

GAUGING ORGANIZATION'S VIEWS ON CSR: CASE OF MERCEDES BENZ

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Abstract *Corporate Social Responsibility (CSR) is an important strategic area of organizations and has had an enormous impact on the stakeholders. During the last decade this concept has grown phenomenally. The era of corporate organizations paying lip service to social responsibility is fast coming to an end. Social Responsibility assumed by businesses has paid rich dividends over a long period. This has led to CSR becoming a part and parcel of day to day business operations.*

The recent past has seen CSR becoming a process from a concept and also organizations deriving value from it. In the light of the above, the current case study explores the CSR initiatives of Mercedes Benz India Pvt.Ltd. Some primary research is conducted for the India operations of the company through their web pages containing information's about their CSR initiatives. The case exemplifies how a company can leverage their perception of CSR among the stakeholders'.

The case is an attempt to illustrate this changing paradigm of CSR in the private sector and Mercedes Benz in particular. The case also describes how CSR initiatives of the company have integrated all its stakeholders.

Keywords *Corporate Social Responsibility, Stakeholders, Mercedes Benz*

“No business deal can ever justify putting our company’s reputation at risk”

Dr. Dieter Zetsche

There are new concepts that get introduced everyday into the discussion regarding the role of business in society. Corporate Social Responsibility and Corporate Governance are two dimensions of research that help to indicate what the corporations do and should do for the society.

Mercedes Benz India’s approach to Corporate Social Responsibility(CSR) stems from the philosophy “With over 14 years in India and around 25,000 Mercedes Cars on Indian roads, Mercedes Benz- India is committed to even more intense engagement with India. The commitment of business areas thus will also find reflections within its CSR approach and philosophy in India. The social impact of business is felt on an ever-increasing scale in today’s global economy. The management communicates and demonstrates support for Corporate Social Responsibility and managers are required to incorporate economic, social and environmental objectives into their business plans. The understanding of CSR is well articulated under “Corporate Values” and thereby the actions are guided accordingly from those values of the company.

In the recent past, Mercedes Benz has taken many initiatives with regards to CSR. But there are a few questions that organization top management still ponders upon. Would employee feel as passionately as the company about the pro-societal values and initiatives? Would they see the company’s

environmental policy/philosophy as a sensible, long term business strategy, or would they consider it as merely a marketing gimmick, an expensive, expendable luxury that jeopardized the ROI? Would all the stakeholders appreciate this concern of social responsibility?

LITERATURE REVIEW

Corporate Social Responsibility

Corporate Social Responsibility (CSR) has variously been described as a ‘motherhood issue’ (Ryan 2002) ‘the hot business issue of the noughties’ (Blyth 2005) and ‘the talk of the town in corporate circles these days’ (Mees & Bonham 2004). Corporate Social Responsibility (CSR) has therefore become important consideration for managers at all levels, as well as one of the most vibrant areas of study and research in the field of management (Andrew Crane, Dirk Matten, Laura Spence, 2008). The role of corporations in society is clearly on the agenda. Hardly a day goes by without media reports on corporate misbehaviour and scandals or more positively, on contributions from organisations to society. A quick stroll to local cinema and films such as Blood Diamond, The Constant Gardener, Inside Job or Supersize Me, reflect a growing interest among public in impact of organisation on contemporary life. There has been a growing interest in CSR across a range of disciplines. Whichever perspective is adopted, CSR has to have purpose and has to be championed whether for reasons of economic reputation management or

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as reflection of individual, personal values. (Hemingway, Maclagan, 2004).

Ligeti & Agnes (2009) carried out a study of CSR communication of companies in Hungary. They formed the questionnaire and conducted interviews of the managers. Their findings of research conducted by Ligeti and Agnes indicate that the Hungarian companies engage in CSR activities only to get good relations with authority to make good public relations.

Turker (2009) investigated that CSR in organisation has internal and external practices. Internal CSR practices refer to the CSR practices which are directly related with the physical and psychological working environment of employees. It is expressed in concern for health and well-being of employees their training and participation in the business, equality of opportunities, work- family relationship (Vives A, 2008)

Looking from a different perspective, Barnett & Robert (2006) established a curvilinear relationship between CSR and financial performance. They have measured the financial social link within the mutual funds that deal with SRI (Social Reporting Investing). Organisations are fast realizing that there is more to their existence than strategies towards competition. CSR reporting provides the stakeholders with a more holistic view of an organizational and its activities.

What does it mean for a corporation to be socially responsible? Academics and practitioners have been striving to establish an agreed upon definition of this concept for 30 years. For the better part of 30 years now, corporate executives have struggled with the issue of firms responsibilities to its society. No metaphor is perfect and the CSR pyramid is no exception. (Carroll, 1991)

Corporate Social Responsibility and Stakeholders

CSR is a function of on-going terms of general agreement between business and society (Quazi, 2003). The idea that corporations have stakeholders have now become commonplace in the management literature both academic and professional. The author further explains the distinction between the two specific groups of stakeholders – primary and secondary. A primary stakeholder is: “One without whose continuing participation the corporation cannot survive as a growing concern, with the primary group including shareholders and investors, employees, customers and suppliers, together with what is defined as the public stakeholder group: the governments and communities that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and obligations may be due”. The stakeholder responsibility matrix was developed in 1991 by Carroll. This is a tool that outlines the major steps of an organisation in applying CSR

goals and outlines the responsibilities of each stakeholder towards reaching the goals. The first step with a responsibility matrix on CSR is to list the various types of responsibilities that the firm has, the second step is to list a set of relevant stakeholders, the third step is to specify the responsibility of each stakeholder and the last step of the process is to incorporate the responsibility matrix into the running of the company (Carroll, 1991).

Measuring CSR

Corporate Social Responsibility (CSR) helps organisation to cut costs and boost sales. However, there are other significant benefits which businesses sometime forget about, as they are slightly harder to measure.

Benefits of CSR are:

- Improved reputation,
- Stronger customer loyalty
- Motivated employees

These benefits should not be overlooked, and can in fact be measured. For example, improved motivation could lead to reduced absenteeism and reduced staff turnover. Similarly, customer loyalty could increase levels of repeat purchasing.

IDENTIFYING AND MEASURING INDICATORS OF SUCCESS

Organisations Can Benchmark Business Against Others

Once your business is established and financially secure, you need to think about how to grow or improve it. Regularly reviewing your progress will give an idea of how organisations can benefit in the current market, access new customers and find new business opportunities. A performance measurement system is an important way of keeping track of your business' progress. This gives reliable information about business performance and allowing setting targets for implementing your growth strategies.

Key Performance Indicators (KPIs) to Measure Your Environmental Performance

The key performance indicators include

- Emissions to Air
- Emissions to Water
- Emissions to Land
- Resource Use

- Supply Chains
- Products

corporate reputation. This dichotomy can be simplified as ethically driven behavior based on moral obligations on one hand, and organizational benefit on the other.

Company Background

Daimler is the world’s number-one producer of prestige vehicles, the market leader in sport-utility vehicles and minivans, the world’s largest commercial vehicle manufacturer and global leader in rail systems. They are also among the world’s leading companies in the aerospace and financial services sectors, as well as in automotive electronics and diesel engines. The Company has shifted to its new, state of art facility near Pune. The company has implemented ‘Mercedes-Benz Production System’, which combines production processes with teamwork in a unique way. The company has been associated with India for more than 50 years.

There are two perspectives on CSR; one is about corporate behavior based on “normative and ethical” considerations, the other is about managing corporate risks and protecting

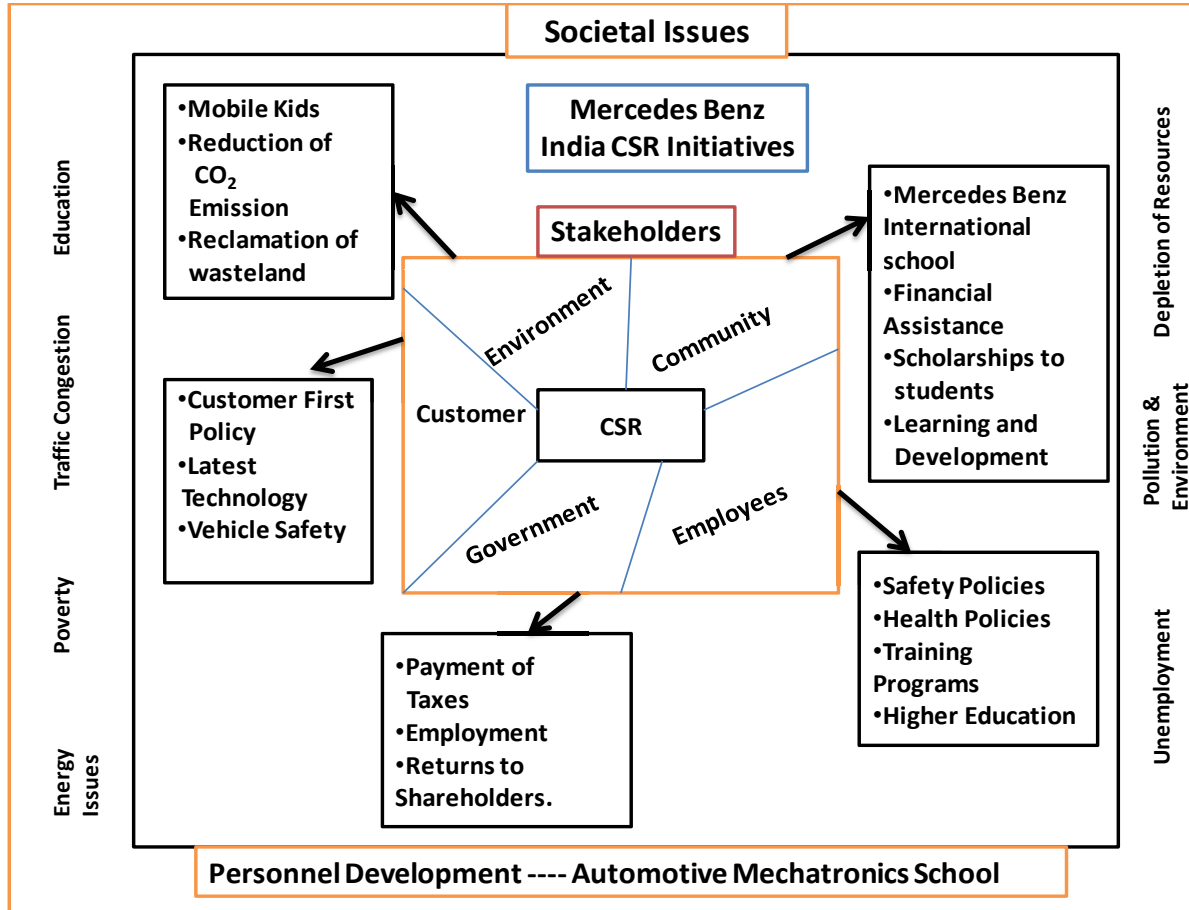
Beyond Business

“It is important for the company to give back to society hence it is essential to participate in CSR activities. There is always a win-win situation. We get resources from the nature and the society, the company utilizes these resources and in turn gives back to the society back in the form of CSR activities. Being a car company environmental aspect is important from the corporate perspective we are set up in place where we can do something for upliftment of the area. Reaching out is of prime importance. It’s a different world altogether when you reach out.”

- Collin, Divisional Manager- Human Resources

Mercedes Benz India views Corporate Social Responsibility (CSR) as both an opportunity and an obligation to assume broader responsibility for the society. The objective is to

Figure 1 Corporate Social Responsibility at Mercedes Benz India.



preserve the environment that helps foster dialogue and understanding in today's globalised world, in an atmosphere that allows creating value for all stakeholders. The company responds to these goals by identifying areas where they are best equipped to put their knowledge and experience in a manner that will benefit society to the greatest extent possible. Mercedes firmly believes that CSR is not only about charity and donation but it is also about responsible business practices with respect to the stakeholders. As a responsible corporate citizen Mercedes Benz India strives to improve the lives of the communities it operates in as well as takes initiatives towards social improvements to have strong connection with the society.

The CSR principles of the company are found mostly in the areas of Environment, Community, Customer, Government and Employees. The understanding of CSR is well articulated under the 'Corporate Values' and thereby actions are guided accordingly from those values of the company. The core values are Passion, Excellence, Integrity, Discipline, Respect, adopting Anti-Bribery measures and ethical practices. The CSR at Mercedes Benz India is more than philanthropy and takes care of all its stakeholders which can be well understood by the initiatives taken.

"I feel corporate should not work only for profits it is a short term goal for long term sustainable growth we need to get involved in the social issues. It is our responsibility to pay full taxes to the government for development of the country. It is not just paying salary to the employee and getting work done but to ensure employee's life is developed. This is done by giving training to them. 30% of the Blue Collar employees are sent to Germany, Indonesia for training. The company strives to make the life of the employees much better in the society and to make the employee feel proud to be associated with the company. Quality is the only parameter which we consider. Every employee gets an equal opportunity there is no discrimination done among them."

- Suhas Kadlaskar, Director, Corporate Affairs.

Beyond Philanthropy

"As a responsible corporate, Mercedes-Benz India is committed to enriching the lives of communities we operate in and becoming partners in their development"

- Dr. Wilfried Aulbur, Managing Director and CEO
Mercedes-Benz India

Mercedes Benz India Ltd as a company is committed to the community in its broadest sense. This commitment takes many forms, with special attention to enhancing education and safety awareness throughout the state. The Company's commitment to the cause of education saw birth of the

Mercedes Benz International School. The Mercedes Benz International School is co-educational, having a richly diverse international community and a low student-teacher ratio. The essential spirit of the MBIS is to provide a supportive atmosphere which challenges students to excel. It offers a global and comprehensive programme that instills students with skills necessary for good, life-long work habits. It believes in education that stimulates intellectual curiosity, critical thinking and problem solving and allows students to be continually challenged at an appropriate level. The Company also takes efforts to develop the lower strata of the society by providing those opportunities to learn and develop themselves.

Educational Institutes

With a view of serving the community and as a long term sustainable and measurable initiative the company supports the *Educational Institutes* in the areas of Education, Infrastructure, Learning and Development. Mercedes Benz India committed financial support to the rural school - Sau Vimlabai Nerlekar Madhyamik Vidyalaya confirming - Donation of Rs. 500,000 (Euro 10,000) for construction of classrooms. Scholarship Scheme out of corpus of Rs. 600,000 (Euro 12,000) designed to motivate students to keep coming to school and studying. Provision of computer for the students. Philosophy Behind the activity is that Mercedes Benz India recognizes the importance of education as a tool for social development.

The exemplary mission of this school is to provide education for children in the rural areas and cater the need of education of poor people from extremely backward areas. The company has launched a Scholarship Program for meritorious students of a rural school who are from socially challenged background to encourage the students to complete their school studies and proceed with further education and to focus attention on students of Scheduled Caste, Scheduled Tribes and backward classes, with a view to ensuring that increasing number of children complete their school studies and proceed for further education.

The Company is engaged in training the students of rural areas covering the topics on General Knowledge, Aids Awareness, Skill Development, Health and Hygiene, Outdoor activities to inculcate teamwork among students and also provide career guidance to them. The Company has supported a rural school by providing financial assistance for setting up infrastructural facilities at the school. To plough back something to the society for the privilege of doing business in the region and recognizing the importance of education for less privileged sections of the society, the company has built classrooms for one of the schools which is in the vicinity of the company.

“Mercedes-Benz Mobile Kids”

Mercedes Benz India has launched “*Mercedes-Benz Mobile Kids*”, a road safety program that teaches children the basics of road safety in a fun and entertaining manner. “Smarty’s World” is being utilized for classroom education on road safety. The book, specially designed for Indian implementation, chronicles the adventures of Smarty and his friends; it is colorful and fun to browse. Program coordinators train teachers to implement the program in their respective schools. A school-level event is held mid-way into the program. The students engage in activities and contests pertaining to road safety and environmental awareness. At the end of the program, there is a final “Inter-School” event among all participating schools. The primary target group for the programme are children between 9-11 years and the secondary target group includes parents and teachers, media, community. This initiative of the company has got a very positive response from children, parents and teachers, officials and media and special appreciation from Government of Delhi and Government of Tamil Nadu.

The Unique Partnership

To generate quality trained Technicians for induction into the network, despite the challenges of the exploding need of Qualified Manpower in Automotive Market & in particular Mercedes Benz Network, to bridge the quality gap between the output of existing Education system (highly theoretical) as against the required practical Competence and to spread the technical know-how to society at large as our Corporate Social Responsibility activity the company entered into partnership with the Government Polytechnic Institutes. It is first of its kind of Public Private Partnership in India.

Advanced Diploma in Automobile Mechatronics

“The Advanced Diploma in Automotive Mechatronics will utilize our expertise in this area and help institutes like Government Polytechnic, Pune to groom talented youngsters.”

– Dr. Wilfried Aulbur, Managing Director and CEO
Mercedes –Benz India

Mercedes Benz in collaboration with Government Polytechnic, Pune introduced *Advanced Diploma in Automobile Mechatronics* in India. The program is aimed at developing local technical competence in India and the sub-continent for Mercedes-Benz cars’ automotive diagnostic skills as well as electronic and electrical networking systems. This intensive training program breeds fresh talent for

Mercedes-Benz in India as well as the industry. *Advanced Automotive Technology Course* is one-year Post-Diploma course enables students to be trained as per the highest standards of modern automotive technology.

The course offers first-of-its-kind syllabus aimed to bridge the gap between technological demand and automotive education. There is 100% placement to pass out students in Automotive Industry. This unique course uses the method of ‘Self Reliant Training’ with the development of necessary soft skills in the Auto service industry and offers extensive hands-on-job learning, thus enabling the technician to confidently face the real life situations. A Mercedes Benz training car, training aggregates, special tools, diagnostic tools and course content is provided by the company. Specialist Germany trainer for first two years was also placed with the active support from CIM, Germany to ensure quality for training.

The course is successfully running in its 4th year with 100% employment to pass out students in Automotive Industry. To expand the horizon a similar initiative will begin shortly at the company at Polytechnic College at Aurangabad.

The Environment Arena

Mercedes Benz believes in environmental leadership and puts a great deal of emphasis on environment as a priority CSR initiative. Company’s environmental commitments are reflected in its Environmental Policy. The company is very conscious of the environmental impacts and pollution hazards. Every possible effort is taken by the company to mitigate the environmental risk and concerns.

Environmental Protection

For Mercedes-Benz India *Environmental Protection* is a corporate goal which is pursued with devotion. The company has been awarded the prestigious ISO 14001 Certificate for implementing the ‘Environmental Management System’ in the year 2001. Keeping in line with Daimler’s policies towards environmental protection, Mercedes-Benz India is making every effort to protect the environment. The company has various environmental objectives set and the targets to achieve the same.

The objectives are energy saving by conducting energy audits, increasing greenery at new location-Chakan by Saplings Plantation, Utilization of Organic Fertilizers for Mercedes Benz-India’s gardens, recycling of the waste for gardening by virtue, recycling of the used water after car washing at the company, increasing environmental awareness among employees, contractors, visitors, through various programs, Rainwater harvesting.

Sustainable Mobility

Mercedes Benz India's perspective towards sustainable mobility leads to income generation for rural farmers. This was an initiative taken to address the challenges of Job creation in rural areas, additional income to farmers, import of Fuel, CO2 emissions, and eroded soils. The future steps for this initiative is that the Project for proving its commercial feasibility is being discussed with ADM & Bayer in India. The micro credit facility being evaluated to support marginal farmers for growing Jatropa and to understand village-level synergies and production dynamics of biodiesel production

The Jatropa Biodiesel Project'

"The Biodiesel project is at a very exciting stage now. Our vehicle tests with 100% pure (unblended) Biodiesel continue to show very positive results and we have now widened our fleet of Mercedes-Benz cars powered by Biodiesel."

-Dr. Wilfried Aulbur, Managing Director and CEO of Mercedes-Benz India

'The Jatropa Biodiesel Project' is funded by DEG (Deutsche Investitions Entwicklungsgesellschaft). This project has won the award for "Extraordinary efforts for the environment extraordinary environmental responsibility". It optimizes

the value-chain of biodiesel creation through best practices and models for community participation and emphasis on finding innovative utilization of by-products with a parallel ongoing focus is on vehicle testing, agronomic research and fuel improvements.

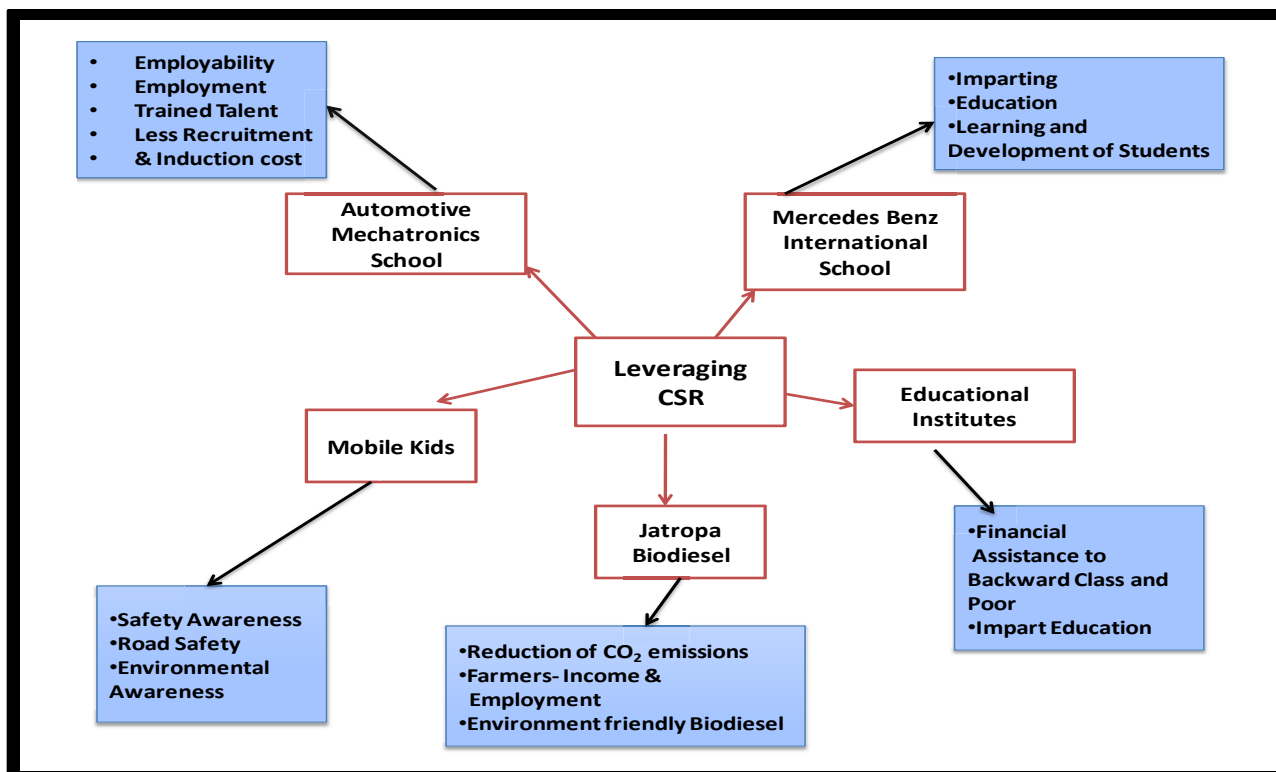
Leveraging CSR

"We strongly believe in our core values of PRIDE (Passion, Respect, Integrity, Excellence, and Discipline).Mercedes Benz- India as a company is committed to achieve high ethical standards in business transactions. The company does not tolerate unethical and corrupt practices by the employees as well as business partners like vendors, suppliers. We strive for protection of environment for current and future generations and comply with all applicable environmental laws and regulations."

-Suresh Rajwade, General Manager, Human Resources.

Corporate Social Responsibility cannot be an additional extra - it runs to the core of every company's ethics (both abroad and at home), and its treatment of employees and customers. The CSR initiatives at Mercedes Benz are taken by the Human Resource Manager. The various CSR activities undertaken by the company provides benefits to the organization directly or indirectly.

Figure 2 Leveraging CSR



The collaboration with the polytechnics help the organization to attract and choose best talent having knowledge of the technical processes at Mercedes (course being designed in that manner). This initiative enables to reduce the recruitment cost, induction cost and training cost of the employees.

The biodiesel initiatives brought an innovative concept of biodiesel cars which attracted the customers. This initiative has led to reduction of CO₂ emissions. Mercedes Benz International School apart from providing education serves as a facility for the expatriate children's education. CSR is good for business behaving ethically makes for good public relations, creating a better image and reputation. That in turn can attract financial investment, ethical investment, and more custom and quality staff (in a competitive recruitment market). Social involvement can improve staff morale and job satisfaction. Good practice in terms of environmental protection and recycling, for example, can reduce waste and keep costs down. This all adds up to improved quality, efficiency and productivity which in turn impacts on the core business of the company making it more competitive and more successful. (Figure 2)

The HR Department has undertaken the various CSR initiatives in the nearby vicinity of the company. The goals of these activities are linked to the business growth.

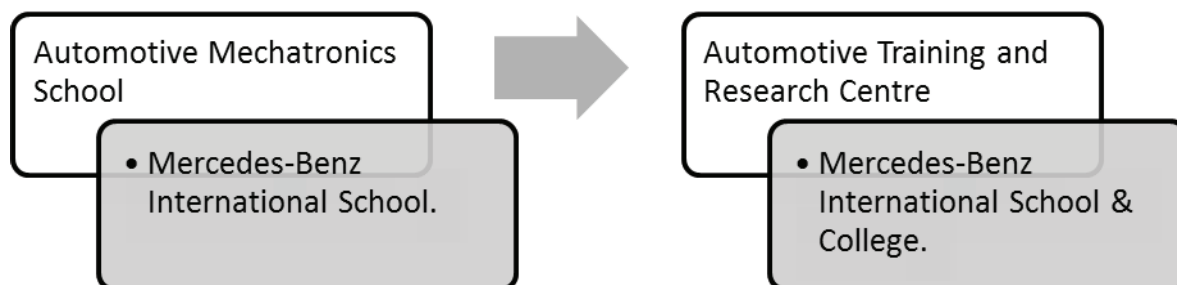
By supporting education projects Mercedes Benz hopes to improve standard of living and develop skills, raise aspirations, support learning and help prepare young talent for work. Staff volunteering the various CSR initiatives has developed communication skills, self-confidence and the ability to work with different age groups and across cultures. These new competencies have been used in their work to help the company's performance. The use of CSR strategically helped the HR manager to focus resources where they would add most value. In addition the staff has benefited by gaining new competencies such as team working and the ability of working with all work groups. This has resulted in increased staff motivation and increased productivity. Through volunteering it helped the new working colleagues to get accustomed to each other.

The HR Department is thinking in terms of expanding their CSR initiatives. The Mercedes Benz International School catering to only pre-primary, primary and secondary students can consider even the high school students and college students as their prospective CSR beneficiaries. The Automotive Mechatronics School running in partnership with the Government Polytechnic Pune can be established as a full-fledged training and research centre catering to the organizational need of skilled personnel. (Figure 3)

Table 1 Goals of CSR Activities

Sr.no	Initiative	Short term Goal	Long term Goal
1	Mercedes-Benz International School	<ul style="list-style-type: none"> • Supports multinational companies to set up operations in Pune region by catering to their need of education to the expatriate employees. • Provide international exposure to Indian students to increase the skills levels which would benefit the country. 	Opportunity for students to receive world class education in Pune.
2	Automotive Mechatronics School	<ul style="list-style-type: none"> • Spread the Technical know-how 	Employment and Employability.
3	Mobile Kids	<ul style="list-style-type: none"> • Development of hazard anticipation in children. • Inculcate road safety habits to school going children. 	Pro-social behaviour; Conscious handling of one's own mobility.
4	Scholarship schemes for disadvantaged children	<ul style="list-style-type: none"> • To provide education for children in the rural areas along the right bank of the Khadakvasla Lake. • Caters to the need of education of poor people from extremely backward areas. 	Impart education to the society.

Figure 3 Probable New Developments



THE WAY FORWARD

The HR Department has planned the various CSR initiatives linking it to the organizational goals and with a view of adding value to all the stakeholders. However the initiatives are not focusing on all the stakeholders. Mercedes Benz is making contribution to the society but the HR manager is unable to measure the initiatives taken and thus unable to judge whether to proceed with the same initiative or to go for a new initiative giving more benefit. Mercedes Benz wants to expand its horizon in terms of the CSR initiatives taken to cater all the stakeholders.

The major challenge for the HR Department is to identify the social issues that drive its competitiveness both now and in the future. The manager wants CSR to be a source for business opportunities and competitive advantage. This integration of utilizing the opportunities to gain competitive advantage then would pave way for all round sustainability and growth. Thus CSR has the potential to change the way business conducted throughout the world. The main challenge is to use CSR as a strategy aiming at mutual development of company and the community simultaneously. One fundamental problem is the measurement of CSR.

CSR initiatives are the combination of plural responsiveness that ranges from reaction to proaction for various stakeholders. For example, it is required by law for a company to be equipped with an air pollution reduction system (reaction), while the company voluntarily produces more eco-friendly biodiesel cars (proaction). Mercedes Benz India is now planning to expand its CSR initiatives in India. The company has major plans of expansion in India and around the continent. Other than the financing issues, being socially responsible is a question of the hour.

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