

---

## **Corporate Social Responsibility An Idea Whose Time Has Come**

---

**“No success or achievement in material terms is worthwhile unless it serves the needs or interests of the country and its people.” - J.R.D. Tata**

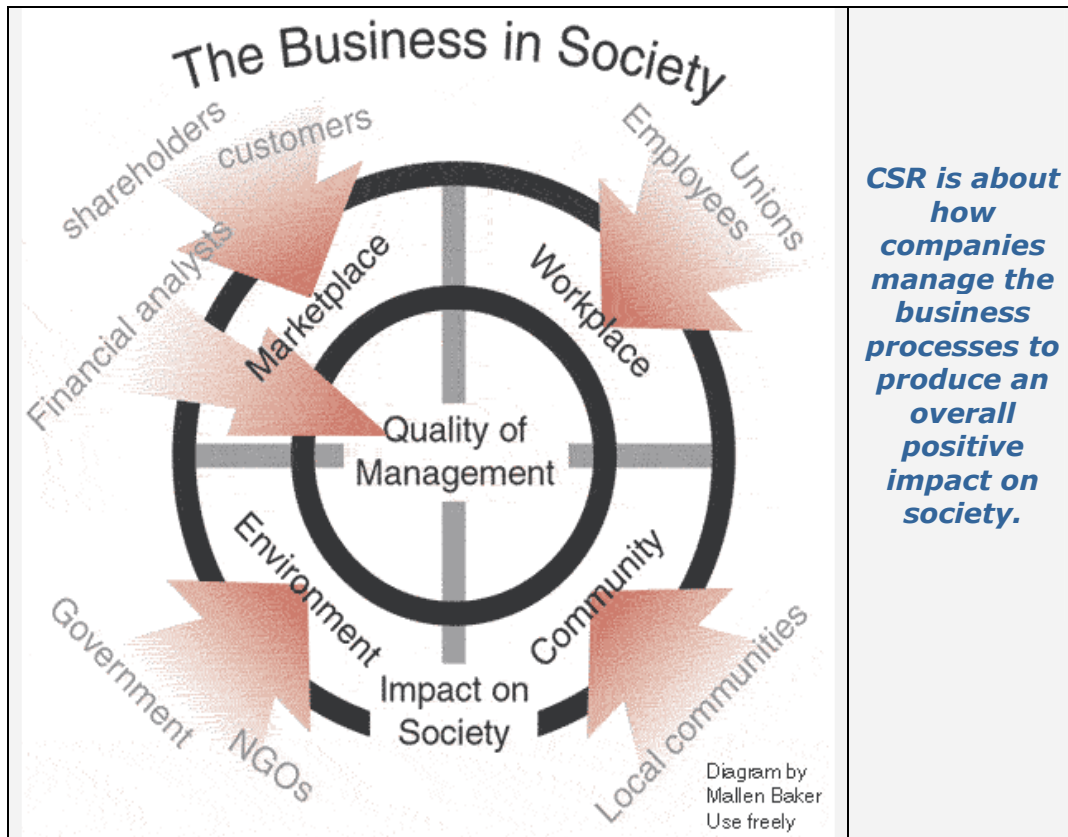
Corporate Social Responsibility (CSR) is the alignment of business operations with social values, integrating the interests of stakeholders - all those affected by a company's conduct - into the company's business policies and actions. CSR focuses on the social, environmental, and financial success of a company - the so-called triple bottom line - with the goal being to positively impact society while achieving business success.

In the past, a company's merit was solely based on its financial performance. But in the new millennium there is increased pressure from investors, consumers, and employees to consider social and environmental criteria in the way a company carries out its business. This has created momentum for using a "triple bottom line" or "sustainable" approach - social, environmental, and financial data for evaluating the performance of a company. Increasingly, stakeholders are concerned that the company they support has business practices that positively impact society while achieving financial success. ***Corporate Social Responsibility embraces two main concepts - accountability and transparency.***

Today, financial success is no longer the sole measure by which corporations are judged by their stakeholders, primarily investors, consumers, employees, and communities in which they operate. Companies are now expected to perform well in non-financial arenas such as human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance, and workplace issues. Social and environmental performances are considered side by side with financial performance. From local economic development concerns to international human rights policies, companies are being held accountable for their actions and their impact.

Companies are also expected to be more transparent in disclosing and communicating their policies and practices as these impact employees, communities, and the environment. In the new global economy, companies that are responsive to the demands of all of their stakeholders are arguably better positioned to achieve long-term financial success. It is no longer optional for a company to communicate its environmental and social impacts; stakeholders, regulators, and NGO's demand such information in an information-driven economy, and improved communication has become critical for sustainable business growth.

CSR can involve almost any aspect of a company's operations. Every company has a story to tell that sets it apart. It is important for every company to find its story and to tell it. A company that is considered a good corporate citizen is one that demonstrates a commitment to its stakeholders through socially responsible business practices and transparent operations.



**In the above illustration: Companies need to answer to two aspects of their operations –**

The quality of their management both in terms of people and processes (the inner circle). The nature of, and quantity of their impact on society in the various areas.

Outside stakeholders are taking an increasing interest in the activity of the company. Most look to the outer circle - what the company has actually done, good or bad, in terms of its products and services, in terms of its impact on the environment and on local communities, or in how it treats and develops its workforce. Out of the various stakeholders, it is financial analysts who are predominantly focused on quality of management as an indicator of likely future performance.

For many years, CSR was an elective rather than part of the core curriculum at business schools. Within corporations, it was often merely a synonym for philanthropy. But that is changing in response to growing protests against globalization, and rising awareness of environmental threats and social and economic disparities around the world. CSR proponents maintain that companies that "do good" will "do well" by enhancing their reputations, boosting their brand image, attracting better and more motivated employees, lowering their risks and bolstering their stock price.

Why has corporate reputation become so important? And why has CSR become so important to corporate reputation? The following five trends make an attempt to answer these questions and provide a framework for understanding these recent developments:

## **Transparency**

We live in an information-driven economy where business practices have become increasingly transparent. Companies can no longer sweep things under the rug. Whatever they do (good or bad) will be known, almost immediately, around the world. The Internet, the ubiquitous 24/7 news cycle, thousands of media outlets, web sites, online newsletters and NGOs using electronic communications to mobilize constituencies - all contribute to placing corporations under a permanent microscope in this new age of transparency.

## **Knowledge**

The transition to an information-based economy also means that consumers and investors have more information at their disposal than at any time in history. They can be more discerning and can wield more influence. Consumers visiting a clothing store can now choose one brand over another based upon those companies' respective environmental records. Likewise, investors can choose stocks or mutual funds based not only on financial factors but on social and environmental criteria as well. This is a fundamentally new phenomenon; potentially altering the balance of power between consumers/investors and corporations in ways we are only beginning to understand.

## **Sustainability**

The earth's natural systems are in serious and accelerating decline, while global population is rising precipitously. In the last thirty years alone, one-third of the planet's resources - the earth's "natural" wealth - have been consumed. We are fast approaching or have already crossed the sustainable yield thresholds of many natural systems (fresh water, oceanic fisheries, forests, rangelands), which cannot keep pace with projected population growth. Failure to address these developing ecological catastrophes will mean unimaginable changes to life - including human life - on planet earth. As a result, corporations are under increasing pressure from diverse stakeholder constituencies to demonstrate that business plans and strategies are environmentally sound and contribute to sustainable development.

## **Globalisation**

In the new global economy, there is no central government to legislate and enforce basic labour, human rights and environmental safeguards. Globalisation represents a new stage of capitalist development, without countervailing public institutions to protect society by balancing private corporate interests against broader public interests. Global corporations are under constant scrutiny by the media, governments, workers, environmentalists, human rights groups and NGOs to incorporate basic CSR standards and sustainability strategies into their worldwide operations - and to disclose and report on those strategies.

## **The Failure of the Public Sector**

Many if not most countries (both developing and developed) are governed by dysfunctional regimes ranging from the hapless and disorganized to the brutal and corrupt. In most nations citizens arguably expect less of government than they used to, having lost confidence in the public sector as the best or most appropriate venue for addressing a growing list of social problems.

With the collapse of the Soviet Union and other state-controlled economies, the world has placed an increasingly large bet on the marketplace to provide economic solutions to social problems. Advocates of free-market economies have argued that unfettered corporations can provide solutions to these problems.

Corporate reputation is now inextricably tied to corporate responsibility. The convergence of the five trends identified above - business transparency, an increased knowledge base among consumers, the sustainability imperative, the challenge of globalization and the failure of the public sector - have helped to bring this about. Today, a company's failure to attend to its reputation and incorporate CSR into its business model can result in unfavorable publicity, proxy fights, consumer boycotts and other concerted action by diverse stakeholder constituencies, NGOs and other interest groups. Simply put, CSR is no longer a collateral concern but central to business success.

## **CITIBANK**

Citibank India's Community Support program is based on the philosophy of self-reliance. Launched in June 1997 the programme focuses on extending microcredit support to organizations working to empower under-privileged urban women through income generation.

Citibank partners with five not-for-profit organizations across the country. All its community partners extend micro credit to low income women in urban areas. They have successfully organized womens collectives and channeled financial resources to those women who are otherwise left out of the purview of the formal banking sector.

The Citibank programme in addition to an overall enhancement of being embedded in the community has helped leverage its core business strengths in the following ways - financial planning and advisory for low cost housing; enhancement of financial literacy through micro credit software development and involvement of employees and customers.

Over the past decade, a growing number of companies have recognised the **business benefits of CSR policies and practices**. There is a growing body of quantitative and qualitative evidence that demonstrates the bottom-line benefits of socially responsible corporate performance in the following terms –

**Improved Financial Performance:** A 2002 DePaul University study - showed that overall financial performance of the 2001 Business Ethics Best Citizen companies was significantly better than that of the remaining companies in the S&P 500 Index, based on the 2001 Business Week ranking of total financial performance.

**Reduced Operating Costs:** Some CSR initiatives can reduce operating costs dramatically. For example, many initiatives aimed at improving environmental performance - such as reducing emissions of gases that contribute to global climate change or reducing use of agrochemicals - also lower costs. Many recycling initiatives cut waste-disposal costs and generate income by selling recycled materials. In the human resources arena, flexible scheduling and other work-life programmes that result in reduced absenteeism and increased retention of employees often save companies money through increased productivity and reduction of hiring and training costs.

**Enhanced Brand Image and Reputation:** Customers often are drawn to brands and companies with good reputations in CSR-related areas. A company considered socially responsible can benefit both from its enhanced reputation with the public as well as its reputation within the business community, increasing a company's ability to attract capital and trading partners.

**Increased Sales and Customer Loyalty:** A number of studies have suggested a large and growing market for the products and services of companies perceived to be socially responsible. While businesses must first satisfy customers' key buying criteria - such as price, quality, availability, safety and convenience - studies also show a growing desire to buy (or not buy) because of other values-based criteria, such as "sweatshop-free" and "child-labor-free" clothing, lower environmental impact, and absence of genetically-modified materials or ingredients.

**Increased Productivity and Quality:** Company efforts to improve working conditions, lessen environmental impacts or increase employee involvement in decision-making often lead to increased productivity and reduced error rate.

**Increased Ability to Attract and Retain Employees:** Companies perceived to have strong CSR commitments often find it easier to recruit and retain employees, resulting in a reduction in turnover and associated recruitment and training costs.

**Reduced Regulatory Oversight:** Companies that demonstrably satisfy or go beyond regulatory compliance requirements are given more free reign by both national and local government entities. In many cases, such companies are subject to fewer inspections and paperwork, and may be given preference or "fast-track" treatment when applying for operating permits, zoning variances or other forms of governmental permission.

### ***CSR programmes followed by Companies in India - Sample Case Studies***

<b><i>Birla Yamaha Ltd.</i></b>	Fully aware of its social responsibilities, the Group is supporting the cottage and village industry sector by establishing centres in Bhadoi, Srinagar, Jaipur and Agra for producing hand made carpets. The support is not just financial, but for marketing and designing as well. Help is also being provided to the families of artisans so that adult members can contribute towards creating some of the most exquisite carpets.
<b><i>Apollo Tyres Ltd.</i></b>	<p>To combat the growing hazard of HIV/AIDS, Apollo Tyres, in an active collaboration with DFID (implemented through 36 NGO's), launched the <i>Apollo Tyre Health Care Centre</i> in October 2000 to provide general and sexual health services for truckers and the transport community at large. The Centre provides STD diagnosis and treatment, behaviour change communication and condom promotion.</p> <p>Through consistent counseling and educational programmes, the centre through its dedicated teams of volunteers, enlightens the truckers on the numerous risks involved and the methods of prevention. With this initiative Apollo paved the way for future endeavours to achieving holistic health care at the micro level.</p>
<b><i>Discovery</i></b>	Celebrating its 6th Anniversary in 2004, the Discovery

<p><i>Communications India</i></p>	<p>Channel Young Scientist Challenge (DCYSC) is a national science contest for middle school students created by Discovery and Science Service to encourage the exploration, understanding and communication of science. The contest encourages young people to explore and understand science by stressing a wide range of diverse disciplines, including problem-solving ability, teamwork, leadership and, oral and written communication.</p> <p>The contest reflects Discovery's philosophy that science is ultimately a team pursuit, that scientific knowledge is most valuable and effective when shared and that hands-on experiences, like those offered during DCYSC, will make a positive and lasting impact on students.</p>
<p><i>Amway India Enterprises</i></p>	<p>With the vision to enable the less privileged children to lead a better life, Amway Opportunity Foundation (AOF) was instituted as the Corporate Social Responsibility arm of Amway India. AOF is committed to social causes and was honoured with the AICB Millennium Outstanding Service Award, 2000 by the All India Confederation of the Blind in recognition of its sterling contribution to the cause of India's blind.</p> <p>AOF has partnered with NGOs like AICB and NAB (National Association for the Blind) in printing and distributing Braille textbooks to all school-going visually challenged children in 11 states. AOF has also set up a computer centre at the Ramakrishna Mission Blind Boys Academy, Narendrapur.</p> <p>Furthermore, the foundation lends support to CRY and has also funded a state-of-the-art, fully equipped Mobile Dental Clinic for the Rotary Club, Delhi. The Clinic caters to the oral healthcare needs of underprivileged sections of society, in and around Delhi, free of charge. Over the past Five years, AOF has supported the White Cane Day where over 2000 visually challenged persons, were given white canes, each year. It has also helped celebrate Louis Braille day for the past five years, where a national-level debate is held for visually impaired children.</p>

<p><b><i>Titan Industries</i></b></p>	<p>Titan employs 169 disabled persons among its blue-collar workforce in Hosur, an individual township located in Dharmapuri District of Tamil Nadu. Employment of the disabled in large number gains significance in view of the nature of this industry. It is a high-precision electronic industry wherein the manufacture of the watch components and its final assembly involve components that are minute, delicate and of high value.</p> <p>Titan Industries pursued the classical model followed by any company in satisfying manpower needs: identification of tasks, classification of tasks, appropriate recruitment processes. Tasks for persons with hearing disabilities were identified on low levels of physical risk, minimal physical movement and low verbal communication needs. Appropriate selection procedures for each type of disability were adopted. The disabled were housed with the others, which largely contributed to their integration with the rest of the workforce. Fortnightly meetings were held with the disabled to address issues of their specific concern.</p> <p>The experience indicated that the disabled are in fact less prone to distraction as compared to the abled workers, who are prone to feel bored with repetitive work and always seek variety on the job. Now, Titan believes that introduction of the disabled early in the life of a company contributes to the acceptance of the disabled as equally placed members of the workforce, thereby promoting a cohesion in the working environment. Titan endorses the stand that employing disabled persons is not philanthropy alone. It believes that if orchestrated properly, the needs of the business do not have to be compromised and productivity and the bottom line are not adversely affected.</p>
<p><b><i>Jet Airways</i></b></p>	<p>Save the Children: The 'Magic Box' program, an In - Flight charity collection, was started by Jet Airways in 1997 to support the efforts of Save the Children India (STCI). STCI is a non-governmental organization dedicated to empowering the underprivileged across the country through health and education based initiatives. Since its inception, it has reached out to more than 200,000 children and their immediate communities through long-term programmes. More than 40,000 Jet Airways passengers have contributed close to Rs. 18 million through the programme.</p> <p>After the earthquakes destroyed the state of Gujarat in January 2001, Jet Airways and Nivara Hakk Welfare Centre, with invaluable support from ATR, the French aircraft manufacturing company, got together in a bid to provide support to the quake hit in Gujarat. Working for over 10 weeks with nearly 50 volunteers from Mumbai, Jet Airways was able to provide temporary quake-resistant accommodation for the entire village of Ramvav and tented hostels for staff and students of three schools in Nilpar, both in the Rapar taluka of Kutch district. The plight of the people moved Jet Airways to adopt this village and provide temporary shelters to the stricken at the earliest. STCI</p>

	<p>immediately ferried relief to the districts of Surendranagar and Kutch with assistance from Jet Airways.</p>
<p><b>Hindustan Lever Ltd.</b></p>	<p>Unilever's Corporate Purpose states - to succeed requires the highest standards of corporate behaviour towards its employees, consumers and the societies and the world in which we live. As with Unilever, HLL's approach to Corporate Social Responsibility (CSR) is rooted in this belief.</p> <p>CSR, in HLL, covers the company's interaction with and impact on society in three distinct areas. These are: the company's own operations; the company's relationships with its business partners through the value chain; and the voluntary or philanthropic contributions it makes to communities.</p> <p>HLL supports <b>Asha Daan</b> run in Mumbai by the Missionaries of Charity (founded by the late Mother Teresa). Asha Daan is a home for abandoned, handicapped children, the destitute and people affected by AIDS (HIV positive). Asha Daan had been set up on a 72,500 square feet plot, in the heart of the city leased by the company. HLL also bears the capital and revenue expenses for maintenance, upkeep and security of the premises.</p> <p><i>Project Shakti</i> - The objective of this project was to create income-generating capabilities for underprivileged rural women by providing a sustainable micro enterprise opportunity.</p> <p><i>Ankur</i> - Very similar to Asha Daan is Ankur in HLL's Doom Dooma Plantation in Assam. A centre for special education of handicapped children aged between 5 and 15 years.</p>
<p><b>Dabur India Limited:</b></p> <p><b>"What is that life worth which cannot give comfort to others." thus said Dr. S K Burman, founder of Dabur.</b></p>	<p>Dabur is committed to improving healthcare standards of the people in the area of its operation. The company set up Sundesh - a welfare organization financially and managerially supported by Dabur and Chunni Lal Medical Trust. The company through these organizations provide healthcare facilities to women and children, gives non formal education to children and adults and trains people in vocations such as bee keeping, mushroom farming, tailoring etc. to provide them additional source of income.</p> <p>The company is also committed to maintain ecological balance, as it understands its responsibility towards Nature, which provides raw material for most of the products manufactured by the company. Dabur India Limited is working on developing sustainable cultivated source for herbal ingredients. This will help in reducing the strain on natural habitat of these herbs. Dabur has also set up the most modern tissue culture facility for micro propagation of medicinal herbs.</p> <p>The company is involved in reforestation in the Himalayan range, which would help in maintaining the green cover there. The company has set up a state-of-the-art green</p>

	house for saplings of more than 40 endangered plant species to help in averting the extinction of these plant species. This contract cultivation activity provides additional source of income to farmers.
--	--

### ***CSR Perspectives Across Various Countries***

<b><i>Argentina</i></b>
CSR primarily signifies a corporation's ability to respond to social challenges and stimulate the economic development of a community. Companies are expected to make a strong commitment to education, worker rights, capacity building and job security. The process starts with developing good relations with neighbours.
<b><i>Brazil</i></b>
The focus is on commitment to strive for the best economic development for the community, to respect workers and build their capacities, to protect the environment and to help create frameworks where ethical business can prosper.
<b><i>Ghana</i></b>
CSR is interpreted as capacity building for sustainable livelihoods. There is emphasis on business opportunities in building the skills of employees, the community and the government. CSR also signifies respect for cultural differences.
<b><i>Netherlands</i></b>
CSR is about making a leadership commitment to core values and recognizing local and cultural differences when implementing global policies. There is great emphasis on companies endorsing the UN Convention on Human Rights and the ILO Rights at Work.
<b><i>Philippines</i></b>
CSR is about business giving back to society.
<b><i>Taiwan</i></b>
CSR is seen as a contribution to the development of natural and human capital, in addition to just making a profit.
<b><i>Thailand</i></b>
There is an emphasis on local relevance. CSR is seen as meaningful only if backed by action.

**USA**

CSR is seen as taking personal responsibility by business for its actions and impacts on the society. Companies and employees must undergo a personal transformation, re examine their roles, their responsibilities and increase their level of accountability.

**“What companies can do – and what philanthropy does best – is put fences at the top of the cliff, not pay for the ambulances at the bottom” – Anonymous**

*(Excerpted from the workbook of PR Pundit’s workshop, held in Delhi on March 23, 2004)*