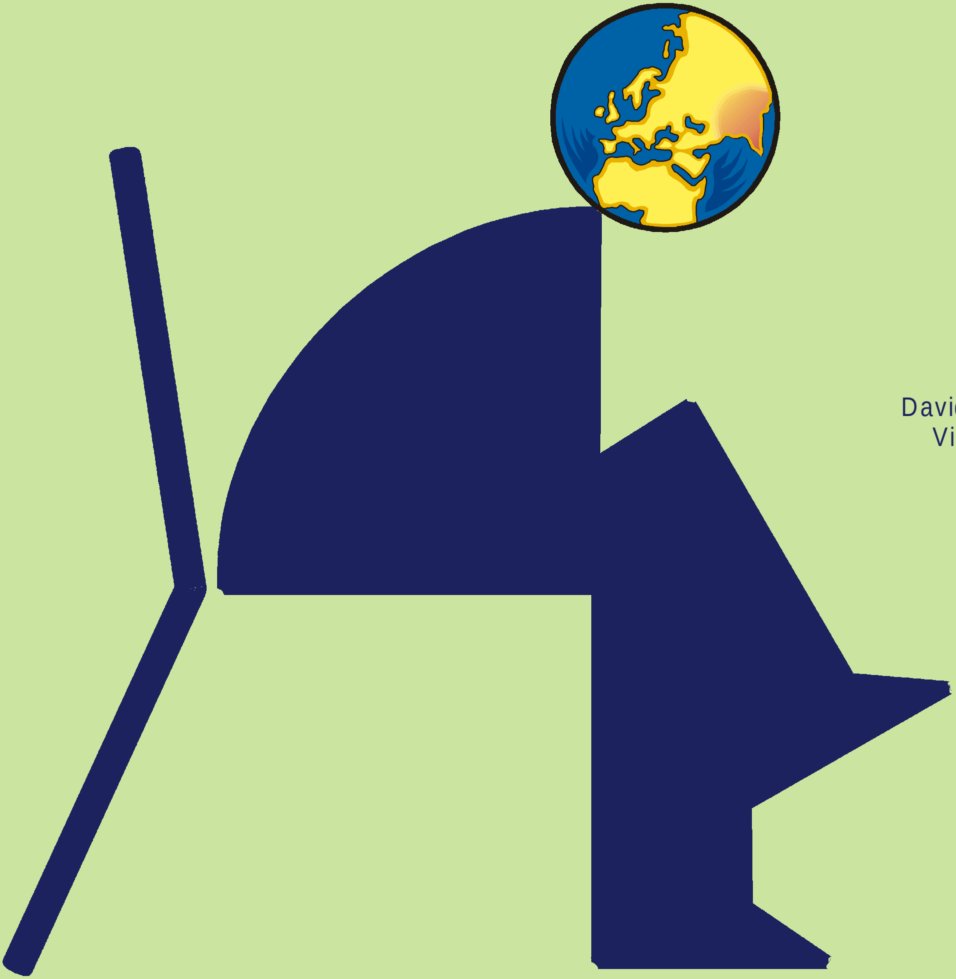
Altered Images

the 2001 state of corporate responsibility in India poll



Ritu Kumar
David F Murphy
Viraal Balsari

Understanding and Encouraging Corporate Responsibility in South Asia
Update 1

TERI-Europe and the New Academy of Business are currently working with various partners on a new initiative to understand and encourage corporate responsibility across South Asia. The initiative seeks to raise awareness and stimulate a proactive corporate responsibility agenda in three South Asian countries—Bangladesh, India, and Sri Lanka. The partners are the Centre for Policy Dialogue (Bangladesh), TERI (India), and LGA Consultants (Sri Lanka). The project is funded by the Asia Division of the UK Department for International Development. Additional support has been obtained from the Commonwealth Science Council, UK.

Our vision is to contribute to a positive change towards business practices and attitudes that support sustainable development and poverty eradication in the region. The focus is on expanding the knowledge base of corporate practices in South Asia relating to working conditions within factories; living conditions in surrounding communities; environmental protection; and corporate accountability and transparency. In this way, we aim to provide useful information and tools (such as training materials) for South Asian companies and civil society groups, especially the more vulnerable income groups, in the three countries. We hope that this will assist in eventually elaborating a home-grown agenda of corporate responsibility sensitive to the social, cultural, and economic situation in India, Sri Lanka, and Bangladesh.

This report presents the results of the initiative's first activity—an agenda-setting poll on corporate responsibility in India. The poll explored the perceptions and expectations of workers, company executives, and the general public towards the social, economic, and environmental responsibilities of companies operating in India. It was the first to include workers in a survey on corporate responsibility. The poll was carried out during August and September 2001 through a partnership between TERI-Europe and ORG-MARG Research Private Limited in four urban areas (Chennai, Kolkata, Mumbai, and New Delhi) and the industrial township of Tiruppur in Tamil Nadu. The results presented in this report are an initial snapshot of the state of corporate responsibility in India and precursors of a more in-depth survey that will help TERI-Europe and its partners to better understand attitudes and practices and develop targeted training materials for company executives, workers, and community representatives.

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Tata Energy Research Institute
Darbari Seth Block
Habitat Place
Lodhi Road
New Delhi – 110 003
India

Telephone 468 2100 or 468 2111
E-mail outreach@teri.res.in
Fax 468 2144 or 468 2145
Web site www.teriin.org
City code 11
Country code 91

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1 Understanding corporate responsibility

The struggle to define the boundaries of corporate responsibility for social and environmental matters has deep roots in the history of business. From the beginning of the Industrial Revolution,[1] those within and outside the business world have battled over the very notion and extent of corporate responsibility. Over this time, four different 'models' have emerged, all of which can be found in India today (see Table 1).

Ethical model

The origins of the first ethical model of corporate responsibility lie in the pioneering efforts of 19th century corporate philanthropists such as the Cadbury brothers in England[2] and the Tata family in India.[3] The pressure on Indian industrialists to demonstrate their commitment to social progress increased during the Independence movement, when Gandhi developed the notion of 'trusteeship', whereby

[1] Industry rapidly developed in Britain in the late 18th and 19th centuries with the introduction of machinery. It was characterized by use of steam power, growth of factories, and mass production of manufactured goods.

[2] John and Benjamin, the Cadbury Brothers of Birmingham, pioneered the development of chocolate around 1847. Detailed history available at <www.cadburyschweppes.com/company_information/company_history/200_year_history.html> last accessed on 13 December 2001.

[3] The Tata Group is India's largest industrial and technological conglomerate with vast holdings in iron and steel, power utilities, and textiles. Founded by Jamshedji Nusserwanji Tata in 1868, the Group built the first steel mill in India in 1911 at Jamshedpur, India's first planned industrial city. See web site at <www.tata.com> last accessed on 14 December 2001.

the owners of property would voluntarily manage their wealth on behalf of the people.

> *'I desire to end capitalism almost, if not quite, as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no make-shift, certainly no camouflage. I am confident that it will survive all other theories.'*
>
> Gandhi (1939), cited in Bose (1947)

Gandhi's influence prompted various Indian companies to play active roles in nation building and promoting socio-economic development during the 20th century. The history of Indian corporate philanthropy has encompassed cash or kind donations, community investment in trusts, and provision of essential services such as schools, infirmaries, etc. Many firms, particularly 'family-run businesses', continue to support such philanthropic initiatives.

Statist model

A second model of corporate responsibility emerged in India after Independence in 1947, when India adopted the socialist and mixed economy framework, with a large public sector and state-owned companies. The boundaries between the state and society were clearly defined for the state enterprises. Elements of corporate responsibility, especially those relating to community and worker relationships, were enshrined in labour law and management principles. This state-sponsored corporate philosophy still operates in the numerous public sector companies that have survived the wave of privatization of the early 1990s.

Table 1 The four models of corporate responsibility

Model	Focus	Champions
Ethical	Voluntary commitment by companies to public welfare	M K Gandhi
Statist	State ownership and legal requirements determine corporate responsibilities	Jawaharlal Nehru
Liberal	Corporate responsibilities limited to private owners (shareholders)	Milton Friedman
Stakeholder	Companies respond to the needs of stakeholders – customers, employees, communities, etc.	R Edward Freeman

Liberal model

Indeed, the worldwide trend towards privatization and deregulation can be said to be underpinned by a third model of corporate responsibility—that companies are solely responsible to their owners. This approach was encapsulated by the American economist Milton Friedman,[4] who in 1958, challenged the very notion of corporate responsibility for anything other than the economic bottom line.

> ‘*If anything is certain to destroy our free society, to undermine its very foundation, it would be a widespread acceptance by management of social responsibilities in some sense other than to make as much money as possible. This is a fundamentally subversive doctrine.*’
>
> Friedman (1958)

Many in the corporate world and elsewhere would agree with this concept, arguing that it is sufficient for business to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends.

Stakeholder model

Yet, the rise of globalization has also brought with it a growing consensus that with increasing economic rights, business also has a growing range of social obligations. Citizen campaigns against irresponsible corporate behaviour along with consumer action and increasing shareholder pressure have given rise to the stakeholder model of corporate responsibility. This view is often associated with R Edward Freeman,[5] whose seminal analysis of the stakeholder approach to strategic management in 1984 brought

[4] Recipient of the 1976 Nobel Prize for Economic Sciences, Milton Friedman is widely regarded as the leader of the Chicago school of monetary economics, which stresses the importance of the quantity of money as an instrument of government policy and a determinant of business cycles and inflation. Friedman has also written extensively on public policy, with emphasis on the preservation and extension of individual freedom. Further details are available at <www-hoover.stanford.edu/bios/friedman.html> last accessed on 13 December 2001.

[5] Pioneer of the stakeholder and ‘business ethics’ concept in the context of corporate responsibilities, Freeman developed a framework for identifying and managing the critical relationships of the modern corporation. His conceptual crystallization of stakeholder analysis has become a staple of both academic writing and business decision-making models. Freeman’s contribution to education at the intersection of business and society is also extensive. He has won numerous teaching awards and is well known for his innovative approach to pedagogy. Further details are available at <www.darden.edu/ faculty/Freeman.htm>.

stakeholding into the mainstream of management literature (Freeman 1984). According to Freeman, 'a stakeholder in an organization is any group or individual who can affect or is affected by the achievement of the organization's objectives.'

However, it was not until the 1990s that the idea of the stakeholder corporation gained prominence in business practice. The essence of the stakeholder model was captured by David Wheeler and Maria Sillanpää (formerly with The Body Shop) as follows.

> '*The long term value of a company rests primarily on: the knowledge, abilities and commitment of its employees; and its relationships with investors, customers and other stakeholders. Loyal relationships are increasingly dependent upon how a company is perceived to create 'added value' beyond the commercial transaction. Added value embraces issues like quality, service, care for people and the natural environment and integrity. It is our belief that the future of the development of loyal, inclusive stakeholder relationships will become one of the most important determinants of commerical viability and business successes.*'
>
> Wheeler and Sillanpää (1997)

The experience of the past decade has served to reinforce this viewpoint. With companies facing increasing scrutiny in the global economy, the corporate responsibility agenda now encompasses a wide range of issues including provision of quality, safe products at fair prices, ethical business practices, fair employment policies, and environmental protection. Companies are increasingly expected to perform according to a 'triple bottom line'[6] of economic, social, and environmental performance. In addition, increasing focus is being placed on the growth of corporate power and the need for greater accountability and transparency to society, for example through reportage and stakeholder dialogue.

Indeed, there is a growing consensus throughout the world that companies need to go beyond their

[6] At its narrowest, the term 'triple bottom line' is used as a framework for measuring and reporting corporate performance against economic, social, and environmental parameters. At its broadest, it captures the whole set of values, issues, and processes that companies must address to minimize any harm resulting from their activities and to create economic, social, and environmental value. It is signified as three lines representing society, economy, and environment.

traditional ‘economic’ roles; the following analysis from the Centre for Development and Enterprise in South Africa demonstrates this aptly.

> ‘*It is in the interests of the corporation and the business sector as a whole to become more self-conscious social actors. Both the individual firm and the voluntary business association need to think hard and strategically about their role in society, and their relationships with government and others. To do anything else is counterproductive.*’
>
> Bernstein and Berger (2000)

This call for greater corporate responsibility to a wider range of stakeholders is also highly relevant in the Indian context. Many companies in India are facing new pressures, not simply to comply with legislation, but also to meet the requirements of international and national business partners, for example, through codes of conduct related to labour and environmental standards in their operations as well as their supply chains (see Box 1).

Evidently, each of the four models of corporate responsibility described above are prevalent to some extent in most countries, including India. What is noticeable today is the dynamic nature of the corporate responsibility agenda and the need to help clarify both the concepts and the implications for corporate practice. In addition, one of the weaknesses of the current situation is the tendency for the agenda to be set at a global level, largely by institutions located in the industrialized world, with little understanding of the diversity of approaches and track record in other parts of the world. For example, a 20-country public opinion survey on corporate social responsibility carried out by the Toronto-based Environics International in July 2001 concluded that India ranks last in terms of the level of social responsibility demanded from companies (Environics International 2001).

In order to gain a better understanding of the actual perceptions of key players in the corporate responsibility debate in India, TERI-Europe conducted a snapshot poll in August–September 2001. The poll focused on four dimensions of corporate responsibility, namely worker health and safety, community relations, environmental sustainability, and accountability to stakeholders. The key findings of the poll are described in the following section and will be used to guide more in-depth work by TERI-Europe and its partners to better understand attitudes and practices and develop targeted training workshops for stakeholder groups. ⌘

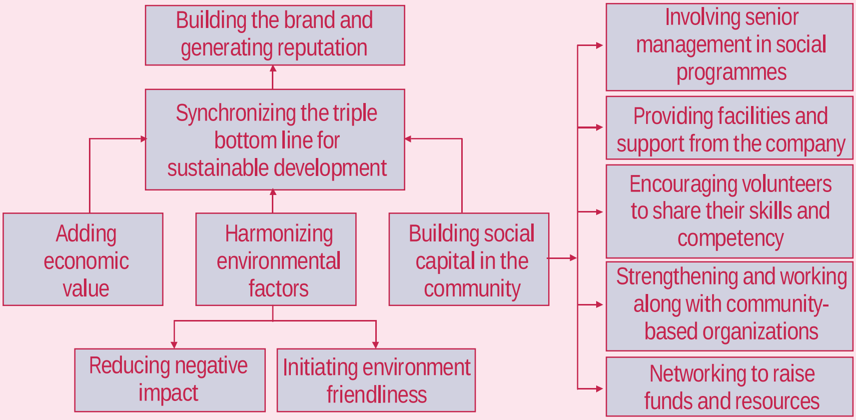
Box 1

Implementation of the triple bottom line concept at Tata Council for Community Initiatives

The TCCI (Tata Council for Community Initiatives) is an initiative of the Tata Group to add value to the businesses of the Tata Group of companies by incorporating sustainable development and the triple bottom line approach in group activities.

> *'We recognise that sustainable business development includes environmental and social considerations as part of development cost and is part of long-term business survival and growth. Environmental and social considerations have a strategic position in outcomes and purpose of the business – as bottom lines. The adoption of the triple bottom line concept is an explicit integration of human development considerations in business processes. In Tata companies we encourage the management to make a declaration of policy, strategy and budgets for environment and community development, and run activities as part of a non-negotiable minimum programme aimed at generating the reputation for the Tata Brand.'* TCCI 2001

Research suggests that community investment, such as that made by the Tata Group, has been shown to greatly increase employee loyalty as well as assist in the professional and personal development of employees, further stimulating creativity and innovation. Ultimately, this augurs well for the company.



Strategy at Tata Council for Community Initiatives

2 Corporate responsibility in India: a snapshot

TERI-Europe commissioned the market research agency ORG-MARG Research Private Limited[1] to conduct a quick poll on the state of responsibility in India. The ORG-MARG poll was designed to capture perceptions and expectations (related to corporate responsibility) of the following three sets of stakeholders.

- General public – men and women in the age group 15–65 years and representing the upper socio-economic classes
- Workers – skilled, semi-skilled, and unskilled, including trade union members, workers' representatives, and non-trade union members
- Corporate executives – heads of labour/industrial relations, welfare departments, and manufacturing and production divisions in MNCs (multinational corporations), and large- and medium-sized Indian companies.

The poll was recently carried out in Chennai, Kolkata, Mumbai, New Delhi, and Tiruppur (Figure 1). The poll surveyed a total of 1212 persons—1003 public representatives, 107 workers, and 102 company executives.

The poll gauges the opinions, concerns, and expectations of the three respondent groups. It attempts to register factors that influence the *opinion* of companies as well as those that shape *expectations regarding corporate responsibility*. A summary of the main findings is provided below.

Main findings

Global and national concerns: what do Indians care about?

Respondents across the three categories were asked what they thought were the primary global and national issues of concern, including broader

[1] Web site of ORG-MARG available at <www.org-marg.com> last accessed on 13 December 2001.

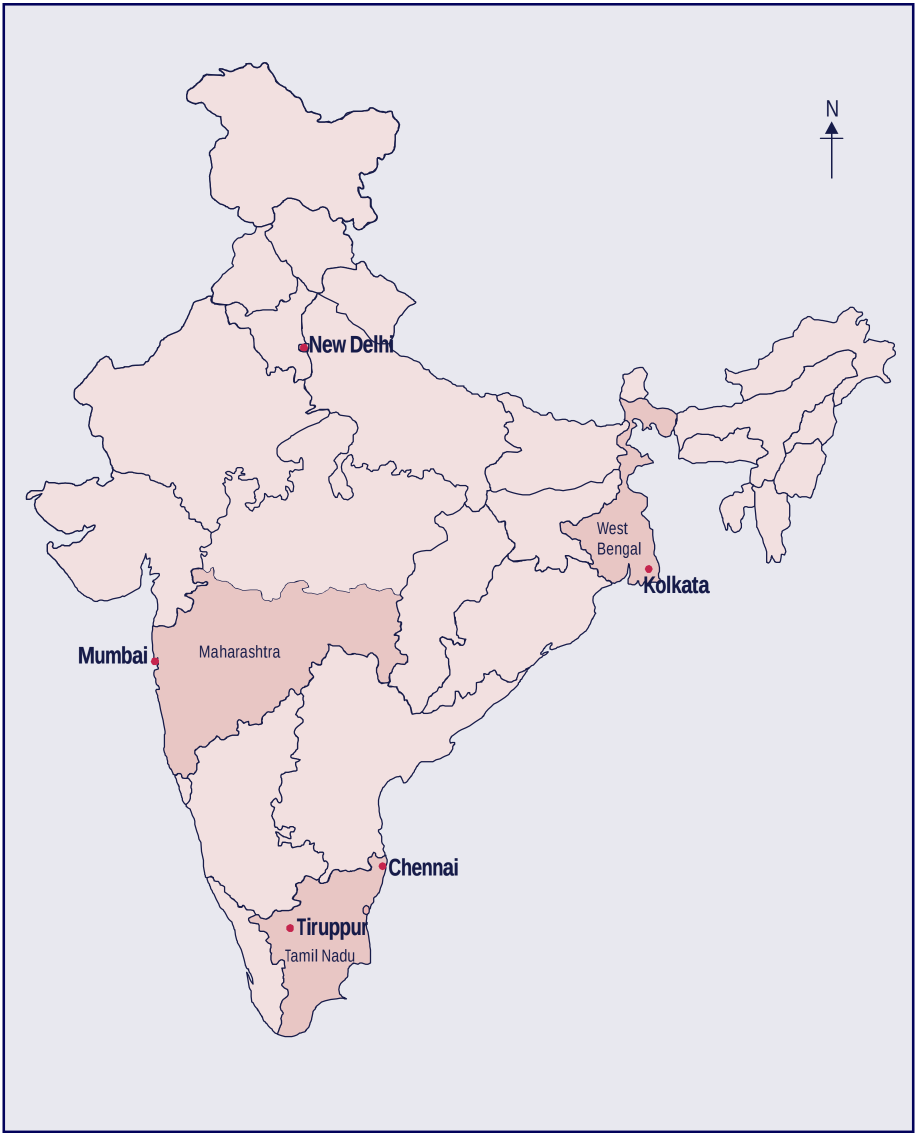


Figure 1 Geographical spread of respondents to survey on corporate responsibility in India in 2001

social and environmental issues as well as specific corporate responsibility concerns (Figure 2).

Overpopulation, environmental problems, spread of human diseases, and depletion of natural resources are cited as the main problems facing the world. The general public rates environmental problems and spread of human diseases as their primary concerns whereas workers are most concerned about the spread of human diseases and overpopulation. Company executives are most concerned about the depletion of natural resources.

With respect to national problems, all three groups regard environmental pollution as a matter of very serious concern. However, a divergence between the three groups appears in terms of some other issues. Company

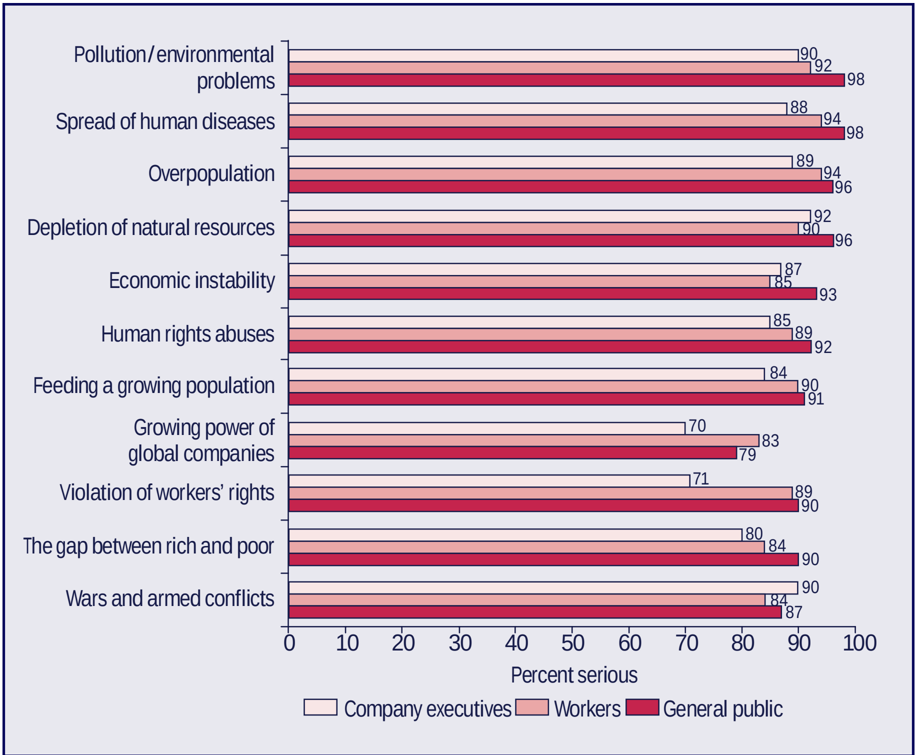


Figure 2 Concerns facing Indian society

executives do not view unemployment and underemployment, unfair and unsafe workplaces, or personal rights and freedom as being major causes for worry. Workers, on the contrary, are most concerned about unemployment and underemployment, poverty and homelessness, food safety, economic problems, and job security.

What role should companies play in society?

The poll gathered that people believe that companies should be actively engaged in societal matters (Figure 3). A majority of the general public feel that companies should be held fully responsible for roles over which they have direct control. These include

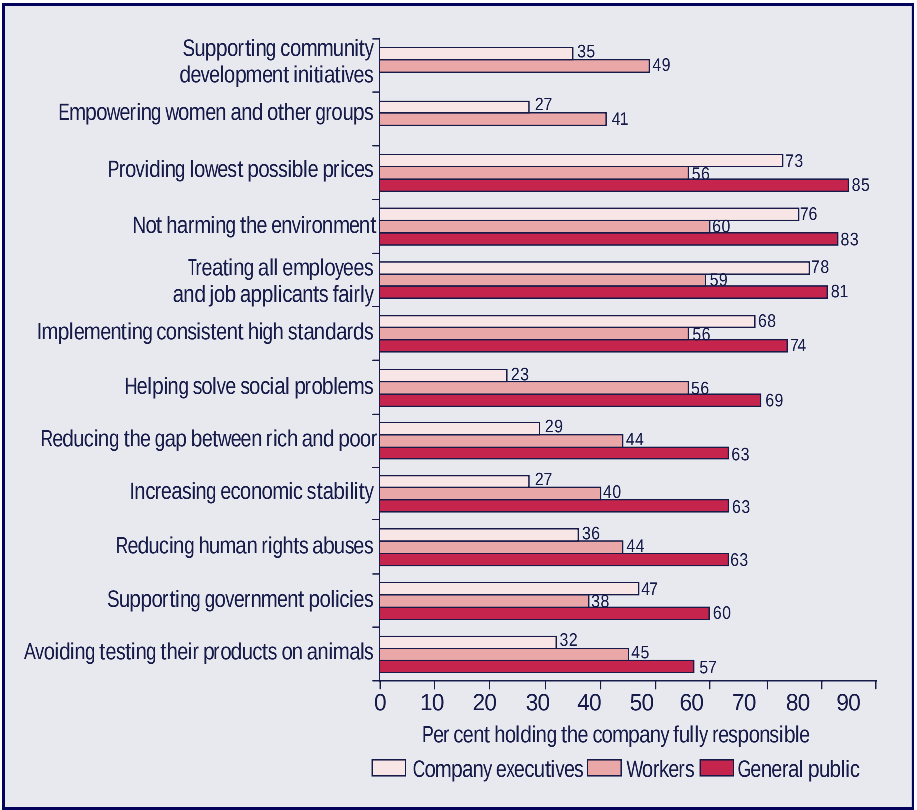


Figure 3 Perceived role of companies

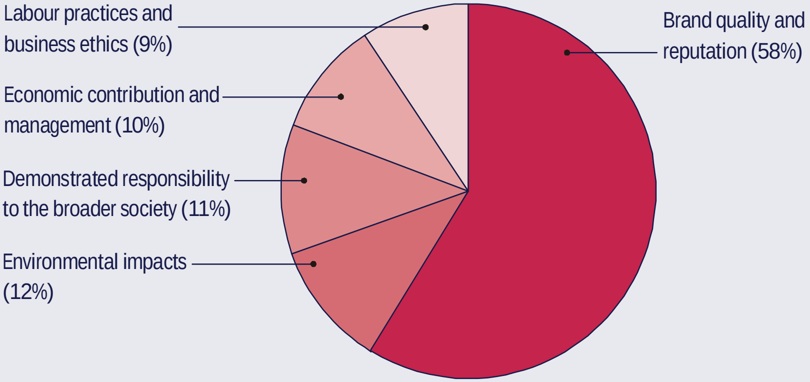


Figure 4 Most important factor in forming opinion of a company

providing good products and cheaper prices, ensuring that operations are environmentally friendly, treating employees fairly without any discrimination based on gender, race, or religion, and applying labour standards globally.

More than 60% of the general public feel that companies should also be held responsible for bridging the gap between the rich and the poor, reducing human rights abuses, solving social problems, and increasing economic stability.

What are the predominant factors influencing Indian opinion about companies?

The factors that influence opinions about the business sector in India appear to be centred on the 'business dimension' and closely associated with a company's brand quality and reputation (Figure 4). Of the persons polled, 58% gave primary weightage to brand quality and reputation while 32% reported that they considered environmental, labour, and social issues – all elements of corporate responsibility – as most important in forming an opinion of a company. This is quite a high percentage even by Western standards, and when combined with the finding that Indians expect companies to play a major role in society through improvements in the workplace and the environment, the result is potentially highly significant for corporate practice. It reveals, for example, the vulnerability of companies operating in India to rising public expectations. Similar to the recent experiences of many global corporations such as Nike and Shell, companies operating in India run the risk of damaging their brands and reputations if they fail to embrace corporate responsibility policies and practices. Hindustan Lever, for example, is rated high in terms of brand quality but has recently come in for considerable public criticism for its handling of hazardous waste at a thermometer factory in southern India.

Which sectors are the most socially responsible?

Table 1 shows that the IT (information technology) and telecommunications industries are viewed as the most socially responsible with a substantial proportion of public and company executives rating them among the very best. Over the past decade, India's IT sector has generated substantial export revenues and Indian IT skills and manpower have been in demand worldwide, giving the sector pride of

Table 1 Fulfilment of social responsibilities: best-rated industries

Industry	Public (%)	Workers (%)	Company executives (%)
Information technology	78	58	67
Telecommunications	76	65	65
Pharmaceuticals	67	73	57
Clothing and apparel	63	66	55
Food	66	64	49
Electricity generation	55	57	41
Banks and finance	53	75	42
Cosmetics	49	55	49
Oil/petroleum	44	68	53
Genetically modified food	37	47	37
Biotechnology	39	48	39
Chemicals	37	53	37
Automobile	33	60	45
Mining	31	51	27
Alcoholic beverages	13	17	19
Tobacco	12	20	21

Respondents comprised 1003 public representatives, 107 workers, and 102 company executives.

place amongst other Indian industries. Workers, however, rated the pharmaceutical industry and the financial sector (a predominantly state-controlled sector) as the most socially responsible. Interestingly, there are some significant divergences between public and worker views of the automobile and mining sectors, with workers having a far more favourable impression. By a wide margin, both the alcohol and tobacco industries are regarded by all stakeholders as the least socially responsible.

Who do Indians trust to work in the best interest of society?

Each stakeholder group rates institutions differently in terms of their trustworthiness (Figure 5). Company executives believe that NGOs (non-governmental organizations) are the most trustworthy institutions in the country (a trust factor of 79%),

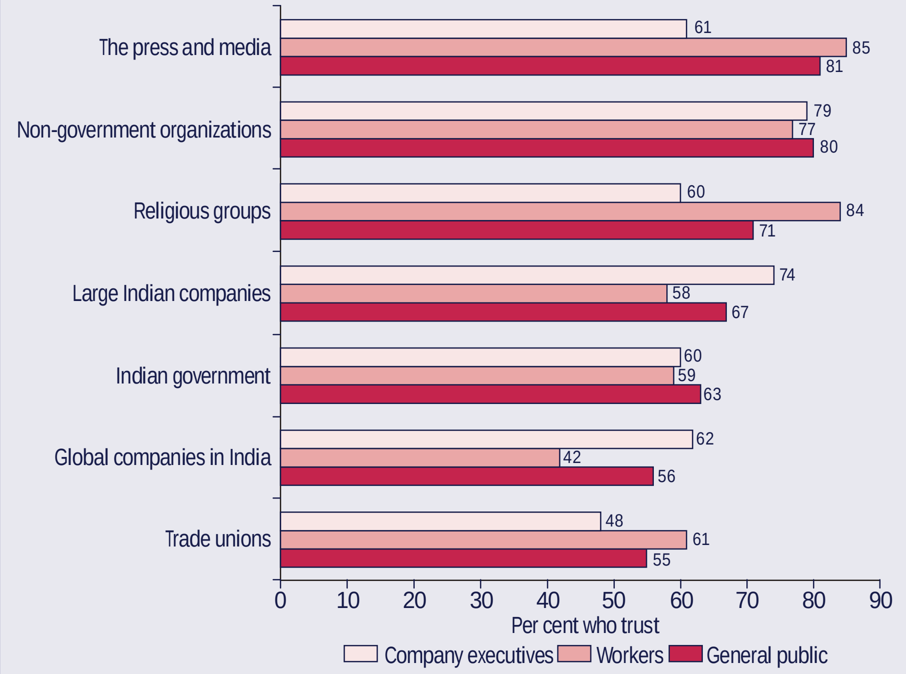


Figure 5 Institutions trusted to work in the interest of society

whereas workers and the general public favour the media and religious groups (85% and 84% respectively). Across respondent groups, the national government is not regarded as a very trustworthy institution.

For the most part, workers do not trust companies to work in the best interest of society. This is especially true of global companies operating in India. Even company executives rate Indian companies better than global ones. This seems to indicate that they are not giving their due to Indian society and that a majority of foreign companies need to make major changes to improve their public standing.

The level of trust in trade and labour unions is also quite low, even among workers.

Which are the most responsible companies in India?

Participants were asked to identify the foreign and Indian companies that, according to them, are the most socially responsible. There were very few mentions of major multinational companies and it would seem that those that were mentioned were simply quoted because they are the most visible. This may indicate that very few large companies actively pursue a corporate responsibility strategy or that there is low awareness of such efforts. Among those mentioned were Unilever, Sony, Johnson & Johnson, Coca-Cola, Procter and Gamble, Nestle, and Pepsi. Hindustan Lever (a subsidiary of the Unilever Group) was the most favoured among company executives and the public. However, the main reasons for rating this company as 'responsible' were 'good quality products and services', 'trusted brand', 'good company', and 'personal knowledge about the company'. None of the other indices of corporate responsibility such as environmental care, working conditions, human rights, accountability and transparency, etc. were mentioned. Among workers, Coca-Cola is rated as the most responsible company. Attributes cited include 'good company', 'good product', and 'good employer'.

In contrast, when company executives and workers were asked to name the most socially responsible Indian company, an overwhelming number named the Tata Group for reasons that give heavy weightage to ethical behaviour, environmental care, and social welfare schemes for the community. Criteria cited were 'good quality products and services', 'trusted brand', 'good company', and 'good employer / treats employees well'. Other companies named were Reliance, Godrej, Bharat Heavy Electricals Ltd, Maruti, Southern Petrochemicals, and the Birla Group.

Is there evidence of child labour and/or gender discrimination in the workplace?

This question was addressed to company executives and workers only. Company executives across industry segments reported non-existence of child labour in their companies. Only a small proportion of workers reported the use of child labour in their companies. In one case, training had been provided to the children.

Gender concerns are slightly more complex. On an average, 50% of company executives and workers state that their company provides special benefits and facilities to women staff with babies and small children. A significant proportion of workers feel that their company prefers not to employ women, and if it does so, the preference is for women of certain age groups only. Not surprisingly, company executives disagree that there is discrimination against women. However, more than a quarter of company executives polled state that their company does have an age restriction for women. Workers from manufacturing and exporting companies were the most vociferous in claiming that there is gender discrimination in their companies (Figure 6).

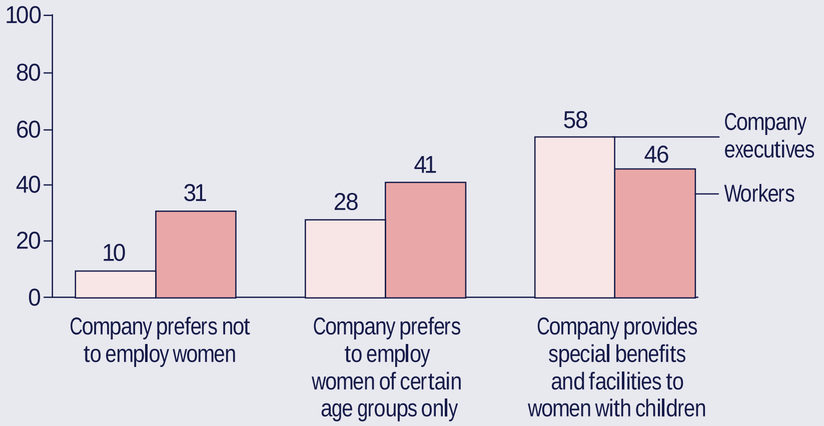


Figure 6 Gender discrimination in the workplace

Are workers paid a satisfactory wage?

Only two-thirds of the workers are satisfied with their daily wages. Workers not affiliated to unions tend to be less satisfied with daily wages than union members. Almost two-thirds of all workers confirmed that their company has the practice of allowing workers to work more than eight hours (or one shift) in the day. This holds across almost all industries. Over two-thirds of company executives report that their company pays overtime to such workers. This practice appears to be more common among MNCs and manufacturing and exporting industries.

About 52% of all workers claim to be paid overtime at the normal rate, 7% say that they are paid no overtime at all, and the rest say that they are paid overtime at a rate higher than normal. Almost 69% of company executives state that they pay overtime at over 1.5 times the normal overtime rate. Most workers seem 'quite or very satisfied' with pay, and workers from the manufacturing and exporting sectors are more satisfied with overtime pay than those in other sectors.

Most company executives and workers report that their companies pay the minimum wage as fixed by the government. However, a large proportion of unskilled workers and workers in the service sector tend to disagree with the above statement.

Almost two-thirds of company executives claim that there is an independent monitoring and verification system for implementation of labour codes and policies. However, it was found that few companies publish reports on their labour policies and practices. This raises questions about claims of independent monitoring and verification of labour codes by companies.

What source of information on company practices do Indians trust most?

The general public and workers do not appear to trust the reporting of companies on their company practices; rather, they are more inclined to believe verifications of external groups such as research organizations, NGOs, media, and independent rating agencies (Figure 7).

Are there regional differences in consumer sensitivity to socially responsible production?

The results from polling in Chennai, Kolkata, Mumbai, and New Delhi show some interesting differences in attitudes and expectations relating to corporate behaviour (Figure 8).

Residents of Chennai appear to have the highest expectations from companies and are also the most

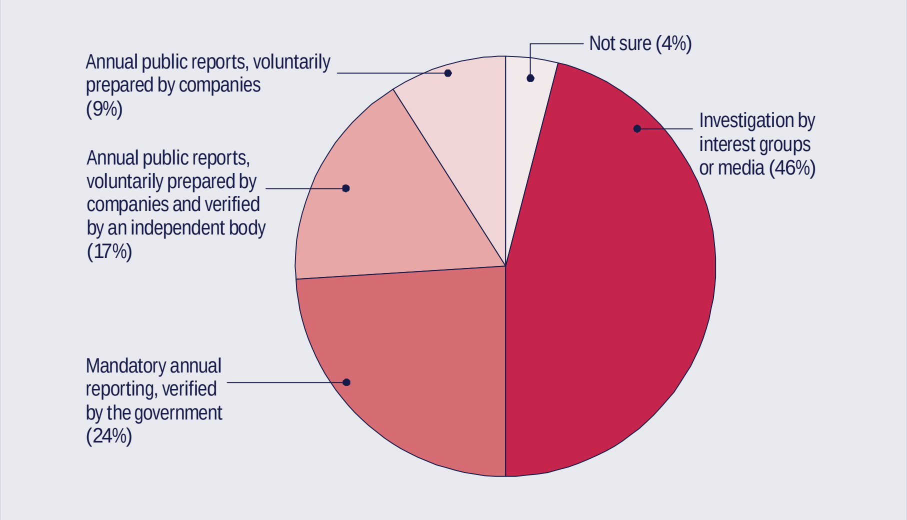


Figure 7 Trusted information source for social/ethical practices of major companies

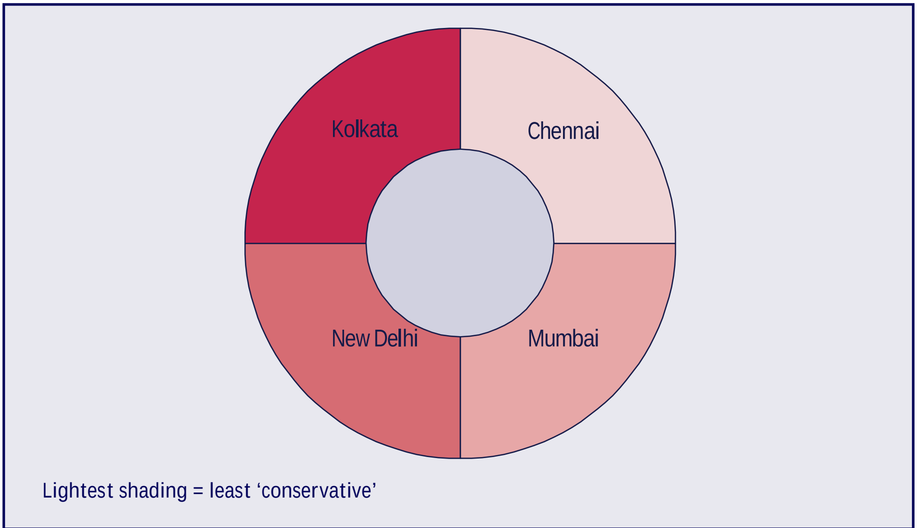


Figure 8 Degree of 'conservatism' in the four metros

willing to buy products from companies that are environmentally and socially responsible. Chennai consumers are also more concerned about a company's labour codes and, hence, are more willing to pay for socially responsible goods. In this respect, Chennai could be considered the most 'progressive' of the four metros. Although Mumbai residents expect companies to behave in a responsible manner, the poll revealed that their consumption patterns are driven primarily by commercial factors and not influenced by a company's record on social responsibility. Residents of New Delhi reveal a certain degree of concern for environmental and social issues generally, but do not expect companies to change corporate practice accordingly, nor are they willing to judge companies on their corporate responsibility practices. Kolkata came across as being the most 'conservative' city in this respect. ⌘

3 Conclusions and next steps

Conclusions

India's experience with corporate responsibility is not new. In its oldest form, corporate responsibility in India has included the concept of corporate philanthropy and the Gandhian trusteeship model. This is characterised by corporate donations in cash or kind, community investment in trusts, and provision of essential services such as schools, infirmaries, etc. Many firms, particularly 'family-run businesses' continue to promote philanthropy. Alongside this tradition, the statist model also exists amongst public sector enterprises in the manufacturing, mining, and services sector. However, with privatization and globalization, these models are gradually being complemented by the stakeholder model, which demands a more structured approach whereby companies need to address the concerns of other stakeholder groups (workers and the community) together with those of their financial shareholders. For this to be successful, corporate responsibility must become an integral part of business strategy. The key to being more 'sustainable' is for a business to adopt, demonstrate, and practise more holistic approaches to business, where financial drivers together with sustainable development performance (i.e. social equity, environmental protection, and economic growth) are incorporated into mainstream business strategy and embedded in organizational values.

A few Indian companies are striving to adopt the stakeholder model. This is happening not just in the larger companies but also in small- and medium-sized companies that are striving to incorporate sustainable development and corporate responsibility as core areas of their business operations. The main business of the IEI (Ion Exchange India Ltd), for example, is the manufacture of ion exchange resins and effluents and water treatment. However, in keeping with its vision statement, the IEI has extended its operations to rural areas where it provides appropriate technology, training and services to the local community in partnership with village-based NGOs and philanthropic organizations (IEI 1999). The IEI has also launched an 'enviro farm' scheme where organic farming on a commercial scale is undertaken with the involvement of local communities. Enviro farms are cultivated to the standards of the International Federation of Organic Agriculture Movement, Germany. Contract farming is undertaken to increase the volume of organic production and to promote social causes. The IEI trains various farmer groups to produce and market organic products. The company works exclusively with NGOs, associations, and self-help groups to make them ready for organic production, specification, and certification by forming Community Grower Groups. Based on the EC 2092/91 standards[1], the scheme guides the farmers to participate in certification and assures buy-back of their products. In this way, farmers are assured of marketing and remunerative prices with access to international markets (IEEF 2000, IEEF 2001).

Despite these encouraging signs, TERI-Europe's preliminary poll has revealed a number of areas where more progress is needed if the business sector is to keep pace with demands for it to adopt more responsible, transparent, and accountable strategies and practices. Five key conclusions emerge from the poll.

High expectations from companies are not yet matched by judgements about corporate responsibility

Across all three groups surveyed, Indians feel that the business sector must play a wider and more expansive societal role. In addition to providing good quality products at reasonable prices, companies should strive to make their operations environmentally

[1] Since 1993, when the European Commission Council Regulation 2092/91 became effective, organic food production has been strictly regulated. This regulation sets out the inputs and practices that may be used in organic farming and growing and the inspection system that must be put in place to ensure this. This regulation also applies to processing, processing aids, and ingredients in organic foods. All food sold as organic must originate from growers, processors, and importers who are registered with an approved body and subject to regular inspection. Available at <europa.eu.int/eur-lex/en/consleg/main/1991/en_1991R2092_index.html> last accessed on 13 December 2001.

sound, adhere to high labour standards, reduce human rights abuses, and mitigate poverty. Clearly, people expect a lot from businesses. However, the poll also revealed that people are not yet judging companies according to these criteria. Public opinion about companies is still focused on the business dimension, with judgements largely stressing brand quality and reputation of companies. On the face of it, these two findings may appear to be contradictory but they are also indicative of a future trend of rising public expectations from the business sector. If public demands continue to exert pressure on companies to adopt more responsible practices, very soon companies will begin to be judged not only on their economic performance but also on their environmental and social performance. This has implications for how companies might rethink their future corporate strategies.

More trust is placed in the media and non-governmental organizations than in industry

The poll suggests that Indians do not trust either companies or labour/trade unions to work in the best interest of society to the same extent as the media and NGOs. Moreover, views differ amongst the three groups. Workers and the general public place their trust in the media whereas company executives favour NGOs. Workers are especially suspicious of companies as guardians of social welfare, perhaps due to the traditional mistrust between the two. Interestingly, most workers (like other groups) do not trust trade and labour unions to work in the best interest of society. This may well be a reflection of the political influence on labour unions in India, a phenomenon that hampers Indian industry as well as worker welfare.

A noticeable fact is that global companies operating in India are rated low in terms of trustworthiness. The perception is that MNCs are not giving their due to Indian society. This is also reflected in the fact that people were hard-pressed to name a 'responsible' MNC operating in India. The message is clear—foreign companies need to improve their public standing by adopting and demonstrating the same commitment to environmental and social standards as they do in the North and/or by facilitating greater involvement of local communities.

A greater role for non-governmental organizations

The above findings suggests that the business sector as a whole needs to rethink its strategy on how it executes its social and environmental responsibilities. The indications are that finding creative ways to work with the

NGO community would greatly enhance corporate image. In the North, the drivers for change towards more sustainable business have come from civil society organizations, such as NGOs. Engagement and dialogue with opinion forming NGOs, research institutes, and independent rating agencies can greatly enhance and protect corporate reputation. India has a large, diverse, and vibrant NGO sector. As the poll has shown, people trust NGOs to work in the best interests of society. Hence, it is only logical that Indian NGOs take on the mantle of change agents by shaping, monitoring, and playing a constructive role in the field of corporate responsibility.

Gender discrimination is a real issue in the workplace

Evidence suggests that gender discrimination, by way of hiring policies and age restrictions on women employees, is fairly common in companies. Quite naturally, workers, as opposed to the company executives, voice these assertions more openly. We believe that this issue needs to be given much greater priority. Given that labour unions are not trusted by a majority of workers themselves, both unions and management need to find creative (and perhaps collaborative) ways and means of dealing with this problem. Tried and tested measures that have worked for the benefit of the company and the female worker include the provision of crèche facilities within the factory and day care and special leave provisions to enable female employees to attend to their children's needs. This assures women workers of continued employment after childbirth and, at the same time, benefits the company by reduced absenteeism, higher productivity, and greater loyalty on the part of the worker. Companies can work together with women's groups and NGOs to set up relevant facilities within their premises.

Workers and the management have sharply diverging perceptions of working conditions

Divergent views expressed by workers and company executives with respect to wage levels, overtime payment, and labour policy in general indicate that there is a definite problem in the workplace. The problems seem more acute for unskilled workers and those employed in service industries. On the face of it, it appears that the business sector has not given due recognition to the importance of better workplace conditions and employee satisfaction as a motivating factor in increasing productivity and reducing operating costs. Since there is no independent monitoring and verification of labour policy reports issued by companies, it is difficult to verify the claims of different parties. Clearly, though, there is a problem, and this is an issue that company managers, unions, and worker representatives need to address jointly.

To arrive at a solution, companies must build trust, awareness raising, and training into their human resource management strategies. Again, companies may wish to elaborate and implement such programmes in partnership with trusted NGOs or other similar organizations.

Next steps

This report has presented the results of a timely public opinion poll on corporate responsibility practices in India. Designed as an agenda-setting exercise, it has served to highlight some of the key areas that require attention and action by company managers, workers, and civil society. There is a need for still greater understanding of what Indian and international companies are currently doing to demonstrate their responsibilities to society. Identification of gaps and clarification of resource needs hold permanent value.

TERI-Europe and its partners are using these preliminary findings as the bases for a more in-depth investigation into the issues. This will be used to develop targeted training modules for three key stakeholder groups—company executives, workers, and civil society organizations (including trade unions and NGOs).

Although there appears to be considerable scope for collaborative action, much remains to be done to build capacity within business, civil society, and government to move the corporate responsibility agenda forward. A key part of this process is to promote learning and inter-sectoral collaboration in order to make Indian companies more successful and more responsible. Creativity and innovation are imperative to enable India to develop approaches to corporate responsibility suited to its own needs and priorities. ⌘

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Contact details

Ritu Kumar
Director, TERI-Europe
27 Albert Grove, London SW20 8PZ
United Kingdom
Tel. 44 20 8947 9145
E-mail ritukumar@aol.com
Also Environment Economist
Commonwealth Science Council
Commonwealth Secretariat, Marlborough House
Pall Mall, London SW1Y 5HX
United Kingdom
Tel. 44 20 7747 6212
Fax 44 20 7839 6174
E-mail ritu.kumar@commonwealth.int

David F Murphy
Programme Director
New Academy of Business
17-19 Clare Street, Bristol, BS1 1XA
United Kingdom
Tel. 44 117 925 2006
Fax 44 117 925 2007
Email: david.murphy@new-academy.ac.uk

Viraal Balsari
Consultant, Energy-Environment Technology Division, TERI
11 Gangotri, Banganga Road, Malabar Hill
Mumbai 400 006, India
Tel. 91 22 367 3126
Email vbalsari@vsnl.com

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