

Trust and corporate social responsibility: Lessons from India

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Abstract Skeletons tumbling out of corporate closets over the past few years have led to a general erosion of trust in business globally. With this backdrop, lessons from India are particularly relevant as businesses seek endorsement as good corporate citizens through corporate social responsibility (CSR) initiatives. The world over, CSR stems from a commitment to the society in which a business operates. In India, it has been traditionally linked to spirituality, while respect in the corporate world has been treated on a par with the bottom line. As the need for CSR finds wider recognition, it is worth examining the Indian foundation for trust.

KEYWORDS: corporate social responsibility, trust, India, respect, communications, public relations

On action alone be thy interest,
Never on its fruits.
Let not the fruits of action be thy motive,
Nor be thy attachment to inaction.
(Bhagavadgita, Chapter 2)

Spirituality and corporate social responsibility (CSR) have had a deep-rooted connection in India.

A phenomenon that has preceded the coining of the term 'CSR', the link between the *karma* as espoused by sacred Indian texts and initiatives anchoring corporates as responsible citizens has been amply evident in India since the early days.

This is widely divergent from the perspective of CSR in Western economies as reflected in the observation by Arthur Page, vice president of public relations at AT&T for around 20 years and former adviser to the US President:

'All business in a democratic country begins

with public permission and exists by public approval.'¹

Viewed from this perspective, public relations professionals are the custodians of trust for the corporate world. While the global spotlight today focuses on debates on corporate trust, India can proudly flaunt a head start in this arena.

Yet, before India's case is presented, a brief scan of some happenings, particularly in the USA, that led to an erosion of trust in Corporate Inc. worldwide, will be presented.

EROSION OF TRUST IN CORPORATE INC.

The turn of the millennium witnessed mammoth bankruptcies, accounting scandals and obstruction of justice allegations. The consequent tarnishing of gilt-edged names like Enron, WorldCom, Xerox, Arthur Andersen and Kodak, to

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name a few, has had widespread ripple effects in the corporate world. Yet news continues to pour in.

KPMG, the big accounting firm, agreed to pay US\$200m in suits arising from audits of Rite Aid and Oxford Health. A pharmaceutical giant inflated sales by US\$2.75bn in 1999–2002. The National Association of Securities Dealers (NASD) has charged an executive of a major investment bank with fraudulent allotment of hot initial public offerings (IPOs) to 300 of his corporate executive friends, to persuade them to prefer his company for their investment banking business. Health South has been charged with an accounting fraud of US\$1.4bn by inflating insurance claims. There are a number of suits, in what could turn out to be the biggest case, against other investment banks for helping Enron and other companies to commit fraud, and for rigging IPOs to defraud the investing public.² Needless to say, this is hardly an exhaustive list.

THE REPERCUSSIONS HAVE BEEN IMMENSE

According to a survey by *BusinessWeek*, 92 per cent of respondents have 'only some' or 'hardly any' confidence left that the market treats individual investors fairly. Some 93 per cent have 'only some' or 'hardly any' confidence in those who run big companies. About 95 per cent feel the same way about big auditing companies.

Some 82 per cent are either 'not too confident' or 'not at all confident' that corporations accurately report how much money they make.

And few of the respondents really believe that anyone can or will do much about all this. For instance, 94 per cent have 'only some' or 'hardly any' confidence that US Congress can write effective rules governing corporate financial practices. Some 93 per cent have the same view of the chances that federal regulatory agencies can do the job. And 60

per cent strongly disagree that corporations can successfully reform themselves.³

According to another survey by Business for Social Responsibility (BSR), a global organisation, 90 per cent of American respondents want companies to look beyond the bottom line. BSR also found that nearly 50 per cent form an impression of a company based on its behaviour and 39 per cent react negatively to a company that is perceived not to be socially responsible.⁴

These are challenging times for companies, pension funds and individual investors. The Teacher Retirement System of Texas and the Texas Employee Retirement System is the last fund that would be expected to be affected by corporate scandal. Both had funds invested in Enron, and both talk about their losses on their respective websites.⁴

In the communications business, the challenge of this changing environment is confronted every day. Stakeholders are seen to hold companies under the magnifying glass, checking accountability, monitoring performance and assessing a company's impact in a community or on the environment. How this intense scrutiny has affected businesses has been seen and continues to be seen.

INDIA TOO HAS SEEN SOME REPERCUSSIONS OF THE GLOBAL MOOD

There has been a general mood breeding a lack of trust in regulators following scams unearthed in the Indian stock markets.

The brooding has had its fallout on unsuspecting companies, as ICICI Bank, one of the country's largest banks, would confirm. A short message service that the bank was on the verge of bankruptcy started the run, gathering momentum as messages were flashed across cellphone networks; ICICI Bank branches across many cities witnessed the unedifying

spectacle of queues of people waiting to withdraw their money as fast as they could. The Reserve Bank of India had to step in to calm things down.⁵

THE IMPORTANCE OF TRUST

Research by Burson Marsteller, called 'Building CEO Capital' reveals dramatic findings. After speaking with more than 1,100 business influentials — CEOs and other senior executives, financial analysts, institutional investors, the business media and government officials in the USA — the research infers that the CEO's reputation is a key factor in a company's reputation. In fact, the research data reveals that:

- CEO reputation accounts for a staggering 48 per cent of a company's reputation.
- Companies whose CEOs were rated 'most admired' achieved a 13 per cent compound annual shareholder return over a three-year period. Companies with CEOs who were rated less favourably delivered a negative return.
- Eighty-eight per cent of respondents said that the CEO's reputation would influence whether they would recommend a company as a good place to work. Ninety-four per cent would believe the company if under media pressure. Ninety-two per cent would maintain confidence in the company when share price is lagging.⁶

The growing importance of trust is also embedded in a number of other developments:

- The rise in the number, influence and sophistication of non-governmental organisations (NGOs) that monitor, track and inspect global corporate players. Less than 30 years ago, there were 1,400 NGOs. In 1995, there were nearly 30,000. Today that number has grown ten-fold.
- An increase in shareholder activism. Of the more than 700 shareholder resolutions filed in the USA in 2002, more than a third of them were based on social issues.

- Greater disclosure requirements of social and environmental performance as part of their 'new economic regulations' by governments, particularly in Europe.⁴

In 2000, the concept of triple bottom-line reporting, ie assessing and providing an account of a company's social, environmental and economic impact and performance, was embraced by only an enlightened few. Today, such reporting is embraced by the majority to prove they are acting responsibly.

RECOGNITION OF THE IMPORTANCE OF TRUST IS WELL ENTRENCHED IN INDIA

Respect is, in some ways, an intrinsic part of Indian culture. The Indian ritual of touching the feet of elders is a good example of how respect manifests itself in everyday life.

This transcends into the corporate world. For decades now, since Independence, corporate majors such as the Tata and Birla group companies have led the way in making CSR an intrinsic part of their business plans. These companies have been intensely involved with social development initiatives in the communities surrounding their facilities. Jamshedpur, one of the prominent cities in the north-eastern state of Bihar in India is also known as Tata Nagar and stands out as a beacon for other companies.

Respect is a much sought after tag in the Indian corporate world. This is one of the reasons for the immense popularity of The Most Respected Companies of India survey, initiated by one of India's premier business magazines, *BusinessWorld*, in 1983, long before skeletons began toppling out of the corporate closets around the globe. In fact, the magazine admitted in a cover feature following its first survey that the overwhelming reader response to its first ever ranking of corporate reputations indicated that 'there is a great deal of

interest within the management community in the subject of corporate reputations' and that this interest was 'more than academic'.⁷

Respect, as viewed by the survey, was an aggregation of two broad parts of a company's deliverables: quantitative (like profitability) and qualitative (like community responsibility).⁸

The parameters for corporate respect in this survey, are wide ranging: Overall quality, top management leadership, depth of talent, belief in transparency, ethics, social responsiveness, environmental consciousness etc (see Figure 1).

What the survey clearly reveals is that impressive financials are not enough to earn respect. Companies were respected not because they were big and powerful, but because they were transparent, stakeholders trusted their policies, HR guidelines were fair, the companies were ethical and contributed to society. Transparency and ethics were the most important.⁸

'Respect is the first thing we look for when doing anything,' says N. R. Narayanmurthy, Chairman of Infosys Technologies, the company that was crowned the Most Respected Company in the 2003 survey (Table 1).

Hindustan Levers Ltd., known as Unilever to the world outside India, is another company that has remained in the top three most respected companies for the past decade, and has topped the chart four

Table 1: Top ten most respected companies in India, 2003⁸

1	Infosys Technologies
2	Hindustan Lever
3	Reliance Industries
4	Wipro
5	ICICI Bank
6	Gujarat Co-operative Milk Marketing Federation
7	Dr. Reddy's Laboratories
8	HDFC
9	ITC
10	Hero Honda

times, the maximum number of times yet for any company. 'If you have respect, value will follow,' says Chairman M. S. Banga, reflecting the view from the very top.

Adds Narayanmurthy, 'At the end, respect comes to people who do desirable things and who can be trusted. When you make a statement, people should say, we believe.'⁸

It is no surprise that Narayanmurthy holds J. R. D. Tata in great esteem as an icon. The first name that comes to any Indian on the subject of CSR is that of the Tata Group.

There has been a long history of CSR in India and the Tatas have been the role models on this path. Explains the chairman of the Tata Group, Ratan N. Tata, 'We do not do it for propaganda. We do not do it for publicity. We do it for the satisfaction of having really achieved something worthwhile.'⁹ The Tata

No. of times chosen by respondents	Overall quality	Top management leadership	Depth of talent	Ability to attract talent
Belief in transparency	Ethics	Social responsiveness	Environmental consciousness	Quality of products/ services provided
Belief in customer satisfaction	Track record of company	Dynamism	Speed of response to change	Continuous innovation
Global competitiveness	Consistent corporate performance	Returns to shareholders	Value for stakeholders	Ability to cope with recession

Figure 1: Criteria for ranking India's most respected companies⁸

Business Excellence Model integrates social responsibility into the framework of corporate management wherein social responsibility is encapsulated as Key Business Process. In fact, all social service departments in Tata companies have annual programmes and budgets... and all this is aligned to the MD's Balanced Score Card.

Corporate social responsibility programmes at the Tata group of companies extend across a wide spectrum including rural development, community development and social welfare, family initiatives, tribal development and water management.

About 7,000 villages around Jamshedpur and Orissa benefit from development programmes run by the Tata Steel Rural Development Society (TSRDS). Programmes of TSRDS cover issues like education, irrigation, afforestation, adult literacy, vocational training, handicrafts and rehabilitation of handicapped persons. The Community Development and Social Welfare Department (CDSW) at Tata Steel carries out medical and health programmes, blood donation drives, mass screening of tuberculosis patients, immunisation camps and drug rehabilitation. In 1999, Tata Steel embarked on an Aids awareness programme which has now become an integral part of all training programmes. Routine activities like immunisation programmes, sterilisation operations and mother and child health care programmes are conducted through nine family welfare centres, nine child clinics and six community-based clinics. In fact, Tata Steel's Centre for Family Initiatives (CFI) was successful in influencing 59 per cent of Jamshedpur's eligible couples practising family planning, compared to the national figure of 35 per cent.⁹ A commitment to the welfare of the community has long been central to the value system of companies in the Tata Group. To build

upon this heritage the Tata Council for Community Initiatives (TCCI) has created the Tata Guidelines on Community Development, an effort of over three years from the field evolved into a framework of best practice.

The Birla group of companies are also among the pioneers in the field of corporate social responsibility in India. As part of the Aditya Vikram Birla Group's Social Reach, the Birla group: runs as many as 15 hospitals in India; includes Adult education and conducts as many as 78 schools all over India; rehabilitates handicapped persons having reached more than 5,000 physically challenged individuals.⁹ More than 100,000 patients have been examined under the Group's medical programmes. Over 15,000 children along with 2,000 pregnant women have been immunised, over 500 cataract patients operated on, 2,000 TB patients provided with medical care, 100 leprosy-afflicted people attended to, free of cost.⁹

It also provides vocational training, having provided training to over 3,000 women and having distributed over 1,400 tool kits in a variety of areas like electrical, auto repair, electronic equipment maintenance and repair and tailoring. It has adopted several villages under its Village Infrastructure Development programme and has provided extensive training to over 10,000 villagers in its Carpet Weaving Center.⁹

Among corporates who have displayed deep commitment to CSR over many years is Mahindra & Mahindra. The late Mr K. C. Mahindra promoted education among Indians at all levels and established the K. C. Mahindra Education Trust in 1953. Every year the Trust offers up to 30 to 40 interest-free loan scholarships to postgraduate students going abroad for higher studies. The Mahindra Search for Talent Scholarships is a scheme established in 34 schools in India to enthuse and

reward students who have achieved excellence in their academic pursuits. The Mahindra All India Talent Scholarships are awarded every year from all over India to over 300 students from lower income group families with good scholastic records pursuing job-oriented diploma courses in various polytechnics.

Similar commitment to CSR has been displayed by several corporates in India. The list, which at best can be far from complete, includes Arvind Mills, Escorts, Dabur, Bajaj, Godrej, Hero Honda, DCM Sriram, Ashok Leyland, Ballarpur Industries, Eicher, Kinetic Group, Kirloskar, Infosys, Reliance, Ranbaxy and Wipro, each of which has been deeply committed to their communities engaging in programmes encompassing education, health, integrated rural development.

Beyond the private sector, corporate players in India's public sector too have been actively involved in CSR initiatives.

Most public sector units in the heavy engineering industry have not only set up townships around the plants, but have also established schools, hospitals and several other civic facilities for its employees and those that live in that area.

Private sector companies have been encouraged to undertake rural development programmes through fiscal incentives offered by the government. For instance, special benefits are offered to companies that set up industries in backward areas and tax incentives are also offered to companies that set up water purification projects.¹⁰

In India, it has also been noticed that when it comes to individual CSR activities, the 'anonymous' donor mentality prevails. That most people tend to keep a low profile was confirmed by *The Economic Times*, a leading business daily in India. It conducted a straw poll and talked to several professionals involved in the field and NGO circuit to get an idea about the leading lights.¹¹

Of course, with the intense spotlight on the subject, the interest in CSR is spreading in India as well. The Corporate Social Responsibility Survey 2002 India, jointly conducted by the United Nations Development Programme, British Council, Confederation of Indian Industry and PricewaterhouseCoopers and covering 19 industry sectors, reveals that this interest is growing as more and more companies in India are keen to project themselves as good corporate citizens. This was the most important factor driving CSR in India, according to the survey. Good corporate citizenship and CSR initiatives are inextricably linked with improved brand reputation, which is one of the most important drivers of CSR identified by the respondent companies. The other key drivers of CSR in India were diverse — ranging from the stated philosophy of founding fathers to improving relationships with local communities and enhanced shareholder value (see Figure 2).¹²

As part of the survey, over 100 companies (ranging from large to mid-sized corporations) responded to questionnaires sent to around 1,000 companies during September and October 2002. In addition, a group of researchers conducted an in-depth study of CSR programmes in top business houses. The respondents unanimously acknowledged that social responsibility was no longer an exclusive domain of the government and CSR is much more than 'passive philanthropy'.¹³

'India has a strong tradition of philanthropy' states the foreword to the survey, 'It is encouraging to note that many are beginning to make a shift from a tunnel vision on corporate social responsibility to an integrated model that mainstreams through business vision and processes'. In fact, the most striking feature of the survey was the overriding response that 'passive philanthropy' alone no longer constitutes CSR.¹²

The survey broadly categorises the main

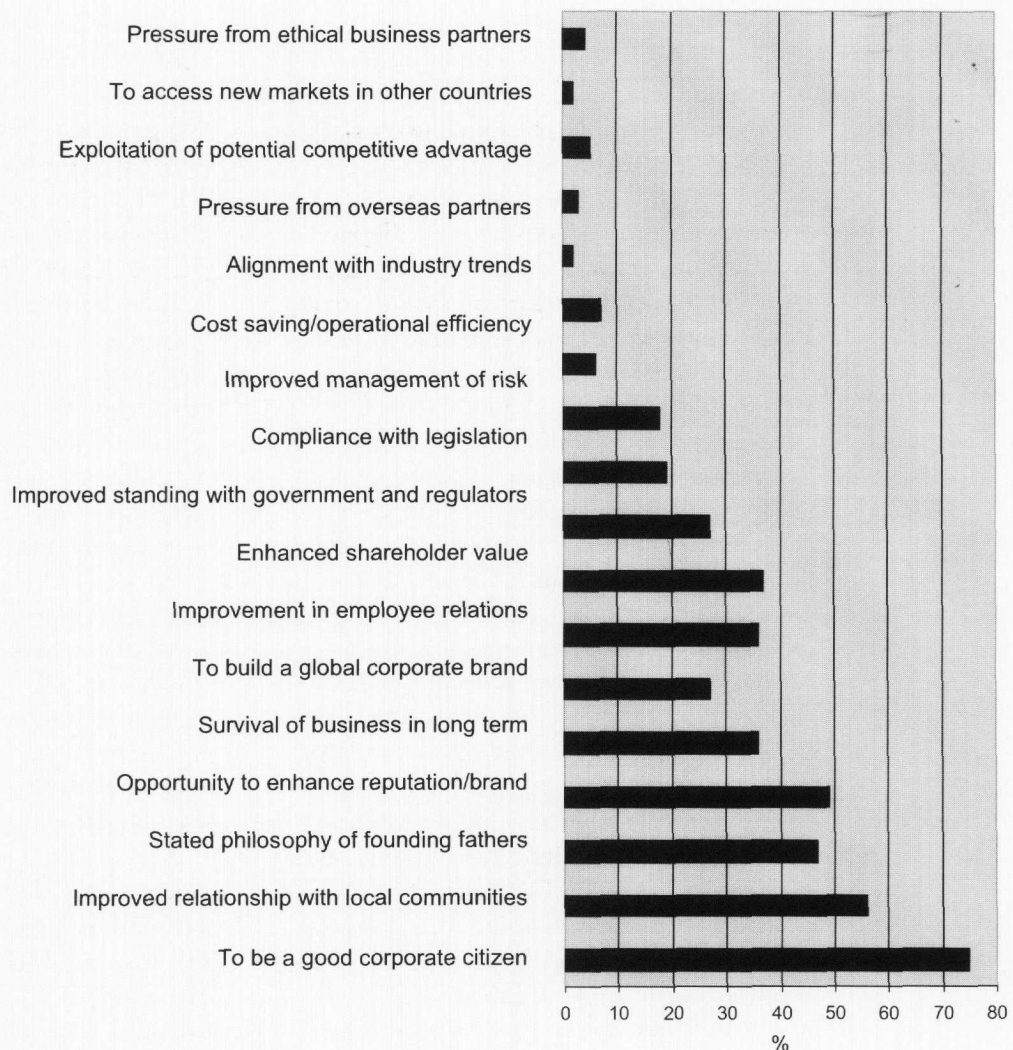


Figure 2: Drivers of CSR

Source: Corporate Social Responsibility Survey 2002 — India (UN Development Programme, British Council, CII, PricewaterhouseCoopers)

types of CSR activities undertaken by Indian corporates as shown in Figure 3.

THE PUBLIC RELATIONS LINK

Interestingly, the website IndianNGOs.com, a site intended to be a repository of information on the developmental sector, conducted personal interviews on social responsibility with 196 Indian corporates, and supplemented this with secondary research on the CSR policies of all the Fortune 500 companies. According to the results of the study, in 58 per cent of the corporates, the public

relations department shoulders the responsibility for CSR initiatives.¹⁴ That this was not a recent phenomenon was evident in the fact that more than a third of the departments handling CSR had been in existence for over 15 years and over 60 per cent had been in existence for over five years.¹⁵

This link is a reflection of the role that public relations plays in generating trust through CSR. Public relations, in fact, is the social face of an organisation driving stakeholder relationships. This connection has only reinforced this role, often lost in

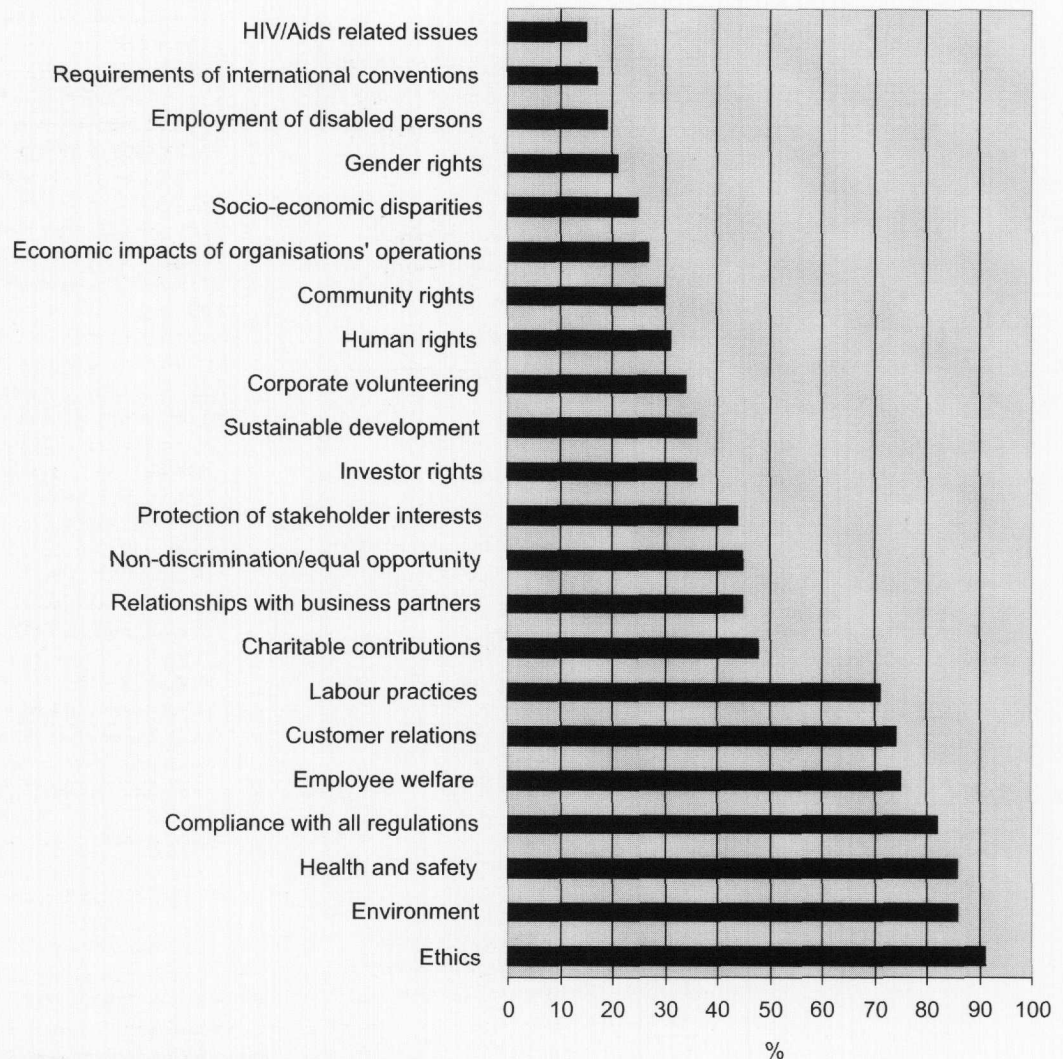


Figure 3: Areas of CSR addressed in corporate policies¹²

the myopic vision of media relations, as companies focus on communicating their CSR initiatives through multiple platforms, transforming their websites, issuing reports and signing up to speak on conference panels.

Table 2: Departments handling CSR¹⁵

	%
PR	58
Foundation staff	12
CSR department	5
Other departments handling CSR: HR, admin	25

As professionals who have been avid observers of CSR initiatives in India and intensely involved as they link in with public relations, it is extremely important to point out the need to take into account the sensitivities and sensibilities of the Indian populace while undertaking such programmes.

The importance accorded to respect for elders, relationships and family values are the pillars upholding the symbiotic relationship between the community and businesses in India. The deeply engrained belief in *karma* as espoused by the 'Bhagavadgita' extends into the role of

business in this society, breaking across the barriers of culture, religion and language. Well-advised multinationals operating on Indian soil like Ford India and Cargill, have shown deep respect for local sensitivities and pride.

Navigating this sometimes difficult environment presents businesses with new challenges yet also offers new opportunities. Sound practices and relationships with stakeholders better prepare practitioners to deal with unique issues thrown up by distinct regions.

It is, however, important to ensure that at every level employees involved in CSR activities understand their role in making certain the company follows through on its commitments.

This is where public relations comes in. Formally or informally, it has been bridging the gap between trust and CSR initiatives in India, making the Indian experience a success.

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