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Partners in development
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Role of business in society

“There’s not enough money that we can give away to be viewed as a responsible company in 200 countries. And we can’t do it sustainably. So the only way it can work is to weave responsibility into the core business of the company.”

Indra Nooyi

Chairman and CEO, PepsiCo

A pertinent and challenging question facing organisations globally is that can businesses align their growth strategies and innovative ventures to address some of the most important societal challenges faced by communities all over the world. The ‘Vision 2020’, for most companies, provides them with underlying opportunities to create a framework of augmenting the relationship between business and society.

To create sustainable value requires companies to look beyond the eternal conflict between delivering shareholder value and engaging in social issues. In an era of hyper-competition and globalisation, companies are pressurised to show more earnings and have lesser room for guiding their resources towards initiatives that do not add to quarterly returns. However, reducing a company’s involvement at its historical level restricts it in exploring and realising the potential of its resources in solving impending social issues in their entirety. E.g. gas prices which have led to geopolitical unrest are taking a longer time to get addressed because of businesses being more preoccupied in enhancing their quarterly results.

For businesses to incorporate social responsibilities into their core strategy it is imperative for them to identify oncoming social issues that fall most directly in a company’s strategic field of vision—not just the philanthropic vision, but the larger ambitions of the company as a whole¹. A pertinent question at this juncture would be whether this is in direct conflict with the concept of altruism. It is important to mention here that companies extending themselves beyond the traditional concept of philanthropy by aiming for sustainable value creation can apply distinctive capabilities and resources to social issues that individuals, governments and independent-sector contributions cannot.

The scope and scale of the social issue that a company chooses to get involved in may require them to participate in reconciling incentives and work flows for institutions spread across multiple sectors, geographies and performance management systems. A shift from conventional collaborations to more innovative ones is required. Fostering joint product development, pooled financing structures, voluntary standard creation and asset sharing by involving more diverse group of partners, such as think-tanks, sovereign wealth funds, multilateral banks and private philanthropic foundations will be the future of teaming society and business towards sustainable value creation.²

To achieve the right harmony between business and society it is imperative for businesses to come up with plausible and actionable responses to the following strategic questions:

- What shifts have we seen in the practice of corporate giving over the past decade?
- What changes do we see coming in the decade ahead?
- What do companies need to do to capitalise on future opportunities?
- What skills and capabilities do giving practitioners already have to help mobilise these efforts?

¹ Shaping the future: Solving social problems through business strategy (CECP publication)
http://www.corporatephilanthropy.org/pdfs/resources/Nov2011_CECP_Webinar.pdf

² Shaping the future: Solving social problems through business strategy (CECP publication)
http://www.corporatephilanthropy.org/pdfs/resources/Nov2011_CECP_Webinar.pdf

Importance of sustainable value creation

According to the Committee Encouraging Corporate Philanthropy (CECP), “Sustainable value creation is a core business strategy focussed on addressing fundamental societal issues by identifying new scalable sources of competitive advantage that generate measurable profit and community benefit.”

Regardless of a company's size, corporate social responsibility (CSR) and sustainability are issues that will impact the future of any business.

Sustainability derives from the concept of sustainable development that entered the world of business back in the 1980s. It largely came down to the realization that when making economic decisions organizations need to consider the impact of their actions on the society and on the environment, so that they are strengthening them rather than weakening them. Fundamentally sustainable development was a decision making model. It wasn't anti-economics or anti-capitalism. It was an economic theory which stated if you consider things beyond immediate financial returns, it's good for business in the long run because a healthier more vibrant society makes for a healthy economy. In effect sustainable development was a business model for growth.

With time, CSR ethics and the role of business in society started to co-mingle with sustainability, leading them to become interchangeable terms in today's context. Therefore, socially responsible behaviour is defined as being environmentally friendly, respecting the rights of others, especially the underprivileged, and vulnerable and considering the impact of today's actions on generations to come. If a company can incorporate these actions in their business strategy and vision they are seen as socially responsible.

To optimize the long-term value of the company to its shareholders, business needs to ensure that its values are aligned with the consensus in society. In this way it can avoid conflict and reap tangible benefits. To do this it has to balance the needs of a range of stakeholders.

Key potential benefits for firms implementing CSR include:

- Better anticipation and management of an ever-expanding spectrum of risk (social, environmental, legal, economic and other risks)
- Improved reputation management
- Enhanced ability to recruit, develop and retain staff
- Improved competitiveness and market positioning
- Enhanced operational efficiencies and cost savings
- Improved ability to attract and build effective and efficient supply chain relationships
- Enhanced ability to address change
- More robust “social licence” to operate in the community
- Access to capital
- Improved relations with regulators

The increasing importance of all forms of CSR is evident from the widespread adoption of ISO 9000 and ISO 14000 management systems by most global corporations. As consumer demands reflect the need for marketers to follow more socially responsible practices, corporations find opportunities in using the new verifiable social accounting system SA 8000 to enhance their reputation, differentiate their products and build competitive advantage.³

Brigitte Planken, Subrat Sahu and Catherine Nickerson (2010) investigated the CSR platforms and the communication surrounding them in India.⁴ The Indian consumers may not value philanthropic CSR as highly as other CSR initiatives and this may in turn influence their attitudes to different marketing communication strategies. They also suggested that Indian corporations must formulate the form and content of their CSR policies in the future within a marketing strategy in order to influence their stakeholders positively and increase their competitive advantage.

³ Case study on Corporate Social responsibility of MNC's in India: Dr. G Muruganantham (International Trade and Academic Research Conference (ITARC)-London 2010

⁴ Corporate Social responsibility communication in the Indian context : Journal of Indian Business research 2009: <http://www.emeraldinsight.com/journals.htm?articleid=1846646&show=html>

Creating a socially responsible and sustainable business

A company's aim of being sustainable is not very different from its profitability and success goals. Organisations embracing sustainability have found that it is good for the business and a lot of it is just efficient management. No company operates in a vacuum. The more companies do to strengthen the relationships that are at the core of their business, the better are their chances of achieving their business goals. Being a good corporate citizen, acting responsibly with respect to environment are values stakeholders increasingly want to see in their businesses.⁵

Fostering leaders capable of a long-term vision

Senior management needs to articulate what sustainability means to their organisation.

Some effective organisational models for CSR are based on transformational and visionary leadership styles together with a need for transparency⁶. The challenge for today's leaders is to perform effectively in an environment of uncertainty and ambiguity while reconciling the diversity of interests, needs, and demands of multiple stakeholders (Schraa-Liu and Trompenaars, 2006). When the question is how the CSR concept can be locked into corporate DNA, the issue is less about sustainability and more about leadership (Jayne, 2004).

A leader has to conduct an effective dialogue between management, the board of directors and employees and has to be extended externally to external stakeholders. A sustainable vision should be aspirational and should ask pertinent questions such as, "What is the organisation going to look like in 10 years as opposed to six months from now?"

Impact of operations on the environment and people

Successful global businesses have the power to make a real difference. Economic performance and social responsibility can go hand in hand, when there is a genuine consideration to make an impact on the communities and the environment. True global companies must foster good relations with customers, communities in which they operate, nation and bear the responsibility of the impact their activities have on the environment and society.

The social commitment

The CSR at Canon is a true effort to influence society in a manner that earns the trust and respect of stakeholders and society. This belief in positive behaviour is embedded in the way Canon has worked for decades, since the introduction of its corporate philosophy--Kyosei. A concise definition of Kyosei is, "Living and working together for the common good." According to Canon, all people, regardless of race, religion or culture, harmoniously living and working together into the future.

The CSR seems to be a mandatory practice adopted by almost all companies. But at GE India, the CSR is handled in a different way. The company adopted an NGO--Vidya which has been educating underprivileged children for the past 18 years at New Delhi. GE's association with the NGO began when 15 of its employees started mentoring school children and helping them in clearing their 10th and 12th standard examinations (Aabhas Sharma, 2006).

⁵ PwC internal research: "A business case for sustainability"

⁶ Corporate Social responsibility and Sustainable business A Guide to leadership tasks and Functions: Alessia D'Amato Sybil Henderson Sue Florence

The CSR programmes adopted by GlaxoSmithKline Pharmaceuticals primarily focus on health and healthy living. They work in tribal villages where they provide medical check-up and treatment, health camps and organise health awareness programmes. They also provide money, medicines and equipment to non-profit organisations that work towards improving health and education in under-served communities. SAP India in partnership with Hope Foundation, an NGO that works for the betterment of the poor and the needy throughout India, has been working on short and long-term rebuilding initiatives for the tsunami victims. Tata Power Co Ltd sponsored the Lifeline Express (the world's first hospital on rails) to cater for over 500 villages. The train is even equipped with an operating theatre. It has provided free medical check-ups and medicines to villagers in the vicinity of the project. Lupin Ltd established Lupin Human Welfare and Research Foundation in Bharatpur, has set up 125 schools and it has provided drinking water facilities in 80 villages and helped 25,000 people above the poverty line. ITC's e-Choupal in villages has been a source of pride for poor people across the country.

CSR in skill development

In the last few years, India has been the second fastest growing economy in the world and the fastest growing democracy too. Despite the country's impressive economic performance and its immense potential, valid concerns have been expressed that the growth process has not been inclusive. In the medium term, the rate of poverty reduction cannot be accelerated and the per capita income cannot be increased without addressing the twin interlinked issues of educational attainment and employability of the workforce.

India can take advantage of the potential offered by its large working age population only if the private sector takes upon itself the task of skill development. Integral to the strategy for sustaining the current growth momentum and achieving double digit growth is creation of a skilled workforce. A one per cent increase in the gross domestic product can translate into an additional 0.8-1 million jobs. Enhancing the skill sets of the nearly 10 million individuals who join the workforce every year is essential to attain and sustain a 10% growth rate.

The CSR initiatives, carried out through partnerships between business organisations, the government, particularly at the regional level and not-for-profit organisations can increase access to higher education (through demand side e.g., provision of scholarships, general awareness programmes, etc.) and supply-side measures (e.g., provision of endowments, making corporate staff available as resource persons, funding research and by contributing to infrastructure, etc.).⁷

Addressing the environmental issues

Apart from having an impact on their stakeholders, employees, customers, suppliers, etc., businesses have a wider impact on the environment. Caring about the environment can increase revenue too. Many customers prefer to buy from responsible companies.

There are all sorts of ways in which a company can reduce the environmental impact of their business. E.g., in the following ways:⁸

- Creating recyclable products
- Sourcing responsibly (e.g., using recycled materials and sustainable timber)
- Minimising packaging
- Buying locally to save fuel costs
- Creating an efficient (and fuel-efficient) distribution network
- Working with suppliers and distributors who take steps to minimise their environmental impact.

They could reduce the environmental impact by using environmental assessment techniques such as **lifecycle assessment** and setting up an **environmental management system**.

Companies should also assess whether they can improve upon these impacts to be environmentally efficient.

⁷ Integrate higher education in CSR initiatives to mitigate skill gaps: DNA India

http://www.dnaindia.com/money/report_integrate-higher-education-in-csr-initiatives-to-mitigate-skill-gaps_1219430

⁸ UK Government Business Link

<http://www.businesslink.gov.uk/bdotg/action/detail?itemId=1075408504&type=RESOURCES>

Following are some of the major initiatives by Indian companies:

- Over the years, **Tata Steel** has laid great emphasis on creating a green environment in and around its plants and on utilising the waste generated in the process of manufacturing steel. The company generates roughly 700 kg of various wastes (excluding fly ash) in the process of producing one tonne of crude steel. Of this, 83.16% is utilised either through recycling and reuse in the company's own processes or is sold as raw material to other industries. The rest is sent for land filling.
 - For **Airtel**, 5,000 sites are using a green-shelter system that provides cooling for four hours in the base transceiver station. This system saves cost and reduces pollution.
 - **Bajaj Auto** has an environmental management system, which is an integral part of the overall management system at its Aurangabad plant. It was awarded the ISO 14001 certification in 1997.
 - **Hero Honda** is certified for its environmental management systems according to ISO 14001. The green rating conducted by the Centre for Science & Environment, New Delhi, for all automobile companies in India, ranked the company number one for its environmental performance. In 1999, of the company's Dharuhera Plant was certified with ISO-14001 by DNV Holland, while in 2000 the environment management system of Gurgaon Plant was certified with ISO-14001 by DNV Holland.
- Godrej** has been a key player in aiding education, environment and the health verticals besides looking after its own employees. The company strongly believes that a green environment enhances productivity and quality; and is appreciated by employees and visitors. The Soonabai Pirojsha Godrej Foundation has been maintaining the western bank of the Thane Creek, the single largest mangrove belt in Mumbai. The **CII-Sohrabji Godrej Green Business Centre** launched in collaboration with The Confederation of Indian Industry aimed at facilitating the development of corporate greenhouse gas inventories and subsequent investments in greenhouse gas mitigation projects. CII-Sohrabji Godrej Green Business Centre offers advisory services to the industry in the areas of Green buildings, energy efficiency, water management, environmental management, renewable energy, Green business incubation and climate change activities. The Centre sensitises key stakeholders to embrace Green practices and facilitates market transformation, paving way for India to become one of the global leaders in Green businesses by 2015.
- **CII-ITC Centre of Excellence for Sustainable Development** is an institution that creates a conducive, enabling climate for Indian businesses to pursue sustainable goals. It creates awareness, promotes thought leadership, and builds capacity to achieve sustainability across a broad spectrum of issues. A pioneering effort by CII, the centre is the fountainhead of ideas and practices to promote sustainability. It channels the potential of Indian Industry to power India's agenda for inclusive growth and sustainable development. It enables businesses to transform themselves by embedding the concerns of sustainable development in their own strategies and processes.
The Centre recognizes businesses that make outstanding contributions to sustainable development. In the process they become role models for India's corporations in adopting cutting edge practices to promote sustainable development.
The Centre of Excellence
 - Conducts advocacy and awareness generation on triple bottom line issues
 - Conducts professional training for capacity building on sustainable development not only for large companies but also the medium and small companies
 - Recognizes and rewards companies that contribute to sustainable development and promote role models in different sectors of the Indian Industry
 - Encourages sustainability thought leadership
 - **CII-Unicef CSR Hub**
CII Eastern Region and UNICEF collaborated to establish a CSR Hub for the Private Sector in Kolkata. This would be the first-of-its-kind in the country and would pave the way forward for others to follow suit. The importance of this Hub would be to: document current CSR activities undertaken by CII members in West Bengal as a baseline; map current 'needs' and 'resources' based on the baseline data; identify and prioritize key social development issues/challenges facing the state based on state and national level data; undertake evidence-based advocacy through building a consortium with NGOs, civil society groups and PSUs; share information on good practices and lessons learnt (thereby helping to avoid duplication of projects) in CSR with a special focus on social inclusion and provide technical guidance for proposal development, partnerships, implementation, monitoring and evaluation of select CSR projects. Thus the CSR Hub would be a knowledge center of CSR related information, act as a think-tank and play an advocacy and advisory role for CSR activities in the state.

- **Dabur** works towards developing sustainable cultivated source for herbal ingredients, which will help in reducing the strain on natural habitat of these herbs. The company is also involved in reforestation in the Himalayan range.
- **HLL** is also committed in extending its efforts on water management to the larger community. It engages in community projects in water adjacent to manufacturing sites. The company has a management system conforming to ISO 14001.
- **ITC** focusses on the use of renewable energy such as biomass and solar energy. A number of units have installed solar thermal systems mainly for use in canteens and kitchens. It claims to be a carbon positive corporation. Its efforts in the field of energy conservation, use of carbon neutral fuels and large scale tree plantations through social and farm forestry have resulted in sequestering 85.6% of the carbon dioxide (CO₂) emitted by its operations. The Rajasthan government and the ITC Rural Development Trust have signed a memorandum of understanding (MoU) for the Watershed project in Kalyanpura village, over 250 km from Jaipur. The ITC's watershed development seeks to achieve two critical objectives--water conservation and soil enrichment. All ITC units and its four hotel properties (Maurya Sheraton, Mughal Sheraton, Chola Sheraton and Grand Maratha Sheraton) have obtained ISO 14001 certification for their environment management systems.
- **Indian Oil Corporation** has been an active founder-member of the United Nations Global Compact (UNGC), an international initiative that brings companies together with UN agencies, labour and civil society to support universal environmental and social principles. The Indian Oil has included CSR in its vision and mission statement and has built its corporate strategies around it. Its environmental initiatives include development of cleaner fuels such as diesel with low sulphur content and biodegradable lube formulations, pollution control programme which provides refineries with facilities to control pollution from different sources and ecological parks. The parks are scientifically designed green belts, developed at Gujarat Panipat refineries, to serve as a pollution sink and enhance the aesthetic look of the refinery area. The Indian Oil won the TERI Corporate Environmental Award 2002-03 in category III (companies with an annual turnover exceeding 500 crore INR). It bagged the award for its installation of flue gas scrubbing (BELCO) system to treat flue gas from RFCC unit of the Barauni Refinery. The system removes particulate matter and sulphur di-oxide. Seven refineries and the Indian Oil Research and Development Centre at Faridabad have achieved the ISO 14001:1996 accreditation for their environment management system.
 - In 1998-99, the Salaya-Mathura pipeline and the Koyali-Ahmedabad pipeline became the first oil pipelines in the world to be accredited with ISO-14001 for environment management system. The Indian Oil's Mathura refinery became the first refinery in the world to be certified for 'Occupational Health and Safety Management System (OHSMS)' by DNV. It was also the first refinery in Asia and the third in the world, in the petroleum sector, to be certified ISO-14001 for its efficient environmental management.
- **ONGC** has all its operational facilities certified for quality, occupational health and safety and environment management (QHSE) based on ISO 9001, OHSAS 18001, ISRS and ISO 14001.
- **Infosys** programmes on environment are being evaluated through the Ozone initiative where the Infosys Environmental Management System (EMS) is subject to third party surveillance audits. In 2005, it was found to conform to the EMS Standard ISO 14001:2004.

Quantifying sustainability performance

A fundamental truth to business is that what gets measured gets managed. Viewing sustainability as a qualitative concept allows companies to get away with a lot. However, it is important to migrate to a set of performance indicators that are of a quantitative nature.

Depending on what an organisation wants to quantify which could vary from a total holistic environmental impact or the environmental impact of a production process, or quantifying results or efforts, defines the metric the organisation wishes to use.

Following are some of them: ⁹

⁹ Sustainable Development Metrics: Quantifying Sustainability: 3BLMedia <http://www.justmeans.com/Sustainable-Development-Metrics-Quantifying-Sustainability/23297.html>

- **Daly Rules** which are less of a metric but more of a general set of guidelines named after the former World Bank senior economist, University of Maryland College Park professor, promoter of the steady state economics, Herman Daly.
- **ISO 14001** is an environment management system developed and administered by the International Organisation for Standardisation. It is essentially a source of guidance for introducing and adopting environmental management systems based on the best universal practices. In short, it helps a business or an organisation, regardless of size, to create its own internal sustainability management plan.
- **Life cycle assessment** (LCA) or cradle-to-grave analysis is a way of analysing the inputs and outputs of materials, energy, and the environmental impact directly attributable to a product or service. The goal is to empower us to choose products and services that are the most environmentally benign.
- For understanding, quantifying, and managing greenhouse gas emissions no tool is as relied upon as the **Greenhouse Gas Protocol** (GHG Protocol). Formed out of a decade's long partnership between the World Resources Institute and the World Business Council for Sustainable Development it provides the accounting framework for most of the green house gas standard used globally. Companies and organisations such as Ford, Coke, Lenovo, the Climate Registry, etc. all rely on the Protocol for their calculations.

Communicating results to key stakeholders

The evaluation of environmental performance and the problem of creating constructive dialogues with stakeholders around that performance have become central for business organisations and policymakers. Communicating with and involving stakeholders is a vital part of effective sustainability programmes. According to the Global Research Initiative, 80% of the top 15 global brands are now reporting on sustainability performance, while 43% of the top 100 brands publish some sort of sustainability report.¹⁰

Communicating with stakeholders allows companies to highlight sustainability goals and accomplishments, build or strengthen relationships, enhance corporate reputation, build brand loyalty and gather useful data and ideas. Stakeholders has their own concerns, communication network, communication methods, and will be receptive to different messages.

¹⁰ Communicating Sustainability: [Suatainablemeatindustry.org](http://www.sustainablemeatindustry.org)
http://www.sustainablemeatindustry.org/index.php?option=com_content&view=article&id=38&Itemid=55

CSR trends

Globally, as they seek to determine the risk premium, bond rating agencies and investment funds exert influence on large multinationals to account for their non-financial measures of value creation. The assessment of CSR activities and governance practices, management of intellectual capital and reporting transparency are also included in these records. The CSR rating agencies are gradually gaining prominence in North America and Europe. The socially responsible investment funds (SRI's) consider the CSR activity to be of key importance in decision making when investing in public traded companies. The Principles for Responsible Investing (PRI) group was established in conjunction with the UN in 2005. Over 170 institutions representing US\$ 15 trillion in assets are a part of this group. The member institutions account for six key principles in the areas of environmental, social and corporate governance when making investment decisions. The Principles were devised by the investment community. They reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios and therefore must be given appropriate consideration by investors if they are to fulfil their fiduciary (or equivalent) duty. The Principles provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices and so better align their objectives with those of society at large.

The United Nations global compact was launched in 2000 by the then secretary General Kofi Annan to create a voluntary alliance of companies globally committed to upholding specific principles of human rights, labour rights, and environmental stewardship and anti-corruption. Till date, 168 Indian MNCs, SMEs and associates have joined the compact.

A growing and visible trend in large multinationals is the establishment of special committees within the board of directors to oversee the CSR and sustainable business practices. More and more executive compensation is tied to specific outcomes in these areas. Consortium of corporate houses is being encouraged to collaborate in promoting CSR. In 2006, Europe created the European Alliance for CSR. It currently consists of 70 multinational corporate houses, 25 national partner organisations and has become a unique resource for building capability in CSR.

CSR in India: A historical perspective

To understand the current state of CSR in India, it is imperative to look at the country's tradition. For India, CSR approaches have always reflected its political and economic history. This can be distinguished in the following four phases:



During the **first phase** (1850-1914), CSR activities were carried out outside companies and involved donations and charitable initiatives for social welfare causes. The pioneers of industrialisation in 19th century India were few families such as Tata, Birla, Bajaj, Lalbhai, Sarabhai, Godrej, Shriram, Singhanian, Modi, Naidu, Mahindra and Annamali. These were strongly devoted to philanthropy (Mohan 2001, 109). The underlying pattern of charity meant that entrepreneurs sporadically donated money (e.g., to schools or hospitals) without any concrete or long-term engagement.

The **second phase** (1914-1960) was largely influenced by Mahatma Gandhi's theory of trusteeship, the aim of which was to consolidate and amplify social development¹¹. Women's empowerment, rural development and abolishment of untouchability were at the core of these reform programmes. Not only did companies see the country's economic development as a protest against colonial rule; they also participated in its institutional and social development (India Partnership Forum 2002).

The **third phase** (1960-1980) saw a paradigm shift to the 'mixed economy.' The legal and regulatory framework of businesses activities and the emancipation of public-sector undertakings were considered to be CSR. Under the paradigm of the 'mixed economy', the role of private sector in advancing India receded. During the Cold War, the country decided to take a third course between capitalism and communism. In this scenario, the public sector was seen as the prime mover of development. The 1960s have been described as an 'era of command and control', because strict legal regulations determined the activities of the private sector (Arora 2004,. The introduction of high taxes and a quota and licence system imposed tight restrictions on the private sector and indirectly triggered corporate malpractices. As a result, corporate governance, labour and environmental issues rose on the political agenda and quickly became the subject of legislation. Further, state authorities established PSUs with the intention of guaranteeing the appropriate distribution of wealth to the needy (Arora 2004).

The **fourth phase** (1980 until the present) is characterised partly by traditional philanthropic engagements and partly by steps taken to integrate CSR into a sustainable business strategy. In the 1990s, the Indian government initiated reforms to liberalise and deregulate the Indian economy by tackling the shortcomings of the 'mixed economy' and tried to integrate the country into the global market. Consequently, controls and license systems were partly abolished, and the Indian economy experienced a pronounced boom, which has persisted until today (Arora and Puranik 2004,. Against this background, India has become an important economic and political actor in the process of globalisation. This new situation has also affected the Indian CSR agenda. With more Transnational Corporations (TNC)s resorting to global sourcing, India has become an attractive and important production and manufacturing site. As western consumer markets are becoming more responsive to labour and environmental standards in developing countries, Indian companies producing for the global market need to comply with international standards.

¹¹ German Development Institute studies: Corporate Social and Environmental Responsibility in India- Assessing the UN Global Compact's Role

Current CSR trends in India

India is widely regarded as a country where CSR has played an important role, much before the global awakening. However, the involvement of the business community is focussed among a few of the long established family owned companies such as the Tata Group that contribute significantly in CSR activities.

In June 2008, a survey was carried out by TNS India (a research organisation) and the Times Foundation to provide an understanding of the role of corporations in CSR. The findings revealed that over 90% of all the major Indian organisations surveyed were involved in CSR initiatives. In fact, the private sector was more involved than the public and government sectors. The leading areas of involvement were livelihood promotion, education, health, environment and women's empowerment. Most of the CSR ventures were done as internal projects, while a small proportion was direct financial support to voluntary organisations or communities.

Companies such as ITC focussed on farmer development as a vital part of its business strategy and made major efforts to improve the livelihood standards of rural communities. Unilever is utilising micro enterprises to strategically augment the penetration of consumer products in rural markets. IT companies such as TCS and Wipro have developed software to help teachers and children in schools, across India, to further the cause of education. The adult literacy software has been a significant factor in reducing illiteracy in remote communities. Banks and insurance companies are targeting migrant labourers and street vendors to help them through micro-credits and related schemes.

There is no evidence of CSR initiatives in the Indian unorganised sector, which is responsible for almost less than half of the GDP and employs around 93% of the country's workforce. Indeed, the workforce in these unorganised sectors are provided no rights or protections, and no indication of efforts to fight poverty, promote education or health, protect the environment or encourage employee participation in business development.

In 2009, the government made it mandatory for all public sector oil companies to spend 2% of their net profits on CSR. Besides the private sector, the government is also ensuring that public sector companies actively participate in such initiatives. The Department of Public Enterprises (DPE) prepared guidelines for central public sector enterprises to take up important CSR projects funded by 2-5% of the company's net profits.

The Indian government is all set to make CSR a statutory requirement for all companies by extending the scope of the Companies Bill. This will make it mandatory for companies with a turnover of 1,000 crore INR or net profit of 5 crore INR or more should allocate 2% of their net profit towards CSR activities. This was met with mixed reaction from Indian corporate houses and SMEs.

In a survey carried out by the Asian Governance Association, which ranks the top 10 Asian countries on corporate governance parameters, for the last eight years India has consistently ranked among the top three along with Singapore and Hong Kong.

In another study undertaken by the automotive research company, TNS Automotive, India has been ranked second globally in CSR. The state-owned Bharat Petroleum and Maruti Udyog were ranked as the best companies in India. They raced ahead with 134 points each, followed by Tata Motors (133) and Hero Honda (131). The study was based on a public goodwill index and India received 119 points in the index against a global average of 100. Thailand was in the top slot with 124 points.

Several foundations run by corporate houses plan to devise a common strategy to ensure transparency in their social and community development operations such as tracking spending in and progress of such projects in their annual reports. The effort is significant because it brings together a wide range of companies to share ideas on innovating sustainable programmes. Among them are Multi Commodity Exchange of India Ltd, Anil Dhirubhai Ambani Group and Bennett, Coleman and Co Ltd. Also, audit firm KPMG will partner with them to offer guidance on evaluating CSR programmes—a trend companies are slowly embracing as India's expanding economy contrasts sharply with growing local protests over land for future industrial projects. The network alliance stems from the first sustainability summit that was organised in January by the Associated Chambers of Commerce and Industry of India.

However, Indian companies have made little progress in reporting development projects. Only 48 companies have given their commitment to support the United Nations Global Compact, a charter for improving the global business environment through standards, such as labour rights and fighting corruption.

Addressing business leaders in May 2008, Prime Minister Manmohan Singh said, "Corporate social responsibility must not be defined by tax planning strategies alone. Rather, it should be defined within the framework of a corporate philosophy, which factors the needs of the community and the regions in which a corporate entity functions."

An estimated 100 corporate foundations and 25 foreign firms are involved in CSR activities in the country, but statistics on input and output are elusive.

Companies, too, continue to rely on different models to earmark its social expenditure, making it difficult to measure the overall impact.

What eventually makes up for CSR of a company ultimately depends on its leadership.

Apart from schools and hospitals that are run by trusts and societies, the government, too, is exploring to widen the scope of public-private partnerships to build and maintain them in return for a fixed annuity payment.

CSR initiatives in emerging economies

Emerging economies pose both opportunities and risks for the organisations particularly for the MNCs. On one side, there are more than two billion consumers in these economies representing a huge market opportunity for the MNCs. Currently the best way to generate profits and create societal value is to focus on the emerging markets. On the flip side, MNCs operating out of these markets, encounter challenging and difficult security, environment, health and other risks. Also these markets are characterised by either bad or weak public governance or administration, lack of public transparency, high levels of bribery and corruption, poor records on human rights, inadequate environmental, safety and labour standards and high levels of poverty and inequality.

For emerging economies, CSR should be local and not a universal concept. These markets embrace broad-socio-cultural structures. While discussing CSR initiatives in the emerging markets these contextual issues should be borne in mind. Following are specific areas that MNCs need to address:

Workplace: Labour standards, work-life balance, diversity, sexual harassment, employee privacy, downsizing, organisational development, workplace culture and work processes. It also includes issues such as HIV and AIDS.

Since 2002, The Coca-Cola Company¹² followed a significant activist campaign, alongside a realisation that the economic viability of the business itself was threatened. Its African company in partnership with its bottling partner implemented a programme to tackle HIV and AIDS in its workplaces across the continent. With a clear and formal HIV and AIDS policy in place, the company recognises that it is a public health emergency and acknowledges the role of the workplace in reducing the spread and effects of the epidemic. But it also realised early on that the company and its bottling partners alone would not be able to deliver a wide-ranging prevention and treatment programme for all its employees and associates. Therefore, it decided to build strong partnerships with healthcare management organisations, pharmaceutical companies, medical treatment providers and NGOs for prevention, awareness, orphan care, voluntary counselling and testing.

Today this programme is one of the largest of its kind in Africa, covering around 60,000 Coca-Cola system employees as well as their spouses and children. It includes a prevention and awareness course (including free condoms) and confidential voluntary counselling and testing for employees and their dependants. Antiretroviral drugs are also made freely available to all employees who need them and in many cases to their dependants. The company has also built partnerships with Dance4Life, the African Network for Children Orphaned and at Risk, and the African Broadcast Media Partnership to extend its HIV and AIDS programme to communities.

In 2006, the company expanded this programme to China, India and Russia. In all these geographies, the challenge, as in the wider society, is of stigma. Thus, often low take-up of the programmes remains.

Working with a range of international and local partners, Coca-Cola is engaged in a variety of cooperative efforts to build in-country capacity in Africa. Many of these initiatives have helped to address systemic gaps and capacity constraints in African communities. From 2007, the governance of its HIV and AIDS workplace programmes moved from The Coca-Cola Africa Foundation to the Human Resources Department of the company in Africa and its bottling partners, thus signalling the company's recognition that these programmes must now be at the centre of its business operations. This is one demonstration that CSR will increasingly be incorporated into companies' overall business strategies.

Market place: The issues in these economies include obesity and nutrition, integrity of the food chain, privacy and technology, drug pricing for the poor and elderly, marketing to children, heightened expectations for product safety and extended product responsibility.

¹² Corporate Social Responsibility in Emerging Markets: The role of Multinational Corporations.

The Vodacom Group¹³, of which Vodafone owns a 50% stake, is the largest cellular operators in South Africa. Since 1994, it has created a community phone service programme to meet the communication needs of the country.

Inadequate access to telecommunications was one of the many legacies of apartheid. The advent of mobile technology in the mid-1990s offered an opportunity to extend massively national communication networks. But the costs were prohibitive for individuals from disadvantaged communities. Hence, the government was keen to encourage the private sector to identify systems for improving provision in disadvantaged areas.

Vodacom responded to the regulatory demand by creating a community service programme whose delivery team had a budget of R 5 million (US\$ 778,731). Research was carried out within communities in order to identify the best way in providing phone services. It was decided that access to phones could be provided via phone shop franchises. In this way individuals from disadvantaged communities could be empowered as entrepreneurs while Vodacom's management responsibilities were reduced. Working with Running Business Today, Vodacom provided the entrepreneurs with initial training and support.

The results that this programme has achieved are impressive. By mid-2003 1,800 entrepreneurs owned over 4,400 phone shops. Many people are able to make regular phone calls for the first time in their life. Families are able to stay in contact (especially with migrant workers) and also manage family affairs more effectively. Phones are used to pay bills and access services such as doctors and utility providers. Approximately 20,000 jobs have been created through the programme so far. This has also demonstrated an effective *modus operandi* for government-business relations. In this case the government has set quantifiable, ambitious but attainable social objectives which businesses can fulfil utilising their management capacities. For Vodacom, the programme has created public value and expanded its market.

¹³ Corporate Social Responsibility in Emerging Markets: The role of Multinational Corporations.

Major challenges

A CSR initiative has to address some major challenges that it always faces. For the effective and sustainable introduction of CSR, the below mentioned areas must be addressed if businesses are to be motivated to participate (deepening) and more companies are to become involved (broadening).

- CSR must the business case, i.e., in the long run, the financial benefits must outweigh the costs to ensure that CSR engagement is financially sustainable.
- The credibility and reliability of CSR activities monitoring, certification and reporting is required.
- Inclusion of the supply chain is an important issue, particularly with respect to the reach of CSR, since many of the suppliers are SMEs reaching far more people than the relatively few TNCs.
- Public policy should promote CSR since it can provide a conducive environment.

The way forward

Globalization of the Indian economy has led to a paradigm shift in the way corporate social responsibilities were performed in the country. It has moved away from the domain of state-owned public sector giants to players of private sector. The way companies used to look at CSR activities has also changed from a philanthropic activity to more professional activity. CSR activity has become more of a responsibility and compulsion to Indian corporate from all perspectives of their existence. The activity has moved up the ladder from ethical beliefs of the founding fathers to a part and parcel of corporate strategy for existence of each player.

Hence, it can be concluded that the CSR activities in India will keep moving towards a more holistic upliftment of the society. The business of 21st century India will have no choice but to implement CSR. Like any successful management strategy, a CSR process needs both high level management vision and support, and buy-in at all levels of the company. It does not give immediate results. Activities undertaken by various corporates might be directed towards their own benefits such as adding to brand value, increase in the employable population, getting into a more sustainable environment, or just to meet up to the government and societal laws. But it will still be contributing to Indian society as a whole. Appropriate authorities and organisations need to take necessary steps to make these CSR activities contribute to all round development of the Indian society

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