CHAPTER 5 – CONCLUSIONS AND DISCUSSION

Corporate Social Responsibility, as visible in the previous chapters spans a variety of aspects related to firm functioning. This chapter is devoted to a summary of conclusions from all chapters. The conclusions will be followed by a brief discussion with respect to similarities or differences with literature review and in the context of the CSR draft rules related to Companies Act, 2013.

Chapter 1 is aimed at introducing the concept of Corporate Social Responsibility. Theories and definition of CSR have been explained to provide a background. With specific reference to India, the National Voluntary Guidelines, 2011 have been outlined, as also the Department of Public Enterprise Guidelines related to Central Public Sector Enterprises. This chapter also deals with Section 135 A of The Companies Act, 2013 which brings in mandatory provisions related to CSR in India. SEBI guidelines, for submission of Business Responsibility Reports by the top 100 firms have been incorporated. To provide an insight into ethics, governance and transparency, it has also been thought fit to add the United Nations Global Compact to this section. This chapter in the end focuses on the needs and objectives of the study. The objective of the study is to understand how CSR is embedded in Indian Business.

Chapter 2 deals with Literature review with respect to embedding CSR, what it entails, and readings related to embedding CSR into strategy and structure.

Chapter 3 provides a view into Research Methodology used for this dissertation. Financial data with respect to CNX 500 firms was pulled from Prowess, at The Delhi School of Economics, Center for Development Economics in June, 2013. Basis Turnover, organizations were selected belonging to the same or similar significant sector. Four sectors viz, Automotive, Banking, Computer Software and Oil, Gas and Energy Transmission were taken as four industry sectors. 21 firms belonging to these sectors have been studied using Content analysis. Two sets of questions were designed – one relating to the organization structure, planning, knowledge management systems and evaluation of CSR programs. The second set of questions was designed keeping the nine principles related to NVG in mind. Data was collected from secondary sources, specifically Annual Reports, CSR and Sustainability reports, and company websites.

Chapter 4 is dedicated to Findings and Analysis. For the purpose of ease it is divided into four sections. Section 1 aims to analyze the CSR strategy being pursued in Indian Business and understands points of difference at a sector level. Section 2 is aimed at understanding the organization structure related to Corporate Social Responsibility function in these organizations. Section 3 aims to study the model for Corporate volunteering in existence across sectors, to identify best practices for embedding it as part of strategy. Section 4 is the most detailed in terms of multiple variables which help in creating an understanding of parameters relevant for a responsible business.
The principal finding of Section 1 is that the Sustainable Development model is practiced by 48% of the firms, closely followed by Integrative Social contract model in 43% of the cases. This highlights that economic, social and environmental considerations are equally important to firms in these four sectors. There are sector differences though. Automotive, Oil, Gas and Energy Transmission are manufacturing firms. There is higher prevalence of Sustainable development model and Stakeholder management model in these sectors. This shows clearly that manufacturing sectors have to exist in the community taking into account their views. The services sectors – Computer software and Banking follow Integrative social contract model, with greater emphasis on understanding and addressing societal needs.

Section 2 deals with the CSR organization. Seven key aspects elated to structure, planning exercise, budget and resource allocation, guidelines for NGO partnership, knowledge management and awareness creation, systems and evaluation, as well as communication have been investigated. Information in the public domain has been very limited related to these aspects. A significant finding however has been that the CSR function is now functioning under a Committee of the Board, under the direct line of sight of the Board for the majority of the firms for whom data was available. This is a step in the right direction, and in line with the new Companies Act.

Section 3 deals with understanding the practices and levers associated with employee volunteer programme. Four aspects related to Strategy, Structural design, Programme Evaluation and Impact were identified as significant for the study. The study highlights presence of various strategies for CSR, however it is understood that employee volunteering programmes are a component of CSR strategy and are aligned to overall focus areas which the firm deems as important. Model case studies related to three tier model at Tech Mahindra, Magnificent 7 (M&) model, and TCS Maitree model have been highlighted as good practices for others to replicate. No information was available for evaluation of employee volunteering programme and impact /focus areas were found to resonate with the analysis in Section 4.

Section 4 is dedicated to understanding the specific practices related to the nine principles under National Voluntary Guidelines, 2011.
Principle 1 deals with Ethics, Transparency and Accountability. Seven variables have been studied related to governance. Business Responsibility reports mandated by SEBI are a rich source of information on areas which may not be otherwise disclosed in the Annual or Sustainability reports. The structure for enabling an ethical functioning was found to exist in terms of existence of a code of conduct for Directors and senior management. However, absence of a specific Ethics committee seems to be lacunae.

Principle 2 deals with safe goods and services which contribute to sustainability throughout their life cycle. Six variables were studied under this area. Material issue analysis of the four sectors identifies Community Stewardship and Environmental sustainability as the most frequently occurring issue across 9 firms for whom this data was available. Innovative products with environmental and social benefits as disclosed by the firms have been detailed in this section. It is found that manufacturing firms – automotive and oil and gas are
leveraging technology to make strides in bringing environment friendly products to the market. Services sector is also leveraging technology to provide new solutions. Banking is using disruptive innovation to provide services to the bottom of the pyramid population and aiding their financial inclusion.

The aim of studying practices like sustainable sourcing, consumption and disposal was to identify best practices for the sectors in these areas. It was found that sourcing and consumption was most relevant for the automotive sector. Sustainable disposal was also more relevant to the manufacturing sectors – Automotive, Oil, Gas and Energy. Certifications mapped indicate that ISO 14001 and OHSAS 18001 were more prevalent – 11 firm each.

Principle 3 deals with employee well being and eight variables dealing with presence of employee benefits, equality of opportunity, wage cycle, attrition, training and development, existence of a grievance redressal mechanism, right to freedom of association and prohibition of practices like child labour were investigated. 32 variables related to employee benefits have been mapped. Statutory compliance variables were disclosed by larger percentage of firms. Keeping in view the focus on disadvantaged sections, practices related to women workers, and contract workers have also been listed. Training and Development practices – opportunities for in – house departments, and external agencies have been mapped.

Principle 4 states that Business should respect and be responsive towards stakeholders. Stakeholder relevance for sector and modes of engagement has been highlighted as practices prevalent in industry. Information has been gathered for ten stakeholders.

Principle 5 states that Business should respect and promote human rights. For this principle, Human rights initiatives were mapped for all 21 firms. Only two firms have a distinct policy on Human rights, whilst 3 others have close association with the United Nations Global Compact. There is lack of information on certain variables related to embedding human rights in functioning of the firm, e.g., whether it is a part of risk assessment exercise, principles to determine impact on human rights issues on firm operation, how these are managed, how stakeholders are identified, and which authority addresses these issues in the organization.

Principle 6 deals with respecting, protecting and restoring the environment. The aim of this section was three fold. First, to identify the environmental issues of prime importance to all four sectors, which were found to be Global warming and prevention of pollution. Second, to find areas of wide relevance for each sector, which were identified as water management for Automotive sector, production efficiencies, renewable energy and reduction of emissions for Oil, gas and energy transmission sector. Energy conservation was of high relevance for both Banking and Computer software sectors.

Principle 7 deals with policy advocacy. Barring five firms, all others have disclosed industry associations of whom they are a part.

Principle 8 states that business should support inclusive growth and equitable distribution. Here it was important to note, that redistributive efforts indulged in by the corporate sector
would not qualify as CSR. Efforts made to enhance capacity of under – privileged, and vulnerable and poorer sections of society which enable them to participate in economic growth would be relevant from CSR perspective. It has been found that Education, Healthcare and Rural Development comprise the top 3 areas where firms are focused.

Sector differences were also investigated. It was found that Education is the most important focus area for Automotive and Computer software sectors. Financial inclusion was most relevant for Banking, and Healthcare, Arts, culture and Sports for Oil, Gas and Energy Transmission sector.

Specific actions undertaken by all sectors in the area of education, healthcare, rural development, village development, agricultural development and financial inclusion have been analyzed. It was also found that six firms have disclosed that they conduct impact assessments of their initiatives.

Principle 9 states that business should engage with and provide value to their customers. Some of the relevant aspects have already been addressed in Principle 2, under goods and services with environmental and social benefits, as well as Principle 4, dealing with stakeholder engagement. Three aspects dealing with presence of customer grievance redressal mechanism, practices related to customer satisfaction surveys and disclosure for unfair trade practices etc have been outlined.

Chapter 5 states the Conclusions of the dissertation by providing an overview of the Dissertation document and all the chapters.

Chapter 6 provides the References used for the study in terms of reports, published readings in online journals, as well as websites used for the study.

**Discussion**

The Indian Companies Act, 2013 draft rules have since come out on September 11, 2013. Some of the changes that have been brought about by the Act are that CSR has now become a board function and without the signature of the Independent Directors, on CSR statements, the Director’s reports cannot be signed off on.

The other aspect that has been brought into play is that there is now a short term, medium term and long term perspective to CSR. It is anticipated that CSR will move from transaction mode to project mode and will involve some level of futuristic thinking. They will also need to base their projects on guidance from Board, in the areas directed by the Board. Need assessments will be an important aspect of where they will focus efforts and impact assessments will need to be carried out for projects. In none of the literature, did we come across any information that relates to overall impact of CSR or sustainability efforts, as enumerated by Marks and Spencer in Plan A and B. This may need to change in the future.
The other important nuance is that it is expected that companies will not be able to use CSR budgets directly for the benefit of own employees or families of employees. This implies that the NVG principle on employee well – being may no longer be relevant from CSR spend perspective, which is different from the global view that employees also constitute a community, and Corporate sector has a responsibility towards employees also.

Another important aspect relates to investments to reduce own environmental footprint, etc. Efforts aimed at improving own processes, and becoming more efficient, and which lower costs, and increase profits, will no longer count as CSR. Efforts aimed at the greater common good will be allowed as CSR spends.

It is also not understood very well, whether employee volunteer programs will notionally count as CSR efforts in future.

The analysis of information available in secondary data sources neglects to state any externalities associated with CSR programmes, or challenges faced thereof in execution or monitoring of programmes on the ground. In the light of the new Companies Act, it becomes important to undertake research in all areas related to Schedule VII and understand what models can work best for the corporate, government and non-profit sector to work together to improve well-being in the country.

Moreover, there is an important need to tie back efforts to development indicators at district level. The biggest constraint envisaged here is that such indicators and data is not available at district level yet. Unless, each intervention effort can be segregated and it’s impact shown, the country will never really know whether efforts of the corporate sector in development are making an impact or not. We will not know if CSR spend created value or was wasted.

A study had been done by Peter Lacy and Rob Hayward, along with UNGC (2011), which had proposed certain features for embedding sustainability in the organizations. The researcher has done a self – assessment (PB), and this has been validated for existence as a practice by 4 judges. The assessment was done as to whether these practices are currently prevalent in Indian industry.

The four judges who agreed to participate in this study are as follows:

1. Dr. Y. Suresh Reddy – Director, SRF Foundation (SR)
2. Ms. Deepa Kapoor, Head, CSR and Skill Development, Punj Lloyd (DK)
3. Mr. K. V. Iyer, Senior Manager, CSR, Bajaj Auto Ltd. (KY)
4. Ms. Rashmi Bhatnagar, Chief Manager, Corporate Affairs, Piramal Enterprises Ltd. (RB)
The findings are presented below in tabular form:

Table 5.1: Prevalence of CSR and Sustainability practices in Indian Industry – Self Assessment and Judges View

<table>
<thead>
<tr>
<th>S No.</th>
<th>Recommendation</th>
<th>PB</th>
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<th>DK</th>
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<tr>
<td>1</td>
<td>Issues should be fully embedded into strategy and operations of a company</td>
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<td>2</td>
<td>Boards should discuss and act on these issues</td>
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<tr>
<td>3</td>
<td>Issues should be fully embedded into strategy and operations of subsidiaries</td>
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<td>4</td>
<td>Issues should be embedded into their global supply chain</td>
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<td>5</td>
<td>Companies should engage in industry collaborations and multi – stakeholder partnerships to address development goals</td>
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<tr>
<td>6</td>
<td>Companies should incorporate these issues into discussions with financial analysts</td>
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All aspects related to successfully embedding CSR and Strategy as recommended by the researchers are not yet prevalent in Indian Industry.

It is also seen that in terms of embedding CSR, the CSR goals are not yet reflected in performance management systems in India. This is a similar experience to the study conducted for Chilean industry.

It would be befitting here to highlight the known drawbacks of the present study. The shortcoming came from the daunting task of manual data collection and wide scope, relevant to significant areas of firm functioning. This vision was envisaged given the guideline that corporate social responsibility is best when embedded in firm functioning and day to day operations. It has been a challenging exercise to set up the two questionnaires, which would set the scope and boundary of the research. The two sets of questions had approximately 170 questions, which were first set up in Survey monkey and then downloaded for inputting information, first manually into questionnaires, and then into the files to create an electronic repository of data for analysis. The aim and objective of identifying practices for embedding CSR into mainstream operations of four significant sectors has however been fulfilled to a great extent.
Another significant drawback has been lack of disclosure on all aspects envisaged to be important for embedding CSR into operations. Hence analysis of some variables has been attempted with the data that has been available. This has been most relevant for analysis of CSR practice evaluation and systems integration, and also for understanding how Employee volunteer programs have been embedded. The approach has hence been modified in the latter case to evaluate information available for select firms as case studies, especially if the declared impact has been high in terms of number of beneficiaries.

In conclusion, it may be stated that this empirical study is unique in approaching the concept of corporate social responsibility holistically. It may serve as a guide for the corporate sector to understand what practices may be adopted in an area of focus for their organization.