

Community Care and Corporate Governance on Business in India

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Abstract

The cooperatives find a special role at present for themselves by supporting the have-nots. Business in any form including that of cooperatives is not concerned 'merely' with profit but also with promoting desirable 'social' ends; businesses should have a 'social conscience' and take seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords to improve society. A company should be a responsible member of the society in which it operates. Developing (and communicating) a comprehensive community care strategy takes time, commitment, focus, and designated people and financial resources. And, it requires commitment from the executive offices down to every individual department and staff position. Cooperative organizations have been experimenting them for years together and came successful by several 'trial and error' methods and have achieved the goal to a greater extent in India. This paper is an attempt towards the goal of upholding the values of CG practices by every business unit in India as cooperative undertakings do.

Key words: Corporate Citizens, Concern for community, Recompense, Corporate DNA

Introduction

One might think in the 21st century, man must be sitting on a summit of happiness, happier than all his predecessors in human history. High income levels, high life expectancy and reduced infant mortality. But the reality is different. There is a flip side to the global prosperity. While our planet can produce enough food for everyone, 800 million people are malnourished. Life expectancy has increased globally, but HIV / AIDS is producing holocaust in Africa, India and China¹. The world's capacity to produce continually increases but at the cost of the environment. Agriculture is putting pressure on water supplies, fish stocks and forests. Almost 50 per cent of the world population has never used telephone or television. This has caused a transparency gap, as some parts of the planet miss out vital information that affects their self-interest. Such a divide has added a new breed of terrorism.

It is in this context the cooperatives find a special role at present for themselves by supporting the have-nots and the underprivileged to rise up to the occasion and do their best to join the national main stream through their golden principle of CONCERN FOR COMMUNITY and make India proud as a fully developed nation as pronounced in the 'Vision 2020 Document' of our former President H.E. A.P.J. Abdul Kalam. This article is an attempt to bring out the ground level realities for proper planning and action.

As part of war on terrorism, a new initiative in early part of the 21st century is a growing acceptance of bridging this divide and improving the quality of life of citizens in the poorest countries in the world. In this era of globalization, the word 'charity' is replaced by empowerment. The earlier days of charity for schools and hospitals are now viewed as a basic necessity to be fulfilled by the corporates. Such awakening of social responsibilities on the part of companies prompted them to increase their investment in social issues.

'Starbucks' has seen its profits rise as it has increased its investment in social issues. 'Reebok' has seen the same. Coincidence? We don't think so. Business in any form including that of cooperatives is not concerned 'merely' with profit but also with promoting desirable 'social' ends; businesses should have a 'social conscience' and take seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords to improve society.

Why should Businesses Care?

How companies behave affects many people in the community including the flora and fauna, and not just the shareholders. A company should be a responsible member of the society in which it operates. Market research shows that both young and old consumers alike are attracted to the dual proposition that they can buy quality products and make the world a better place. A Cone / Roper consumer survey finds that two-thirds of American companies will switch brands to reward community oriented companies.¹ Similar trends are reported internationally. A high percentage of consumers in the United Kingdom (86%), Italy (75%) and Australia (73%) claim that they are more likely to support a company if it contributes to the social good.³

There are many positive drivers as well as "carrot and stick" incentives for businesses to adopt socially responsible business practices. A few things to consider⁴:

- i. Enhanced corporate brand image, trust and reputation: For example, 92% of Americans think that it is important for companies to make charitable contributions or donate products and/or services to nonprofit organizations in the community.
- ii. New customer acquisition and development of strong and enduring relationships with consumers: For

example, 86% of consumers state they are likely to switch from one brand to another that is the same price and quality if that brand is associated with a social cause

iii. Increased ability to attract, motivate and retain the most talented workforce: 9 out of 10 employees of companies involved in cause marketing programs reported they feel proud of their companies.

iv. Improved financial performance and the ability to attract new resources and/or influence key stakeholders: A Harvard study found that “stakeholder-balanced” companies experienced four times the growth rate and eight times the employment growth when compared with companies that focused only on meeting the interest of shareholders

And now the other side of the same coin, Here is a look at the risks of not having community care and ethical business practices in place. Corporate may be at risk for:

- a. Exposure to unfavorable public opinion and increased reputation risk
- b. Increased litigation and related legal costs
- c. Decreased shareholder value and diminished stock price – Decreased customer loyalty, loss of customers and/or stakeholder support

Corporations have a moral obligation to the community. Companies use the natural resources, labor and social infrastructure of a place to further their own private economic ends. It is a small recompense to assist the community in improving its quality of life.

¹ Cone, Cause Related Trends Report (Boston: Cone, 1999)

² S. Adkins, Cause Related Marketing: Who Cares Wins (1999)

³ www.consciouscomm.co

Dimensions of Community Care`

Corporate are not islands unto themselves, but exist in the community. In the long run, in their own enlightened self interest, they need to invest in the community because it is from there that they get their talent pool, their customers and their stakeholders. The more educated and prosperous the communities, business will eventually benefit. In India, the concept of Daana (giving) goes back to the Vedic period. Rig Veda an ancient Indian text makes ample references to charity as a duty and responsibility of the citizen and the benefits that one earns through an act of charity.

Institutionalized philanthropy received an impetus with the industrial revolution in India, as corporate wealth began to be channeled towards welfare and development work. It is extremely crucial to acknowledge the stellar role of Jamshedji Tata who was also to become the ‘father of modern Indian philanthropy’. He, with his vision to create an Indian iron and steel industry transformed an unknown, backward village named Sakchi later renamed as Jamshedpur, which is a model of town planning and community care. The house of Tatas,

Godrej, Birlas are known for their commitment to developing social infrastructure. Enhancing social consciousness of corporate is the crying need of the hour and some of the introspective questions that need to be addressed today are:

- i. Do citizen concerns about the company’s impact get listened to and resolved?
- ii. Are local housing and educational initiatives supported, especially those geared toward the economically disadvantaged?
- iii. Are employees actively encouraged to volunteer their skills and experience to civic groups?
- iv. Is consumer activity linked to tangible community benefits?

Consumers are cynical about the motive behind corporate charity. Surveys indicate that a large number of people believe that companies participate in philanthropic activities simply to gain good publicity. Less than a quarter believe that companies make social contributions because they are truly committed to a community cause.

A Shift in the Corporate Ethos

Community care is not easy. It isn’t a product you can just buy, it is a state of mind and must form part of the “core DNA” of a company if it is going to be worthwhile. Ideally any company’s commitment to corporate responsibility will be endorsed and owned by those at the very top of its leadership. Corporate is realizing the fact that they are not in existence just to run the business and to make profits, but to be responsible and good corporate citizens by playing their part in the community and shouldering community responsibility. The three main models that can be adopted are:

- a. Employee Volunteering – Mitsubishi has launched an employee volunteer activity which enables employees to choose community care programs they wish to get involved in and also tracks their volunteer contributions. Employees earn virtual tokens for volunteering their time which are added up at the end of the year and the company donates the corresponding sum to social welfare organizations.
- b. Community Investment – Infosys currently commits upto 1.5% of its profit after tax annually for social and community causes, which include education, women’s projects, healthcare, community development and preservation of art and culture.
- c. Community at the Core - JRD Tata arranged with total support from the directors and the management of all Tata companies, for their Articles of Association to be amended so as to make social responsibility written into each company’s commitment to society.

Here is what corporate can consider doing to lend a helping hand:

1. Adopt different wings in government hospitals and corporation schools, and take charge of their

maintenance on an ongoing basis



Figure 1
Moving the Company into the Community: How Deep Do You Go?!

2. Organize collection of toys, books, cloth, food and furniture in firms and donate them to needy centers
3. Organize weekend camps wherein employees can get to spend their time and effort at the homes for the destitute
4. Donate own products; for instance, mobile phone firms can donate a few free lines to deserving centers
5. Sponsor the education of deserving, underprivileged students
6. Teaching in government schools
7. Supporting NGOs financially
8. Empowering women
9. Cleaning parks and planting trees

10. Volunteering in orphanages and protecting the abused.

Even if community activities do not lead to any direct financial benefits, at least, the idea that the company cares will have a positive impact.

Developing (and communicating) a comprehensive community care strategy takes time, commitment, focus, and designated people and financial resources. And, it requires commitment from the executive offices down to every individual department and staff position. Cooperative organizations have been experimenting them for years together and came successful by several 'trial and error' methods and have achieved the goal to a greater extent in India. To be truly effective, the community care strategy must permeate all you do – from hiring to branding to manufacturing to sales – and it must become part of the "corporate DNA". Getting there is not an easy process, doing it well can be resource-intensive, and it doesn't happen overnight. But can corporates afford not to get started?

Evaluation Tools

How can corporates/cooperatives evaluate themselves as good corporate/cooperative citizens? The various methods are:

There are a number of guidelines, which help companies measure, their social performance. Some of the most important are:

- a. Global Reporting Initiative (GRI)
- b. SA 8000 of Social Accountability
- c. Global Sullivan principles of Social Responsibility

Every project that hopes to be sustainable into the future will need to calculate a Return on Community Engagement (RCE). This measures

- a. The direct benefit to community stakeholders such as jobs created
- b. The direct benefit to business operations such as new customers gained
- c. The correlation between invested resources and targeted goals

The other source of information for investors is the traditional annual reports or more specialized reports like:

- a. Corporate Social Responsibility (CSR) or Sustainability reports These initiatives ensure that the company is taking into consideration such issues as the environment, human rights, and community involvement.
- b. Triple Bottom Line Reporting – This is used as a framework for measuring and reporting corporate performance against economic, social and environmental parameters.
- c. Social Audit - A social audit can complement an organization's annual financial audit by providing clear and succinct information on performance against social objectives.

- A questionnaire may also be employed as a tool in order to measure stakeholders' satisfaction level on the company's social performance addressing rating areas like:
 - a. Overall satisfaction on the company's performance on community care
 - b. Strategic plans for community investments and their follow up
 - c. Encouragement of employees to volunteer their skills to civic groups
 - d. Initiation of economic activity in partnership with community groups
 - e. Aiding victims of natural disasters.

Good Corporate Citizens

'You can't run a healthy company or a cooperative organization in an unhealthy community; and if the community falls apart, your company will suffer as well'. The top ten companies in USA that are doing a good job of both incorporating community care in their operations as well as communicating it to consumers are:¹

1. Microsoft Corporation
2. Whole Foods Market, Inc.
3. Kellogg Company
4. McDonald's Corporation
5. The Home Depot, Inc.
6. The Walt Disney Company
7. United Parcel Service, Inc.
8. The Coca-Cola Company
9. Starbuck's Corporation
10. PepsiCo, Inc.

McDonald's is built on a foundation of ethical business conduct and involvement in local communities. McDonald's owner/operators and company-operated restaurants fulfill these vital commitments every day in many ways⁸:

- i. Help for Children in Dire Need
- ii. Support for Breast Cancer Services
- iii. Disaster Relief
- iv. Growing Communities.
- v. Supporting Education.

Thus, McDonald's Corporation set a lasting example half a century ago by recognizing the importance of giving back to the communities in which they do business.

In India, the Birlas and Tatas undertook community work even before the word CSR was coined and became fashionable. Today, Indian companies are shifting from corporate philanthropy and mere giving to building sustainable models of development

- i. Gujarat Ambuja's NGO, Ambuja Cement Foundation has been working with the local community near the company's plant at Kodinar in Gujarat to solve the most pressing problem in the area – fresh water. The company devotes several hours of managerial time to this project.
- ii. Wipro, through Azim Premji foundation has dedicated itself to the cause of universalization of elementary education of India and currently runs 1900 schools in various parts of India.
- iii. Canara Bank has for years been supporting a Gurukula that chisels poor and unemployed youth into master craftsmen
- iv. The National Dairy Development Board (NDDB) has transformed huge areas in Indian villages by empowering producers and creating a marketing outlet for their produce. Operation White Flood is a result of this initiative.

The Road Ahead

In summary, social issues are now a core issue for corporate governance, and good corporate governance, in turn, is essential for evaluating the environmental, social and ethical performance of corporations. It is a call to action and not just paying lip service to the idea of being a good corporate citizen by donating a few park benches to a public garden or a few old computers to an old age home.

It is myopic and ill advised for businesses to divorce itself from the rest of the society. Community care today goes far beyond the old philanthropy of the past – donating money to good causes at the end of the financial year – and is instead an all year round responsibility that companies accept for the society around them, for the best working practices, for their engagement in their local communities and for their recognition that brand names depend not only on quality, price and uniqueness but on how, cumulatively, they interact with companies' workforce, community and environment.

Conclusion

Cooperatives have already set a role model for community care by not only having it as one of the principles 'concern for community' but also by practicing it in

spite of its business loss in more forms than one. How and when the other forms of business are going to follow suit? How it is going to be further strengthened by cooperatives themselves for uniformity in their delivery performance? These are the few questions lingering the minds of the authors of this paper for policy makers and planners and more particularly the business giants on field are to think of and act accordingly. Earlier done, it is better for all concerned.

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