Chapter 4

Research Methodology

4.1 Introduction

CSR has an enduring impact on employees, shareholders, customers and other stakeholders. This is proven in developed nations. CSR is considered to be at the nascent stage in developing countries. Both primary and secondary data reviewed and presented in this study breaks this myth. This study correlates CSR initiatives with employees, customers and other stakeholders of Indian private multinational companies. This study has examined the practices adopted by Indian Pvt. Multinational companies with regards to CSR. It further envisages whether CSR can become a strategy. End of the day, Business strategy refers to employee retention, brand building, reputation management, employee and customer loyalty.

4.2 Statement of the problem

With one hundred and twenty five billion people, five thousand years old civilization and looting of precious resources by foreign invaders, India faces huge challenges in the area of poverty eradication, disaster management, women trafficking, menace of child labor, infrastructure development, education, sanitation and healthcare. Social service is an inherent part of Indian culture and tradition. Many NGOs and other Social service organizations are tirelessly working towards making India a better place to live in. India is the Karma Bhumi (work place) for the social workers of the likes of Nobel Laureate Mother Theresa and Magsaysay award winner Baba Amte.

Right to food, Right for Education, Right to information, and freedom of speech are many other policies that Govt. of India has looked into from time to time and made mandatory through statutory interventions. These statutory provisions definitely enhance the legal, ethical and moral conduct of all the educational institutions, public and private organizations, print and electronic Media & in general people of India.
The author considers this as Government’s social responsibility. In a democratic country like India, which is going through phenomenal transition in polity & socio-economic area, government does not mean constructing roads & buildings, flyovers & bridges, metros & airports, but must introspect what is happening to those below poverty line. Therefore, the author considers the provisions like right to food as Government’s social responsibility. Now the questions are how much & how far government can handle this all alone? Popular quote by former President of United States, John F Kennedy, “Ask not what your country can do for you, ask what you can do for your country”, sums it all.

The need of the hour is joint effort by all the resourceful people, organizations and communities in putting India first. The business community in India can play a huge role in the growth and development of the nation. It is a fact that India’s Environment Performance Index is far from the ideal situation. Further the socio-economic conditions of the country compel the business organizations to initiate socially responsible activities. Time has come when not only Government Organization & NGOs thrive towards implementing CSR, but also the private companies contribute towards better Environment and community.

With the globalization in the business world, social service sector is also becoming one without boundaries. We observe that the Clinton Foundation working in Indonesia, Bill Gates foundation helping India and Ford Foundation working in Africa. Social Service sector with its international volunteers is all ready to uplift living conditions in India. But this is not enough. Corporate India must volunteer and involve in overall growth and development of India. Theoretically speaking, if each enterprise adopts one village, we can change the face of the country in the next one decade. The gap is in understanding and executing the CSR in comprehensive way. There are two main reasons for CSR not being effective so far. Obviously, the amount of work done, in the field of CSR is proportionately very low to the requirement of the country. Further, lack of focused implementation and understanding the benefits of CSR minimizes the relevance and effectiveness of CSR.

CSR managers are given fixed budget and encouraged to allocate funds to wide range of initiatives. This kills the focused execution of CSR and the real benefit is diluted. The funds are allocated to the projects which are not relevant to the core business of the organization. Companies that follow this approach do not reap the full benefits of their CSR initiatives. The
misalignment between business and CSR strategies can result in undermining the importance of CSR. Further the companies marketing, manufacturing and operations divisions seldom involve in formulating CSR policies. This mis-alignment between business and CSR strategies on one side and lack of integration on CSR into all the departments on the other side can be a block to acquiring the maximum benefits of CSR initiatives.

The accrual of business benefits of CSR in terms of increased sales and customer loyalty has given birth to new concept called cause branding or Cause related Marketing. Companies in India are yet to imbibe these strategies in their DNA. CSR is the concept that definitely a win-win strategy to all stake holders. Thus the present study relies on the following five strong assumptions for understanding the study.

1. Impact of CSR and Reputation of the firm
2. Impact of CSR and Financial performance
3. Impact of CSR and Employee commitment
4. Impact of CSR and Consumer behavior
5. Impact of CSR and Share purchase behavior

4.3 Title of the Study

“Corporate Social Responsibility: A Study on Indian Private Multinational Companies”

4.4 Need for the Study

- **Academic perspective:** With the growing need to understand the CSR concepts because of Companies Act 2013 and growing Indian economy, it becomes mandatory for academicians and students to delve & learn more about the issues and challenges of CSR.
- **Research perspective:** Researchers of developed nations have proven CSR as Business Strategy. Now it is the responsibility of Indian Researchers to look into this aspect of CSR.
- **Organization perspective:** This research will explain the direct & indirect benefits of CSR to the Organization. Companies will realize, not to consider CSR as a statutory requirement but it can be effectively utilized as business strategy.
• Relevance: After the Companies Act, 2013 came to effect the relevance of CSR in India has increased multifold.

4.5 Scope of the work

Indian private multinational always involved in philanthropy, but strategic CSR can help them in developing a culture that is unique and can bring sense of fulfillment not only in board of governors but also in employees.

The focus of study limits to seven Indian private multinational companies which are renowned for CSR activities. The focus is to look at various factors.

The respondent profile is basically middle and senior management executives working in selected multinational companies. The focus of the study is to understand the CSR activities and its impact on Business with special reference to employees, customers, shareholders and other stakeholders.

4.5.1 The gaps identified

• Previous studies conducted in India, focused more on CSR-CFP relationship. The present study was conducted to identify the impact of CSR on customers and Employees.
• This study tries to fill the gap between exhaustive study on CSR in developed nations and very limited study in India
• This study also indicates that CSR is more than Philanthropy unlike most of the studies conducted in India.
• This study is both Exploratory and Empirical in nature unlike most of the studies conducted in India.

4.6 Objectives of the study

1. To study the nature of CSR and the impact of CSR initiatives on overall Business development and governance.
2. To analyze the impact of Companies Act, 2013 on CSR initiatives of multinational companies in FY 2014-15.
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3 To study the problems, challenges, framework, issues and misconceptions of CSR.
4 To study the problem of misalignment between the business and CSR strategies and functions.
5 To develop a model for CSR for multinational companies.

4.7 Hypotheses

- CSR initiatives have a bearing on organizational commitment of employees and strong social identity, the organization they work for.
- A positive relationship exists between CSR and the willingness to purchase attitude if awareness of CSR is increased.
- CSR will help improve the reputation of the company.
- CSR initiative will have no bearing on investment and share purchase behavior.
- CSR will help improve firm’s financial performance due to enhanced reputation.

4.8 Methodology

The focus of the study is to understand the CSR practices and Business function and what are the innovative and unique strategies adopted in creating a positive impact on customer employee and society at large. It was therefore decided to use explorative and descriptive design, which befits into the pattern of investigation. The study also understood and fleshed out to explain the technical and commercial context within which the firm operated in terms of environmental certainty – uncertainty, stability and resource munificence. It was also to understand what things changed early, what things changed later and how well they triangulated due to CSR practices at the organization.

4.8.1 Collection of Data

Personal discussions, interviews with each respondent, group discussions and several meetings with the concerned employees at various places was extensively undertaken. The study injected case by case method for collecting the required information. Frequent and series of visits to each respondent was undertaken phase by phase to illicit opinions on the system and CSR practices.
The data includes both from primary and secondary sources.

- **The primary data:** An exhaustive CSR questionnaire was put to test. The impact of CSR on employee loyalty, purchase behavior and reputation of firm was investigated. The questionnaire was personally administered by the researcher. Few questionnaires were also collected via email.

- **The secondary data:** The secondary data was collected from the annual reports, sustainability reports of the selected companies. Further, the data was collected from research articles, journals, websites, news papers, etc.

### 4.8.2 Stages of Data collection:

**Figure 4.1: Stages of Data Collection**

- **Stage 1: Interviews with HR Managers (May 2011- Aug 2011)**
  Initial discussions with HR Managers and Executives working in CSR Units of all the eight organizations was undertaken to seek permission to contact other employees of the companies. This discussion helped in understanding the general notion of CSR activities.
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- **Stage 2: Pilot Study (Jan 2012 - May 2012)**
  
  Based on the inputs given by the Managers and the secondary data, a short questionnaire consisting of following five questions was prepared for pilot study.
  1. Are you aware of CSR activities of the firm?
  2. Are you aware of the mandate proposed in Companies Bill, 2012?
  3. Do you consider CSR as business strategy?
  4. Have you participated as volunteer in CSR initiatives undertaken by the firm?
  5. CSR positively affect employee and customer behavior. Do you agree?

All the questions had dichotic answers: Yes or No. The total sampling population for the Pilot study was forty two Middle & lower Management Executives. During pilot study it was observed that most of the executives were skeptical about mandatory CSR.

- **Stage 3: Selection of Participants (Jan 2013 - Mar 2013)**

  With the guidance of HR & CSR Executives and on the basis of the results of pilot study, the sampling population was selected. A detailed questionnaire for CSR was prepared.

- **Stage 4: Administering Questionnaires (Jan 2014 – Nov 2014)**

  Contacted the sampling population in person and via mails, answered the queries related to the questionnaire and helped in administering the questionnaire. At this stage, Schedule VII, Section 135 of the Companies Act 2013 was added in the questionnaire.

- **Stage 5: Collection of Questionnaire & Discussion (Aug 2014 – Nov 2014)**

  Discussed the overall view of the Executives about CSR and collected the questionnaire.

**4.8.3 Reference Period**

For secondary data, the Annual and Sustainability Reports were referred from 2007 to 2015, i.e. for 8 years.

**4.8.4 Data collection**

The Primary data was collected from January 2014 to November 2014, i.e. for over 11 months.
4.8.5 Selection of organizations

Basis 1: Top 50 Indian companies in Forbes global 2000 (list 2007) were selected. The list is enclosed as Annexure-I

The Forbes Global 2000 is an annual ranking of the top 2000 public companies in the world by Forbes magazine. The ranking is based on a mix of four metrics: sales, profit, assets and market value. The list has been published since 2003. The reference period of study is from 2007 to 2015, that is why, Forbes Global 2007 list was considered. Eight Indian private multinational companies were selected from the top 50 Indian companies list, based on their reputation in CSR initiatives.

Basis 2: Top 100 Indian companies involved in CSR activities ranked by CSR Identiti.com and Forbes India in 2012. The details are mentioned in Chapter 1 Table 1.5.

CSR identity.com - Tata's new global sustainability portal www.CSRidentity.com brings together 3,000 companies, 10,000 leaders, 100,000 NGOs, 195 Governments, 3,000 funding agencies and perhaps millions of unseen volunteers, marketing organizations and more creating the world's most comprehensive "Internetworks" platform on sustainability. This Corporate Sustainability platform is known as CSRidentity.com. This list mentioned Mahindra & Mahindra as a key performer of CSR initiative. The role of Mahindra group is acquiring Satyam InfoTech in 2012 is well known. The researcher was curious to know how Tech Mahindra performed in CSR initiatives after taking over Satyam InfoTech, because the latter was involved in the biggest corporate scam of Independent India.

The researcher has also added Titan industry because it was rated high in CSR initiatives for consequently 5 years by a renowned and prestigious organization Karmayog. Karmayog is a Mumbai-based NGO which provides detailed CSR activities of the 500 largest Indian firms and other Indian firms. Their rating of the largest 500 Indian Companies and sector-wise analysis of the same, guides companies to undertake CSR programs optimally and gives recommendations and reporting formats for Companies to adopt CSR and also gives opportunities to NGOs under the CSR programmes of various Companies.
4.8.6 Final selection of Organizations: Brief profile of the companies

- **Infosys**: Infosys Limited, headquartered in Bangalore, Karnataka, is an Indian multinational company known for software engineering and information technology. It also provides outsourcing services, and business consulting. In the era of globalization, Infosys ranked the fifth largest employer of H-1B visa professionals in the United States in FY 2013. Considering revenues of FY 2014, Infosys stands as the second-largest India-based IT services company. Infosys is ranked sixth largest publicly traded company in India in FY 2015.

- **Wipro**: Wipro Limited, headquartered in Bangalore, Karnataka, is an Indian Multinational company known for IT consulting and System Integration Services. The company has 158,200 employees servicing over 900 of the Fortune 1000 corporations with a presence in 67 countries. Wipro is seventh largest IT services firm in the world. It is one of the India’s largest publicly traded companies with market capitalization of US$35 billion (as of March 2015). From March 2013, it demerged its non IT businesses into separate company named Wipro Enterprises limited.

- **ITC**: ITC Limited, headquartered in Kolkata, West Bengal is an Indian multinational company. ITC is known for its Fast Moving Consumer Goods (FMCG), Hotels, Paperboards & Packaging, Agri Business & Information Technology. The company completed 100 years in 2010 and a market capitalization of US$40 billion in FY 2014-15. It employs over 25,000 people at more than 60 locations across India and is part of Forbes 2000 list.

- **TCS**: Tata Consultancy Services Limited (TCS), headquartered in Mumbai, Maharashtra is an Indian multinational company known for information technology (IT) service, consulting and business Solutions. TCS operates in 46 countries. It is a subsidiary of the Tata Group and is one of the largest Indian companies by market capitalization of ($80 billion) and is the largest India-based IT services company by 2013 revenues. TCS is now placed among the ‘Big 4’ most valuable IT services brands worldwide. In 2013, TCS is ranked 57th overall in the Forbes World's Most Innovative Companies ranking, making it both the highest-ranked IT services company and the first Indian company. It is the world's 10th largest IT services provider, measured by the revenues.
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- **Tata Motors**: Tata Motors Limited is an automotive manufacturing Indian multinational company headquartered in Mumbai, Maharashtra, India. It is a large manufacturer of cars, trucks, vans, coaches, buses, construction equipments and defence vehicles. Tata Motor is a subsidiary of Tata Group and 17\textsuperscript{th} largest motor vehicle manufacturing company in the world. It has its overseas plants in Argentina, South Africa, Thailand and United Kingdom.

- **Tata Power**: Tata Power is a subsidiary of Tata Group, head quartered in Mumbai, Maharashtra. It is an Indian Electric Utility company. It is the 2\textsuperscript{nd} largest private power generating company in India.

- **Tech Mahindra**: Tech Mahindra Limited is an Indian multinational company, headquartered at Pune, Maharashtra, India. It was earlier known as Mahindra British Telecom. In 2013, it merged with Mahindra Satyam. The combined entity today is known as Tech Mahindra. It has operations in more than 51 countries providing Information Technology solutions. It also provides business support services to BPO to the telecommunications Industry.

- **Titan**: Titan Company Ltd. Is a joint venture between Tata Group and Tamil Nadu Industrial Corporation. It is 5\textsuperscript{th} largest wrist watch manufacturer in the world. It also manufactures jewellery, precision engineering components and other accessories including wallets, bags, belts, spectacles, sunglasses, fragrances and helmets. It exports watches to 32 countries around the world.

### 4.8.7 Sampling Population

A sample of 246 respondents of senior, middle and lower management executives from Infosys, TATA power, TATA motors, Titan industries, WIPRO, TCS, Tech Mahindra and ITC have been included in current studies.
Table 4.1: Sampling Population

<table>
<thead>
<tr>
<th>Organization</th>
<th>Top Management Executives</th>
<th>Middle Management Executives</th>
<th>Lower Management Executives</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>ITC</td>
<td>1</td>
<td>1%</td>
<td>19</td>
<td>26%</td>
</tr>
<tr>
<td>TCS</td>
<td>1</td>
<td>3%</td>
<td>24</td>
<td>65%</td>
</tr>
<tr>
<td>INFOSYS</td>
<td>1</td>
<td>3%</td>
<td>20</td>
<td>65%</td>
</tr>
<tr>
<td>TITAN</td>
<td>2</td>
<td>11%</td>
<td>16</td>
<td>89%</td>
</tr>
<tr>
<td>TATA POWER</td>
<td>2</td>
<td>7%</td>
<td>15</td>
<td>54%</td>
</tr>
<tr>
<td>TATA MOTORS</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>57%</td>
</tr>
<tr>
<td>TECH. MAHINDRA</td>
<td>-</td>
<td>-</td>
<td>8</td>
<td>100%</td>
</tr>
<tr>
<td>WIPRO</td>
<td>-</td>
<td>-</td>
<td>18</td>
<td>41%</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>3%</td>
<td>124</td>
<td>50%</td>
</tr>
</tbody>
</table>

4.8.8 Analysis of the Results

The focus in present study was on the qualitative and quantitative analysis of the responses.

- The data collected has been primarily tabulated and master table was prepared.
- Percentage analysis has been the basic tool for the analysis.
- Further MS Excel, SPSS packages have been used for analyzing the data. The statistical tools that were used for analysis include:
  a. Sample Analysis
  b. Regression
  c. Percentage Analysis
  d. Chi-Square test
  e. ANOVA
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- Questionnaire: Total 22 objective type questions were asked in questionnaire with five rating parameters as below
  
  a. Strongly Disagree
  b. Disagree
  c. Neither agree nor disagree
  d. Agree
  e. Strongly agree

Each question was assigned a code. Questions were divided into 8 sections. Each section has subsections under which various questions pertaining to the enquiry related to the section code were asked. Table 4.2 gives the details of all the eight sections coding and the type of scale used.

**Table 4.2: Questionnaire structure**

<table>
<thead>
<tr>
<th>Section</th>
<th>Code</th>
<th>Section Name</th>
<th>No. of Questions</th>
<th>Scale used</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>UCSR</td>
<td>Understanding CSR</td>
<td>1</td>
<td>Multiple</td>
</tr>
<tr>
<td>B</td>
<td>ICSR</td>
<td>Implementation of CSR</td>
<td>5</td>
<td>Likert</td>
</tr>
<tr>
<td>C</td>
<td>CCSR</td>
<td>Communication of CSR</td>
<td>3</td>
<td>Likert</td>
</tr>
<tr>
<td>D</td>
<td>CSREB</td>
<td>Evaluating relationship between CSR &amp; Employee Behavior</td>
<td>5</td>
<td>Likert</td>
</tr>
<tr>
<td>E</td>
<td>CSRC</td>
<td>Evaluating relationship between CSR &amp; Customer Behavior</td>
<td>2</td>
<td>Likert</td>
</tr>
<tr>
<td>F</td>
<td>CSRR</td>
<td>Impact of CSR on the reputation of the firm</td>
<td>3</td>
<td>Likert</td>
</tr>
<tr>
<td>G</td>
<td>CSRS</td>
<td>Impact of CSR on shareholders</td>
<td>1</td>
<td>Likert</td>
</tr>
<tr>
<td>H</td>
<td>CSRBP</td>
<td>Relationship between CSR &amp; Business Performance</td>
<td>2</td>
<td>Likert</td>
</tr>
</tbody>
</table>

Apart from 22 objective questions various descriptive questions were asked to understand the perception of the employees about the impact of CSR. These descriptive questions were asked to support the argument mentioned in multiple choice questions. These questions are asked basically to allow respondents to express their views in detail about CSR initiatives.
4.9 Limitation of the Study

When the research work started (2011), CSR in India was voluntary and respondents were very open in answering questions during pilot study. Eventually, CSR became mandatory in 2013 and it was observed that the respondents were hesitant to fill the questionnaire. The inhibitions that organizations will live up to the mandate suggested by Companies Act 2013, were hovering over the minds of the respondents. The period of study was for 11 months and the researcher contacted more than one thousand employees but could collect 246 questionnaires. Thus the sample size is 246.

It was observed that respondents were not well aware of CSR practices of the organization. After receiving the questionnaire, few respondents referred to the communication sent to them through electronic media. Respondents also referred to the best CSR practices of developed nations.

There may be some positive and negative biases of the respondents. Respondents generally like to portray that they have high value system. Perhaps that may be the reason for the bias towards CSR activities.

4.10 Utility of the Study

- The study is significant to CSR units of multinational companies to understand how CSR can become a business strategy.
- The study encapsulates various practices of CSR that will be useful to all the multinational companies.
- The study opens the door for the future research on impact of CSR initiatives in the performance of all the sectors of different size and importance.
- The study also acts as a guideline to academicians to introduce CSR in the regular curriculum.