4 EMERGING TRENDS IN CSR: REVOLUTION AT THE GRASS ROOT LEVELS

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ABSTRACT

Corporate Social Responsibility (CSR) also called corporate conscience, corporate citizenship, social performance is a form of corporate self-regulation integrated into a business model. The new economic era in India i.e. the post-liberalization phase of the Indian economy was a catalyst for the radical transformation in the corporate social responsibility related practices in the country. The change was twofold: transformation of the conceptual understanding of corporate social responsibility and innovations at the implementation level. At the conceptual level, there was a fundamental transformation from the charity-oriented approach to the stakeholder-oriented approach where the target group was seen as stakeholder in the community whose well-being was integral to the long term success of the company. However, the real revolution occurred at the implementation stages where companies have started committing manpower, expertise in addition to financial resources in order to provide a host of services, programs and schemes that are flexible enough to accommodate the needs of the target community.

Key Words: *Charity, Corporate Social Responsibility, Innovation, Stakeholder.*

INTRODUCTION

The concept of corporate social responsibility of large industrial groups has occupied a prominent place in the greater national discourse on economic issues since the pre-independence era in India. Corporate Social Responsibility (CSR), can be described as, the continuous commitment by corporations towards the economic and social development of communities in which they operate. Gandhi described large business as 'trusts' of the 'wealth of the people' and thus emphasized on the larger social purpose that industrial wealth should serve in independent India. In the early days of the post- independence period, the Indian state under the heavy influence of Nehruvian socialism encouraged private industries to play an active role in the economic and social development of the backward sections of the society, while at the same time setup a mammoth public sector for serving larger societal interests. As Nehru's gentle socialism gave way to the more radical policies of nationalization and extensive state regulation of the Indira Gandhi era, industrial groups desperate to avoid the draconian state policies and regulations in economic affairs resorted to large scale corporate welfare programs to demonstrate that private wealth also played an important role in poverty alleviation and the socio-economic development of the nation and was not anti-people.

An impending crisis in Indian economy led the Rajiv Gandhi and Narashima Rao governments to dismantle the 'license raj' and introduce much-needed economic reforms in the country, which marked the beginning of the economic liberalization and the free market economy in India. The term is often used interchangeably for other terms such as Corporate Citizenship and is also linked to the concept of Triple Bottom Line Reporting (TBL), which is used as a framework for

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measuring an organisation's performance against economic, social and environmental parameters. The rationale for CSR has been articulated in a number of ways. In essence it is about building sustainable businesses, which need healthy economies, markets and communities. The key drivers for CSR are:

Enlightened self-interest - creating a synergy of ethics, a cohesive society and a sustainable global economy where markets, labour and communities are able to function well together.

Social investment - contributing to physical infrastructure and social capital is increasingly seen as a necessary part of doing business.

Transparency and trust - business has low ratings of trust in public perception. There is increasing expectation that companies will be more open, more accountable and be prepared to report publicly on their performance in social and environmental arenas.

Increased public expectations of business - globally companies are expected to do more than merely provide jobs and contribute to the economy through taxes and employment.

FROM PHILANTHROPY TO STAKE HOLDER PARTICIPATION

The conceptualization of corporate social responsibility until the year 1990s was purely in terms of philanthropy or charity. Welfare programs or initiatives were introduced not as a duty or a responsibility but as a form of charity that was supposed to indicate the virtues of the company or the organization. Many industrial groups like the Tatas or Birlas setup charitable trusts that provided financial grants for various worthy causes. Although there were some cases where the corporation took up a more active role like the establishment of the Birla Institute of Technology, Pillani by the Birlas or setting up of primary schools by several major industrial groups for their workers' children but even in these cases the approach was philanthropical. The problem with this philanthropy –based model has several problems:

- The corporation does not commit its resources fully behind such a project and often confines itself to one-time or periodical financial grants.
- Since it is an act of charity, the corporation does not feel the need for community participation in the designing or management of such initiatives and people participation, if any, is restricted to limited implementation aspects reducing the efficiency and effectiveness of corporate social responsibility measures at the ground level.
- The lack of involvement from the primary resource provider i.e. the corporation leads to low levels of accountability and transparency at the implementation level.

However the post-liberalization phase has seen a fundamental shift from this philanthropy-based model of corporate social responsibility to a stakeholder- participation based model. The change is evident in the statements about corporate social responsibility being made by India's leading industrial groups like the Tatas. "Over the years, the nature of the company's involvement with the community has undergone a change. It has moved away from charity and dependence to empowerment and partnership and the consistent transformation in their corporate social responsibility practices in the last decade". In the stakeholder model the community in which the corporation is present is seen as a stakeholder in the company and therefore, the company has certain obligation and duties towards it like it has towards its other stakeholders (customers, employees, shareholders). It is a recognition of the fact that companies perform in non-financial arenas such as human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance, and workplace issues and company should be held accountable for its 'triple bottomline' that includes social, environmental, and financial performance and not just the financial aspect. The question that arises at this juncture is what are the reasons for this shift in the basic paradigm in corporate social responsibility in the post-liberalization era? John Samuel and Anil Sari have argued that this transformation has been the result of three reasons:

- Recognition of the importance of 'reputation capital' for capturing and sustaining markets. Therefore corporate social responsibility is basically a new business strategy to reduce investment risks and maximize profits by taking all the key stakeholders into confidence.
- The growing importance attached to the 'eco-social' stability i.e. social and environmental stability and sustainability is necessary for the survival of a free-market economy in the long run.
- The importance being attached to accountability, transparency and social and environmental investment as the key aspects of corporate governance in the era of globalization.

Others like S. Sailaja have attributed the shift in conceptualization to a simpler 'benefit' argument that basically implies that the stakeholder model has been adapted as it makes CSR programs more effective and efficient, the need for which is recognized by corporation who see multiple benefits like increased sales and customer loyalty, enhanced brand value and reputation, increased ability to attract and retain quality employees, investors & business partners, better productivity of workforce, cooperation with local communities, efficient operations resulting in improved financial performance, increased stock value, reduced litigation & environmental costs, better and faster governmental approvals, rewards, tax benefits that come from good CSR practices. While both these arguments are pertinent, we would venture to supplement them by drawing attention to two other important reasons for the basic shift in the corporate social responsibility model. Firstly, the post-liberalization phase saw the increased presence of large transnational corporations like IBM in India which have highly developed corporate social responsibility initiatives based on the stakeholder participation model that were introduced in India by them. The success and effectiveness of these programs had a 'rub-off' effect on Indian enterprises, which were also operating in the same market, in their approach to corporate social responsibility initiatives. Secondly as Indian industry started competing in the developed markets of Europe, America and the Far East it had to comply with entry level norms like certification for responsible corporate practices like ISO 14000, SA 8000, AA 100 as well as compliance codes formulated by OECD and UN Global Compact which meant that they had to adapt new corporate social responsibility standards. Whatever be the reason, this change in the conceptualization of corporate social responsibility to stakeholder participation model has led to drastic change in the planning, management and implementation of corporate social responsibility initiatives.

NEW INNOVATIONS IN IMPLEMENTING CSR

With the shifting of the corporate social responsibility paradigm to a stakeholder centric approach, practices at the ground level have also undergone a radical transformation. In every aspect of corporate social responsibility measures the last decade has seen corporations innovating to increase efficiency, effectiveness and accountability. The focus has been on initiatives that are people-centric with active community participation at all levels. Further, the corporations themselves have moved away from the charitable initiatives like giving financial grants or sponsorships to providing products and services in a manner that would make a real difference in the target communities. The first perceptible change has been the introduction of a host of innovative programs and schemes in several areas like education, healthcare, rural development, environment protection, protection of artistic and cultural heritage and disaster management that are customized to meet the specific needs of the target group. Corporations devote not only financial resources but expertise, manpower, products and services for the successful implementation of these schemes. A few such examples are:

Lupin India Ltd

Lupin India Ltd, India's third largest manufacturer of pharmaceuticals has started a project for providing sustainable development in 154 villages across Rajasthan. The scheme instead of providing for piece-meal assistance that does not lead to effective alleviation of poverty or adequate development is designed as a holistic action plan that includes an Agricultural Income Generation Scheme, land cultivation and fruit plantation programs, fodder preservation schemes, sericulture and water-recycling programs, establishment of medical and educational centers, adult literacy programs and credit schemes.

Cipla

Another Indian pharma major has found a novel approach to fulfill its corporate social responsibility obligations by offerering to sell a cocktail of three anti-HIV drugs, Stavudine, Lamivudine and Nevirapine, to the Nobel Prize-winning voluntary agency Medicine Sans Frontieres (MSF) at a rate of $350, and at $600 per patient per year to other NGOs over the world. This offer has led to an significant decrease in the prices of these drugs worldwide increasing the accessibility of these drugs especially in the developing countries.

Ranbaxy

Ranbaxy being one of India's major pharmaceutical firms operates seven mobile healthcare vans and two urban welfare centers that reach over a lakh people in various parts of northern and central India as part of its corporate social responsibility initiative.

TCS

Tata Consultancy Services (TCS) has set up a fully-equipped computer training laboratory for children from the Society for the Welfare of the Physically Handicapped and Research Centre, in Pune for imparting basic computer knowledge.

NIIT

NIIT has launched a highly popular 'hole-in-the-wall' scheme where it places a computer on a public wall in urban and rural areas so that neighborhood children can learn computer basics using the play-way method.

Bharat Electronics Ltd..

Bharat Electronics Ltd built cyclone proof houses for the victims of the super cyclone with the help of the victims themselves so that the houses are built according to their needs.

Ion Exchange

Ion Exchange has founded a profitable venture for environmental protection through water treatment, afforestation and organic farming.

SAP

Life is a not-for-profit alone, but for public benevolent. SAP is focusing on education, awareness and research aimed at the prevention of suicide among youths. The organization provides resources, education and school based life skills programs to help to prevent suicide amongst young people. Through its charity sponsorship program SAP Australia supports for Life with monetary contributions, volunteering and staff involvement in the agency's programmes.

Barclays

By reducing the number of unbanked population and providing access to affordable credit through its growing Financial Inclusion programmes, Barclays is taking a long-term, partnership approach improving access to banking, achieving economic gains for its customers, the communities in which it operates and the bank itself. As well as it works in the U.K, Barclays also has initiatives underway in Ghana, India, South Africa and Uganda. Barclays is aiming to expand these programmes into other markets to deliver a more holistic financial inclusion strategy.

Sun Microsystems

In 1998, Sun became Musica Viva's first and only principal sponsor. By associating itself with a leader in the IT industry, Musica Viva gains networking opportunities within the corporate sector, resulting in further sponsorship openings. It gains access to Sun's staff and customer base to increase awareness of Musica Viva's activities and performances, enabling it to achieve its own aims of taking the beauty of music into the lives of ordinary Australians and forging meaningful links between the arts and the corporate world. The exchange of expertise helps both partners. Sun provides its technological know-how and assists with market reach for Musica Viva, which in turn provides opportunities to give something back to Australia's cultural life through supporting and engaging with music in various ways.

IBM

IBM - Japan's 'e-elder' initiative is a national program using training materials and other support from IBM Japan which will hire and train seniors as instructors for other seniors in an effort to help elder citizens more fully participate in a Web-based society.

HP

In Singapore, HP staff raised nearly $295,000 for charity in 2003 and received a SHARE Gold Award from the Community Chest of Singapore for employee participation exceeding 50%. One event was Gladiathon, a fundraiser in support of the President's Challenge 2003. Leading by example was the Managing Director from HP Asia Pacific, who wore a gladiator costume and competed with other IT industry leaders in the battle for charity. HP was the largest corporate donor of this event, raising a total of $121,000.

Microsoft

Microsoft works closely with international organizations such as the World Food Programme, Save the Children, and Mercy Corps to provide technology-based development assistance through the HEART (Humanitarian Empowerment and Response through Technology) program. More and more, global organizations rely on technology to improve the effectiveness of their humanitarian efforts around the world.

Along with innovation, corporations have worked hard at integrating corporate social responsibility into their core practices. There is now greater evaluation and stricter accountability and transparency norms for social initiatives along with the lines of norm set for mainstream projects and ventures. Sudha Murthy of the Infosys Foundation, the social initiative arm of the IT major Infosys, explains the great efforts the corporations are doing to ensure that the projects they are involved are actually genuine and serve a purpose. “We get a lot of projects, so we do a round of elimination….make a shortlist, as to which are the good ones, after a lot of verification. Then we supervise the implementation part by visiting the area. But we have to work very hard, during all holidays, weekends and 18 hours every day.” Several organizations like Gas Authority of India Ltd. (GAIL) have introduced benchmarking exercises for their CSR activities and industry bodies like Confederation of Indian Industries and FICCI have introduced cross-sectoral programs, for the first time, in CSR related areas.

CURRENT OPPORTUNITIES

At one end of the spectrum, CSR can be viewed simply as a collection of good citizenship activities being engaged by various organisations. At the other end, it can be a way of doing business that has significant impact on society. For this latter vision to be enacted in India, it will be necessary to build CSR into a movement. That is to say, public and private organizations will need to come together to set standards, share best practices, jointly promote CSR, and pool resources where useful. An alliance of interested stakeholders will be able to take collective actions to establish CSR as an integral part of doing business and not a passing fad. Some might say that it is easy for corporate houses to support CSR when the economy is growing at 8 per cent and profits are doing well. The real test is what happens to CSR budgets during an economic downturn. That is why it is so important over the next two to three years to embed CSR into the public consciousness, as well as into the executive suite.

CURRENT GLOBAL TRENDS

Because of the growing size and power of multinational corporate houses, bond rating agencies and investment companies are exerting increasing influence on CSR. In particular, they are demanding an accounting for non-financial measures of value creation as they seek to determine risk premiums. These include an assessment of CSR activities, as well as governance practices, management of intellectual capital, and transparency in reporting. There are now multiple CSR rating agencies in North America and Europe. Socially Responsible Investment Funds (SRI) now consider CSR activity when deciding whether to invest in public traded companies. The Principles for Responsible Investing (PRI) Group was started in conjunction with the UN in 2005. This now includes over 170 institutions representing 15 trillion US dollars in assets. The member institutions take into account six key principles in the area of environmental, social, and corporate governance when making investment decisions. The United Nations Global Compact was launched in 2000 by the then Secretary General Kofi Annan to create a voluntary alliance of companies throughout the world committed to upholding specific principles of human rights, labour rights, environmental stewardship and anti-corruption. To date, 168 Indian multinational corporate, Small and Medium Enterprises (SMEs) and associations have joined the Compact. A growing trend in large multinational corporations is the establishment of special committees within the board of directors to oversee CSR and sustainable business practices. More and more, executive compensation is tied to specific outcomes in these areas. Groups of corporates are being encouraged to come together to promote CSR. In 2006, Europe created the European Alliance for CSR. It currently consists of 70 multinational corporate houses and 25 national partner organisations and has become a unique resource for building capability in CSR.

FUTURE SOCIAL TRENDS IN INDIA

The CSR survey revealed, not surprisingly, that organization targeted most of their activities close to home — providing services for people who live in villages, towns, and districts where the organization operates. Education, health, and the environment are the top priorities. More than likely, these priorities will continue. There is one social trend in India that looms larger than all others —the population tsunami. The current population of India is now over billion. Demographers now tell us that India will overtake China by 2026 as the world's most populous nation with almost 1.5 billion people. Let us put this into perspective. At the time of Independence in 1947, India's population was approximately 350 million. Between now and 2026, India will add almost as many people as there were in the entire nation in 1947. The implications of this are staggering. Will the additional demands for food, water, housing, education, and health care overwhelm the existing infrastructure? Or can all stakeholders work together to build a literate, healthy, capable society with enough jobs to meaningfully employ all those seeking work? The greater the challenges, the greater the ingenuity required. For CSR in India to have a meaningful impact on society in the coming decade, a 'national-local' approach may be best. National in the sense that there will need to be nationwide alliances and databases in order to quickly learn best practices, share innovations, and 'scale-up' pilot programmes. Local in the sense that, it will require organizations to efficiently implement programmes at the grassroots level, as well as mobilise volunteers to serve their local communities. CSR is here to stay and its future is bright. There is much to learn about building world-class CSR programmes in the Indian context, and this survey is a very good place to start.

CONCLUSION

The new economic era in India i.e. the post-liberalization phase of the Indian economy was a catalyst for the radical transformation in the corporate social responsibility related practices in the country, The change was twofold: transformation of the conceptual understanding of corporate social responsibility and innovations at the implementation level. At the conceptual level, there was a fundamental transformation from the charity-oriented approach to the stakeholder-oriented approach where the target group was seen as stakeholder in the community whose well-being was integral to the long term success of the company. However, the real revolution occurred at the implementation stages where companies have started committing manpower, expertise in addition to financial resources in order to provide a host of services, programs and schemes that are flexible enough to accommodate the needs of the target community. The CSR initiatives have also seen greater people participation at all stages and tighter accountability standards. The issue of norms for corporate social responsibility seems to have been adequately dealt with by industry practices like benchmarking, CSR ratings and certification by different agencies. While the situation in the private sector seems satisfactory, there is fierce debate on the social role of the Indian public sector in the post-liberalization phase especially in the light of the twin processes of privatization and the dismantling of monopoly/quota regimes. There is a need for extensive research especially in the form of empirical studies to address the questions related to this issue.

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