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CSR to Be or not Be

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Abstract

Although the roots of CSR lie in philanthropic activities of corporations, globally, the concept of CSR has evolved and now encompasses all related concepts such as triple bottom line, corporate citizenship, philanthropy, strategic philanthropy, shared value, corporate sustainability and business responsibility. CSR is "the responsibility of enterprises for their impacts on society". To completely meet their social responsibility, enterprises "should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders". CSR is "the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large." Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.

Keywords: CSR, Philanthropic, Society, Strategy, Sustainability, Truth

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1. Introduction

CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives. From the above definitions, it is clear that: • The CSR approach is holistic and integrated with the core business strategy for addressing social and environmental impacts of businesses. • CSR needs to address the well-being of all stakeholders and not just the company's shareholders. • Philanthropic activities are only a part of CSR, which otherwise constitutes a much larger set of activities entailing strategic business benefits. CSR in India CSR in India has traditionally been seen as a philanthropic activity. And in keeping with the Indian tradition, it was an activity that was performed but not deliberated. As some observers have pointed out, the practice of CSR in India still remains within the philanthropic space, but has moved from institutional building (educational, research and cultural) to community development through various projects. Also, with global influences and with communities becoming more active and demanding, there appears to be a discernible trend, that while CSR remains largely restricted to community development, it is getting more strategic in nature than philanthropic, and a large number of companies are reporting the activities they are undertaking in this space in their official websites, annual reports, sustainability reports and even publishing CSR reports. The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII of the Act, which lists out the CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company's relationship to its stakeholders and integrating CSR into its core operations, the draft rules suggest that CSR needs to go beyond communities and beyond the concept of philanthropy. It will be interesting to observe the ways in which this will translate into action at the ground level, and how the understanding of CSR is set to undergo a change. CSR and sustainability Sustainability is derived from the concept of sustainable development which is defined by the Brundtland Commission as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Corporate sustainability essentially refers to the role that companies can play in meeting the agenda of sustainable development and entails a balanced approach to economic progress, social progress and environmental stewardship. CSR in India tends to focus on what is done with profits after they are made. On the other hand, sustainability is about factoring the social and environmental impacts of conducting business, that is, how profits are made. Hence, much of the Indian practice of CSR is an important component of sustainability or responsible business, which is a larger idea, a fact that is evident from various sustainability frameworks.

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But Despite the widely accepted ideal of pursuing "shared value"—creating economic value in ways that also create value for society— that this is not the norm." The translation of CSR into practice has encountered several barriers. While this is perhaps unexpected in this initial evolutionary period as companies work to bridge existing CSR program with Shared Value, the consequent gamut of initiatives has typically delivered, "a multifaceted version of CSR" in which "well-managed companies seem less interested in totally integrating CSR with their business strategies and goals than in devising a cogent CSR program aligned with the company's purpose and values."

Poor coordination, a lack of logical connections between their program and non-executive leadership are also typical taints, the authors report. Yet across different industries and sectors three key practice theatres are evident: philanthropy, improvements to operational effectiveness, and transforming the business model.

2. True Realities of CSR

For years, Volkswagen's record for ethics and sustainability were exemplary, at least according to the company's social responsibility reports. Then, the world learned that the company was cheating on emission tests. British Petroleum changed its name to BP in 1998 and soon began promoting that it was moving Beyond Petroleum. The company portrayed itself as the world's socially responsible large oil company. Then the Deepwater Horizon exploded, and the world learned how the company prioritized profits over safety. Both Volkswagen and BP were trying to win customers by joining the 93 percent of Fortune 250 companies that report how well they treat the environment. They promise that they care about our community, our future. But too often, corporate social responsibility reports are nothing more than public relations exercises with little substance. Volkswagen's deception gives cynics another reason to guffaw at the idea of mega-corporations balancing profit-making with protecting the environment and respecting societies expectations. Unfortunately, the world of corporate social responsibility is filled with bewildering acronyms and competing standards promoted by wild-eyed do-gooders or dissembling hucksters.

Today Companies were forced to spend a portion of their profits on activities linked to Corporate Social Responsibility (CSR) to meet the requirements of the Companies Act 2013, India's top 50 companies that make up the benchmark Nifty index at the National Stock Exchange claim to have spent over Rs 4,600 crore in the financial year ended March 2015 on social initiatives. Healthcare, education, environment and Swach Bharat initiative dominated the sectors where money was spent by these companies.

However, as they opened their purse strings, the biggest beneficiaries were the states that already have a sizeable corporate presence such as Maharashtra, Gujarat, Delhi, Tamil Nadu, Karnataka and Andhra Pradesh. On the other hand, North-Eastern states and others that have low industrial and business activity, such as Bihar, Uttar Pradesh, Jharkhand, saw little CSR spend going their way.

3. Satyam and its Truth

Satyam was a great corporation "present in 65 countries, across six continents, partners with 690 global customers, including 185 Fortune 500 corporations and was powered by 52,865 talented Associates". Corporation had bagged every conceivable award including, of course, the famed Golden Peacock Global Award for Excellence in Corporate Governance. It has got awards for "providing complete, accurate and timely investor relations information (providing anti-money laundering solution of all things!)" and for being the "most admired knowledge enterprise". It had been regularly rated amongst the top employers, and has got CMMI Level 5, the maximum level that a software producer can reach in terms of consistent capabilities, and possibly the highest honor in management and software engineering. More interestingly, these awards had come from the most reputed organizations: Citizenship Partner of the Year Award 2007 from Microsoft, others from the American Society of Training and Development, from the Institute of Internal Auditors USA, Corporate Citizen I award for Corporate Social Responsibility from Business World and FICCI, Forbes' Top Asian Company, listed among the top 13 Best-Managed Companies in India by Business Today and AT Kearney, and among the 100 Leading Pioneering Technology Companies by the World Economic Forum. Further C K Prahlad, Abdul Kalam, Thomas Friedman, and Sam Pitroda, lauded the contributions of Satyam, and/or the organizations floated by it. Universities like Carnegie-Mellon and Stanford had collaborated with some of the NGOs floated by Satyam. Even the then finance minister, P Chidambaram, is prominently featured awarding Satyam Foundation the TERI corporate award for Corporate Social Responsibility.

4. Profiting from the Needy HUL

It questions cause-related marketing which extends a corporation's markets – for water purification sachets or sanitary napkins -- in the guise of providing essential services to the poor. In Bhopal, Unilever and Population Services International (PSI) are sensitizing citizens to the importance of clean drinking water and providing them with purifier sachets. This joint initiative is being undertaken through their NGO Waterworks which, according to the company website, is "a not-for-profit program that will provide safe clean drinking water to communities in need around the world".

Pureit is a brand name for a range of water filters developed and sold in third world countries by Unilever. In India the price for these products ranges from Rs. 900 to Rs. 13,500. Though there is no doubt there are millions of people without access to clean drinking water, should a product be tested and sold in the guise of a public service, and with the involvement of an established NGO? Ashish Bhardwaj, General Manager of PSI-India in an interview with this writer at the PSI office on July 21 said this was a concern initially as they are an international NGO working in 65 countries, but it is no longer an issue now.

5. HUL

In 2001, Unilever India began an initiative called Project Shakti to use its products as an economic game-changer. According to the company website, the "Shakti Entrepreneurial Programme helps women in rural India set up small businesses as direct-to-consumer retailers. The scheme equips women with business skills and a way out of poverty as well as creating a crucial new distribution channel for Unilever products in the large and fast-growing global market of low-spending consumers". So, what the company is actually doing is creating a new consumer base. The project is touted to reach 600 million customers by 2017. The then chairman of HLL (now HUL) M S Banga is quoted in *Financial Express*, March 2, 2004 as saying, "Project Shakti will be our vehicle to deepen our rural reach to the entire rural India." He added, "Ten years from today, Project Shakti will contribute in a major way to HLL's sales."

This brilliant marketing strategy has a major fallout – the spread of waste into newer areas that do not have the infrastructure or resources to deal with it. Waste and litter is what defines Indian cities. These by-products of consumption, along with official apathy, are a major cause of blocked drains, water and soil contamination and disease. HUL's Shakti program is going to exacerbate the problems of uncollected litter in the 100,000 villages touched by it. It will also of course introduce a demand for packaged, processed products such as soap and toothpaste that will replace cheaper, healthier, sustainable alternatives from within village ecosystems.

Therefore it works with the UN and other organizations to bring about social change through the use of its products. Thus Lifebuoy is used to teach aspects of health and hygiene in third world countries. According to Unilever such associations are "part of our company's growth strategy; our brands invest in behavior change program, consumer engagement campaigns and product benefits.

But surely this is going beyond green wash which are attempts by corporations to hide their environmentally destructive practices with token green gimmicks? This is about seeing economic opportunity in human destitution and impoverishment. It is about seeing a market and a window to profit from delivering what is essentially everyone's right.

In many cases such corporate Endeavour's piggyback on the government's failure to meet its obligations to its people. The case of 'sensitizing' the poorest of the poor in Bhopal to the benefits of clean drinking water and then providing sachets to them is a case in point. Clean drinking water has been part of many election promises, it forms part of a citizen's constitutional right. However the government has abrogated its duties to its people, leaving them to their own devices.

In some cases the solution offered by the 'market' could be more dangerous than the problem itself. Satinath Sarangi, member of Bhopal Group for Information and Action, says of the Pureit sachet: "There is growing scientific evidence that chlorine in drinking water causes bladder, rectal and breast cancers. Adding chlorine to water forms total trihalomethanes (TTHMs) which cause anemia in infants, young children, and fetuses of pregnant women. Given all this there is no justification, let alone benefit, for adding chlorine to drinking water. The people of Bhopal who have already suffered exposure to an array of toxic chemicals would be better off without Unilever's potentially hazardous product. Instead of Bhopal, Unilever should pay attention to Kodaikanal in Tamil Nadu where the soil and groundwater has been contaminated with mercury from a factory run by Unilever's Indian subsidiary."

Over the last three years we have seen how one of the major causes of inequity and continuing poverty is corporate greed and government collusion in corporate profiteering. Is seeing the poor as a market the only way to provide them what is their due? Is government cost-cutting creating a whole new consumer base and market to be tapped by corporations? Opening new markets in the guise of helping the needy has to be questioned.

6. ITC

ITc claims to be a water-neutral company even as it sells cancer-causing cigarettes. Coke extracts huge amounts of water thereby reducing groundwater for communities even while it gets Sachin Tendulkar to promote access to clean water for underprivileged schools.

Today corporations live in difficult times, being asked to be more accountable and socially conscious, a role they are not used to playing. Corporations are bending over backwards to portray themselves as socially and environmentally conscious. Mining major Vedanta's ad campaign 'Creating Happiness' projects how it has positively impacted the lives of villagers. A short film competition for film students nation-wide was announced, roping in socially aware judges. The campaign was termed 'green wash' by activists.

7. Banks

Take the case of the so-called IPO scam. Issuers of securities were forced to make proportionate allotment of shares to all applicants in public offerings – a measure, which by itself, could be regarded as unwise policy. Human conduct found solutions within the letter of law – applications were made by actual human beings, meeting all the requirements of an applicant for shares. They were funded by persons who desired a larger allotment but were being denied the allotment due to the mandatory requirement of making proportionate allotment. After allotment, such persons bought shares from the successful applicants, sold the shares in the market, and earned the profit their money had earned. It would have been good to introspect and change the regulations governing IPOs. Instead, every capital market intermediary in the chain of IPO activity was accused of being caught napping, and worse, in the same breath, also accused of collusion.

Even more public money was wasted in prosecuting the accused. Many innocent market intermediaries are defending proceedings even today, while some fearful ones have paid up settlement amounts in fear of greater wasteful expenditure on defending proceedings. Another example is the priority sector lending norms in the banking sector. Banks are forced to lend to sectors identified as "priority" – such as agricultural loans although the operation of the rest of government policy failed to ensure that such sectors became creditworthy. Scams developed – one was the "cobbler scam" involving large shoemakers creating fake cobbler co-operatives to take loans from banks.

8. Coca-Cola's Scam - Water Neutrality

The company, which is under fire for its mismanagement of water resources in India, has gone all out to manufacture an image of itself as a global leader in water conservation. Now, in an attempt to position itself as "aggressively" tackling the world's water problems, the Coca-Cola company has come up with a new Corporate Social Responsibility (CSR) initiative - water neutrality. Becoming water neutral is impossible. It doesn't really matter what the facts and reality may be. As long as it sounds good, no matter how misleading or troublesome the concept, they have market it to forge public opinion with the use of their mighty public relations apparatus. The International Campaign to Hold Coca-Cola Accountable for its abuses in India has been frustrated with Coca-Cola's increased public relations, under the guise of Corporate Social Responsibility, to respond to the crisis that Coca-Cola has created in India.Communities living around some of Coca-Cola's bottling plants in India are experiencing severe water shortages - due to Coca-Cola's extraction of water from the groundwater resource as well as pollution by the company's plants. Located primarily in rural areas, the hardest hit have been farmers who have seen significant declines in crop production as well as women who now have to walk longer to access potable water. According to research it is confirmed that Coca-Cola is a significant contributor to the water crises and one of its key recommendations is that Coca-Cola shut down its bottling plant - in Kala Dera in the state of Rajasthan - where the community has been campaigning against Coca-Cola. The study - a damning indictment of Coca-Cola's water management practices in India - concluded that the Coca-Cola company had sited its bottling plants in India from strictly a "business continuity" perspective that has not taken the wider context into perspective. It also warned Coca-Cola of worsening water conditions around its bottling plants, found an alarming increase in pollution as one got closer to Coca-Cola bottling plants and faulted the company on pollution prevention measures, among others.

9. Conclusion

With this in mind, it is recommended that several key steps should be in designing a program for CSR. They are summarized here:

- Align a program goals, aims and mechanisms within the corporate theatre of operations;
- Develop metrics to gauge performance (Ultimately, bottom line targets must be maintained or improved, while social and/or environmental values improve);
- Co-ordinate program activities across the various corporate theatre of operations; and
- Ensure the program is interdisciplinary and has leadership from the top.

Further Four important steps that can help them do so are: (1) Pruning and aligning programs within theaters. Companies must examine their existing programs in each theater, reducing or eliminating those that do not address an important social or environmental problem in keeping with the firm's business purpose and values. (2) Developing metrics to gauge performance. Just as the goals of programs vary from theater to theater, so do the definitions of success. (3) Coordinating programs across theaters. This does not mean that all initiatives necessarily address the same problem; it means that they are mutually reinforcing and form a cogent whole. (4) Developing an interdisciplinary CSR strategy. The range of purposes underlying initiatives in different theaters and the variation in how those initiatives are managed pose major barriers for many firms.

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