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The Corporate Soul

**Institute of Management Technology,
Nagpur**

C O N T E N T S



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Editorial Page 3

Director's Desk

Faculty View

CSR Insight Page 4

What is CSR ?

CSR History Page 5

Evolution of CSR

CSR India Page 6

CSR Activities in
India

CSR Global Page 7

View Point Page 8
CSR Way Ahead...

CSR News Page 9

Expert's View Page 10

Reader's Quest Page 11

EDITORIAL

OCTOBER ' 2012

DIRECTOR'S DESK



My best wishes.

Dr. Subhash Datta
Director, IMT Nagpur

Corporate Social Responsibility has become a corporate buzzword. Stakeholders and society at large expects the corporate to play a larger non-traditional role beyond creating goods and services. They expect the businesses to be agents of change and precursors to social good. Institutions like IMT, Nagpur has sensed the urgency of changing corporate roles in conduct of businesses with a sense of accountability and greater social responsibility.

I take this opportunity to congratulate the stakeholders of the "Center for Corporate Governance" for initiating the novel idea of educating people and businesses about what they owe each other. May this initiative prove a milestone in Indian CSR landscape.

FACULTY VIEW

A business is a part of society. The well being of a society is extremely dependent on how a business conducts itself. In the last 20 years, Corporate Social Responsibility (CSR) has become vital because business leaders forgot that profit making is not their sole goal, as suggested by Milton Friedman, but they need to sensitize themselves in a holistic manner. Thus was the transition from the shareholders to stakeholders approach.

IMT Nagpur in its quest to further enhance this noble cause has established the Centre for Corporate Governance to raise and debate vital issues pertaining to Governance and Ethics affecting the corporate world. Centre for Corporate Governance will be publishing "The Corporate Soul" – a monthly CSR newsletter, which will gather and disseminate the recent trends in CSR practices in India and globally, optimistically expecting some companies to replicate the new benchmarks. Each copy of The Corporate Soul will be a compendium of scholarly articles, emerging trends and most innovative practices in the CSR, Corporate Governance & Business Ethics.

Prof. Ravindra M. Gadgil
Chairperson, Centre for Corporate Governance



CSR INSIGHT

CORPORATE SOCIAL RESPONSIBILITY - WHAT DOES IT MEAN?

One of the most frequently asked questions- and probably for all those individuals and organizations dealing with CSR issues is the obvious - just what does 'Corporate Social Responsibility' mean anyway? Is it a stalking horse for an anti-corporate agenda? Is about Tata's or Birla's strategy for public? Or what?

Different organizations have framed different definitions - although there is considerable common ground between them. It can be defined as, about how companies manage the business processes to produce an overall positive impact on society. An organizations responsibility, apart from managing its business, has two other aspects: a) The quality of their management - both in terms of people and processes (the inner circle). b) The nature of, and quantity of their impact on society in the various areas.



“Social responsibility becomes an integral part of the wealth creation process - which if managed properly should enhance the competitiveness of business...”

Outside stakeholders are taking an increasing interest in the activity of the companies. 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 predominantly focus on the quality of management, the financial performance as well as the contribution towards society - as an indicator of likely future performance.

Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. CSR carries different perceptions in different societies across the world. Definitions as different as CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government. Traditionally in the United States, CSR has been defined much more in terms of a philanthropic model.

Companies make profits, unhindered except by fulfilling their duty to pay taxes. Then they donate a certain share of the profits to charitable causes. It is seen as tainting the act for the company to receive any benefit from the giving. The European model is much more focused on operating the core business in a socially responsible way, complemented by investment in communities for solid business case reasons.



Social responsibility becomes an integral part of the wealth creation process - which if managed properly should enhance the competitiveness of business and maximize the value of wealth creation to society. The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporates. Not one but all corporates should try and bring about a change in the current social situation in India in order to have an effective and lasting solution to the social woes. CSR activities ultimately impacts of how you manage your core business. What good you have brought to the society, to the world around you. It is a key difference, when many business leaders feel that their companies are ill equipped to pursue broader societal goals, and activists argue that companies have no democratic legitimacy to take such roles. **That particular debate will continue...**

CSR HISTORY

HISTORY OF CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

The history of social and environmental concern about business is as old as trade and business itself. Commercial logging operations for example, together with laws to protect forests, can both be traced back almost 5,000 years. In Ancient Mesopotamia around 1700 BC, King Hammurabi introduced a code in which builders, innkeepers or farmers were put to death if their negligence caused the deaths of others, or major inconvenience to local citizens. In Ancient Rome senators grumbled about the failure of businesses to contribute sufficient taxes to fund their military campaigns, while in 1622 disgruntled shareholders in the Dutch East India Company started issuing pamphlets complaining about management secrecy and "self-enrichment". With industrialization, the impacts of business on society and the environment assumed an entirely new dimension. The "corporate paternalists" of the late nineteenth and early twentieth centuries used some of their wealth to support philanthropic ventures. By the 1920s discussions about the social responsibilities of business had evolved into what we can recognize as the beginnings of the "modern" CSR movement. In 1929, the Dean of Harvard



Business School, Wallace B. Donham, commented within an address delivered at North Western University: 'Business started long centuries before the dawn of history, but business as we now know it is new - new in its broadening scope, new in its social significance. Business has not learned how to handle these changes, nor does it recognize the magnitude of its responsibilities for the future of civilization.' Almost seventy five years later, these words ring just as true. Although today we face some novel concerns about the role of business in society, from internet "spam" to genetically modified foods, many of the issues under discussion are not very different to those being raised in the 1920s. The interactive timelines below provide details of the evolution

of the history of our environment, the history of business corporations, the evolution of the concept of sustainable development and the history of business law and socially responsible investment as forces seeking to shape the social and environmental impacts of business.

"The fundamentals of CSR rest on the fact that not only public policy but even corporates should be responsible enough to address social issues."

EVOLUTION OF CSR IN INDIA

The evolution of corporate social responsibility in India refers to changes over time in India of the cultural norms of corporations' engagement of corporate social responsibility (CSR), with CSR referring to way that businesses are managed to bring about an overall positive impact on the communities, cultures, societies and environments in which they operate. The fundamentals of CSR rest on the fact that not only public policy but even corporates should be responsible enough to address social issues. Thus companies should deal with the challenges and issues looked after to a certain extent by the states.

Among other countries India has one of the most richest traditions of CSR. Much has been done in recent years to make Indian Entrepreneurs aware of social responsibility as an important segment of their business activity but CSR in India has yet to receive widespread recognition. If this goal has to be realized then the CSR approach of corporates has to be in line with their attitudes towards mainstream business- companies setting unclear objectives, undertaking potential investments, measuring and reporting performance publicly.

CSR INDIA

CURRENT STATUS OF CSR IN INDIA

CSR is not a new concept in India. Ever since their inception, corporates like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few, have been involved in serving the community. Through donations and charity events, many other organizations have been doing their part for the society. The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders. CSR policies, practices and programs are being comprehensively integrated by an increasing number of companies throughout their business operations and processes. A growing number of corporates feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness.

Companies have specialized CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well defined and are aligned with the mainstream business. The programs are put into practice by the employees who are crucial to this process. CSR programs range from community development to development in education, environment and healthcare etc.

For example, a more comprehen-

sive method of development is adopted by some corporations such as Bharat Petroleum Corporation Limited, Maruti Suzuki India Limited, and Hindustan Unilever Limited. Provision of improved medical and sanitation facilities, building schools and houses, and empowering the villagers and in process making them more self-reliant by providing vocational training and a knowledge of business operations are the facilities that these corporations focus on.

On the other hand, the CSR programs of corporations like GlaxoSmithKline Pharmaceuticals' focus on the health aspect of the community. They set up health camps in tribal villages which offer medical check-ups and treatment and undertake health awareness programs. Some of the non-profit organizations which carry out health and education programs in backward areas are to a certain extent funded by such corporations.

Also Corporates increasingly join hands with Non-governmental organizations (NGOs) and use their expertise in devising programs which address wider social problems.

A lot of work is being undertaken to rebuild the lives of the tsunami affected victims. This is exclusively undertaken by SAP India in partnership with Hope Foundation, an NGO that focuses main-

ly on bringing about improvement in the lives of the poor and needy. The SAP Labs Center of HOPE in Bangalore was started by this venture which looks after the food, clothing, shelter and medical care of street children.

CSR has gone through many phases in India. The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporates. Not one but all corporates should try and bring about a change in the current social situation in India in order to have an effective and lasting solution to

"A growing number of corporates feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness."

the social woes. Partnerships between companies, NGOs and the government should be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track.

CSR GLOBAL

CSR: 'A NEW CONSCIOUSNESS'

With businesses focusing on generating profits, sustainability was not a popular concern among companies up until recently. In present era of globalization, multinational corporations and local businesses are very cautiously taking steps, so as to avoid any negative attention. With increased media attention, pressure from non-governmental organizations, and rapid global information sharing, there is a surging demand from civil society, consumers, governments, and others for corporations to conduct sustainable business practices. In addition, in order to attract and retain employees and customers, companies are beginning to realize the importance of being ethical while running their daily operations. The corporate response has often meant an adoption of 'a new consciousness'. and this has been known as Corporate Social Responsibility (CSR) .

According to the department of Trade and Industry in the United Kingdom, CSR represents "the integrity with which a company governs itself, fulfills its mission, lives by its values, engages with its stakeholders, measures its impact and reports on its activities". Although most people appreciate the recent advancement of CSR, some argue that corporations are still not doing enough or are only acting in self interest. These people say that multinational



corporations are acting ethically in areas that are highly regulated, such as North America, but at the same time, they are acting in an opposite manner in other parts of the world (such as using cheap or child labour, less attention to environmental factors in developing countries). In addition, while corporations must have good CSR policies in order to maintain their reputation, they are also expected to maximize profits for stakeholders such as shareholders, employees, and customers. Therefore, people argue that businesses do not put in a sufficient amount of resources to achieve what they have promised in their CSR policies.

In any case, companies are now expected to perform well in non-financial areas such as human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance, and workplace issues. Some examples of CSR are safe working conditions for employees, environmental stewardship, and contributions to community groups and charities. The problem is that many companies that claim to be socially responsible, without any chalked out strategy ,often do not live up to such a standard. . Accountability and transparency are key to conducting business in a responsible manner.

"the integrity with which a company governs itself, fulfills its mission, lives by its values, engages with its stakeholders, measures its impact and reports on its

CSR VIEWS

CSR: THE WAY AHEAD!!!

In India, though the young CEOs are concentrating on the strategic implications and business relevance of being a sustainable company, Corporate Social Responsibility in the country is moreover centered on the philanthropic means which were forte of the older generations. There is a prevailing paternalistic approach that leads to foundation of social institutions to aid social activities benefitting the communities in which the company operates. According to recent studies, 55 percent of large Indian companies have established foundations working mainly in the areas of education, health, and rural development. While this philanthropic approach may be judged disapprovingly in Europe, it is essential in a country like India, where the government is struggling to meet the basic needs of the majority of its citizens. Some crucial factors that govern the CSR activities in many countries around the world are rarely present in India. Consumers demand for greener goods, more ethical products or the threat of a boycott; lacking these crucial drivers translates into a very challenging environment in which to hold companies accountable for the social and environmental impacts of operations in India.

CSR is a long-term journey and each company has to find the right pace to assimilate sustainability in its operations. Strategic focus should be the key in the current scenario. The long term goal of the companies should be to establish a CSR culture which is completely embedded in their business, or even in the main connotation of their brand. A top down approach can be incredibly successful in India as majority of India Inc. works on a family ownership model. If the founder or CEO has a genuine

commitment to being a good corporate citizen, then the company is probably going to be an example of

best practice in sustainability.

We have to go beyond philanthropy by instead paying attention to product quality and safety, in order to invest in raising the well-being of employees as well as implementing cost

advantageous CSR measures such as energy and water savings. It is crucial that big companies set the example when it comes to transparency and materiality in their social and environmental communication or in inspiring Indians through the use of meaningful and substantial cause marketing campaigns.

“According to recent studies, 55 percent of large Indian companies have established foundations working mainly in the areas of education, health, and rural development.”

The future of CSR in India is very much dependent on the passing of the New Companies Act. Urging large companies to invest 2 percent of their profit in CSR can push India Inc. to start considering its social and environmental impacts in a more strategic way. In addition, making CSR reporting mandatory will raise the bar for the way that Indian companies structure and implement their CSR discourse.

CSR NEWS

ET AWARDS 2012

Aditya Birla Group bags the Corporate Citizen of the Year award for this year. The CSR activity which was initiated by Aditya Vikram Birla has been taken forward by his son and successor, Aditya Vikram Birla Group Chairman Kumar Mangalam Birla who has taken the sustainability principle further, institutionalizing it as a "triple bottom line approach" that embeds accountability of economic success, environmental responsibility and social commitment into the group's business practices. What is noteworthy is the fact that the group's



CSR activities are overseen personally by the chairman's mother Rajashree Birla, who chairs the Aditya Birla Centre for Community Initiatives and Rural Development and is the fount of its various outreach projects. The Centre runs as a parallel organization within the group and various group companies. (The Economics Times, 19 Sept, 2012)

PLANNING COMMISSION PITCHES FOR CSR

The Planning Commission is pitching for earmarking a part of the proposed 2 % corporate social responsibility (CSR) allocation by companies for funding public healthcare facilities, in a move that is aimed at making more resources available for the sector. The Companies Bill, introduced in Parliament last year, had proposed that companies with a turnover of Rs 1,000 crore, net profit of Rs 5 crore or a net worth of Rs 500 crore mandatorily spend 2 per cent of their profits on CSR, while leaving it to companies to decide where to spend the funds. The 12th plan document states that once



the bill is passed, all publicly-funded healthcare facilities would be allowed to receive donations and funding from companies under the CSR head. (The Economics Times, 24th September 2012)

Corporate Soul Vol:1

CSR INDIA CONCLAVE

Indian Institute of Forest Management, Bhopal is organizing an exciting national event of Corporate Social Responsibility in their 3rd CSR India Conclave, 2012 to be held on 19th Oct 2012. The theme that they have come up with this time, tries to integrate one of the most ambitious projects of



government i.e. "Millennium Development Goals for India", and business community's role through CSR in bringing inclusive growth in the country, so that holistic success of MDGs achieved. The conclave will facilitate discussions, experience sharing, new innovation and thoughts from some of the leading practitioners in the industry and other vital stakeholders (Indiacsr, 12 Sept '2012.)

EXPERT'S VIEW

"People are going to want, and be able, to find out about the citizenship of a brand, whether it is doing the right things socially, economically and environmentally." - Mike Clasper President of Business Development, Procter and Gamble (Europe)



"Corporate social responsibility is a hard-edged business decision. Not because it is a nice thing to do because people are forcing us to do it... because it is good for our business" - Niall Fitzgerald, Former CEO, Unilever

"Our CSR vision is to make a qualitative difference to the lives of the poor who live in proximity to our plants first and then elsewhere. We endeavor to raise the Human Development Index of our nation, which today stands at a lowly 134" - Rajashree Birla, Chairman, Aditya Birla Centre for Community Initiatives and Rural Development



"It's clear there's some great thinking going on about philanthropy. India has historically produced some of the most important philanthropists the world has known. I'm certain it will continue to do so again," - Bill Gates, Chairman, Microsoft

"Though there has been evidence of a paradigm shift from charity to a long-term strategy, the concept is still believed to be strongly linked to philanthropy. There is a need to bring about an attitudinal change in people about the concept by having more coherent and ethnically driven discourses on CSR," - Swati Piramal, President, ASSOCHAM



Flicker



Reader's Q uest!

On the basis of your understanding of the articles in the magazine answer the following:



1. "Business started long centuries before the dawn of history, but business as we now know it is new - new in its broadening scope, new in its social significance" –who said this?
2. Who used the phrase 'cheque book philanthropy'?
3. In India, CSR activities are based on the principal of _____.
4. _____ is working in partnership with Hope Foundation, an NGO that focuses mainly on bringing about improvement in the lives of the poor and needy.
5. According to new Company's act proposal ,what % of the profit, a company has to invest for CSR activities?

**Send your answers to teamcsr@imtnag.ac.in
Surprise gifts for the winners.**

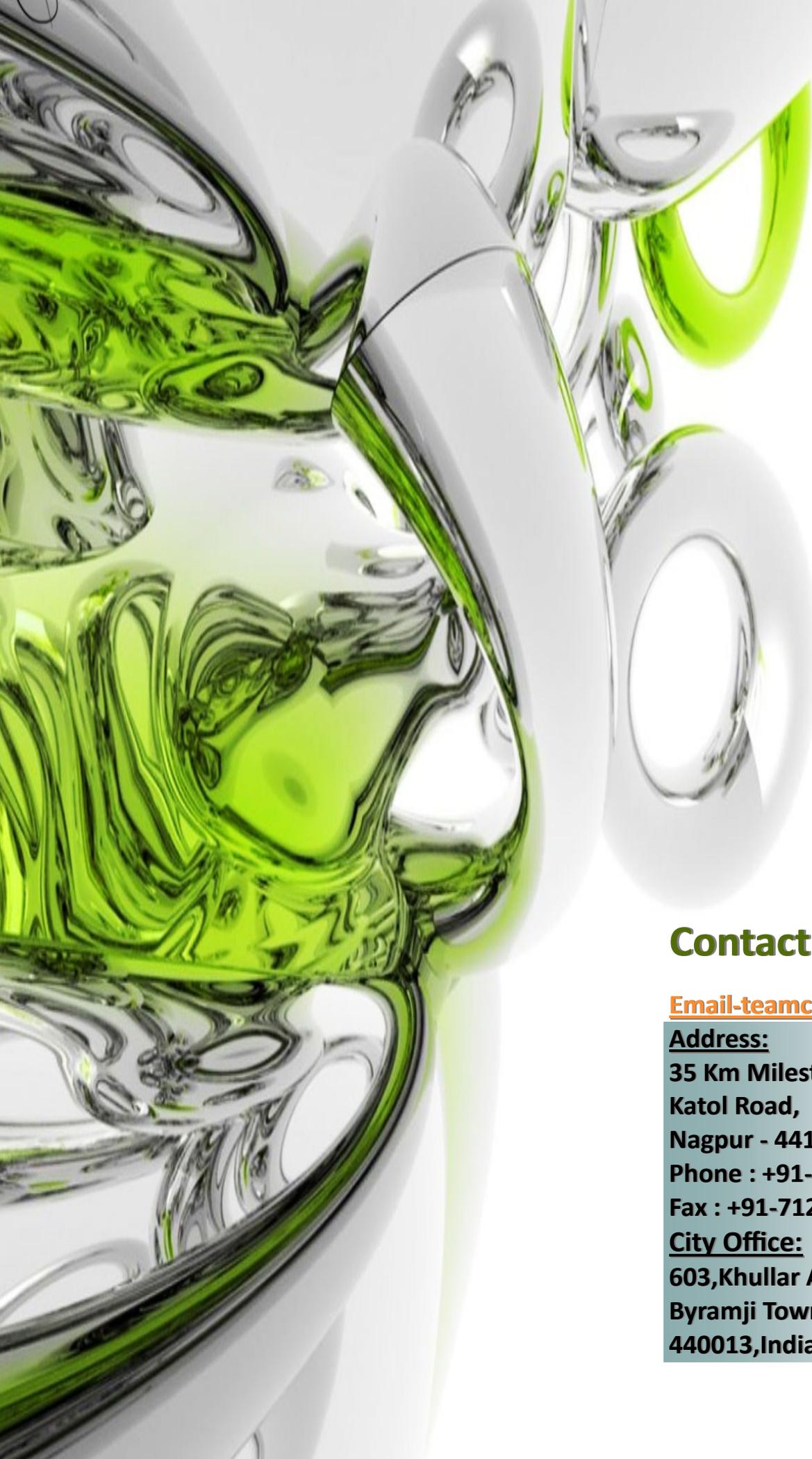
Is Business Organizations Doing Enough for the SOCIETY??

Can a successful business be Ethical?

Do business managers have a commitment for anything more than making money for thier company??

To find answers to above and many similar questions related to Governance, CSR and Ethics, read our monthly Newsletter



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