

## Invited Article

# Successful Experiments of Corporate Social Responsibility

Asit Roy

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*Apart from cementing the company's credibility and inculcating a positive image in the minds of people associated with it, Kanoria Chemicals & Industries' CSR practices have also earned other advantages that have had direct positive impact on growth and profitability. Community outreach programmes run by the company almost always develop improved relationships between the company and local communities. This in turn improves the business environment for the company and facilitates smooth operations. CSR activities also improve employee morale, develop a healthy attitude to work and improve productivity. Companies that practice CSR have also witnessed improved customer relations, argues the paper.*

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### Beyond the Bottom Line

Success for today's companies is increasingly mapped on the balance they strike between economic, environmental and social issues that impact stakeholders, employees, local communities, and society as a whole – making Corporate Social Responsibility (CSR) an integral part of the business strategic direction - a far cry from being viewed as a forced chore to make a company's annual reports look more comprehensive. Decisions regarding CSR are no longer relegated to an ambiguous back office, but now are an important focus area during boardroom discussions. At Kanoria Chemicals & Industries Limited (KCI) we have always taken this aspect of our business seriously, more so considering the deep familial bond that our employees share with the Company. Working in a township format in Renukoot and Ankleshwar, such initiatives came early to us, and it was imperative for us to make sure our practices were in line with the welfare of our people.

CSR, as per available definitions, pertains to a company's outlook and

efforts in two broad areas, namely corporate governance and socially useful investment. Bringing transparency in business operations through disclosure to stakeholders is covered under the corporate governance practices of a company. The positive fallout of such practices on the profitability of the company is significant. Having access to a clear picture of the company's operations strengthen the perceptions of the financial and investor communities. It also improves the company's standing in international markets. Corporate governance ratings are increasingly being used by financial sector as one of the major factors to rate the overall performance and credibility of a company. "Beyond the bottom line" has been a mantra of the Indian corporate sector much before the term CSR was coined. The motivation was largely philanthropy and religious orientation. As is to be expected, companies that were involved in such activities earned more respect of their stakeholders and the general public vis-à-vis companies that did not.

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ability. Community outreach programmes run by the company almost always develop improved relationships between the company and local communities. This in turn improves the business environment for the company and facilitates smooth operations. CSR activities also improve employee morale, develop a healthy attitude to work and improve productivity. Companies that practice CSR have also witnessed improved customer relations.

Sustainable development at KCI encompasses several aspects rather than being only restricted to environment protection or growth in the company's profitability. Not only does it lay strong emphasis on environment sustainability, but gives due importance to the community and society. The company lays emphasis on corporate governance practices and is rated at Level 3 of the CRISIL Governance & Value Creation (GVC) ratings. The rating indicates KCI's "strong" capability with respect to wealth creation for all its stakeholders while adopting sound corporate governance practices.

KCI is a major player in the Indian chemicals industry, manufacturing Chlor-alkalis and Alcohol-based intermediates. Started in the early 1960s, KCI has evolved as a market leader in India in several of the products it manufactures. The company embodies strong focus on quality and use of modern technologies. Both its plants at Renukoot in the state of Uttar Pradesh and at Ankleshwar in the state of Gujarat are ISO 9001 certified. As a result of its

integrated approach, KCI is the lowest cost producer in India in several of the products it manufactures. Extremely environmentally conscious and socially responsible, the company has achieved ISO 14001 certification and carries out several community and rural development programmes. Both the plants are also OHSAS 18001 certified for occupational health and safety.

### **Technology & Recognition**

KCI is proactive in not only adopting the best available technologies for environmental management but has in fact pioneered the conceptualisation of new initiatives in water treatment and effluent disposal. In recognition of the company's initiatives the Indian Chemical Manufacturers' Association awarded the company with both the ICMA Award for Water Resource Management in Chemical Industry and the ICMA – DM Trivedi Award for introducing Advancement in Technology having a widespread impact on chemical industry. The Reverse Osmosis technology for treatment of distillery effluent is all set to become an industry standard.

KCI was also conferred the TERI (The Energy & Resources Institute) Corporate Excellence Award for Environment Management in May 2005. The award was given on the case study of the 'Waste to Energy' programme run at the company's chemical works located at Ankleshwar. The award also recognised the company's pioneering usage of the Reverse Osmosis

technology for treating distillery effluent.

The company is actively pursuing a Mercury Management Programme, which has resulted in substantially reducing mercury consumption and emission in the atmosphere. KCI also successfully conforms to the Charter on Corporate Responsibility for Environment Protection (CREP) as designed by the Alkali Manufacturers' Association of India (AMAI).

KCI has strong internal processes that facilitate an R&D environment. Employees are encouraged to engage in a dialogue for continuous improvement in environment management and offer criticisms on prevalent practices. Not all initiatives undertaken by the company have been successful. For instance, the company installed a multi-effect evaporation plant in the year 1999 for water conservation in the distillery plant, with a view to recovering approximately 80% of effluent as clean water for recycling back into the process. Although the plant was a unique effort in the distillery industry, it experienced operational difficulties due to inadequacy of design, which also resulted in financial losses for the company. Such failures, however, have not deterred KCI from pursuing in-house research and development. It has developed the tenacity to cope with the impediments and learn from past mistakes. While such tolerance is not exercised in other areas of business but the company believes that protecting the environment is basic to running a chemical industry and

proactive efforts in this direction is essential.

In fact, there is a feeling of healthy competition between the two manufacturing units of KCI, namely one at Ankleshwar, Gujarat and the other at Renukoot, Uttar Pradesh to outdo each other in improving environment management. In this process, the company has realised that environment management is not all cost but a commercially viable programme. Many measures adopted by the company demonstrate this fact. For example, the water conservation measures have lowered the demand for fresh water at the company's Ankleshwar plant that translates into savings, and therefore positively impacts its bottom line. This realisation can be best summarised by the company's 'Waste to Wealth' programme. Treatment of distillery effluent provides the company with biogas that is used to generate electricity. It also recycles water by the unique Reverse Osmosis process that KCI has developed. Further, the treated effluent is used to produce bio compost, which is sold as excellent organic manure.

### **Corporate Social Responsibility**

The policies of KCI have consistently emphasised socially

#### **KCI Social Responsibility Policy**

In keeping with the focus of the company on sustainable development, we strive to enrich the quality of life of people, empower communities, and preserve the environment.

#### **CSR Mission**

- We believe that the well being of the community and society in which we reside is of fundamental importance to our business activities.
- We discharge our social responsibility by investing in socially useful projects.
- We strive to act as a catalyst for community development through scientifically designed programmes.
- We operate with transparency and maintain high standards of integrity, business ethics, and corporate governance while engaging positively with our stakeholders.

We work to maintain a judicious work life balance, safe & healthy work environment for our employees and contract workers.

useful investment. These have evolved on the dictates of the heart rather than the mind. The company has reaped rich dividends from protecting the environment and promoting community development programmes. It has developed excellent relationship with the people in and around its manufacturing locations and is perceived as a catalyst for improving their income generating abilities and overall living conditions.

KCI's Renukoot facility is located in a relatively remote area and the local population around the town is predominantly tribal and often

steeped in poverty and illiteracy. Being hunters-gatherers traditionally, the tribal people did not have any income generating opportunities and practically no know-ledge of agricultural practices. With restricted entry into the reserve forests, these people were left without any means of subsistence and many were lured into begging and crime. The people therefore had to be sensitised into practicing subsistence agriculture and had to be provided with arable land. The hilly and rocky terrain complicated matters and without adequate water, agriculture was impossible.

As a socially responsible organisation with sustainability as one of the core values, KCI was driven to contribute to the well being of the community of people in and around Renukoot. The company has carried out several community development initiatives since its inception in the early 1960s. In the year 2000, KCI became a member of the Business & Community Foundation (BCF), a NGO promoted by the Prince of Wales Foundation of UK, with the primary objective of ensuring a scientific basis for KCI's efforts towards sustainable development. As a result of this partnership, KCI provided

training to field staff and decided to target development of the area within 50 kilometres radius of the Renukoot Chemical Works to ensure hands on managerial control over the activities. The approach includes regular personal visits to the adopted villages nearby and avoiding duplication of other NGO activity in the area. KCI implements projects in partnership with the

#### The KCI Approach towards Social Projects

The central ethos in KCI's approach to socially beneficial programmes is based on the principle of six 'E's':

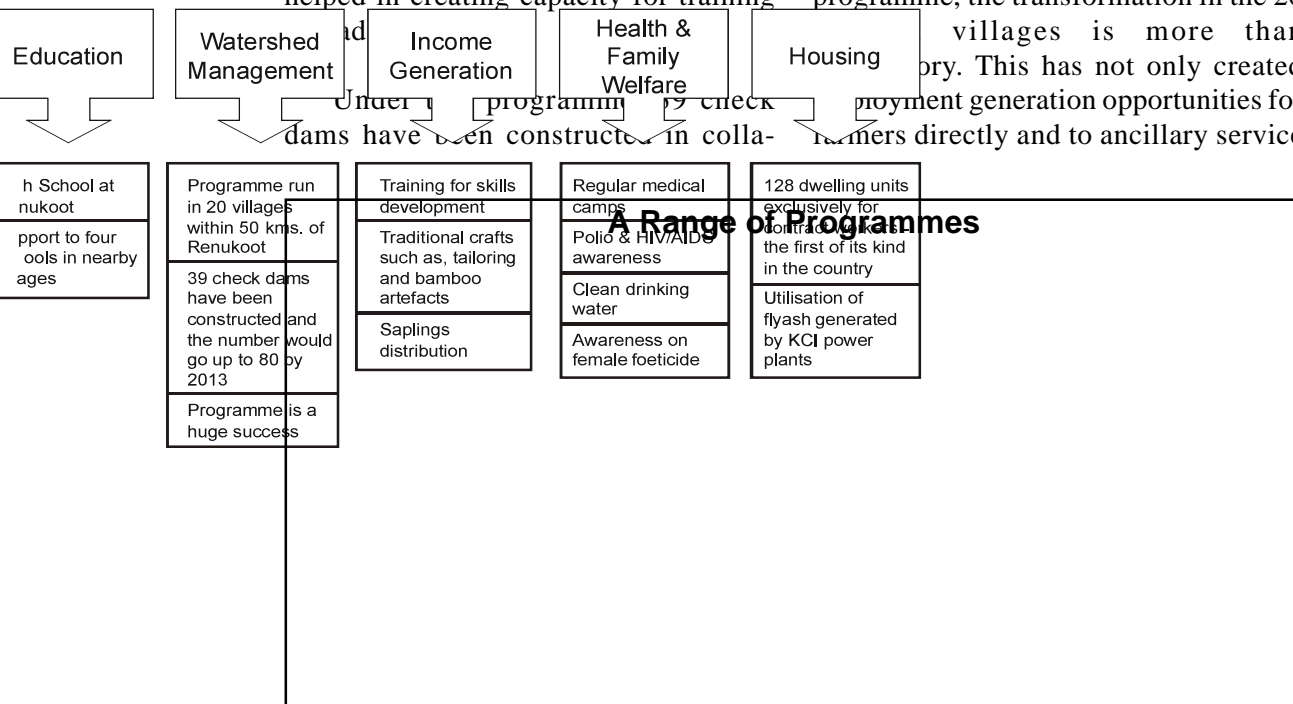
1. **Evaluate:** Firstly the needs of the target community are ascertained using scientific methodologies and advise from professional agencies. Based on this information, a suitable project is drawn up.
2. **Enter:** The company then reaches out to the targeted population in the identified area of operations through representation of the designated company official. The outline of the project, costs involved for implementation, and the resultant benefits that would accrue are explained in detail.
3. **Engage:** A partnership approach is then forged with the villagers. With initial capital being provided by KCI, the villagers also contribute to the cost, which in turn, enables their participation and ownership.
4. **Empower:** Towards completion of the project activity, the targeted population is handed over the operations and maintenance of the project, thereby ensuring sustainability and optimum utilisation of the benefits.
5. **Ensure (sustenance):** The different projects running at a given time are periodically monitored to eliminate systemic failures.
6. **Exit:** Once the sustainability of the project has been ensured, KCI exits it and moves on to the next project.

beneficiaries in targeted village and after the project is up and running, moves on to the next target village.

By way of a survey conducted scientifically by KCI and BCF, the felt needs of the people were identified and it was established that the single biggest problem facing the people was non-availability of water for irrigation. Consequently a detailed project was worked out and has been under implementation since the year 2000. The programme uses a simple methodology of identifying the needs of the community in the command area and engaging a participative mode with the beneficiaries. Technical inputs from Tarun Bharat Sangh – an NGO that has done commendable work in the field of water harvesting in the state of Rajasthan helped in creating capacity for training

with the villagers around Renukoot who contributed 25% of the total project cost. The resulting sense of ownership and the management skills of KCI have been critical factors for the success of the project. The number of check dams is expected to go up to 80 by the year 2013. Over 1,300 acres of land has been irrigated under this project. The highlight of the benefit accruing to villagers from this project is that it allows them to grow up to three crops in a year compared to the only one that they were sometimes growing earlier. In difficult soil conditions, watershed management has also helped the villages to increase crop yields. This has significantly expanded income generation for the villagers.

After about eight years into the programme, the transformation in the 20 villages is more than ordinary. This has not only created employment generation opportunities for farmers directly and to ancillary service



providers indirectly. Output from the farms has also helped in significantly reducing poverty levels and the population is now being motivated towards literacy and skill development. The response from villagers in engaging in a partnership mode is better than expected. Many villages have observed the social transformation taking place in the adopted villages and are now competing with each other for taking part in the programme.

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Intensive interaction with other NGOs working in the area and cooperative approach with other businesses has helped in making delivery of services and expertise to villages considerably easier. The unique approach of KCI in watershed management has drawn wide appreciation and recognition of the local government.

### **Empowerment through Education**

Education is another form of empowerment that we have taken up very seriously. KCI supports two facilities – 1) the Bhavan's Kesari Devi Kanoria Vidya Mandir, a CBSE affiliated high school within the Renukoot Township, in partnership with Bharatiya Vidya Bhavan, which is now 22 years old and has over 1200 students, and 2)

the Dakshinanchal Grammodaya Vidya Mandir, an intermediate school in village Babhani near Renukoot that has about 400 students

Intrinsic to the Company's business paradigm has been the need to ensure backward and forward integration of products – that have not only allowed us enable every arm of our product line to generate optimum rewards, but have also allowed us to become extremely cost effective and energy efficient. We have superimposed this thinking into our welfare activities too, allowing us to balance economic enhancement while ensuring social commitment. For example our thermal power plant generates huge quantities of fly ash as waste product – well known as an environmental threat. We began to utilize fly ash by ensuring that all roads are built using High Value Concrete – a product that includes fly ash as a component. Further lateral thinking by some of our plant managers, derived an employee housing plan using this waste product. This project has been kicked off – and we soon expect to inaugurate a new staff accommodation facility built by using fly ash bricks. Currently a large part of new construction at Renukoot is carried out using fly ash based bricks. Not only is the quality and strength of construction higher, but we are also able to effectively utilize 100 % of the fly ash generated at the plant. This initiative of the company has received the National Award for Fly Ash Utilisation, awarded jointly by Ministry of Power, Ministry of Environment & Forests and Department of Science & Technology, Govern-

ment of India for commercially utilising the fly ash generated by power plants thereby maintaining the plants at zero emission and zero effluent status.

Recently, KCI was conferred the ICC Award for Social Responsibility for the year 2007 by the Indian Chemical Council (ICC), the apex industry body for the Indian chemicals industry.

The results of KCI being a good corporate citizen can be attributed to its sensitivity to the needs and aspirations

of its stakeholders and the society. The ethos of the company based on sustainability and transparency has ensured it unblemished track record for over four decades of its existence. It has been a consistent profit-making, dividend-paying company that has never had to regret its socially useful investment or its involvement in community development programmes. We believe that the benefits of being a good corporate citizen truly reflect in the growth process charted by the company.