

Invited Article

Facilitators & Bottlenecks of Corporate Social Responsibility

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Corporates are experimenting with various areas in CSR apart from what is stated in their vision statements. They are also collaborating with NGOs, local self-government bodies or the government to ensure better reach, better strategy formulation and inputs from the government. It is vital for a company to view and focus CSR as a source of competitive advantage rather than a practice of philanthropy. CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. Underdeveloped resources for implementation have created huge gaps and have increased the cost for CSR implementation. Besides, there are also no generally accepted standards for measuring the success of the array of community development programs that are now in place, according to the author.

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Role of CSR

Corporate Social Responsibility (CSR) has swept companies globally and has been claimed to be an integral part of the modern businesses. CSR reflects a company's goals, vision, mission, culture and the strategies. It defines what and how a company looks beyond profits. A number of companies today are beginning to incorporate CSR into their long-term planning processes, identifying specific goals and measures of progress because it plays a very significant role in the business, some of which can be explained as under:

- **Boost in brand image and reputation:** Customers are often drawn to brands and companies with good reputation in CSR-related areas. A company considered socially responsible can benefit both from its enhanced reputation with the public as well as within the business community, increasing a company's ability to attract capital and trading partners.
- **Increased sales and customer loyalty:** A number of studies have

suggested a large and growing market for the products and services of companies who are perceived to be socially responsible.

- **Reduction in operating costs:** CSR initiatives help reduce operating costs dramatically. For example, many initiatives aimed at improving environmental performance such as reducing pollution that contribute to global climate change or reducing use of agrochemicals also lower costs. Many recycling initiatives cut waste-disposal costs and generate income by selling recycled materials.
- **Higher productivity and quality:** A company's efforts to improve working conditions lessen environmental impacts or increase employee involvement in decision-making often lead to increased productivity and reduced error rate. For example, companies that improve working conditions and labour practices among their suppliers often experience a decrease in merchandise that is defective or can't be sold.
- **Attract and retain employees:** Companies perceived to have strong CSR commitments often find it easier to recruit and retain employees, resulting in a reduction in turnover and associated recruitment and training costs. Even in difficult labour markets, potential employees evaluate a company's CSR performance to determine whether it is the right "fit".
- **Reduced regulatory oversight:** Companies that demonstrably satisfy

or go beyond regulatory compliance requirements are given more free reign by both national and local government entities. For instance, in the USA, the federal and state agencies overseeing environmental and workplace regulations have formal programs that recognize and reward companies that have taken proactive measures to reduce adverse environmental, health and safety impacts. In many cases, such companies are subject to fewer inspections and paperwork, and may be given preference when applying for operating permits, zoning variances or other forms of governmental permission.

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These are just handful of benefits that one derives from CSR activities. However, to reap its long-term benefits, organizations are required to keep their CSR focus areas clean and committed to what they have to say. So whether a company works for women empowerment or is dedicated to educate the children of slum areas; the CSR activity that is undertaken is dependent on the company's mission and vision.

Corporates these days are trying to experiment with various areas in CSR apart from what is stated in their vision statement. For instance, if a company visualizes to provide sustainability

through employment, the CSR activities may not only focus on providing employability options but also the overall personality development of an individual in terms of health, education etc. But with this experimentation comes another challenge, the companies are facing the crisis of formulating new voluntary corporate social responsibility standards and performance measurement tools for studying its impact.

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Successful CSR Experiments

Companies have been implementing CSR activities in various fields. This can be illustrated with the help of examples such as the following:

Coca-Cola India. A leader in carbonated drinks category, Coca-Cola had suffered huge losses owing to the pesticide incident. The company recently bagged the corporate responsibility award from World Council for Corporate Governance, UK for its efforts in water conservation and management, and community development initiatives. Coca-Cola India has installed 320 rainwater-harvesting structures in 17 states and has restored several traditional water bodies and check dams across the country for water conservation. The company has a target to reach a “net zero” balance with respect to ground-

water use by 2009 and has also undertaken a project to provide drinking water to nearly 30,000 children in 100 schools in and around Chennai. The company plans to provide clean drinking water in 1,000 schools by 2010.

ITC Limited. ITC is significantly widening its farmer partnerships to embrace a host of value-adding activities such as creating livelihoods by helping poor tribals make their wastelands productive; investing in rainwater harvesting to bring much-needed irrigation to parched dry lands; empowering rural women by helping them evolve into entrepreneurs; and providing infrastructural support to make schools exciting for village children. Through these rural partnerships, ITC touches the lives of nearly 3 million villagers across India.

Jaipur Rugs Company. Jaipur Rugs Company Pvt. Ltd is one of the leading exporters and manufacturers of hand-knotted rugs. Jaipur Rugs Foundation, a CSR initiative of the company provides livelihood in carpet weaving to socially deprived and underprivileged communities of the rural India. Their initiatives have touched more than 35000 artisans in the drought driven, economically backward and infertile areas. Jaipur Rugs Foundation imparts skills training to weavers and artisans so that they can be absorbed by the industry. It is not only livelihood that they target but have also ventured into other focal areas that provide overall integrated development of the artisans such as health, education, sanitation and micro-finance issues. This

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foundation is based on the concept of 3Es which encompasses employability for the unemployed, employable opportunities for the ambitious artisans and supporting them in every way to graduate them as entrepreneurs. The foundation has spread itself to ten states of India such as Rajasthan, Uttar Pradesh, Gujarat, Jharkhand, Bihar, West-Bengal, Nagaland, Orissa, Arunachal Pradesh and Maharashtra. Functioning at three levels, Jaipur Rugs Foundation acts like a facilitator to the rural villagers who can then have a direct access to the markets and reforms available with the government. Where Jaipur Rugs Foundation focuses on the overall development of weavers, the industry provides these rural weavers with global market linkages. The foundation in collaboration with the government, semi-government and local government bodies builds a positive environment at places where these rural artisans reside and motivates them to develop their capacity building, technical know-how, and quality control and provides them with micro-credit facilities.

CSR-A Proactive Approach

CSR as a social initiative is a proactive approach. To attain sustainable

results for business and society at large, it is vital for a company to view and focus CSR as a source of competitive advantage rather than a practice of philanthropy. Businesses must have clear understanding of the communities that they impact and must give a serious thought to the question – how the strategy helps these communities grow qualitatively along with the business in the short and long term? The answer to this question may not be obviously forthcoming but an open debate among the executives and strategic managers may open up options, that may help improve the quality of life indicators for the communities around in a way that enhances business opportunity for tomorrow if not the current profitability.

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The challenge for industry today is to identify social issues that drive its competitiveness both now and in the future. For this to happen, managers must first believe that social concern or CSR as it is popularly known is a source of business opportunity and competitive advantage. This integration then would pave the way for all round sustainability and growth. Sooner than most of the experts suspect, the issues relating to climate change and social responsibility in the area of operations will be decisive factors for survival of businesses. CSR has the potential to change the way business is conducted the world over.

Corporate Social Responsibility has gained coverage and prominence in recent years. When big business tycoons thought of giving back to the society, the act of giving back dwelled into a system that we today call as corporate social responsibility or CSR. Though not new, this concept has changed the face of modern businesses. Today many companies are taking initiatives for developing infrastructure in rural areas. TATA Motors provides desks, benches, chairs, tables, cupboards, electrical fittings and educational and sports materials to various primary schools in the areas it works. The company has also planned similar programmes to upgrade school infrastructure and is also planning to set up a computer laboratory in one of the high schools. Similarly, TVS Electronics was involved in corporate social responsibility during the Tsunami to provide relief measures to the victims. They have also participated with the government to improve sanitation in a village called Tiruvidenthai.

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Jaipur Rugs Foundation, a corporate social responsibility of Jaipur Rugs Company Private Limited aims to uplift the underprivileged and deprived communities through carpet weaving. By focusing on empowering the bottom of the

pyramid, the company aims at promoting rural entrepreneurship with the help of new technical inputs. It is this potential that has to be unlocked and unleashed to walk on the path of success. Thus, as quoted by the World Business Council, CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. This concept is often misunderstood as charity or philanthropy. Initially, many firms or businesses spent money on community projects, charities, donations, scholarships or even encouraged their employees to do volunteering in the community.

Today, corporate social responsibility means to step beyond charity and requires that a company or a group of entities take into full account its impact on all stakeholders and on the environment when making decisions. In a networked arena of industries, a social responsibility improvises the bottom line and takes into account the overall integrated development of the community as a whole that provides sustainability.

Facilitating CSR

Facilitator is the one who can make the process of implementing CSR easier. Generally, the government, non-governmental organizations and private bodies or institutions form the basis of smoothing the process.

Government Initiatives. Indian government undoubtedly has strived to

bridge the urban and rural divide. New attempts are being made in the form of collaborations and partnerships with local NGOs, corporate or private sector. Rural Business Hubs, for instance, is an attempt by Ministry of Panchayati Raj (MoPR) and Confederation of Indian Industry (CII) to establish a direct linkage between rural economy and industry. One of the key features of Rural Business Hubs is to provide a mechanism for industry to procure agri-produce directly from the farmers and conceptualize this as a model for overall development of the rural sector. This concept is also termed as public-private-panchayat partnership. The three main aspects of this partnership can be explained as under:

- The industry provides interventions in terms of technology and know-how, good farming practices, agriculture inputs, standardization and quality enhancement measures, value addition, branding and marketing, training and skill development and elimination of non-value adding activities.
- The government schemes ensure an overall development of the rural sector, including setting up of required infrastructure, accessing soft loans and procurement of needed technology inputs.
- The concept of Rural Business Hubs does not restrict to just agri-produce. It covers a broad spectrum of activities, including handicraft and handloom products, poultry farming, aquaculture produce, food process-

ing, medicinal plants, bio-fuels, bio-mass based power plants, jatropha cultivation, etc.

Business Hubs link the industrial body with the local panchayats and the rural communities.

Thus, Rural Business Hubs link the industrial body with the local panchayats and the rural communities. It is a chain that involves actions from both the parties. Likewise, many initiatives have been undertaken by the government and the private sector to provide an overall integrated development of the rural sector. Ongoing government programs like Integrated Child Development Services (ICDS), Sarva Shiksha Abhiyan (SSA) and National Rural Health Mission (NRHM) may be suitably reoriented to avail of CSR interventions optimally.

Worldwide, large multi-nationals have adopted a holistic approach to CSR. Many organizations have signed up to the United Nation's voluntary framework that focuses on the areas like: human rights, labour standards, the environment and anti-corruption. This framework is termed as the United Nations Global Compact that is increasing a firm's credibility before the public and monitoring its business actions.

In India, CSR interventions that are based on commitment, mobilization of employees-voluntarism, innovative approaches, appropriate technology and continuing partnership have been

making lasting differences in the rural sector. The synergy of corporate action with the government and the civil society are making these interventions more effective and are helping corporates to carry on business in the society. The government is using minimum wage policies, restriction on working hours, safe environmental practices with the organizations that are grounded to make a difference to the society in which they serve.

NGOs & CSR Practices. Until a few years ago no corporate ever realized the importance of entering into collaborations with NGOs. Corporates alone failed in realizing the true potential of social responsibility because they were unable to reach their target audience as their public image was low and limited understanding of communal issues. Since NGOs work at specific areas and fields, they have figures, facts and clarity of what is to be implemented, where it will be useful and the communities that need real assistance.

Collaborations with NGOs have made private bodies to present themselves in a better fashion as their public image increases; credibility is built before the society in which they choose to serve and a practical experience of utilizing skilled manpower is gained in an effective manner. For example, in the year 2007, Coca Cola, in collaboration with three leading NGOs viz. Plan India, World Vision India and Save the Children undertook extensive rehabilitation projects for children in flood-affected areas of Bihar. Apart from

this, it is still in tune with various NGOs for water conservation and recycling plans.

Likewise, collaborations with the government have also helped in the overall community development of a nation. The government has funds to give while most NGOs engage themselves in plans, strategies and action. For instance, the Government of Bangladesh (GOB) runs an extensive network of hospitals and dispensaries, but their services suffer from shortages of resources and mismanagement, and lack of accountability. In the extreme rural areas of the state, reaching the patients is next to impossible. Health-care services are either absent or inaccessible in these areas. This situation has led NGOs and other voluntary organizations to take responsibility for providing much of the country's health and social welfare services. An estimate in 2006 suggests that NGOs provide services to almost one-quarter of the total population of Bangladesh, which has the most active NGO sector in the world, with over 6000 of them registered. Out of these, about a quarter is considered active.

Most NGOs pursue a dual strategy, addressing poverty (through micro-credit schemes) as well as providing service delivery programs, particularly for education, agriculture, health and other related areas. These organizations generally follow the target-group approach, giving greater priority to the poor and other vulnerable groups

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There is growing recognition that NGOs have considerable power to improve many areas and have the capacity of building the communities. NGOs are considered to be in a better position to impose user fees that can lead to cost recovery and community participation. They are thought to be closer to the people and more aware of community needs. Their success in economic empowerment of the poor, polio eradication, sanitation, environmental conservation and in non-formal education programs have strengthened both the government's and community beliefs that NGOs can effectively contribute to achieve the national targets.

The Hiccup Areas

Predominantly oversized with the rural population, India is striving hard to bridge the huge divide between the urban and rural areas. Understanding this divide and analyzing its depth will require a lot of efforts and work by not only the Indian government but also private and other self-formed bodies. Where there are ongoing developments in the CSR concept, organizations are still faced with tough situations when it comes to implementing social initiatives.

A nation where about 700 million Indians reside in villages; the government, corporates and businesses are

probing efforts to reach to the bottom of the pyramid through their CSR initiatives. This figure is so huge, that umpteen efforts laid down by the practitioners and well-wishers fail or are at a very meek stage or lose their track of even reaching to their initial stage. Gaps or hiccup areas tend to develop from both ends-facilitators and beneficiaries. To pursue corporate social responsibility and address a sustainable system, it is necessary for any corporate or company to look at the concept of CSR as their core rather than a strategy of developing goodwill. The challenge here is to redefine corporate outlook towards sustainability and identifying their impact on the same.

Generally, underdeveloped resources for implementation have created huge gaps and have increased the cost for CSR implementation.

The next issue is whether the firm, corporate or the business has the capacity, expertise, resources, or access to the necessary support to implement CSR as identified. Generally, under-developed resources for implementation have created huge gaps and have increased the cost for CSR implementation. Though the cost reduction can be addressed through industrial collaborations, the sensitivities over such collaboration with competitors, judiciary and undeveloped capacities within firms have led to creation of gaps at the execution level.

For having CSR activities implemented, many villages in India are

deprived of basic infrastructures such as roads, water, sewages, electricity, schools, hospitals, transport and the list is endless. Regular investment of infrastructure in over 600,000 villages is nearly impossible for the government alone to achieve. Infrastructure investment directly depends on the financial resources available and the geographic distribution of the population. The government can only provide funds and inaugurate new schemes for welfare. The schemes go to waste since there are no proper channels or systems available for execution.

Another issue at the grass-root level is education or availability of literate manpower. Recent figures according to the United Nations suggest that in India around 42 million children between the ages of 6 and 14 are not in school. The national literacy rate of girls over seven years is 54%, compared to 75% for boys. In the northern states of India, girls' literacy rates are particularly low, ranging between 33% and 50%. These figures ultimately show the extent of exploitation that can be faced by these people. The less illiterate a person is, the more are his/her opportunities to be employed in other sectors. Illiteracy is the root of all consequences owing to which many rural citizens fail to recognize certain opportunities where they can have better chances of earning a living. There needs to be a drastic change in the attitude and mindsets of the rural manpower to adapt to changes, revolution and the new system.

To elaborate more on the changes

mentioned, since the literacy rate is poor, the belief amongst most rural population about castes, superstitions, communities and races makes it very difficult for private as well as public institutions to accomplish new developments and involve the rural population. The attitude of the population poses a serious hindrance to any mission that can be accomplished. For instance, a woman hailing from a Rajput community will not be allowed to step out of the house to earn a living. A man from the Dalit community, for example, will always be looked at for services like sewage cleaning or garbage collection. These belief systems have created huge impacts on the self-esteem and morale of the underprivileged and deprived communities.

The attitude of the population poses a serious hindrance to any mission that can be accomplished.

The fact is that CSR can be a socio-economic initiative by the private sector but to establish and reach a larger audience, the intervention of the government, local bodies or welfare institutes is necessary. Whatever areas the private sector wants to pursue, an in-depth outlook towards the concept is necessary to be understood. This can be identified by the corporates and through strategic implementation of plans and actions, results can be achieved. If the channel of execution is nurtured effectively, most bottlenecks can be cleared.

A number of factors are driving the increased adoption of CSR practices in the corporate India. Regulation or judiciary provides the baseline for corporate action, notably for employment practices and the environment. Apart from these, many companies believe in being a good corporate citizen that forms a vital aspect of their identity, values, and vision. For those companies which are established at an international level, CSR is no longer a necessity but a commercial factor that is linked directly to profits and brand value.

Despite huge developments and changes in the concept, CSR in India has yet to realize its full potential. Individual and collaborative initiatives continue to be more self-asserted rather than being accountable. Though the number of CSR projects and programs are many in India, there is a lack of clear metrics for evaluating their actual impact in improving social conditions. For instance, if a

company claims that its employees are the greatest assets- it fails to provide an evidence of how this asset is being valued and enhanced. In the same context, if a company claims that it develops the grass-root lives, apart from their inflated financial figures, there are no quantity and quality measures that can measure the overall development.

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Thus, there are no generally accepted standards for measuring the success of the array of community development program that are now in place. Without this, it is difficult for companies and their stakeholders to judge the efficiency or effectiveness of these well-intentioned interventions.