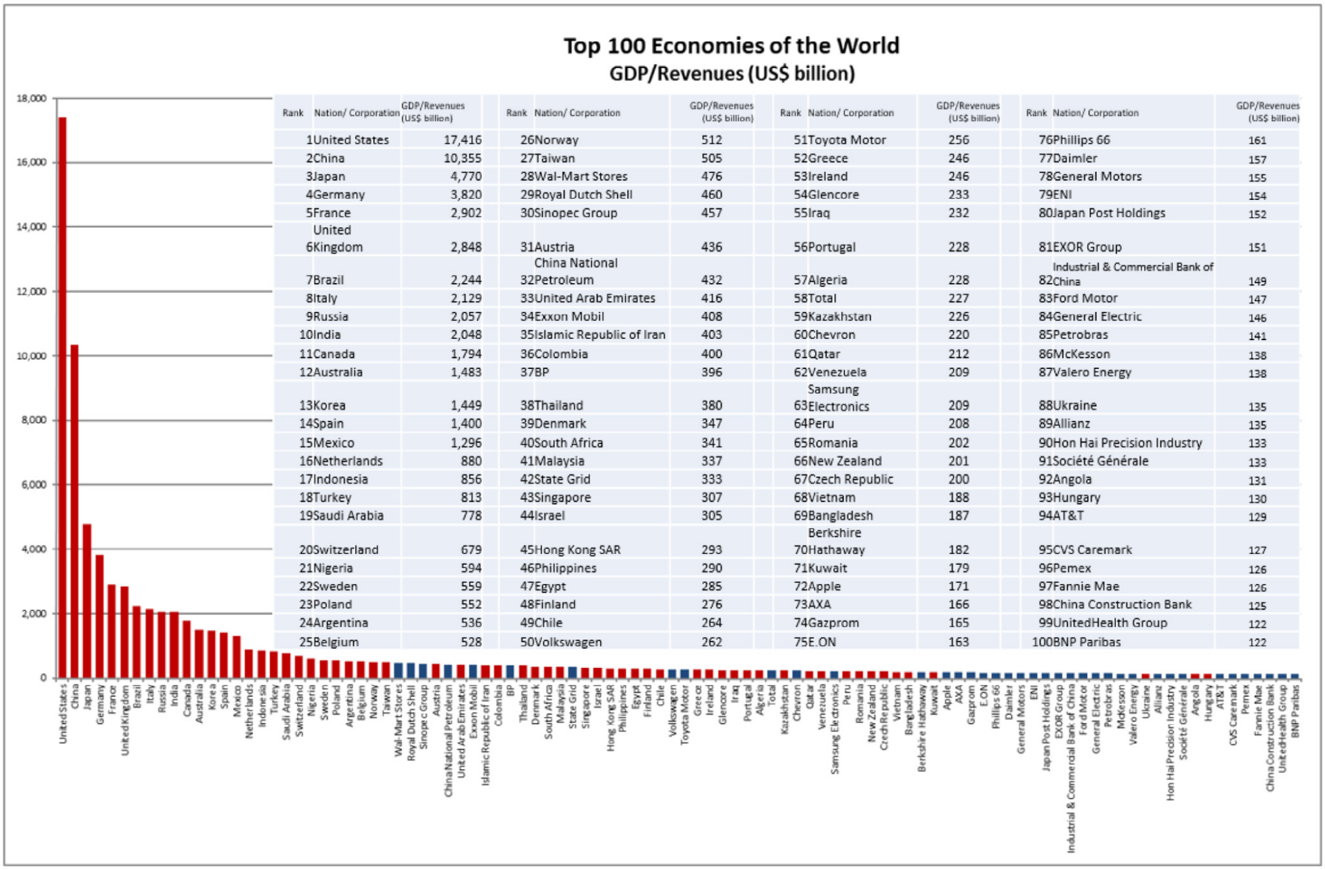

Rank	Nation/ Corporation	GDP/Revenues (US$ billion)	Rank	Nation/ Corporation	GDP/Revenues (US$ billion)	Rank	Nation/ Corporation	GDP/Revenues (US$ billion)	Rank	Nation/ Corporation	GDP/Revenues (US$ billion)
1	United States	17,416	26	Norway	512	51	Toyota Motor	256	76	Phillips 66	161
2	China	10,355	27	Taiwan	505	52	Greece	246	77	Daimler	157
3	Japan	4,770	28	Wal-Mart Stores	476	53	Ireland	246	78	General Motors	155
4	Germany	3,820	29	Royal Dutch Shell	460	54	Glencore	233	79	ENI	154
5	France	2,902	30	Sinopec Group	457	55	Iraq	232	80	Japan Post Holdings	152
6	United Kingdom	2,848	31	Austria	436	56	Portugal	228	81	EXOR Group	151
7	Brazil	2,244	32	China National Petroleum	432	57	Algeria	228	82	Industrial & Commercial Bank of China	149
8	Italy	2,129	33	United Arab Emirates	416	58	Total	227	83	Ford Motor	147
9	Russia	2,057	34	Exxon Mobil	408	59	Kazakhstan	226	84	General Electric	146
10	India	2,048	35	Islamic Republic of Iran	403	60	Chevron	220	85	Petrobras	141
11	Canada	1,794	36	Colombia	400	61	Qatar	212	86	McKesson	138
12	Australia	1,483	37	BP	396	62	Venezuela	209	87	Valero Energy	138
13	Korea	1,449	38	Thailand	380	63	Samsung Electronics	209	88	Ukraine	135
14	Spain	1,400	39	Denmark	347	64	Peru	208	89	Allianz	135
15	Mexico	1,296	40	South Africa	341	65	Romania	202	90	Hon Hai Precision Industry	133
16	Netherlands	880	41	Malaysia	337	66	New Zealand	201	91	Société Générale	133
17	Indonesia	856	42	State Grid	333	67	Czech Republic	200	92	Angola	131
18	Turkey	813	43	Singapore	307	68	Vietnam	188	93	Hungary	130
19	Saudi Arabia	778	44	Israel	305	69	Bangladesh	187	94	AT&T	129
20	Switzerland	679	45	Hong Kong SAR	293	70	Berkshire Hathaway	182	95	CVS Caremark	127
21	Nigeria	594	46	Philippines	290	71	Kuwait	179	96	Pemex	126
22	Sweden	559	47	Egypt	285	72	Apple	171	97	Fannie Mae	126
23	Poland	552	48	Finland	276	73	AXA	166	98	China Construction Bank	125
24	Argentina	536	49	Chile	264	74	Gazprom	165	99	UnitedHealth Group	122
25	Belgium	528	50	Volkswagen	262	75	E.ON	163	100	BNP Paribas	122

Figure 1 GDP/Revenues of Top 100 Economies/Corporations of the World. (Source: IMF, 2015; Fortune Global 500, 2015)

of business to help address the most pressing challenges of development today, namely climate change, poverty, and the promotion of democratic values.

We pick up one of these trends to illustrate our point. Data from the International Monetary Fund and *Fortune* magazine indicate that in 2014, nearly 40% of the world's top 100 economies are companies and not countries (see Fig. 1). The top 50 corporations in the world control over US$9 trillion, which nearly equals the combined gross domestic product (GDP) of the bottom 161 countries of the world put together. Walmart alone, with its turnover of nearly US$480 billion, is the 28th largest economy in the world. The top five corporations of the world have a combined turnover that nearly equals the GDP of India. Shell alone controls an area of 160 million hectares of land, and about 146 countries have a smaller area.

Globalisation connects corporations and societies in ways that we might not have visualised earlier and which would have been considered impossible in the past. For example, a cup of Starbucks coffee has been estimated to have its value chain spread over a dozen countries. This type of integration brings with it, its own problems. One, it may lead to an inequitable distribution of costs and benefits across the supply chain, where value is created collaboratively across a number of geographical regions, but value captured remains under the control of some corporates. Two, government and corporate roles appear to have been repositioned, with governments focussing on becoming smaller, but smarter and more efficient, while corporations grow in size and take on roles traditionally performed by governments. For example, in India, insurance, energy, telecom, airlines, and many other sectors have been privatised or opened up to the private sector in the last two decades. Paradoxically governments are becoming like corporates while corporates themselves are beginning to behave like super national governments. This interchange of roles between governments and corporates has created increased concerns about the role businesses ought to play in society.

While the role that business needs to play has been more intensively debated in academic and policy circles in the last decade, the debate was stoked by the Nobel Laureate Milton Friedman's assertion that "There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud." (Friedman, 1970).

Friedman's thesis, that only individuals and not corporations can have responsibility, has been widely contested both by practitioners and academics. In the early seventies, Drucker argued that "Business enterprises . . . . are organs of society. They do not exist for their own sake, but to fulfill a specific social purpose and to satisfy a specific need of society, community, or individual. They are not ends in themselves, but