

# **“CORPORATE SOCIAL RESPONSIBILITY – A COMPARATIVE STUDY OF TATA COMPANY AND INDIAN TOBACCO COMPANY”**



*Thesis Submitted to Kuvempu University, Shankaraghatta, Shimoga.  
for the award of the Degree of*

**DOCTOR OF PHILOSOPHY**

**IN**

**COMMERCE**

**By**

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## CERTIFICATE

This is to certify that, the thesis entitled “**Corporate Social Responsibility – A Comparative Study of Tata Company and Indian Tobacco Company**” being submitted for the award of Doctor of Philosophy in Commerce, under the faculty of commerce of Kuvempu University, Shankaraghatta, is the original research work completed by Mr. Omweno Nyameyio Enock under my supervision and guidance. To the best of my knowledge and belief, the thesis has not been previously submitted to any other institution for the award of any diploma, degree or fellowship in this University or any other university or examining body.

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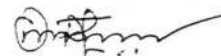
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## **DECLARATION**

I hereby declare that, the thesis entitled **“Corporate Social Responsibility – A Comparative Study of Tata Company and Indian Tobacco Company”** is the result of my own study, carried out under the guidance of **Dr. Kundan Basavaraj**, associate Professor & Co-ordinator Dept. of P.G. Studies & Research in Commerce and Management, Sahyadri Arts College campus, Shimoga, and has not been submitted earlier to any other university in fulfilment of the requirement for the **Degree of Philosophy in Commerce**, diploma or similar title of any other university. To the best of my knowledge and belief, the thesis contains no materials previously published or written by another person except where due reference is made.



(Mr. Omweno Nyameyio Enoch)

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**Omweno Nyameyio Enock....**

# *Dedication*

*I dedicate this thesis to my beloved parents*

*Late Mr. Hezekiah Omweno Ontita*

*And*

*Mrs. Alice Kemunto Omweno*

*For their true love, support, encouragement and  
understanding throughout*

*My Ph.D. work*

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## **GLOSSARY OF ABBREVIATIONS**

AGOA - Australian Government Overseas Aid  
AGOA - Australian Government Overseas Aid (AGOA)  
AIA - Environment Impact Assessment  
AIDS - Acquired immune deficiency syndrome  
AIG- American International Group  
ASSOCHAM – Associated Chambers of Commerce and Industry of India  
BOD - Biochemical Oxygen on Demand  
CAT- Caterpillar  
CDO - Collateralized Debt Obligations  
CDS - Credit Default Swaps  
CEO- Company Executive Officer  
CFO- Chief Financial Officer  
CNG - Compressed natural gas  
COD - Chemical Oxygen on Demand  
CS- Corporate Sustainability  
CSR- Corporate Social Responsibility  
DRDO – Defence Research and Development Organisation  
EI- Environmental Impact  
FDI – Foreign Direct Investment  
GRI – Global Reporting Initiative  
HIV - Human Immunodeficiency Virus  
IAIA - International Association of Impact Assessment  
IIRC - International Integrated Reporting Council  
ILO – International Labour Organization  
IRS - Internal Revenue Service  
KLD – Kinder, Lydenberg, and Dominic  
LEED – Leadership in Energy and Environmental Design  
MDI - Multiple Document Interface  
MNE – Multinational Enterprises  
NEPA - National Environment Policy Act of 1969  
NGO - Non-Government Organizations

NRBV - Hart's Natural Resource Based View  
NYSE - New York Stock Exchange  
OECD – Organization for Economic Cooperation and Development  
R&D – Research and Development  
SRI – Socially Responsible Investing  
TBL – Triple Bottom Line  
TNCs – Transnational Companies  
UCIL - Union Carbide India Limited  
UCIL - Union Carbide India Limited  
UKDID - United Kingdom Department for International Development  
UKDID - United Kingdom Department for International Development  
UN – United Nations  
US (A) - United States of America  
USAID - United States Agency for International Development  
USAID - United States Agency for International Development  
WBCSD - World Business Council for Sustainable Development

# CHAPTER I

## 1.0 Introduction

Company owners aimed to create value for themselves by maximising profits out of the goods and services they offered to the society. The test for quality from the beginning was demanded because even during the traditional barter trade system, exchange of good and services were measured on the quality of certain equivalent products and service in the market place. This was a sign of responsibility towards service to the community by supplying goods while considering quality. The law of demand and supply has been met for centuries now through trade. With civilization commerce has transformed and the mode of doing business changed. Now companies are playing unprecedented role that touches lives by propelling the society through various substantial investments that have increased jobs, created sustainable livelihoods, improved people's living standards and spurred economic growth. Companies both public and private sector have been tasked to offer products and services that transform the society with equity and responsibly without conflicts with the stakeholders. Because of the importance of meeting the rising requirement demands of various classes of people around the globe, necessary steps have been taken by the international bodies like United Nations and world trade organization to monitor company's actions on their delivery mechanism. This is to promote responsibility at the same time protecting the vulnerable weak sections of the society from harm.

Because of globalisation and technology invention, companies have shown much improvement in terms of quality from both products and services they produce, to the way of leadership and managing risk in the company. But at the same time, more harm has been recorded and witnessed mostly on the environment when forests are cleared for development and increased polluting emissions. The reported cases of corruption and inferiority of products and service produced have increased the question on the part of companies. The demands for a more great change in terms of transparency have challenged and made companies to have no place to hide but comply to be responsible. Despite pressure from stakeholders, advancement in technology and globalization that have challenged company's engagement into CSR action, some companies have a tradition of practicing CSR. Many a times in the past, companies had failed to be accountable in their actions that led to deaths and environment degradation because



there were no due competent laws or any other pressure to compel them to pay for their actions. But now informed stakeholders can hold accountable different company brands for any negative action that may endanger their common interest. Companies wanted to improve their image and remain good ambassadors through their good actions of pure commitment towards the society in the name of corporate social responsibility (CSR). Under the umbrella of CSR, companies are entitled to address responsibly activities that may have a negative impact, risky or may endanger the society, environment and stakeholders in advance.

Corporate Social Responsibility since 1950 has evolved to be a subject that is thought in institutions debated in conferences and meetings around the globe. Different countries (including India) have passed laws that aim to make companies accountable in their actions towards the environment and various stakeholders in the society. There has been an addition to the magnitude of CSR as a term than the first time it was introduced in US and Europe.<sup>1</sup> In his second book, 'The Future of Industrial Man' in 1942, Peter Drucker argued that companies have a social dimension as well as an economic purpose. It is a clear indication that companies must not be economic centred forgetting their concerns towards the society, environment and other stakeholder's interests. Rapid technological, environmental challenges, changing values systems on the part of employees, customers and consumers, competition due to globalization have all left with CEOs of companies to adopt strong CSR.

CSR definition has undergone significant changes to be compared to an evolution (Min-Dong, 2008).<sup>2</sup> Demand for company responsibility as a new concept, has made global and national companies revise their code of conducts and ethical regulations. Now companies are hard pressed to disclose to different stakeholders about their accountability on how they make their profits. The perception on the role and obligation of business through CSR has gained both depth and width in connotation and emerged as a complex, multi-layered concept away from the belief that it was just charity and philanthropy. The topic of CSR is a tag that has become an important subject of discussion among business and industry and academic cycles across nations.<sup>3</sup>

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<sup>1</sup> Carroll, A. B. (1999). Corporate social responsibility: Evolution of a definitional construct. *Business and Society*, 38(3), 268-295.

<sup>2</sup> Ming-Dong P L (2008), "A Review of the Theories of Corporate Social Responsibility: its Evolution Path and the Road Ahead", *International Journal of Management Reviews*, Vol.10, No. 1, PP. 53-73.

<sup>3</sup> S.K. Bathia (2005) *Business Ethics and Corporate Governance*. Deep and Deep Publications Pvt, Rajouri Garden, New Delhi-110027.

Corporate social responsibility is understood to many as an obligation of decision makers taking actions which protect and improve the welfare of society as a whole along with their own interest.

For companies to achieve varying requirements of various stakeholders and help counter challenges that may threaten their prosperity, they have adopted a sustainable and inclusive strategic approach towards CSR to easily help creating value addition. Private sector now is filling the gap that public company can't fill at the moment. This is because of enormous and diverse changing demands and roles of society and increased competition due to technological innovations. There is an increased number of employees working in the private sector today globally than it used to be earlier easing queues in government offices for jobs and other services. Economic growth have been steered, and people's living standards improved due to the actions of companies. During the company's operation period, decision on diversification, expansion, opening or closing a branch, or replacing men by machines, considerations should be born in mind on the impact it will have upon different stakeholders to avoid friction of interests. Balancing various requirement of various stakeholders remain a challenge for company and that requires full understanding of the traditions and requirements before drafting the kind of CSR for example in a work place. Of late, there have been serious violation of law by the corporate world that has scared not only the same companies but other business partners in the field. Some major isolated cases of company failures in the society are listed below.

Reports of company's fund misappropriation, inside trading<sup>4</sup>, oil Spill<sup>5</sup>, Enron<sup>6</sup>, Parmalat<sup>7</sup> all indicates how easily shareholder's and investor's billions of dollars can be wiped of due to corruption and poor risk management. Such actions have made companies built over decade's collapse overnight exposing many lives into uncertainty. Some scandals have inflated incomes of billions (\$1.7 billion) through underestimating the depreciation expenses of the company<sup>8</sup>. The WorldCom<sup>9</sup> was

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<sup>4</sup> "ISB aiming to be world No.1: Gupta", *The Financial Express*, August 6, 2010 at 1408 hrs. IST.

<sup>5</sup> Alaska hit by 'massive' oil spill". BBC News. March 11, 2006. Retrieved August 8, 2006.

<sup>6</sup> Yuhao Li (2010) "The Case Analysis of the Scandal of Enron" international journal of management, Vol. 5, No; October 2010.

<sup>7</sup> "Report: BofA in formal investigation". Charlotte Business Journal. 2004-02-24. Retrieved 2007-07-22

<sup>8</sup> Lei Gao and Rajendra P. Srivastava (2004), "*The Decomposition of Management Fraud Schemes*" annual conference of E&Y CARAT at the University of Kansas.

<sup>9</sup> Belson, Ken. "WorldCom's Audacious Failure and Its Toll on an Industry." *The New York Times*, 18 January 2005, C 1.

alleged of inflating total assets through capitalization of operating costs, amounting to an estimated \$11 billion. Tyco International<sup>10</sup>, an international manufacturing company with diversified product lines that include; safety products, fire protection, and electrical products was involved in misuse of the company's funds by its CEOs and CFO by utilizing improper accounting practices to cover up fund misuse. Bernard L. Madoff Investment Scandal<sup>11</sup>, AIG<sup>12</sup> – The American International Group faced the most difficult financial crisis in its history due to the insurer selling credit protection through its units in the form of credit default swaps (CDSs) on collateralized debt obligations (CDOs) which had declined in value all are company irresponsible actions that deprive the moral aspects of the society.

CSR aims to assure different stakeholders for example company employees and the society about their preparedness in facing risk and disaster management. Negligence in the Union Carbide India Limited (UCIL), a pesticide plant in Bhopal caused by a leak of methyl isocyanate gas and other chemicals killed thousands and left the society in shock till now.<sup>13</sup> Satyam Computer scandal<sup>14</sup>, was another revelation that big companies can easily be dragged in failing to adopt a CSR mechanism that is beyond just donating for charity causes. Instead of commitment towards negative outlook, companies should be focus towards a continued ethical behaviour while contributing towards economic development and improving the quality of life of the workforce and their families as well as the community (Holme and Watts, 2000)<sup>15</sup>. Despite the positive impact that the corporate sector can create, it is evident from the above and more other examples not included due to space factor, that the need for CSR in the corporate sector is inevitable.

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<sup>10</sup> Ex Tyco execs get up to 25 years in prison (2002). Retrieved January 03, 2012 from [http://www.msnbc.msn.com/id/9399803/ns/business-corporate\\_scandals/t/ex-tyco-executives-get-years-prison/](http://www.msnbc.msn.com/id/9399803/ns/business-corporate_scandals/t/ex-tyco-executives-get-years-prison/)

<sup>11</sup> "Fraudster Madoff gets 150 years". *BBC News*. June 29, 2009. Retrieved June 29, 2009.

<sup>12</sup> Gellner, R. (2009, July 10). AIG bonus payments create self-destructive atmosphere. Retrieved July 16, 2009, from <http://www.examiner.com/x-11326-Liberal-Examiner~y2009m7d10-AIG-bonus-payments-create-selfdestructive-atmosphere>.

<sup>13</sup> <http://www.mp.gov.in/bgtrrdmp/relief.htm>

<sup>14</sup> Rahul Varman, an Article from the Department of Industrial and Management Engineering, IIT Kanpur. *InfoChange News & Features*, March 2009

<sup>15</sup> Holme, R; Watts, P. (2000), *Corporate Social Responsibility: making Good Business Sense*, World Business Council for Sustainable Development, January 2000, Geneva. Switzerland (ISBNI 2-940240-078).

Increasingly, corporations both large and small are using commitments to social responsibility to promote their corporate and brand image as a reflection of their citizenship. The 19<sup>th</sup> century concept of CSR that largely meant economic achievements or profit maximization, has now changed to a more inclusive and sustainable commitment towards different stakeholders. CSR has been modified with time under the influence of government and public pressure, and the economic orientation has been underpinned by the requirement to consider first the impact of an organization's on the society and environment on economic activity achievement. Various stakeholders are keen to see the company they are interested in committed towards making profits while addressing other segment of the society and the environment equitably (Steiner & Steiner, 2005).<sup>16</sup> Now CSR has become part of business and every company acknowledges that its inclusion will help market and make the company competitive. Company CSR reflection on ethical and moral agendas help business keep in line with ethical and moral behaviours along with instilling the habit of honest and transparency in the society. No doubt that commitment towards the society and environment protection can easily tap more resources with less resistance, with companies easily recruiting and retaining employees with easy are among many benefits of CSR adoption. There will be increased costs to implement CSR in the short run, but the benefits are likely to outweigh the costs at the long run.

### **1.1 The Brief Concept of CSR**

Company's responsibility towards the society was something visible way long back. Though the idea of regarding the good actions towards the society as CSR wasn't recognised so, the ideas and aim were clearly the same. The formal concept definition of CSR started in the 1950's in the USA to early 70's when poverty, unemployment, pollution and a consequent huge fall in the value of the dollar. CSR became a matter of utmost importance for diverse groups demanding change in the mode businesses were carried. The concept of CSR is defined as a joint enterprise that should work together in an inclusive way with different stakeholders to embrace many CSR interests with a common purpose that will create trust in the minds of stakeholder with some sort of commitment through corporate policies and action (Goyder, 2003)".<sup>17</sup>

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<sup>16</sup>Steiner GA, Steiner JF (2005). *Business, Government and Society: A Managerial Perspective* (Eleventh Edition). New York: McGraw-Hill Professional.

<sup>17</sup> Mark Goyder, *Redefining CSR: From the Rhetoric of Accountability to the Reality of Earning*

The term CSR may have different meaning depending on the one using it, it may mean; business accountability, corporate conscience, and responsible business.<sup>18</sup> Due to lack of single universal accepted definition of the concept, there are disagreements right from literature, scholars, government to organisations on what the common definition of the concept of CSR should be.<sup>19</sup> As early as 1930s,<sup>20</sup> and the two early published articles defining the role of managers (Berle, 1931; Dodd, 1932)<sup>21</sup> the concept of CSR got a solid start. The 60's study defined CSR as actions that business persons take or decisions they make for reasons other than their economic or technical benefits (Davis, 1960). McGuire (1963) distinction between social responsibility ethical responsibility, economic responsibility, technical responsibility, and legal obligations, got support by Davis (1973) ten years later who defined CSR as the organizations' responsibilities for issues beyond their economic, ethical, and legal obligations. Carroll (1979) noticed a big drawback in Davis definition of CSR that omitted the economic component and, inspired him to define CSR as the "business social responsibility that encompasses at a given point of time the economic, legal, ethical, and discretionary expectations".

According to Bowen, CSR refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society.<sup>22</sup> Social responsibility means that businessmen should oversee the operation of an economic system that fulfils the expectations of the people (Frederick, 1960).<sup>23</sup> CSR concept is seen as a nebulous idea in a managerial context where there is a believe that some socially responsible business decisions stand a good chance of bringing long-run economic gain to the firm, that pays back for its socially responsible outlook (Davis, p. 70).<sup>24</sup> An ideal and ethical CSR should focus in ethical and philosophical by closing

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*Trust* (Tomorrow's Company, 2003)

<sup>18</sup> D Wood, (1991) 'Corporate Social Performance Revisited' 16(4) The Academy of Management Review

<sup>19</sup> Berete, M. (2011). *CSR and financial performance: The positive relationship*. Germany: LAP Publishing.

<sup>20</sup> Okoye, A. (2009). Theorising corporate social responsibility as an essentially contested concept: Is a definition necessary? *Journal of Business Ethics*, 89(4), 613-627.

<sup>21</sup> Berle, A. A. (1931). Corporate power as power in trust. *Harvard law Review*, 44(7), 1049-1074. & Dodd, E. M. (1932). For whom are corporate managers? *Harvard law Review*, 45(7).

<sup>22</sup> Bowen H.R , *Social Responsibilities of the Businessman* (New York: Harper & Row, 1953)

<sup>23</sup> Frederick, W.C., *The growing concern over business responsibility* (California Management Review, Vol.2, 1960) pp. 54-61

<sup>24</sup> Davis, Keith, *Can Business Afford to Ignore Social Responsibilities?* (California Management Review, Spring, 1960)

the gap of income disparity and leverage the standard of living in the society as well as socio-economic status (Bajpai, 2001).<sup>25</sup> Many other authors have attempted to define CSR concept based on their own views with many arguments for and against the idea of social responsibility (Davis, 1973)<sup>26</sup>. From 1980 onwards many businesses had recognized and started accepting CSR towards the society and environment. Corporate social responsibility then started focusing on the wealth creation for the optimal benefit of all stakeholders including shareholders.<sup>27</sup> Carroll, (1999) recommended that studies in the new millennium should focus more on developing theories and measurement initiatives. Despite the large number of studies addressing CSR, agreement on the common definition has remained almost impossible. CSR remains the problem of business involved in almost all business decisions (Fifka, 2009). Fifka developed a more business-oriented definition of CSR by taking into account several factors that other authors had used in previous studies to define the concept. He defined CSR as the economic and legal obligation as well as voluntary responsibility of companies to participate in the social development of the communities where they operate while staying in the limit of their available resources and underlying business strategies.<sup>28</sup>

The 21 century concept of CSR figures out a CSR policy that should function with in-built monitoring mechanisms that does not violate institutional and state laws, morals and social ethics while serving different stakeholders with commitment.

## **1.2 Reasons Why Companies Engage in CSR Activities**

The old traditional believe that the role of business establishment is to maximise profits has no meaning today. Companies that make profits while keeping in mind the welfare of the society, environment and the large stakeholder carries the day. Now companies aim to balance between making responsible profits and addressing the

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<sup>25</sup> Bajpai, G.N., *Corporate Social Responsibility in India and Europe: Cross Cultural Perspective*, 2001, <http://www.ficci.com>

<sup>26</sup> Davis, K. (1973). The case for and against business assumption of social responsibilities. *Academy of Management Journal (pre-1986)*, 16(000002), 312-323.

<sup>27</sup> Freeman, R.E. *Strategic Management: A Stakeholder Approach* ( Pitman Publishing: Marshfield, MA ,1984)

<sup>28</sup> Fifka, M. (2009). Towards a more business-oriented definition of corporate social responsibility: discussing the core controversies of a well-established concept. *Journal of Service Science and Management*, 2(4), 312-321.

environment and social issues. Companies assume CSR because of the following major reasons:

- i. **Responding to Society Demands.** Society demands vary and changes due to change in taste preferences and fashion, culture, income, education and many more factors. Because companies establish their businesses in land provided by the society, draw raw material, labour and other resources and sells their products and services to the society, it worthy and compelling for the company to act responsibly towards the society in return. There is need for sustainable livelihood, safety measures, risk management, product quality; protection towards the environment should be done in such that it benefits the society but not injuring or causing unnecessary cost to the society or users.<sup>29</sup>
- ii. **Longer- run self- interest of business.** Companies practice CSR towards various stakeholders for easy retaining and recruiting the employees, to attract more investments, to avoid wrong accreditations among a long list of reasons. Some companies have a tradition of being responsible.
- iii. **Moral and Ethical Justification:** Doing good to look good is the way for many companies now. Companies embrace responsible behaviors in and out of their work place, on the staff and supply chain. They belief in morality and ethics of doing what is right for the better society.
- iv. **Government Regulation:** Many businesses conduct CSR because of government regulations that demand so. Companies will aim to maximize profits while harming the rest of the stakeholders like the society and environment if government regulations are not formulated as it used to be during industrial era. Most government programmes encourage many local, national and international companies to integrate CSR in their activities for the betterment of various communities in compliance with existing regulations of the land. The government demands that companies report their CSR activities towards the environment, society, safety and health standards on employees, and risk management adopted.

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<sup>29</sup> Claire Andre and Manuel Velasquez: Who Should Pay? The Product Liability Debate. Issue in Ethis-V.4, N. 1 Spring 1991.

- v. **Competitive advantage:**<sup>30</sup> Many businesses believe that having an attached relationship with different stakeholders by undertaking company social actions through CSR will make them gain a competitive edge against their competitors in the market. It is the reason for corporate spending huge sums on social responsibility. Competitive advantage comprises of four interdependent factors that companies reflect on, for example (a) Factor conditions like adequate communications and transport systems, competent employees, research and development and natural resources. (b) Demand conditions: for example market size, quality of products and local customers who enhance the regions competitiveness by providing firms with insight into emerging customer needs and applying pressure for innovation and social actions that influence both the size and quality of the local market. (c) Related and support factors like: firm's productivity which is greatly influenced by having high quality industries and services close, by attracting local suppliers for capable components, machines and services. (d) Context for strategic business and rivalry.
- vi. Pressure from stakeholders, globalization and risk management are among other reasons why companies engage in CSR activities. Now with time, companies are accepting their role towards the society by incorporating CSR activities in a more sustainable way without pressure from any internal or external source.

As per Hockerts (2008),<sup>31</sup> CSR integration into business processes has been very uneven, whereby many companies conduct CSR fundamentally as a tool to reduce risks and operational costs. The foundation of CSR is the acknowledgement that businesses have responsibilities to society that go beyond shareholder wealth maximisation (e.g. Henderson, 2007)<sup>32</sup>. The major perception of CSR is that it can be an excellent tool for enhancing the legitimacy of the firm among its stakeholders by improving communication as well as transparency, and the development of a positive corporate image. Clients and customers can obtain better products and services; employee can work in better working conditions leading to improved competitiveness while supplier's actions on social and environment can be better managed under CSR. The

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<sup>30</sup> Michael E. Porter and Mark R. Kramer, *The Competitive Advantage of Corporate Philanthropy*, HBR, Dec. 2002, p.57.

<sup>31</sup> Hockerts, K. 2008. *Managerial Perceptions of the Business case for Corporate Social Responsibility*. CBSCSR Working Paper Series: Copenhagen Business School.

<sup>32</sup>Henderson, J. (2007). Corporate social responsibility and tourism: Hotel companies in Phuket, Thailand, after the Indian Ocean tsunami *International Journal of Hospitality Management* 26, 228-239.



social actions taken by the company should reflect the importance on the corporate bottom line that benefits different stakeholders for example shareholders, communities and consumer (Cetindemar & Husoy, 2007)<sup>33</sup>.

### 1.3 Literature Review

The study has covered an extensive literature review works concerning the topic of CSR like; CSR on environment, stakeholders for example; consumers, employees, among others, human rights, reporting, competition issues, brand image and communication in advance.

**Min-Dong (2008)**<sup>34</sup> affirms that the concept of CSR has been expanded to incorporate some concepts like environmental responsibility, diversity, affirmative action, or transparent account practices. The author further opines that many theories have increased and the number will be more under the umbrella of CSR as a revolutionary path a head where some connections with Smith's moral can be easily formulated. The author further says that all these theories and formulations came due to the consequence of researchers attempting to explain the CSR stakeholder framework under the banner of CSR.

**Welford (2004)**<sup>35</sup> says that CSR in its current form is being used widely as a tool for image building rather than with business aim. Apart from implementation, the author further talks of the disagreement on CSR definition. The author says that luckily many companies have started to know the importance of CSR as a part of their business strategy which incorporates the triple bottom line (TBL) a trend which is on the rise. Welford supports the definition by WBCSD (1998) that talk of CSR as 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 (WBCSD, 1998).<sup>36</sup> Welford study concludes that

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<sup>33</sup>Cetindemar, D., & Husoy, K. (2007). Corporate social responsibility practices and environmentally responsible behavior: The case of the United Nations global compact. *Journal of Business Ethics*, 76(2), 163-176.

<sup>34</sup> Min-Dong, P. L. (2008): "A review of the theories of corporate social responsibility: Its evolutionary path and the road ahead" *International Journal of Management Reviews*, vol. 10 (1), pp. 53-73.

<sup>35</sup> Welford, R. (2004) 'Corporate Social Responsibility in Europe and Asia: Critical Elements and Best Practice', *Journal of Corporate Citizenship*, Issue 13.

<sup>36</sup> Developed in 1998 for the first WBCSD CSR dialogue in The Netherlands.

organizations have started realizing the importance of involving themselves in activities that lead to multiple objectives rather than just the economic benefit, for example the social contract which they are bound by.

**Herremans (1993)**<sup>37</sup> opines that CSR is about looking at the relationship of a firm's activities towards the society and the environment. The study reveals that companies that have reported enhanced productivity and reduced costs from introducing new technologies aimed at reducing pollution. It would not be out of line for a firm to introduce more environmentally friendly measures as their approach to CSR because they are the need of the hour right now and days to come as per the author.

**Burke and Logsdon (1996)**<sup>38</sup> study emphasizes on the use of the concept of strategic CSR which measures the benefits related with CSR in a broader context than simple correlations between philanthropic donations and profits. The study defines "Corporate social responsibility program or process as strategic when it yields substantial business-related benefits to the firm, by supporting core business activities and thus contributing to the firm's effectiveness in accomplishing its mission". The business case for CSR is certainly difficult to present, as the debate and arguments are too hard to ignore. Larger firms can stimulate smaller firms with whom they do business with to implement a CSR approach while the like-minded companies on the other can form profitable long-term business relationships while integrating CSR activities in their actions (i.e. some large automakers insist their suppliers be certified to environmental management systems standards and consumption of certified products).

**Lewicka - Stralecka, A. (2006)**<sup>39</sup> wrote a paper with the purpose of identifying the opportunities and limitations of CSR in the so-called countries of transformation, or Central and Eastern European countries, particularly focusing on Poland and drawing from previous cumulative knowledge as well as the results of various sociological research. Nine factors are discussed in the study: 1. The business image, 2. The legal

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<sup>37</sup> Herremans, Irene M, Parporn Akathaporn and Morris McInnes. (1993) "An Investigation of Corporate Social Responsibility, Reputation and Economic Performance." *Accounting Organizations and Society*, Vol. 18, No. 7/8, 1993, pp. 687-605

<sup>38</sup> Burke, L., & Logsdon, J. M. (1996). How corporate social responsibility pays off. *Long Range Planning*, 29(4), 495-502.

<sup>39</sup> Lewicka-Stralecka, A. (2006). Opportunities and limitations of CSR in the post-communist countries: Polish case. *Corporate Governance*, 6(4), 440-448.

background, 3. The job market situation, 4. The corruption and the correlates of economic stagnation and social decline 5. The socialist associations and the CSR rhetoric, 6. The blurred boundaries of CSR, 7. The underdevelopment of the civic society, 8. The economic reality and ethical standards and 9. The attempts at self-regulation of business. A big emphasis through the paper is posed on cooperation between business representatives and stakeholders at any level. Following are the obstacles that have been clearly identified: negative business image, lack of ethical standards, difficult situation in the job market, dysfunction legal background, corruption, weakness of the III sector, and difficulty of the economic situation of many companies

The implementation is nevertheless bound to be a lengthy process requiring involvement, effort, and determination from authorities, as well as from business and business leaders and nongovernmental organizations. The study says that there are circumstances that allow CSR implementation in a practical way in the economy, and there are positive examples of such practices despite some serious limitations. The study further says that CSR is promoted in Poland mainly by foreign companies with a local branch, through informational and educational actions, and through programs that involve business in actions for society and the natural environment that are locally implemented and are overcoming regional obstacles. And this is particularly true for foreign partners from within the European Union.

**Malini, M. (2006)**<sup>40</sup> reflects on the adoption of CSR in emerging economies and on some milestones that have been already placed. Malini argues that a smart approach that considers universal values and norms necessary to guide and transform the capacity of CSR movement. The author says that this approach would also control and avoid the environmental and social consequences of rapid growth. The study findings suggest that leadership in the form of vision and integrity may help drive CSR values beyond economic or cultural factors and may even help align CSR values in decision-making processes, as well as subsequent actions based on those values, notwithstanding cultural differences. Strong national corporate leadership along with solid home-grown constituencies demanding higher corporate standards is required. Social and political contests are then the fundamental part of the journey of negotiating the balance

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<sup>40</sup> Malini, M. (2006). Corporate social responsibility in emerging economies. *Journal of Corporate Citizenship*, 24, 20–22.

between society, state, and market. Some of the suggested areas by the study for companies that have accommodated CSR include: Staying critical; not believing the hype; retaining critical mind and recognizing success; demanding accountability from the top; Seeking consistency - designing mechanisms to ensure consistency between different departmental aims and objectives; Owning and sharing CSR as a living practice and culture; Focusing on the local - finding practical local expression to stand a chance of implementing global norms and standards.

**Boyle, M., & Boguslaw, J. (2007)**<sup>41</sup> examines the current roles of corporations towards poverty reduction in both developed and developing nations. The study reflects some of the preliminary transitional corporate sector roles in relation to the government, non-profit organisations, stakeholders and the poor. The study highlights various forms of poverty, and different types of direct and indirect company contributions in reducing poverty. The study has reviewed by categorising emerging actions on the part of the companies and an analysis of the different domains with regard to consequences for business, society, and corporate citizenship. The authors concludes their study by calling for a more explicit acknowledgement of poverty in the corporate citizenship field and challenges the corporate leadership to name the issue, frame it in such a way as to accelerate its reduction, and to take an active role in poverty reduction efforts.

**Burke, E. M. (2005)**<sup>42</sup> presents creative solutions for corporation's globally seeking socially responsible corporate citizenship by focusing on companies and leaders who forget how grounded citizenship has to be in dealing with the growing activism of stakeholders. The author examines opposition of activist issue opposition which is spreading beyond the traditional community concerns, with the growing sentiment that supports the anger and violence of the protestors. The study says that the new era in the relationship between companies and societies increases expectations and new rules and tactics which include: safeguarding the environment, support to human rights, child labour elimination, adoption of codes of ethics, entering into partnerships with NGOs, displaying openness and transparency in relationships with customers, employees, community groups, and governmental organizations, promoting diversity

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<sup>41</sup> Boyle, M., & Boguslaw, J. (2007). Business, poverty and corporate citizenship: Naming the issues and framing solutions. *Journal of Corporate Citizenship*, 26, 101–120.

<sup>42</sup> Burke, E. M. (2005). *Managing a company in an activist world: The leadership challenge of corporate citizenship*. Westport, CT: Praeger Publishers.

in the workplace, helping communities solve their social problems, consulting with community residents on business plans and strategies. The author says that there is a growing number of small companies learning how to operate under the new rules but pointed out that all not all companies can adopt the same strategies or practices. The author opines that despite some companies not succeeding, some have partial victories and are making progress. The author suggests the following five questions that should guide these companies: Who their external stakeholders in the community are - local, regional, national, and global - that can influence their license to operate? What do they value? What are their concerns? What is the nature of their current relationships with these stakeholders? What is their stakeholder-relationship plan? The study concludes, by saying that the development of a company's strategies should be cautious and piece by piece which should be viewed as a work in progress, evolving carefully and certainly.

**Gil Estallo, M. D. A. et al (2007)**<sup>43</sup> posits that CSR is a new management tool and not a fashionable concept, and they seek to analyse the advantages and limitations thereof, to define a management model for achieving responsibility within or among organizations. The authors offer a concept of "company" with supply chain management at its center, surrounded by competitors, customers, collaborators, and providers. They highlight a point of contention with Friedman's 1966 statement indicating that it did not take into account all of the people that must cooperate and perform in order to make a profit. In addition, they indicate that maximizing profit is simply a mathematical concept, as there is always the possibility of achieving a higher performance. Companies have to treat every one of their human collectives responsibly and adapt to the context of their location if they want to be earn some profits in today's business scenario of extreme competition and rapidly changing information. The authors hypothesized that as a management tool, CSR at the beginning of the twenty-first century will remain through time, by offering a number of facts in its support. They conclude their study with Argandona's 1997 list of aspects found within a company ruled by ethical criteria; limitations of CSR; and a formal model using economic, social, environmental, and business indicators.

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<sup>43</sup> Gil Estallo, M. D. A., Finer de-la Fuente, F., & Griful-Miquela, C. (2007). The importance of corporate social responsibility and its limits. *International Advances in Economic Research*, 13, 379–388.

**Schraa-Liu, T., & Trompenaars, F. (2006)**<sup>44</sup> examines in their article new facets of leadership required of today's executives. The challenge for today's leaders is to reform effectively in an environment of uncertainty and ambiguity while reconciling the diversity of interests, needs, and demands of multiple stakeholders. This includes the competing and often conflicting demands of clients, suppliers, customers, shareholders, communities, NGOs, and the environment. The internal challenge is to lead an increasingly diverse workforce across distance, businesses, countries, and cultures to select, develop, and retain people from different backgrounds, and to leverage their potential in order to create an inclusive environment. The authors present and justify the definition of responsible leadership in today's business world. They explain the key dilemmas responsible leaders face in a global multi-stakeholder society and why it is appropriate to present cross-cultural competence as the fundamental construct for responsible leadership. They discuss how to develop responsible leadership characteristics and how to develop the propensity to reconcile with external stakeholders. They also explore the inner path to responsible leadership. Based on extensive research and an examination of leaders across the globe, the authors derived the core proposition that successful leaders in the twenty-first century apply their propensity to reconcile dilemmas to a higher level. The research studies reveal clearly that competence in reconciling dilemmas is the most discriminating feature that differentiates successful and less successful leaders. Leaders increasingly need to manage culture by continuously fine-tuning dilemmas. Some key conflicts leaders are likely to encounter include those between 73 internal organization and external stakeholders, internal organizations and shareholders, and shareholders and external stakeholders. The authors conclude that responsible leaders recognize, respect, and reconcile the multiple demands, interests, needs, and opposites stemming from their intrinsic responsibility toward employees, customers, suppliers, communities, shareholders, the society at large, NGOs, and the environment. Leaders, their organizations, and society improve and prosper not by choosing one end over the other, but by reconciling both ends. Reconciling outer dilemmas starts with the inner world of leaders. It requires self-discipline and self-mastery as well as emotional and ethical abilities that inform behaviour.

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<sup>44</sup> Schraa-Liu, T., & Trompenaars, F. (2006). Toward responsible leadership through reconciling dilemmas. In T. Maak & N. M. Pless (Eds.), *Responsible leadership* (pp. 138-154). Abingdon, Oxon: Routledge.

**Senge, P. M. (2007)**<sup>45</sup> presents and discusses three fundamental leadership roles in global organizations in this short article. The author also presents and discusses the impact of the roles on consumer education in global environmental issues. First, business can draw the consumers' attention to the nature of a particular issue and lead by action concerning that issue. Second, business can form partnerships with others to shift market, technology, and regulatory conditions that individual firms cannot alter by themselves. For the third and final proposal, business can work to create alternatives rather than debate about how to change the system.

**Strike, V., Gao, J., & Bansal, P. (2006)**<sup>46</sup> offers a variety of reviews of the literature and debates on international diversification and social responsibility. The study defines social responsibility and disaggregates the concept into its responsible and irresponsible parts. It also develops—and tests—hypotheses about large U.S. firms' social responsibility and irresponsibility. Their empirical study is based on the analysis of time-series cross-sectional data on social responsibility from an original sample of 222 companies drawn from the KLD Index. The KLD Index is a particularly rich source for the evaluation of social performance because it is based on a wide range of data sources, including company surveys, expert panel assessments, and public disclosures. The ratings reflect each firm's worldwide social and environmental performance along 13 categories of CSR strengths or concerns. Results suggest that global and institutional pressures have pushed multinational enterprises (MNEs) toward higher levels of CSR, even though there is a strong argument for MNEs not acting responsibly, and this extends beyond costs. Standards then need to be identified and accepted on a local basis (across host countries). While corporate irresponsibility is affected by reputation and learning, MNEs act irresponsibly because of the difficulties in managing increased complexity that derives from international diversification that organises and integrates resources among geographically dispersed subsidiaries with an increase in management challenges. In addition, many of the controls used in this study emerged as significant, such as firm size and R&D intensity. As for the latter, this finding suggests that firms that invest in long-term capabilities such as research and development also invest in CSR. Also, the results showed the food industry to be more

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<sup>45</sup> Senge, P. M. (2007, June 22). Waking the sleeping giant: Business as an agent for consumer understanding and responsible choice. *Journal of Corporate Citizenship*, pp. 25–27.

<sup>46</sup> Strike, V., Gao, J., & Bansal, P. (2006). Being good while being bad: Social responsibility and the international diversification of U.S. firms. *Journal of International Business Studies*, 37(6), 850–862.

socially responsible than the benchmarked manufacturing industry. The main implication of the findings of the empirical study for research is that CSR and irresponsibility both move together with international diversification. The authors therefore found a strong support for dividing the concept into its positive and negative components. The study concludes that with increasing diversification, firms become both more socially responsible and more socially irresponsible.

**Sweeney, L., & Coughlan, J. (2008)**<sup>47</sup> investigates how annual reports address the CSR concerns of various groups of stakeholders to determine whether the group's orientation is stakeholder and industry specific. Based on stakeholder theory, significant emphasis is given to stakeholder attributes and characteristics as well as to primary and secondary stakeholder categorizations. The authors utilized a content analysis approach to examine annual reports of 30 large public international companies for CSR communication. The analysis identified strong similarities in the targeting of CSR communications in the annual reports and intra-industries, and even though some companies have separate CSR reports, the information was always summarized in the annual reports. The research also points out a lack of clear focus on the benefits of CSR for the shareholder as a specific stakeholder, because only one of the seven industries in the study placed any focus on them. Finally, included among the implications is the following guidance to marketing communications specialists: (1) the annual report should try to appeal to as many stakeholders as possible, given the industry within which the firm operates, (2) it would be beneficial to be familiar with literature on social reporting from an accounting perspective in order to understand rules established by different international bodies. (3) To keep in mind that there are numerous audiences who have interest in the annual reports, other than just shareholders.

**Freeman's (1984)**<sup>48</sup> his focus moved from legitimacy and morals towards a new firm theory. Freeman says that social considerations are no longer outside an organization but are part of its purpose of being what it is, thus making CSR become a question of stakeholder identification, involvement, and communication (Mitchell, Agle, & Wood, 1997; Morsing & Beckmann, 2006; Morsing & Schultz, 2006). The author says that CSR scope in corporate board rooms in the management ranks have

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<sup>47</sup> Sweeney, L., & Coughlan, J. (2008). Do different industries report corporate social responsibility differently? An investigation through the lens of stakeholder theory. *Journal of Marketing Communications*, 14(2), 113–124.

<sup>48</sup> Freeman, R.E. (1984). *Strategic Management: A Stakeholder Approach*. Boston: Pitman Publishing.



pervaded and continue to gain momentum. The study has shown how many organizations in actuality do much of what is considered “CSR” but often do not have formalized systems to report on those activities. The author lastly highlights that CSR should not be viewed as an add on activity because it is a concept of good practice that cuts across an organization (e.g. in HR, Purchasing, Customer Services etc.).

**Carroll (1991)**<sup>49</sup> viewed the 1980s as a shift to a more empirical research by applying his four proposed dimensional pyramid responsibility model. The author opines that economic, legal, ethical and philanthropy make up the four types of responsibility dimensions. Carroll’s conceptual model describes comprehensively essential aspects of corporate social performance with major questions of concern to both academics and managers. The author asked to know what corporate social responsibility should include, the type of social responsibility the company should attend to and what the organization's philosophy or mode of social responsiveness are?

**Wartick and Cochran (1985)**<sup>50</sup> traced the evolution of the corporate social performance model by focusing on three challenges to the concept of corporate social responsibility for example economic, and social. The authors examined social issues management as a dimension of corporate social performance a model valuable for business and society study and that it provides the beginnings of a paradigm for the field. The authors add that corporations around the world are struggling with the roles of meeting the needs of the present generation limiting to compromise the ability of the next generations to meet their own. Organizations are being called upon to take responsibility for the ways their operations impact societies and the natural environment. In conducting their business, the businesses have been asked to adopt sustainability principles.

**Werther & Chandler (2006)**<sup>51</sup> argues that CSR should be seen as either an integral part of the business strategy and corporate identity, or be used as a defensive policy. In the study the author opines that the CSR defensive policy is being used more often by companies mostly targeted by activists. But the rationale for CSR can be based

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<sup>49</sup> Carroll, A.B. (1979). (1991). The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders. *Business Horizons*, July/August, pp. 39-48.

<sup>50</sup> Wartick, S.L., and P.L. Cochran (1985). The evolution of the corporate social performance mode. *Academy of Management Review*, pp. 758-769.

<sup>51</sup> Werther, W. B., Jr., & Chandler, D. A. (2006). *Strategic corporate social responsibility*. New York: Sage Publications.

on a moral argument, a rational argument, or an economic which are a representative group of studies that create testable propositions related to the conditions under which organizations will move toward CSR (Campbell, 2007). The author argues that company social responsibility can be influenced by factors such as finance, health of the economy, and state regulations.

**Frame, B. (2005)**<sup>52</sup> paper calls on the development of donor community like: the United Kingdom Department for International Development (UKDID), the United States Agency for International Development (USAID), and the Australian Government Overseas Aid (AGOA), private consulting companies, and NGOs to improve their internal track records in terms of CSR accounting, by putting appropriate CSR measures into their internal and supply-chain activities. Frame points out one example of a lack of cohesive process when they evaluate competitive bids, whereby donors do not formally credit companies bidding for development contracts with involvement in CSR processes. The author suggests that behavior changes in donor organizations, which would influence further change in the supply chain, are needed which might well be achieved with the introduction of CSR measures such as voluntary disclosure on socially responsible investments, the reduction and mitigation of carbon emissions, and voluntary CSR reporting. The author further suggests the need for greater dissemination of good practice and more exertion of pressure on NGOs to prove themselves as ethical, transparent, and accountable as those they seek to influence (Murphy, 2003). The author offers a modified CSR facilitation framework process like: changes in governance approach, transparency, and accountability, as related to various business paradigms ranging from “business as usual” at one extreme to “restoration of capital” at the other, with three additional stages in between. The study provides a guide for CSR activities, consisting of a set of internal and external indicators that mark level of sustainability (weak or strong) for the various activities. Lastly the author warns that CSR is independent of the political climate surrounding global protocols and it is here to stay.

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<sup>52</sup> Frame, B. (2005). Corporate social responsibility: A challenge for the donor community. *Development in Practice*, 15, 422–432.

**Morsing, Schultz, & Nielsen (2008)**<sup>53</sup> says that, the starting point of this study is the challenge between the need to be perceived as socially responsible across stakeholders and the difficulty of communication in corporate CSR-related matters. The cultural paradox in communication of CSR is that while the general population has a high regard for those companies associated with social responsibility, companies are being encouraged either not to communicate about their CSR or to communicate in a less conspicuous way. Based on empirical data, an “inside-out” approach is suggested as a method for companies to motivate organizational support for corporate CSR communication. The inside-out approach to CSR activities means that initially employees are the key stakeholders of concern for these activities; this in turn will increase the likelihood of employees’ commitment and they will organizationally support the corporate CSR agenda. In particular, a CSR communication model proposing two different communication processes is proposed—the expert and the endorsed communication processes. The model targets internal as well as external stakeholders with corporate CSR messages. The conclusion of the empirical testing of the model is twofold: first of all, analysis is called for on how employees are integrated into the CSR communication process; secondly, there is the need for a better understanding of how the corporate communication process differs in implicit and explicit CSR approaches.

**Chow Hoi Hee (2007)**<sup>54</sup> opines that leadership should have a holistic approach to engage with stakeholders and that the vital link between business and stakeholder management. Stakeholder engagement process leads to a combination of organizational and social learning, though not predictable and not always quantifiable in the short run it is long-term change based on trust (Van Kleef & Roome, 2001; Roome & Wijen, 2006). Sometimes, a well-intentioned approach to stakeholders may produce disappointing results or conflict stakeholder demands by causing chaos (Boutillier, 2007). For the corporations to engage with stakeholders in developing valuable CSR-related actions, leadership efforts in dealing rationally with stakeholders, with uncertainty, and with constraints is needed that leads to a greater potential for sustainability in terms of culture, structure, and output. If such approach is used,

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<sup>53</sup> Morsing, M., Schultz, M., & Nielsen, K. U. (2008). The ‘Catch 22’ of communicating CSR: Findings from a Danish study. *Journal of Marketing Communications*, 14(2), 97–111.

<sup>54</sup> Chow Hoi Hee, C. (2007). A holistic approach to business management: Perspectives from the Bhagavad Gita. *Singapore Management Review*, 29(1), 73–84.

definitely other future stakeholders who may face challenges and threats will be more likely to partner with corporations on CSR-related issues and corporations and both are more likely to succeed when a long-term vision is embraced.

**Pruzan & Miller (2006)** confirm in their study about the leadership's pivotal role in initiating and developing CSR programs and initiatives within and across organizations. The authors opine that the first true earthly citizens with the ability, qualities and responsibility are the world business leaders who can affect economies and societies through their decisions. The study further says that it requires a unique array of leadership skills and competencies by the leader in guiding a sustainable, social responsible business and that has to start with change in management thinking, the process that should be transferred to people (Kennedy, 2007).

**Roome & Bergin (2006)**<sup>55</sup> highlights that responsible leaders are defined as people of the highest integrity and deep understanding of various difficult business concepts and are true to their core values. These leaders have the capabilities and competencies most prevalent among leaders whose organizations have successfully experienced changes in organizational strategy and focus, transitioned toward, and achieved more socially responsible behaviours. The study describes these leaders as committed towards building organizations that endures and collaborates with others, they have a deep sense of purpose and understand the meaning of sustainable development. Leadership from socially responsible organizations has been associated with the charismatic leadership style of managers under conditions of perceived environmental uncertainty (Waldman, Ramirez, House, & Puranam, 2001). The study reflects how leadership style with charisma communicates of innovative vision that energizes, accelerates and characteristically empower others (for example employees) to innovate and become leaders themselves through CSR (Bossink, 2007). The transformational leader should communicate with enthusiasm and result in pulling people to commit to sustainability (Hanson & Middleton, 2000). Some effective organizational models for CSR, however, support a simultaneous transformational and visionary leadership style with a need for transparency (Jones, 2000). Just like a human leader, firm leadership should be remembered as a person who designs an educated society, one who creates friendly environment and a sustainable economy (Giampalmi,

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<sup>55</sup> Roome, N. J., & Bergin, R. (2006). Sustainable development in an industrial enterprise: The case of Ontario Hydro. *Business Process Management*, 12(6), 696–721.

2004). The remaining leadership attributes as per the study are related to sustainable social success, and leaders' values (Waddock, 2007).

**Howell and Avolio (1992)**<sup>56</sup> opined that responsible leadership is the art of building and sustaining relationships with all relevant stakeholders in un-personalized way through socialization. The study adds that the need of the hour is for corporate leadership that can relate and align different values into a common vision, leadership that can listen to and care for other stakeholders and ultimately serve them. In meeting these challenges the study reveals that the joint effort from stakeholder (i.e. a global society) is required with responsible leadership who are committed towards diversity, ethics, and values. According to the emergent literature, the study opines that there is a growing awareness raised by the study concerning the business needs to manage its relationship with the wider society. The authors point out that, corporate leaders are responsible for their corporation's impact on society and the natural environment beyond legal compliance and the liability of individuals. The authors add that CSR is becoming a leading principle of top management for entrepreneurs. The study concludes by observing that the number of organizations can re-examine their pattern of behaviours in the triple bottom line (TBL) framework and begin their journey towards a sustainable approach that is integrated into their business strategy.

**Albareda et al., (2007)**<sup>57</sup> analysed different CSR public policies adopted by European governments to promote responsible and sustainable business practices. The authors have analysed the various methods by developing a framework to understand the approaches and perspectives of governments in designing and implementing these policies. The article includes a thorough review of literature focused on governments and CSR, as well as official documents on CSR published by the European Commission. The article based on geographical comparative analyses studies of government behaviour and CSR culture in Europe and North America, revealed that European policymakers have undertaken a wide range of public initiatives to promote CSR in contrast to a lack of policies in the United States. Also the study found that United States based companies had a less accepting attitude than European companies towards the acceptance of the public CSR policies. The study came up with three

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<sup>56</sup> Howell, Jane M., & Avolio, Bruce J. (1992). The ethics of charismatic leadership: Submission or liberation? *The Executive*, 6(2), 43-54. Retrieved September 15, 2009, from ABI/INFORM Global.

<sup>57</sup> Albareda, L., Lozano, J. M., & Ysa, T. (2007). Public policies on corporate social responsibility: The role of governments in Europe. *Journal of Business Ethics*, 74, 391-407.

elements that affect CSR initiatives in these areas under study: The voluntary nature of the company's initiatives, the emerging networks and soft tools, Multi-stakeholders' dialogue and new government challenges. Finally, the authors in their study present four models of government action in the development of CSR endorsing public policies in 15 European Union countries:

- i. The Partnership Model
- ii. The Business in the Community Model
- iii. The Sustainability and Citizenship Model
- iv. The Agora Model. (Agora is a Greek word meaning "a public gathering place or forum" to refer to the model used to implement and enforce CSR.

**Berkhout, T. (2005)**<sup>58</sup> critically examines corporate gains as strategic engine for long-term corporate profits and responsible social development. The author focus on company green-washing which is an environmental initiative intended to enhance a company's corporate image. The author points out that CSR provides the starting point that businesses need to begin moving toward sustainability. The study observes that for CSR to achieve its potential there is need for businesses to seek long term gains other than the short-term with lowest gains. For companies that want to operate under principles of CSR and earn profits, the author suggests that they should balance their social and environmental responsibilities with a clearly defined economic responsibility. The study also suggest that companies should adopt the evolving norms and regulations that determine what constitutes acceptable corporate behavior, keeping in mind that CSR's glass ceiling is merely a reflection of society's expectations which should be well guarded, by seeing strategic value in CSR beyond improved public relations or the short-term bottom line.

The principles of CSR are encouraged by the author in order to take meaningful steps toward sustainability. The Natural Step founded in Sweden in 1989 which requires businesses to meet specific ecological and human conditions for all aspects of their corporate agendas was of importance to the author's study, which the study appeals as the best framework to be used because it draws a line in the sand in terms of what is sustainable practice and what is not. The author says that over 100 companies around the world have started to work with the Natural Step framework despite the fact

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<sup>58</sup> Berkhout, T. (2005). Corporate gains: Corporate social responsibility can be the strategic engine for long-term corporate profits and responsible social development. *Alternatives Journal*, 31(1), 15–18.

that the level of integration varies from company to company. In concluding, the author does not recommend that companies currently engaged in CSR throw away their work in the area and start anew with the Natural Step or a similar framework. He recommends that companies need to ensure that their short-term economic goals do not continue to override their long-term social, environmental, and economic responsibilities to society and the natural environment.

**Blowfield, M. (2005)**<sup>59</sup> says that developing a critical approach to CSR not only requires us to ask how CSR affects company behavior in developing countries, but to ask if and how corporate sector is affecting the meaning of development itself. The author argues in this article that business is indeed affecting development, and one of the ways this happens is by allowing business thinking to dominate the way we view the world and to become the norm against which everything else is tested for true and false value. The reader is cautioned that even though there may be areas of overlap between developmental and business goals, companies engage with developing economies for commercial reasons, with no development intentions. The following are long-term tests:

1. Whether CSR can help companies redefine the meaning of good business practice in the interests of the poor and marginalized.
2. Whether CSR can help development practitioners manage the possibilities and consequences of global capitalism for poor countries more effectively.

Some fundamental values and tenets of business are highlighted and analysed, indicating that only those that are deemed negotiable are addressed through CSR, while the non-negotiable values result in limitations of approaches to CSR. The study concludes that understanding how business affects development depends on our distinguishing between the business case and the case for business is handled.

**Blowfield et al., (2006)**<sup>60</sup> carried research to learn what they see as trends and challenges facing business and the wider society in the twenty first century by interviewing executives of multinational companies. Their research revealed that:

- Public perception of the role of business has changed since the 1970s.
- New responsibilities are being thrust on companies and.

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<sup>59</sup> Blowfield, M. (2005). Corporate social responsibility: Reinventing the meaning of development. *International Affairs*, 81, 515–524.

<sup>60</sup> Blowfield, M., & Googins, B. K. (2006). *Set up: A call for business leadership in society* (Monograph). Chestnut Hill, MA: The Boston College Center for Corporate Citizenship.

- Unless companies recognize that society's issues have a long term business impact either positively or negatively, then there will be a collision of their current business model.

The study found that fewer than 10 percent of these executives feel that the quest for profits should be the sole focus of the company. Accordingly, many executives want to address societal issues because they are important to their companies and business as a whole, yet they are hesitant to take it too far because of the reaction that may come from investors, analysts, board members, or the media.

The study found four important areas where progress offers enormous potential returns in strengthening the business-society relationship as follows:

- Challenging the short-term perspective of the capital markets.
- Understanding government public policy and roles of respective businesses.
- Creating a soft landing to globalization.
- Encouraging courageous leadership.

**Boutilier, R. G. (2007)**<sup>61</sup> applies concepts such as social capital and network analysis to the challenges organizations face in managing stakeholder relations and promoting community development, particularly in developing countries. The author first reviews the literature on the roles of social capital in poverty reduction and community development. Ways that corporations can contribute to sustainable development goals such as poverty reduction by bringing linking social capital into the community and stakeholder networks are identified in the study. The community development pitfalls in corporate/stakeholder relations are noted and tagged so that a classification of social capital pattern should be able to be predicted easily as the study reveals. Often their well-intentioned efforts produce disappointing results and encounter a variety of pitfalls such as unorganized communities, self-serving elites, violent opposition, and conflicting stakeholder demands. Community social capital that graphs a community's social capital pattern has been discussed in the study. The findings result in a three-dimensional classification scheme showing 12 patterns of social capital. The study reveals that measures of the stakeholder network's current pattern of social capital can be compared with the 12 classification patterns to find the closest match. The study proposes that the match predicts pitfalls and therefore can

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<sup>61</sup> Boutilier, R. G. (2007). Social capital in firm-stakeholder networks: A corporate role in community development. *Journal of Corporate Citizenship*, 26, 121–134.



guide movement toward the pattern that most facilitates sustainable development. In conclusion, the author reflects on the attention being paid to the role that corporations can play in poverty reduction and other aspects of sustainable community development which in itself is an attempt to close the implementation gap.

**Boyle, M. & Boguslaw, J. (2007)**<sup>62</sup> article examines the current roles corporations are playing in reference to poverty reduction in both developed and developing nations. The article presents a preliminary exploration of what the authors see as a transition of the role of the corporate sector in relation to government, non-profit stakeholders, other various forms of poverty and the direct and indirect contributions that corporations make as related to poverty reduction. A categorization of emerging actions on the part of the companies and an analysis of the different domains with regard to consequences for business, society, and corporate citizenship are reviewed. The study wants an explicit acknowledgement of poverty as a way of accelerating its reduction and through a framework that will actively reduce it within the cooperate sector.

**Campbell, J. L. (2007)**<sup>63</sup> draws an institutional analysis in sociology on comparative political economy in political science to explore a broad set of institutional conditions under which socially responsible corporate behaviours are likely to occur. After providing a literature review to focus discussion and defining socially responsible corporate behaviour as a threshold which corporations no longer behave in socially responsible ways, the author presents the following seven propositions that influence a corporation's level of social responsibility.

1. Financial condition of the firm and health of the economy.
2. Too much or too little competition.
3. Institutional factors such as well-enforced state regulation.
4. Well-organized and effective industrial self-regulation.
5. Private institutions, NGOs, institutional investors and social movement organizations, and the press important business publications.
6. Educational venues in which corporate managers participate.

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<sup>62</sup> Boyle, M., & Boguslaw, J. (2007). Business, poverty and corporate citizenship: Naming the issues and framing solutions. *Journal of Corporate Citizenship*, 26, 101–120.

<sup>63</sup> Campbell, J. L. (2007). Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility. *Academy of Management Review*, 32, 946–967.

7. Membership in trade or employer associations, which are organized in ways that promote socially responsible behaviour.

**Frynas, J. G. (2005)**<sup>64</sup> opines that, despite giant companies spending huge amount of dollars on a list of community development programs and other CSR initiatives, the effectiveness of their CSR initiatives remain increasingly questioned especially in the sectors of mining and oil. The study reveals the gap evidence between the stated intentions of business leaders and their actual behaviour and impact in the real world. The author adds that, CSR is expected to deliver development solutions whereby typical business case models for CSR must now be expanded to include the broader context of international development. The author reveals that the current company's actual and potential CSR contribution may be inappropriate to address social problems in developing countries and may divert attention due to constraints from economic, social and political. The author discloses why firms make a decision of embarking on community development projects for example:

1. To obtain a competitive advantage
2. To maintain a stable working environment
3. To manage external perceptions
4. To keep employees happy.

Citing community development failures of oil giants, including Texaco, Shell, and BP, the author offers explanations for the failures of CSR implementations in these companies which include; the primacy of business case which are not compatible with corporate and development objective. Specific issues with the country for example economic and political issues, non-inclusion of CSR beneficiaries, lack of human resources, social attitudes of oil company staff, a focus on technical and managerial solutions, and failure to integrate CSR initiatives into a larger development plan. The author concludes that as CSR exists today in the oil industry, it has limited potential for fostering genuine local community development in practice.

**Christopher W. Bauman and Linda J. Skitka (2012)**<sup>65</sup> attempted to highlight some of the psychological routes through which CSR can impact employee's relationship with the company. Some of these psychological routes include:

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<sup>64</sup> Frynas, J. G. (2005). The false promise of corporate social responsibility: Evidence from multinational oil companies. *International Affairs*, 81, 581–598.

<sup>65</sup> Christopher W. Bauman and Linda J. Skitka (2012). *Corporate social responsibility as a source of employee satisfaction + Models*. RIOB-54; No. of Pages 24. [www.sciencedirect.com](http://www.sciencedirect.com).

Reassurance concerns about safety and security, social identity, a commitment symbol towards important values and engendering a sense of belongingness, provision of positive distinctiveness, adding meaning and providing a greater sense of purpose at work. The authors opine that when the employee's safety and other needs are met, they become competitive with others.

**Chow Hoi Hee, C. (2007)**<sup>66</sup> compares and contrasts the concepts from an Indian epic, the Bhagavad Gita, with the aptitude of a business. Those concepts are defined based on the 3C's (capability, capital, and connections) of the business. The relationships of truth and integrity with customers, stakeholders, and society are defined in it. The author's article provides an illustration of the three major sections of the "Gita," explaining the following included cultural terms:

1. Karma Yoga—selfless action which requires discipline.
2. Jnana Yoga—self-knowledge is the key to detachment.
3. Bhakti Yoga—to remain in grace requires unalloyed devotion.

These sections are further delineated by cultural topic, as well as their business application for the manager and the company. The author presents the holistic approach to business, which features an illustration of "The Essence of Business Management" that encompasses a management grid. This grid depicts business based-evidence, profit-centric, capital and capability connections which reflects actions that should be taken by leaders (empower, lead, delegate, network) based on urgency and importance, and management (experience based, purpose-centric, communication, commitment) the self-control, attributes of discipline, detachment, and devotion. The author espouses that the vital link between business and management is the leader.

**Cornelius et al. (2007)**<sup>67</sup> have examined the attention falling on business schools as providers of education and training for managers and senior executives. The authors investigate the nature of motivation and commitment to ethics tuition provided by business schools. They also investigate any relationship between ethics education and provisions in MBA courses, the teaching and research that underpins the nature of CSR in schools delivering specific programs, and corporate identity (CI) of the schools and their parent institutions. The study found that the top business schools predominantly

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<sup>66</sup> Chow Hoi Hee, C. (2007). A holistic approach to business management: Perspectives from the Bhagavad Gita. *Singapore Management Review*, 29(1), 73–84.

<sup>67</sup> Cornelius, N., Wallace, J., & Tassabehji, R. (2007). An analysis of corporate social responsibility, corporate identity and ethics teaching in business schools. *Journal of Business Ethics*, 76, 117–135.

offers education that is proactive while the lower tier offers a reactive form of education. The study concludes that CSR is a subset of the Corporate Identity model.

**Dolan, P. (2004)**<sup>68</sup> study introduces sustainable leadership through Fetzer Vineyard's company principles. The study reveals that

- i. The leader should consider that business is part of a much larger system, an interconnected web of relationships, since companies and individuals share the same world and future. Therefore the consequences of every action the company takes will make an impact on the company's business in the long term.
- ii. The leader needs to realize that the business culture is influenced by the context the leader creates for it. Therefore it is necessary to create a context that motivates people to react to the challenge of sustainable development.
- iii. If the leader understands that the soul of a business is found in the hearts of its people; sees people as sources, not resources of sustainability; and acknowledges their contributions, then employees will shift from accountability to responsibility.
- iv. A leader should consider that "true power is living what you know" what you know about the people, the land, and the community your business is based in—and that therefore knowledge can lead to empowerment.
- v. If leaders have plans for change on a larger scale, those plans will organize their orientation and achievements.

For realizing the large-volume plans, companies have to take absolute and proactive stands and not only relative and reactive positions on sustainability, which will make everyone at the company personally engaged in the realization of sustainability.

**Fort, T. L. (2007)**<sup>69</sup> questions whether corporations can do anything about creating peace and security or if it is just too big a topic and too political a topic to be realistically pursued. The study focuses in depth the responsibility that the government, business and NGOs have towards creating peace. The study reveals how the government claim about its tied hands on security matters, while the NGO's claimed they had persuasion power with significant limitations. Business respondents also

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<sup>68</sup> Dolan, P. (2004). Sustainable leadership. *Leader to Leader*, 33, 8–12.

<sup>69</sup> Fort, T. L. (2007). The corporate contributions to one planet living in global peace and security. *Journal of Corporate Citizenship*, 26, 20–24.

believed that the role of the government was to maintain peace while to a less extent, actors in civil society. The author reveals that to build the infrastructure of blending the three (the government, NGOs and business) towards creating peace, there was need to adopt a Global Compact and the Global Reporting Initiatives as the optimal means. The author emphasizes that voluntary discussions will go only so far by arguing that businesses don't necessarily have peace and security at heart, and when there are calls for businesses to change, in their acquisitiveness there is self-interest in promoting watered-down self-regulations. In conclusion, the author says that, to create a corporate responsibility approach that would lead to peace through commerce, requires three kinds of trust as per the study: hard trust, real trust, and good trust. No one of these approaches will do the job of creating peace through commerce when they are fully integrated that the best chance occurs.

**Houghton, J. R. (2005)**<sup>70</sup> primarily focuses on key leadership behaviours by making several references to social responsibility. The author opines that “Companies need to own up to their social obligations and responsibility to workers otherwise if ignored may be taken away.” The author outlines that Companies should have to apply resources to deal with stress, be sympathetic and sensitive to help people through bad situations, and address employee's demands beyond their working their workplace. This means an ongoing support for work-family balance, for flexibility in dealing with individual needs and concerns, continuously supporting infrastructure in communities where they operate. The author espouses that being a good corporate citizen, includes participating in activities such as contributing one's time and money, sharing management expertise with educational and cultural institutions, and considering running for elective office.

The author concludes that some behaviours are essential to lead the new organizations already created, they include: having the spirit that is not too sure it is right all the time, be a team player and pay attention to the bench, balance deliberation with action, filter everything through a broad-minded, widely experienced world view, make technology your friend, do not forget the bottom line and leave your office once in a while.

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<sup>70</sup> Houghton, J. R. (2005). Leadership: Seven behaviours for “muddling through.” *Executive Speeches*, 19(5), 42–46.

**Fowler, et al. (2007)**<sup>71</sup> responds to Friedman's neoclassical old approach view that "the primary duty of management is to maximize return to shareholders sustainability" the authors defend a win-win scenarios where companies can maximize return while making progress towards the implementation of sustainable business practices. Hart's Natural Resource Based View (NRBV) on business is reported and empirically analysed through a case study as the development of the Strategic Management Theory and Sustainability approach. The study shows the three NRBV interlinking strategies that include:

1. Process innovation to reduce pollution by reducing waste.
2. Product stewardship or the implementation of the life-cycle analysis to measure the impact of the product throughout its life.
3. Sustainable development or the development of newly low-impact technologies.

These strategies allow consideration of the social impact of a firm and its engagement with stakeholders while the results of the study clearly demonstrate how the logic of a sequential order of the strategies can be abandoned in favour of a parallel framework. The study opines that the necessary resources can be accumulated in parallel, resulting in the principle of embeddedness where by pollution prevention is embedded within product stewardship, and product stewardship and pollution prevention in turn be embedded with sustainable development.

**Chiu, C. C. H. (2007)**<sup>72</sup> examines the workplace practices in Hong Kong's invested garment factories in the regulated IRS system in Cambodia. The author says that the country has attracted foreign direct investment (FDI) in light of manufacturing mainly in the export-oriented garment and footwear sector. There was a granted quota agreement between Cambodia and America, on garment exports, in exchange aimed towards better compliance with international labour standards. The study reveals that the trade agreement and private sector initiatives have combined to bring about a "labour advantage" in Cambodia with an increased foreign direct investment (FDI) flows have increased dramatically from about US \$12.5 billion in 1970 to US \$1.171 trillion in 2003. The author concludes that a host of interactive factors like availability of quotas, labour law that are progressive, labour compliance standards, buyers'

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<sup>71</sup> Fowler, S. J., & Hope, C. (2007). Incorporating sustainable business practices into company strategy. *Business Strategy and the Environment*, 16, 26–38.

<sup>72</sup> Chiu, C. C. H. (2007). Workplace practices in Hong Kong–invested garment factories in Cambodia. *Journal of Contemporary Asia*, 37, 431–448.

commitment to placing demands on garment manufacturers in regard to monitoring labour practices have created a big labour advantage.

**Fukukawa, et al. (2007)**<sup>73</sup> introduces a special issue of the journal by defining two terms: corporate identity and ethicalization. Corporate identity reflects “what a company really is,” rather than what a company might espouse. Ethicalization refers to an encapsulation of CSR, ethics, and corporate identity, and is described by four strands of proposed inquiry, which were highlighted and discussed:

1. Foundations triggers and motives, consisting of altruistic beliefs of the leader; strategic alternatives, such as gaining competitive advantage in the face of global competition; and external forces.
2. Management of ethical identity, which is accomplished by implementing a social responsiveness program including establishing goals, policies, procedures, and monitoring; and review mechanisms action and communication, focusing on the gap between communication and demonstrated actions, which must reflect alignment Image and stakeholder perception

**Garvy, N. & Newell, P. (2005)**<sup>74</sup> focuses on the effectiveness of strategies undertaken by communities to demand corporate accountability (answerability and enforceability) and the challenges and limitations therein, particularly in cases of the poor. Noting that many of the problems faced by communities in holding corporations accountable result from poverty and inequality, rather than geographic location, the authors draw on evidence and trends from 80 case studies to illustrate the ways in which the actions of transnational corporations (TNCs) impinge upon livelihood issues such right to own land, resource accessibility, health occupation and environmental concerns across sectors like mining, waste dumping, forestry and oil extraction. The study argues that the mainstream CSR discourse pays insufficient attention to the politics of corporate accountability and the influence of power on how mechanisms of accountability and spaces for citizen participation in CSR initiatives work in practice. The authors combine lessons from this conceptual framework with analysis of the cases, to establish that a number of state, company and community-related factors are

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<sup>73</sup> Fukukawa, K., Balmer, J. M. T., & Gray, E. R. (2007). Mapping the interface between corporate identity, ethics and corporate social responsibility. *Journal of Business Ethics*, 76, 1–5.

<sup>74</sup> Garvy, N., & Newell, P. (2005). Corporate accountability to the poor? Assessing the effectiveness of community-based strategies. *Development in Practice*, 15, 389–404.

the key to understanding the effectiveness of community-based strategies of corporate accountability.

The authors conclude that the success of community-based strategies for corporate responsibility is conditional upon the right combination of state, civil society, and corporate actors and that the factors that influence the effectiveness of corporate accountability to the poor are multiple, complex, and tightly interconnected.

**Gillis, T. & Spring, N. (2001)**<sup>75</sup> have provided an overview concept, the current landscape and the benefits of CSR. The authors have defined CSR as a business decision making based on ethical values that complies with legal standards and respect communities, citizens, and the environment. The study has highlighted major topics that must be addressed under the umbrella of CSR for example; Environment, Employment and Human rights. The study reflects on the approaches for establishing and implementing CSR initiatives that includes weighing, citing reflecting on the business mission's core values. Equally, the authors have identified the various stakeholder groups and clearly articulate their respective positions and concerns in the CSR landscape. In conclusion suggests that there is need to measure CSR, the need to communicate it to various stakeholders and report CSR activities.

**Graafland et al. (2006)**<sup>76</sup> in their empirical study by using a sample of 111 Dutch companies, tests the hypothesis that a positive strategic and moral view of CSR stimulates small and medium enterprises to undertake CSR efforts. Manager's strategic views of CSR - the extrinsic motive and their moral views - the intrinsic motive have been measured through a single-item approach and with reference to five stakeholder. The company's moral duty was constructed for extrinsic motive while the intrinsic motive sees CSR for its contribution to the long-term financial success of the company. Results show that a vast majority of respondents had a positive view of CSR in both dimensions. Nevertheless, there is a weak correlation between strategic CSR and actual CSR efforts. The strategic view generates active policies only toward consumer relations and partially toward employee relations, but not with regard to the other three stakeholders. Even though the first step for the implementation of CSR is a growing awareness of the strategic importance of CSR by top company leadership, the findings of this study reveal that a positive strategic view of CSR is not a sufficient condition for

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<sup>75</sup> Gillis, T., & Spring, N. (2001). Doing good is good for business. *Communication World*, 18(6), 23–27.

<sup>76</sup> Graafland, J., & van de Ven, B. (2006). Strategic and moral motivation for corporate social responsibility. *Journal of Corporate Citizenship*, 22, 111–123.



a firm to actually undertake enhancement measures. CSR implementation is more related to moral commitments than profit maximization, and this suggests a cautious view of CSR and its financial advantage.

**Grossmanx, L. (2004)**<sup>77</sup> presents in his article, the Reputex social responsibility rating system, which provides independent measures of social responsibility performance. The Reputex's rating system uses four key indicators to measure an organization's social performance. To maintain the established community foci for Reputex, the assessment criteria in each category are made available for public comment. During this time, community stakeholders, companies, expert bodies, and interested parties may provide feedback and input. An analysis of Reputex's results shows that employee management is the area of highest correlation to overall results, but high-achieving companies generally perform at high levels across all categories. In conclusion, one of the gains from the connected economy is transparency.

**Hall, C. (2007)**<sup>78</sup> highlights the rapid growth in the number, size, and scope of Trans-National Companies (TNCs) attributed to emerging markets. Only a small number of these TNCs have become global competitors able to square off with Western business leaders. The author's research focuses on how the United Nations Global Compact, the world's largest voluntary corporate citizenship initiative is questioning the business practices of emerging market TNCs that have been cultivated in areas renowned for deficient economic, political, and social frameworks that can lead to low thresholds for ethical behaviour and accountability for business (i.e. human rights violations, workers exploitation, and corruption which is carried out by emerging-market TNCs) and (developed adoption of non-anthropocentric viewpoints, an awareness of environmental risk and the use of noneconomic valuation techniques).

The study highlights that Eco-Machiavellianism of leadership is ready to manipulate people and units to reach the goal of eco-sensitivity. CSR as a transformational leader through its managers is able to communicate so enthusiastically that the result is pulling and not pushing people to commit them to the vision of the company as leader. The study opines that deliberative techniques and role modelling can be used for influencing the employees and the organization. After the enthusiastic beginning, the author opines that the organization can lose some of the initial

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<sup>77</sup> Grossmanx, L. (2004). Rating corporate social responsibility. *Businessdate*, 12(4), 5–7.

<sup>78</sup> Hall, C. (2007). Are emerging market TNCs sensitive to corporate responsibility issues? *Journal of Corporate Citizenship*, 26, 30–36.

excitement and the role of the eco-sensitive leader will easily transform from the builder to the defender of the established culture. Lastly the study concludes that eco-sensitive leader must put the goal of eco-sensitivity above conventional goals and be ready to manipulate and understand the impact of general culture on organizational culture.

**Hartman et al. (2007)**<sup>79</sup> conducted research on a cross-cultural analysis of communication of CSR activities in a total of 16 United States and European corporations. The study found two existing concepts between the US and European communication of their CSR (economics or bottom line and language or theories of citizenship, corporate accountability, and moral commitment). The authors opine that U.S. companies tend to communicate about and justify CSR using economics or bottom-line terms and arguments, while the European companies depend on language or the theories of citizenship, corporate accountability, or moral commitment. Author's results also indicate that European companies do not value sustainability to the exclusion of financial elements, but instead project sustainability commitment in addition to financial commitment. U.S. – based companies focus more heavily on financial justifications, while European – based companies incorporate both financial and sustainability elements in their justification of CSR. The authors conclude that U.S. – based companies favour economic justifications for engaging in CSR and that European Union – based company favours sustainability arguments in order to bolster their actions in stakeholder engagement.

**Giampalmi, J. (2004)**<sup>80</sup> in his speech describes the following core leadership competencies that are needed for sustainable development.

1. Courage— one (company) should have the courage of his/her convictions and his/her principles.
2. Integrity—the link to open communication. If people trust you, they will give you their time.
3. Business acumen— to think globally, increases the bottom line, and learn to recognize all available resources to accomplish this.

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<sup>79</sup> Hartman, L. P., Rubin, R. S., & Dhanda, K. K. (2007). The communication of corporate social responsibility: United States and European Union multinational corporations. *Journal of Business Ethics*, 74, 373–389.

<sup>80</sup> Giampalmi, J. (2004). Leading chaos, paradox and dysfunctionality in sustainable development. *Executive Speeches*, 19(2), 6–13.

4. Define the correct question—leadership is defining and understanding what the real question is; the triple bottom line includes many agendas, and many agendas are hidden.
5. Passion—directs your passion and fun to support a lifestyle in which you would be happy.
6. Have a life—“you can’t think out of the box if you are always in the box”; have fun at the job you are doing.
7. Compassion—showing compassion and empathy are vital in leading people.
8. Think like a child by integrating knowledge, stretching one’s mind, and trying to match what traditionally does not align, for example; environment with accounting, legal with strategic planning.
9. Have a sense of humor.
10. Succeed and fail—learn from the failure, but do not depend on the failure.

They offer a number of facts in its support. The article concludes with Argandona’s 1997 list of aspects found within a company ruled by ethical criteria; limitations of CSR; and a formal model using economic, social, environmental, and business indicators.

**Hatcher, M. (2002)**<sup>81</sup> presents the changing public affairs agenda for businesses operating in a more interdependent world. The author reveals how business leaders are facing a daunting arrays of challenges when the government roles are redefined and the boundaries drawn between business and the government becoming less clear by the day. The author points out that the number of variables that could affect the bottom line appears to be growing at an exponential rate and that losing the trust of stakeholders can be fatal and suggesting for the certification of different stakeholder’s needs. The author identifies the five resonant messages about corporate agendas that cut across sectoral concerns.

- The first message is have something to say and say it, especially when invited to do so. This implies getting organized.
- The second message is that the new corporate agendas will feature calls for transparency.

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<sup>81</sup> Hatcher, M. (2002). New corporate agendas. *Journal of Public Affairs*, 3(1), 32–38.

- The third message is that enlightened businesses will invest in the environment in which they want to do business, not just for their own interest but for the benefit of the wider community.
- The fourth message is that the new corporate agenda will see businesses push for better quality regulation, in new ways that include bypassing the state.
- The fifth message is that burdens can be shouldered.

The author concludes that there is a need for businesses to speak up for business, push for greater transparency, venture beyond mere compliance with national regulatory systems, fashion the new regulatory and trading environments of the future, and shoulder the burdens of shaping the business agenda. Time is not on the side of businesses. The world cannot wait until the next minute. Business must get more involved and counter the cyber cohorts.

**Hawser, A. (2006)**<sup>82</sup> research, reports that a relatively new Responsible Competitiveness Index links the state of corporate responsibility to national competitiveness. The index as per the study is part of a report produced by an international think tank on accountability. This index uses some criteria such as corruption, civic freedom, environmental management, and corporate governance pertaining to CSR which focuses over 80 countries and combined with the World Economic Forum's Global Competitiveness Index. The combination taking CSR into account, revealed the ranking of some countries such as the United States, Germany, Portugal, Greece, and Hungary with the best competitive index because of their CSR practice.

**Husted, B. W. (2003)**<sup>83</sup> examines three CSR governance structures that presents a framework for companies to determine which structure would be the most effective (the greatest social good at the least cost) for example; In house, Outsourcing, and Collaborative. Outsourcing occurs when firms make charitable contributions to non-profit organizations that undertake charitable, social, educational, community, and scientific work. In-house projects involve extensive corporate participation in the planning, execution, and evaluation of social projects, generally implemented at the organizational unit. Collaboration involves a partnership between the firm and a non-

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<sup>82</sup> Hawser, A. (2006). State of the nations. *Global Finance*, 20(4), 4.

<sup>83</sup> Husted, B. W. (2003). Governance choices for corporate social responsibility: To contribute, collaborate or internalize? *Long Range Planning*, 36(5), 481–498.

profit organization. The study says that there are specific factors related to the firm's choice of governance structure which includes:

- i. The factor of cost coordination (reduced costs when two departments or companies work together to provide a product or service)
- ii. The factor of motivation (assurance that individuals or companies fulfill their agreements)
- iii. The concept of centrality (closeness of fit between the firm's CSR activity and its mission and objectives)
- iv. The concept of specificity (the extent to which the firm is able to capture a share of the profit stream generated by its investments in CSR), from which the decision-making framework is developed.

**Walsh, J. P et al. (2003)**<sup>84</sup> provides an historical approach in examining why so little research directly considers how organizations affect the social objectives of society. The study investigated 1,738 empirical article publications that specifically focused on the balance between social and economics of the Academy of Management by examining empirical research publications from 1958 to 2000 and all research publications between 1972 and 2001 linking firm's social and economic performance. The authors found that the research that adopts some form of human welfare as an outcome of interest tends to focus its analysis at the individual level where 85 percent were all welfare-oriented articles. Those focused on human welfare at the organizational level were 13 percent, while as less as 2 percent research focused on societal-level activities. In contrast articles that concerned performance looked at organizational and societal levels were 48 percent, rising to 61 percent by 1999. The authors indicates the achievement of industry's social objectives as particularly salient, stating that attending to social welfare may soon match economic performance as a condition of securing resources and legitimacy. The study calls for business to attend to social ills such AIDS and effect of globalization that has forced the assumption of responsibilities traditionally vested in nation states. The study suggests some new directions for research for example on outcome variables that reflect the public good relationships between organizations and societal institutions and mechanisms through which organizational conduct affects the public good.

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<sup>84</sup> Walsh, J. P., Weber, K., & Margolis, J. D. (2003). Social issues and management: Our lost cause found. *Journal of Management*, 29(6), 859–881.

**Husted, B. W. & Allen D. B. (2007)**<sup>85</sup> investigated the relationship of the multinational firms with the market environment, stakeholders, resources, and values to the development of strategic social planning and strategic social positioning. The study examined the relationship of these different ways of conducting social strategy to create value to the firm. The study points out that much of the work focused on CSR in the attempt to demonstrate that positive CSR can be linked to improved financial performance. The results at best have been mixed, in some cases showing a positive relationship between the two while a negative relationship on the other, and in others, no relationship. To test this theory, a survey instrument was developed on the basis of the main elements of corporate social strategy. Items to measure the market environment, stakeholder salience, and values were taken from the existing literature. The study found that the intentional use of social strategy depends upon the presence of specific configurations of industry environment, resources, and values. In addition, the article suggests that the relationship of firm financial performance to social responsibility is a complex one mediated by a whole series of intervening variables.

**Ireland, J. (2007)**<sup>86</sup> shares the common World Business Council for Sustainable Development definition of CSR as a “continuing commitment by business to behave ethically and contribute towards 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.” The author points on the backdrop that there were over one hundred studies conducted since 1972 which support the business case for CSR. The study reveals how one of the radio station (MRW) taken for a case study, promoted balance between family and work life, paid employees bonuses to give interviews and speeches, and extended discounts to the disadvantaged, to university students, and to professors in teaching positions far from home, as well as to non-profit organizations. The study reveals that internally MRW sliced the normal Spanish 9 a.m. to 7 p.m. workday, with a two-hour lunch, to a standard 8 a.m. to 4 p.m. day, with a half-hour lunch. The company offers six months maternity leave, one hour per day for breastfeeding, subsidized day care, free parking and use of the gym, as well as an 80 percent reimbursement of tuition fees as part of its worker-friendly benefit package. The CSR qualities can be found in MRW’s hiring practices 14 percent of employees with

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<sup>85</sup> Husted, B. W., & Allen, D. B. (2007). Corporate social strategy in multinational enterprises: Antecedents and values creation. *Journal of Business Ethics*, 74, 345–361.

<sup>86</sup> Ireland, J. (2007). A responsible company that’s making the grade. *Leadership in Action*, 27(1), 18–20.

disabilities and the best management governance structuring. The case study in MRW is a holistic apparent CSR nature pattern with solutions that address different stakeholders.

**Jackson, I. A., & Nelson, J. (2004)**<sup>87</sup> provides a comprehensive description of the global trends, competitive pressures, and changing expectations of society that are reshaping the rules for running a profitable and principled business. It also offers companies a framework for mastering the new rules of the game by realigning their business practices in ways that restore trust. Information is presented on the crisis of trust, the crisis of inequality, and the crisis of sustainability in their book. Some of the author's seven principles that can serve as a framework for restoring trust include: (Harnessing innovation for public good, putting people at the center, Spreading economic opportunity, engaging in new alliances, performance driven in everything, Practicing superior governance, and Pursuing purpose beyond (economic values) profits. The seven principles as per the authors can be used as a compass to help executives and managers navigate new terrain and apply the strategies and terminology most appropriate for each company. The book focuses on companies and business people who are delivering on both private profits and public benefits with profiles of real companies delivering measurable performance and concrete solutions to all stakeholders.

**Heugens, P. & Dentchev, N. (2007)**<sup>88</sup> identifies the risks that companies are exposed to when integrating CSR by presenting two studies they conducted. One study was exploratory, and the other was corroborative. The first study employed the grounded theory method (Glaser & Strauss, 1967) to uncover various CSR risks. Seven risks associated with CSR investment were identified. They ranged from failing strategies implementation to destruction. A set of managerial mitigation strategies that have the potential to realign companies' CSR activities with their strategic objectives were discussed. The second study investigated whether the CSR risk identified in the first study had any relevance in a business setting. An analysis of the data revealed modest to strong corroborative support for them. In conclusion, the findings suggest

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<sup>87</sup> Jackson, I. A., & Nelson, J. (2004). *Profits with principles: Seven strategies for delivering value with values*. New York: Doubleday.

<sup>88</sup> Heugens, P., & Dentchev, N. (2007). Taming Trojan horses: Identifying and mitigating corporate social responsibility risks. *Journal of Business Ethics*, 75, 151–170.

that CSR involvement is not an innocent activity and that experimenting with it can be dangerous for the competitiveness of business organizations.

**Jayne, V. (2004)**<sup>89</sup> examines the extent to which sustainability and social responsibility have become a part of the management culture in New Zealand, which is ranked ninth on the Responsible Competitiveness Index list. The study states that there's a growing sense of business looking after people, the community they work in, and the environment around them as most relevant to long-term business survival. Some of the drivers of this movement are risk-management/risk-assessment; "no regrets" gains (energy savings or waste reduction requiring little investment), brand identity (company brand), and the increasing realization that "people matter." On the other hand, critics wonder if companies will neglect their prime duty to create shareholder wealth, or whether they are experiencing a "feel-good factor" provided by engaging in CSR that will not survive tough economic times. Though the business case for risk management, brand equity protection, positive public relations maintenance and maintenance of a position ahead of regulatory controls for CSR appears strong but the study outlines that there are doubts as well as cynicism against them. Questions on how the concept of CSR can be locked into corporate DNA can be contained using sustainability and leadership of inclusiveness. The article concludes that the concept of sustainability is more desirable and it needs to be made to work in practice because it is a quality that should be embedded as a fundamental management principle.

**Joseph, E. (2002)**<sup>90</sup> presents the unsustainable depletion of natural resources, perpetuation of poor health, and imposition of dangerous working conditions as just some of the external costs imposed by international commercial operations. These costs are borne by developing countries that do not receive adequate compensation from companies responsible for social and environmental damage. At the national level there are significant barriers to regulating companies to ensure that they manage their social and environmental impacts. The author highlights that prescriptive legislation often leads to tokenistic responses, and regulation can become an inaccurate reflection of society's concern because it is lagging behind public opinion. At the international level, because of inadequate global governance and discrepancies between national social and

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<sup>89</sup> Jayne, V. (2004). Sustainable and responsible now a fact of management life? *New Zealand Management*, 51(3), 26–33.

<sup>90</sup> Joseph, E. (2002). Promoting corporate social responsibility: Is market-based regulation sufficient? *New Economy*, 9(2), 96–101.



environmental laws, improvements in corporate practices often have to rely on voluntary actions.

The study highlights that in the moment the abundant recognized international standards set by international organizations like; ILO, OECD, and UN for protecting workers, human rights, and the environment fail to be incorporated into national legislation or are not applicable to overseas operations, their effectiveness is much diminished. The author points out how companies take voluntary action when market forces reward them for doing so. The study reveals that companies can improve their performance when there is driven reaction from institutional investors and other stakeholders. As per the author, pressure from different stakeholders can in theory be a formidable force for improvements in behaviour. The author poses a critical question for policymakers on “how effective a means of improving corporate behaviour can report on social and environmental impacts be?” The European Union is currently grappling with the relative merits of mandatory, as opposed to voluntary, social and environmental reporting. Organizations charged with auditing or verifying reports rarely comment on issues that they report. The author concludes that the use of voluntary guidelines such as GRI reduces the ability of stakeholders to make comparisons across companies, because of the flexibility over what individual companies report on. A three tiered requirement depending on the relevance to the organization is recommended. Even if laws are put in place, disclosure is necessary even though it does not have sufficient impact on market forces to apply pressure to companies.

**Kambalame, D., & deCleene, S. (2006)**<sup>91</sup> study on how to improve a country’s trade and economic growth, points out how CSR can be the key factor providing the platform for stakeholders to come together and manage the supply and value chain to improve livelihoods, particularly in the agriculture sector. The author’s study highlight how productivity of a nation can be achieved despites its poverty levels (a case study on Malawi). Malawi is one of the economically lowest developed countries in the world—in 2003 the gross domestic product per capita was estimated at US \$195, having fallen below the 1992 estimates of US \$200. Estimates show that 54 percent of the population lives below the national poverty line. Agriculture is the largest sector in Malawi’s economy. CSR according the author should not be philanthropic in nature in

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<sup>91</sup> Kambalame, D., & deCleene, S. (2006). Partnership building as an approach to addressing corporate social responsibility in the agriculture sector in Malawi. *Development Southern Africa*, 23(2), 281–287.

responding to perceived individual needs of the location where the company tends to operate rather should set up target strategic interventions to improve overall sustainable livelihood at the country level by addressing issues plaguing the county like poor infrastructure, (transport routes, power supply, drainage, irrigation, storage and grading facilities), poor provisions for services, and a weak skill base which restrict small farmers, coordinate approaches to fight and/or prevent child labour in the work places, combat HIV and AIDS and provide basic affordable health care.

The authors have presented three case studies which include: company and issue specific partnership; Collective Issue-Specific Partnership; and Collective, Sustainability Focused Partnership. The authors have suggested that regular communication and equity among partners of the organization is very essential. In making a strong partnership, the authors conclude that the following should be adopted by the organization: That partnership models must shift from single-issue-driven initiatives to sector wide approaches that aim to incorporate CSR practices into the core business strategy of a given company and the need for increased professionalism and more research on emerging partnership models.

**Kapelus, P. (2004)**<sup>92</sup> opine that being responsible as an organization is more than corporate social investment. The study reveals that taking care of the environment where the company operates and giving to the community is an important responsible. The type of products being developed and their effect, Workplace issues, effect of the product in the marketplace, advertisement and method of selling those products are among the issues that the author has addressed.

The author opines that companies should realize that the responsibility cannot be given to one department or foundation but should affect the business as a whole. Additionally, the author believes that companies have to realize that there are real business benefits to be gained from being responsible. Corporate responsibility should not be seen as an add-on to the business but must be seen as an integral part of the way business undertakes its activities. The author opines that most companies involved in corporate social responsibility for many years should combine their CSR skills and expertise with the business itself because it is one case of bringing business and the community together. The author concludes that corporate responsibility and ultimately responsible competitiveness is about basic business principles and how organizations

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<sup>92</sup> Kapelus, P. (2004, June). Striving for responsible competitiveness: Companies will have to lead by example. *Finance Week*, 30, 36.

think about the future, about risk opportunities, and about how these risk opportunities are accounted for.

**Mackey, A. et al. (2007)**<sup>93</sup> observed that equity holders may sometimes have interests besides simply maximizing their wealth when they make their investment decisions. The study suggests the conditions under which firms will engage in socially responsible practices. A simple model of supply and demand for opportunities to invest in socially responsible firms that focus on voluntary firm actions designed to improve social or environmental conditions and the market (versus accounting) definition of firm performance is developed by the study. The study infers that market definition of firm performance encompasses ways that socially responsible corporate activities can create or destroy shareholder wealth and with the assumption that the United States capital markets are semi strong and efficient (Fama, 1970). The author's model seeks to determine whether socially responsible investing will improve, reduce, or have no impact on a firm's market value. The findings reveal that if the demand for socially responsible investment opportunities is greater than the supply, then there will be an economic value. The study says that publicly traded firm's managers might fund socially responsible activities that do not maximize the present value of the firm's cash flow. However, the authors caution that if supply exceeds demand, the opposite impact on firm value may occur.

**Kennedy, C. (2007)**<sup>94</sup> examines how the trending definition of good has changed over time since the twentieth century. The author states that most of the world's outstanding business leaders learned the elements of their success from others. The author discusses a "good" leadership model that was popular around 1969, based on the Quaker principles of strong social conscience and business skills as well as quality, which included people and relationships. The Quaker communal self-help approach is contrasted with and replaced by management consultants and gurus from the newly established business schools. The author questions whether this billion-dollar advisory industry actually helped to produce good directors. The author notes that the scientific management approach of the early and mid-twentieth century began to transition to "treating employees as individuals with aspirations". The author adds that employees

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<sup>93</sup> Mackey, A., Mackey, T. B., & Barney, J. B. (2007). Corporate social responsibility and firm performance: Investor preferences and corporate strategies. *Academy of Management Review*, 32(3), 817–835.

<sup>94</sup> Kennedy, C. (2007). The great and the good. *Director*, 61(3), 102–106.

could be better motivated by being made partners in the business. The study focuses on empowering women and recognizing them as potential to their male counterparts. The article notes that companies now are much more bound to the whole agenda of responsibility to the community, accelerated by climate change and a race to be greener than the next business. The article concludes with the author stating that the big change in management thinking over the past 20 years has been from process to people, and while the basic purpose of a company remains the creation of wealth, social conscience is increasingly seen as compatible and complementary to it.

**Jones, D. R. (2000)**<sup>95</sup> describes in their study the possible leadership strategies for a firm wishing to move toward sustainable development. The author introduces the changing leadership styles of a value-based company holding a holistic view of sustainable development, focusing on equity issues and environmental responsibility. The leadership strategy of the early times had led to confusion and frustration among the full direct employees participation over the time spent on decision making. But the leadership strategy changed to a more indirect pluralist representation form, based on delegated specialist groups and a combination of participative and supportive leadership styles designed to satisfy individual goals rather than the organization's goals. The corporate took the diversity of opinions, values, and backgrounds of the workforce into account and implemented extensive antidiscrimination policies, environmental decisions, increasing the commitment of the workers on sustainable development goals, combining transactional leadership style (members of the management committee chosen by the workers on the basis of their skills of environmental management). The study concludes that the unitarist strategy is not effective in developing a greater shared value for sustainable development because of the need for simultaneously supportive and transformational /visionary leadership styles with great need for transparency.

**Kerr, I. R. (2006)**<sup>96</sup> describes the necessary elements and core competencies that a company needs to develop an environmental policy. These policies include; company decision, Strategies how to implement them, Communicating with stakeholders, Managing the resources, carrying Research and development, Integrating basic

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<sup>95</sup> Jones, D. R. (2000). Leadership strategies for sustainable development: A case study of Suma Wholefoods. *Business Strategy & the Environment*, 9(6), 378–389.

<sup>96</sup> Kerr, I. R. (2006). Leadership strategies for sustainable SME operation. *Business Strategy and the Environment*, 15(1), 30–39.

management systems, Collaborating with stakeholders, adopting technology that aim to protect the environment, Adopting basic environmental accounting, education and training on Environment for employees, Cooperating with industry associations and environmental protection, authorities, forming regional and industry alliances Internal cultural pressure for sustainability. Finally, the author concludes that Environmental leadership must be adopted based on the philosophy of the continuous improvement of the environmental policy and strategy development to reduce environmental impacts and this can be achieved through environmental reporting as a tool for marketing for green reputation.

**Malini, M. (2006)**<sup>97</sup> reflects on the adoption of CSR in emerging economies and on some milestones that already have been in place. The study endorses a smart approach that considers universal norms and values to be in place to lead the transformative potential of CSR movement. The transformative approach will control and avoid the environmental and social consequences of rapid growth. Furthermore, the author opines that it is necessary to have energetic national corporate leadership along with solid home grown constituencies which demands higher corporate standards. The study highlights that social and political contests are the fundamental part of the journey of negotiating the balance between society, state, and market. The study focuses some of the thoughts for companies who embrace CSR like: Staying critical, not believing the hype, recognizing the success but retaining perspective and a critical mind, demanding accountability from the top, seeking consistency - designing mechanisms that ensure consistency between different departmental aims and objectives that appears to be a multidimensional construct, composed of concern for different stakeholders like shareholders and community welfare differentially predicted by control variables like national culture-level and firm-level leadership. The study also found that managers in wealthier countries may be more in tune with shareholder CSR issues in their decision making process while in poorer countries managers may feel more of a personal responsibility toward the community and society at large. At the opposite end, managers in cultures stressing values of greater power distance tend to devalue all the three aspects of CSR and tend to be more self-centred and lack concern for the stakeholders in their decision-making process. The study findings suggest that

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<sup>97</sup> Malini, M. (2006). Corporate social responsibility in emerging economies. *Journal of Corporate Citizenship*, 24, 20–22.

leadership in the form of vision and integrity may help drive CSR values beyond economic or cultural factors and may even help align CSR values in the process of making decisions and actions that are based on values. Lastly the study found that managers in cultures supporting institutional collectivism value most aspects of CSR in the decision-making process.

**Werther, W. B et al. (2006)**<sup>98</sup> have defined corporate social responsibility by separating the firm's stakeholders into three groups namely: organizational, economic, and societal where they have discussed various CSR pros and cons for the corporation using economic, moral, and rational arguments; and provides reasons for CSR's growing importance and relevance. Their study states that corporate leaders must strive to operate from a multiple stakeholders' perspective by trying to balance results (profits) and methods (operational activities). The authors opine that a "strategic lens" concept is considered one of the key ingredients in developing a strategic plan like vision, and mission. Finally, the authors discusses the firm's CSR threshold: "the point at which CSR becomes obviously critical to strategic success" which reflects on opportunities, constraints of environment (external), competencies (internal), and structure (internal) are all considered key components in developing a CSR strategic plan.

**Kotler and Lee (2005)**<sup>99</sup> asserted the five C's in Corporate Social Responsibility/Corporate Social Investment that corporations must fulfil. The five C's according to Kotler stands for conviction, commitment, communication, consistency and credibility. Under conviction, companies are compelled to improve their performance without public relations, while commitment, wants companies to be committed in delivery. The study reveals that the third "C" for communication, integrates new tools of communication that are used by corporations to reinforce reciprocity in communication. This communication should be two way, should respect all stakeholders and should be honest, direct and open. For consistency, the author posits that there should be a continuous implementation of CSR programs to easily achieve the targeted goals. On credibility, the authors opine that the corporation's ability to trust their performance depends on the credibility of their effort by modifying

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<sup>98</sup> Werther, W. B., Jr., & Chandler, D. A. (2006). Strategic corporate social responsibility. New York: Sage Publications.

<sup>99</sup> Kotler, P., & Lee, N. (2005). Corporate social responsibility: Doing the most good for your company and your cause. Hoboken, NJ: John Wiley & Sons.

their business practices. The study concludes that companies should examine by considering those practices that will improve living standards, add benefits and value to the corporation in terms of finance building an operational relationship, or marketing in nature.

**Bosch, Woodrow, & Lee (1998)**<sup>100</sup> investigated the effect of the US Environmental Protection Agency (EPA) pollution control enforcement activities and firm response strategies on shareholder wealth. Their study found that the markets reacted negatively upon learning that a firm had been targeted and added that losing a contest with the EPA was very costly to shareholders. The authors opine that motor vehicle companies are giving much focus on product safety and the environmental impacts of the production and especially the use and disposal of their products as part of CSR. The study gives an example of Ford Company recalling millions of its sport utility vehicles fitted with Firestone tyres) which covers its thinking on a range of safety, health and environmental issues. The authors conclude that CSR issues are increasingly on company's radar screens when it comes to environment protection.

**Tebo, P. V. (2005)**<sup>101</sup> describes sustainable growth as a growth that creates economic and societal values while reducing overall environmental impact. The author posits that sustainable growth requires innovation and technology. The study adds that sometime it is difficult to achieve sustainable growth because of the time scale of sustainable growth which does not fit within the business framework of quarterly earnings requirements; no one in business has ownership for vast parts of our environment; it does not require transformational change but the continuous improvement of the existing systems and processes; sustainable issues are handled as problems by CSR persons and not as opportunities for innovation and growth by marketing and business people.

The author describes the following four elements of commitment towards a sustainable growth: (1) Reducing the environmental footprint; (2) engaging diverse thought leaders to help guide the development and commercialization of the new technologies; (3) transforming the company through a long-term commitment; and (4)

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<sup>100</sup> Bosch, Jean, E. Woodrow, and I. Lee (1998), "EPA Enforcement, Firm Response Strategies, and Stockholder Wealth: An Empirical Examination," *Managerial and Decision Economics*, 19(3), pg. 167-177.

<sup>101</sup> Tebo, P. V. (2005). Building business value through sustainable growth. *Research Technology Management*, 48(5), 28-32.

reaching people not just developed economies but developing with products and services that will help transform their lives and live better.

**Tangpong, C., & Pesek, J. G. (2007)**<sup>102</sup> focuses on the recent large-scale corporate scandals that turned business ethics and corporate moral responsibility into major concerns for managers, business schools, and the general public. Results from the 2004 Harris-Fombrun Reputation Quotient survey listed worst reputations from the most visible companies. The fraudulent and deceptive practices of these and other corporations have researchers seeking answers to the question of “What influences managers’ decisions in moral and ethical dilemmas?” The article presents background information on the ethical decision-making literature and how it evolved around two major themes: (1) ethical perceptions and attitudes and (2) social responsibilities of business. The authors present an experimental design as the research method to test the proposed hypotheses and used vignettes as the research instrument. The study contributed to the business ethics and ethical decision-making literature in three major ways:

- It empirically investigates the effects of the ideology of shareholder value.
- It highlights the potential problems of social desirability bias in business ethics studies that are typically based on attitude surveys.
- It proposes an experimental design as an alternative research method to mitigate problems.

**Michael E. Porter and Claas van der Linde (1995)**<sup>103</sup> have disclosed in their study numerous examples of firms that have increased their resource use efficiently while concurrently reducing pollution and cost. The authors opine that there is a link between the environment, resource productivity, innovation and competitiveness. The study says that proper environmental regulation standards will trigger innovation, which will in return lower the cost of product and services. The authors further says that to end the environment stalemate, policy makers, business leaders and environmentalists should stop focusing on static costs impacts of environmental regulations and concentrate on more important offset productivity benefits from

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<sup>102</sup> Tangpong, C., & Pesek, J. G. (2007). Shareholder value ideology, reciprocity and decision making in moral dilemmas. *Journal of Managerial Issues*, 19(3), 379–396.

<sup>103</sup> Michael E. Porter and Claas van der Linde Source: *The Journal of Economic Perspectives*, Vol. 9, No. 4 (Autumn, 1995), pp. 97-118 Published by: American Economic Association Stable URL: <http://www.jstor.org/stable/2138392> Accessed: 05/02/2009 22:45



innovation that drive up environmental issues. The study adds that pollution equals inefficiency when scrap, harmful substances or energy forms are discharged into the environment signifying incomplete and inefficient or ineffective use of resources. The authors are calling for companies to go further in terms of environment protection by using inputs more efficiently, eliminating the need for hazardous, hard to handle materials and eliminate unneeded activities. The study opines that environmental regulation has competitive implications. The authors posit that innovation has an impact on productivity. The authors have listed the process and product benefits due to environmental improvement on resource productivity.

**Process Benefits include:** materials savings resulting from more complete processing, substitution, reuse, or recycling of production inputs; increases in process yields; less downtime through more careful monitoring and maintenance; better utilization of by-products; conversion of waste into valuable forms; lower energy consumption during the production process; reduced material storage and handling costs; savings from safer workplace conditions; elimination or reduction of the cost of activities involved in discharges or waste handling, transportation, and disposal; improvements in the product as a by-product of process changes (such as better process control).

**Product Benefits:** higher quality, more consistent products; lower product costs (for instance, from material substitution); lower packaging costs; more efficient resource use by products; safer products; lower net costs of product disposal to customers and higher product resale and scrap value. The study suggests that companies should adopt the resource-productivity framework to reap the greatest benefits. Lastly the study concludes that when companies in today's global economy resist innovation, will lead to loss of competitiveness.

**Akinchan Buddhodev Sinha (2013)<sup>104</sup>** investigated in his study, how CSR is a key component in the company's growth management today, and the relationship that exist between CSR and profits that companies make. The study found out that there is a significant impact on the profits of public and private sector companies due to their spending on corporate social responsibility based activities.

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<sup>104</sup> Akinchan (2013). Corporate Social Responsibility: A Key Component in Companies Growth Management Today for a Better Tomorrow .An International Journal of Management Studies. *Doi:* <http://dx.doi.org/10.11127/gmt.2013.02.05>

## 1.4 Statement of the Research Problem

Businesses in recent decades have seen both an evolving conversation and a growing interest in the area of CSR since it came to lime light in 1950's. In the 19<sup>th</sup> century, the concept of CSR categorically reflected on economic achievement and beyond that implied misuse of resources which instead would be better spent on value-added internal projects or returned to shareholders (Milton Friedman, 1970). Despite disagreement across the board among scholars and corporate world on the acceptable definition of CSR, both partly agree that CSR means an obligation that companies have towards the society and the environment. Companies that do what is right, creates the right image among different stakeholders interested with its activities. Companies assume their role of alleviating poverty, provide basic human necessities like health care, housing, toilets, water, to name a few. Company's involvement through its CSR activities in the society will have a long term impact that will transform lives and eliminate social evils like crime, create talent and provide employment opportunities that will raise the standard of living of the citizens. Company should efficiently manage resources and help save costs for the company. Global warming has become a threat to human existence, because many health related diseases, a contribution towards endangered animal and plant species and change of seasons are all related to company activities. Pollution either in the air, land and water has an impact in the ecosystem. These are all related with company activities. It is of necessity for companies to stress on moral and ethical dimensions of companies as well as the business case by engaging in activities that benefits the targeted stakeholders (Donaldson and Preston, 1995). More theoretical and empirical study tests using firm-level data on environmental and accounting profitability, found that firms with higher levels of environmental performance had consistent superior financial performance, (Russo and Fouts, 1997).

The demand for goods and services will increase as the world population is expected to reach 8.1 billion in 2025 according to the report on "World Population Prospects"<sup>105</sup>. The report means that the role of the governments alone without partnering with the private companies will create a big imbalance in quality service delivery. Unless there will be a strategic means of addressing social issues and the environment, definitely there will be a catastrophic crisis in human history. This

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<sup>105</sup><http://www.usatoday.com/story/news/world/2013/06/13/un-world-population-81-billion-2025>

calls for a larger role of companies of equipping the current generation with the knowledge that will make them competitive, improve of emergency rescue missions because change in climate brings with it some natural calamities, and improve on risk management systems to handle natural disasters like tsunami.

Making the society technology based and investing more in innovations will transform the way normal businesses and daily activities are run and it will save a lot of cost. Also adopting green marketing and production, partnering for noble causes, strategic alliances, networks, and coalitions in supply chains will make companies more competitive in terms of market share. Companies should have a global perspective and apply them locally to bring change that is sustainable in terms of diversity and culture. This will play a significant role towards teaching different sections of society and help different stakeholders join hands in making CSR meaningful.

CSR concept should go about capacity building for sustainable livelihoods, that finds business opportunities in building the skills of its employees and bring creating differences in communities where they operate.<sup>106</sup> For firms to remain effectively aggressive in a competitive environment there is need for a clear definition of their business practices with focus on the public interest in the markets (Gray, 2001).<sup>107</sup> Fast emerging economies like India have an immense talent in terms of human resource with the qualification to fit the market. To draw from this vast talent pool, businesses need to establish good system of governance that will attract the talent while adopting social, environmental, ethical and moral principles. Questions arise on the reasons behind company's involvement in social activities when it was established to make profits? Why then should it invest its substantial funds to a non-profit activity if no returns are available? There is need for companies to engagement in CSR practices by becoming ethical, humane, community and customer oriented if they want to improve their brand image and sales (Bhavani R, 2011)<sup>108</sup>. When a customer realized that a certain brand is engaged on social responsibility, they will automatically consume the

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<sup>106</sup> Carol, A.B. (1979), "A three dimensional conceptual model of corporate performance", *Academy of management Review*, Vol. 4 No. 4, pp. 497-505. Matten, A. and Crane, D. (2005), "Corporate citizenship: toward an extended theoretical conceptualization", *Academy of Management Review*, Vol. 30 No. 1, pp. 166-79. Waddock, S. (2004), "Parallel universes: companies, academics and the progress of corporate citizenship", *Business and Society Review*, Vol. 109 No. 1, pp. 5-42

<sup>107</sup> Gray, R. (2001). *Social and Environmental Responsibility, Sustainability and Accountability, Can the Corporate Sector Deliver?*, Glasgow, Centre for Social and Environmental Accounting Research, University of Glasgow, Retrieved on August 14, 2004 from [www.agenda-scotland.org/documents/](http://www.agenda-scotland.org/documents/)

<sup>108</sup> Bhavani, R. (2011), "Corporate Social Responsibility in India", *southern economist* Vol. 50 No. 15.

product without hesitation and this will improve their financial and competition status. Companies should be innovative and make their brands eco-friendly, easy to operate and efficient enough to save time and cost. In the wake of increased accidents in industries, it upon the company to put its stakeholders especially employees in a state of preparedness as a CSR on risk management. This will reduce accidents either when operating machines or will alert the employees and the staff of any possible accident of any kind.

After economic reforms of 1990, India has recorded significant development almost in all areas compared to other years. The country has welcomed many company establishments which have in return created many opportunities for citizens and economic growth. More employment opportunities have been created, which have improved the living standards of many Indian citizens and more other essential basic infrastructure facilities improved for example roads, health facilities and many more. Despite the achievements, there still remain challenges of poverty and income inequality among many Indians within the country. There is dire need for social amenities, employment opportunities and sustainable livelihood in urban and in specifically rural areas. There is a lot of requirement in promotion of agriculture in rural areas affordable and providing drinking clean water to everyone in India. As part of achieving millennium goals, integration of CSR with company activities is inevitable. Environment protection in the world and India in specific has not been well addressed. There was need by the researcher to investigate the kind of CSR practices that the corporate sector plays towards the society in connection to improving the social and environmental standards of the society. Two private companies (Tata Company and ITC Company) were selected for the study. Since no other comparative study has been carried specifically concerning the two private companies and their CSR practices in Karnataka, and the desire to know the CSR practices adopted by the two companies, gave the importance for the researcher to undertake the study entitled **“Corporate Social Responsibility – A Comparative Study of Tata Company and Indian Tobacco Company”**.

## 1.5 Objectives of the Study

The main objective of the study is to address CSR practices of Tata Company and ITC Company. The other objectives that support the main objective include;

1. To study the policies and norms of the organization regarding discharge of CSR.
2. To examine the role of CSR in towards competitive advantage and risk management of the company.
3. To study the CSR practices in selected Tata and ITC Company.
4. To examine the possible reasons responsible for discharge of CSR.
5. To highlight the challenges faced by organization in relation to discharge of CSR.
6. To explore the impact of corporate social responsibility on organizational growth

## 1.6 Hypothesis

The following hypothesis shall be tested to help in drawing conclusions of the study.

**H0:** CSR of Tata Company and Indian Tobacco Company will not lead to retaining or increasing the competitive ability of the organization.

**H1:** CSR of Tata Company and Indian Tobacco Company will lead to retaining or increasing the competitive ability of the organization.

**H0<sub>2</sub>:** There is no significant relationship between CSR and brand image and company reputation of Tata Company and ITC Company.

**Ha<sub>2</sub>:** There is a significant relationship between CSR and brand image and company reputation of Tata Company and ITC Company.

**H0<sub>3</sub>:** Reporting CSR practices of the company do not improve the brand image.

**Ha<sub>3</sub>:** Reporting CSR practices of the company do improve the brand image.

**H0<sub>4</sub>:** CSR of Tata Company and Indian Tobacco Company will not help manage risk.

**Ha<sub>4</sub>:** CSR of Tata Company and Indian Tobacco Company will help manage risk.

**1.7 Research Design-** the research design for the present study is exploratory one.

### **1.7-1 Population**

The study covered all major cities within Karnataka where the branch companies of Tata Company and ITC Company are located. Most companies were located in the city centers like Bangalore, Mysore, Mangalore, Belgaum and Dharwad. In total 72 companies were selected which were a representative of the whole population. 48 branches of Tata Company and 24 branches of ITC Company were selected.

### **1.7-2 Sample Size**

The study has a total of 72 managers as sample respondents. The study targeted manager respondents of Tata Company and ITC Company because they were the right source of the primary data crucial for the study. Tata company respondents were 48 while those of ITC were 24. The total numbers of branch companies within the state were 74 for both companies combined. But out of the 74 questionnaires distributed 2 respondents from Tata company branch did not fill the questionnaire and never cooperated, hence were rejected. Hence the total 72 company respondents, comprising of 48 Tata company and 24 ITC company respondents were selected as the representative of the whole population. The survey was conducted from February 2013 to December 2013.

### **1.7-3 Sources of Data**

The data for the study was conducted in two methods for example; secondary data and primary data. Secondary data was collected from books, journals, company websites, internet, conferences proceeding and from company magazines. Secondary data most importantly from company sustainability reports of both Tata Company and ITC Company for ten years were analysed and were of much importance for the study. Primary data was collected from the field study survey of Tata Company and ITC Company using a well-structured questionnaire and interview method.

### **1.7-4 Questionnaire and Interview**

The questionnaire was used as a major tool of collecting the primary data because managers were busy most of the time, and the researcher requested for the convenient time from the respondents for the meeting. The questionnaires were presented to them

and many of them filled them while others preferred interviews. For those respondents who were not available because of their busy schedule; the researcher mailed the questionnaire, booked the time convenient for the respondents and interviewed those (respondents) over the phone for a minimum of 30- 45 minutes. The effectiveness of the questionnaire was tested after conducting a pilot study before drafting the final one for the study.

### **1.7-5 Analysis and Interpretation**

After compiling the collected data from the questionnaire, the SPSS package software was used to carry out analysis. Various statistical tools were used for analysis purpose. Simple percentage and averages, chi-square test and t-test have been used for analysis purpose. Tables have been used through the study.

### **1.7-6 Scope of the Study**

The scope of the study covered only the state of Karnataka. Tata Company and ITC Company branches within the state of Karnataka were covered. The study of these two companies covered the period from 2003-2004 to 2013-2014 in total ten years.

### **1.7-7 Limitations of the Study**

As maximum care was given at various stages of the study some limitations were beyond the control of the researcher. The first limitation was meeting the respondents because of their busy schedule. Those available were hesitant cooperate from the beginning to reveal some information required by the study, but after the researcher made an effort of contacting them more than once, they accepted to share the information. For the respondents who were not immediately available an effort was made of mailing the questionnaire to them and booked the convenient time for interview in advance through the phone. The interview time took a minimum of 30 - 45 minutes till all the required survey as per the study was met.

## **1.8 Chapter Scheme**

The tentative chapter scheme of the study has covered six chapters in general as indicated below.

### **1.8-1 Chapter I – Introduction**

Has covered the introduction part of the study, the need and importance of the study, literature review, and statement of the research problem, objectives, hypothesis, research methodology, limitations and chapter scheme.

### **1.8-2 Chapter II – Theoretical Framework**

Chapter two has covered the theoretical and conceptual framework of the study, which detail, the history of CSR, the triple bottom line, stakeholder theory, corporate citizenship and models of CSR.

### **1.8-3 Chapter III – Profile of Tata Company and ITC Company**

Chapter three has covered the profile of the study area, whereby types of industries available in Karnataka have been discussed in a nutshell. Tata and ITC Companies CSR practices have been covered in detail.

### **1.8-4 Chapter IV – CSR Practices of Tata Company and ITC Company**

CSR Practices of Tata and ITC Companies and the reasons behind CSR practices have been covered in advance. An analysis of Tata Company and ITC Company CSR expenditure for ten years have been analysed. Also analysis on CSR programmes of two companies and the impact they have towards company competitiveness and brand image have been taken into consideration.

### **1.8-5 Chapter V – Analysis of the Surveyed Data**

Chapter five is devoted towards the analysis and interpretation of surveyed data of Tata Company and ITC Company. The reasons behind companies CSR practices and CSR towards various stakeholders have been dealt with in advance. Various challenges that affect CSR and their solutions have been discussed and analysed. Opinion of respondents concerning future CSR activities have been covered also.

### **1.8-6 Chapter VI – Findings, Suggestion and Conclusion**

Chapter six deals with: Major Findings, Suggestions, and Conclusions.



## **Summary**

Literature has revealed importance of CSR and how it can be used to make the company benefit including making the companies gain a competitive advantage and improving the brand image. Adopting best methods while running business will help reduce conflicts between different stakeholders and make the company achieve its goals faster. Despite the change of times, CSR is inevitable in any successful company that want to achieve its goals.

## CHAPTER II

### THEORETICAL FRAMEWORK

This chapter is dedicated towards addressing the theoretical and conceptual definitions of Corporate Social Responsibility. The study highlights some of the models that have evolved over time concerning the topic of CSR, a topic that has become of much interest to various stakeholders. Also theories of CSR that provide an overview of the scholarly work of the construct, and discuss motives for engaging in CSR initiatives have been reflected in debt.

#### **2.1 Introduction**

The concept of CSR can be traced to medieval era due to various questions regarding organizations impact on society having been present for centuries (May et al., 2007). Corporate and modern labour union were derived from the early medieval times including the large U.S. companies most of today's society are familiar with which emerged back as early as 1870's. It was also during this time that large corporations began to have a significant impact on the society and the environment. The US government passed a series of laws to curtail the monopolistic powers that major corporations possessed at the time on sectors like petroleum and railroad which the public had begun to question concerning the appropriateness of their actions (for example the working conditions at major meat factories, Sinclair, U., 1906).<sup>109</sup> Legislations were passed regarding fair employee treatment, protection of children from labour, improving the working place and ensuring safety (Farmer, 1985). The book "the jungle" by Sinclair in 1906 added more pressure towards CSR practices in major meat factories due to poor working conditions for employees and the cleanliness of food processing activities. The creation of the Food and Drug Administration was created to look into the interests of the company stakeholders. CSR was made a transcontinental phenomenon when its notion was introduced at the time that economic globalization was at its peak and shortly after WWII the proposal and introduction of CSR notion marked the beginning of a long and varied period definition of CSR (May et al., 2007). As per Locke (2003), there is a need for consistence on objective definitions because many conceptualization definitions and

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<sup>109</sup> Sinclair, U. (1906). *The jungle*. New York, NY: New American Library, 1990.

theories associated with CSR which has brought a lot of confusion within the literature, something that has made Wood (1991) says that the field of CSR is a data looking for theory.

Jones (1980) argues that CSR is an obligation to constituent groups and society other than stockholders and beyond than prescribed by law and union contract. Carroll (1979 p. 500) posits that the social responsibility of business should encompass economic aspects, legal aspects and discretionary aspects that society has of organizations at a given point in time. McGuire's (1963) study adds some wait by saying that CSR should be an obligation beyond the economic and legal domains. This idea is seconded by the voluntarism theory, where by companies should develop a tradition of practicing CSR without anybody or law pressuring the excises (Walton's, 1967). Corporate social responsibility (2001) defines CSR as the commitment of business contributing towards a sustainable economic that includes employees, workers and their families without tearing away the harmony in the society while improving their quality of life. Asking what makes CSR hard to define by many articles written over the years, some study definitions argue that "it is a continuing commitment by business to behave fairly and responsibly 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 that of the society"<sup>110</sup>.

## **2.2 Conceptual Framework of CSR**

The concept of CSR can be traced back to medieval time when the business communities used to give back to society in terms of charity, but the current concept started like 5 decades ago. As the society provided an opportunity for businesses to produce goods and services, companies never realized the importance of being responsible at the time. The intention of doing what was right for the common good of society and the environment, providing sustainable livelihoods, career development and health services became a distance dream. Unethical and immoral practices led the corporate world, companies became carefree and poverty went to the roof. There was lack of social amenities and the environment was degraded as accidents and human rights abuses sky rocketed. Companies aim was economic centered. This gave birth to

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<sup>110</sup> What is Corporate Social Responsibility (CSR)?  
Available:[http://europa.eu.int/comm/employment\\_social/soc-dial/csr/csr\\_whatiscsr.htm](http://europa.eu.int/comm/employment_social/soc-dial/csr/csr_whatiscsr.htm) [2001, November, 6].

the concept of CSR. The concept aimed to find a solution through a common meaning that can define the roles which companies must execute for change.

The concept of CSR had origin in the early 1920s and 1950's. As mentioned in introduction part of chapter one, the concept of CSR became more prevalent in the early 1970s, due to world wars one and two. These wars cause a lot of chaos in terms of social issue like poverty, lack job in the USA. The value of its currency touched its lows and it provoked a revolution from the public to seek an urgent fix of the problems from the government. The government and other public companies had failed to recognize and accept the responsibility they owed the society by focusing of wealth creation that benefits different stakeholders to whom they have an impact on (Freeman, 1984).<sup>111</sup>

The CSR of concept refers to the businessmen overseeing the operation of an economic system that fulfils the expectations of the people (Frederick, 1960).<sup>112</sup> Davis (1960) asserts that CSR is a nebulous idea which was concerned under managerial framework. The concept is being acknowledged and many companies realize that they can't ignore CSR anymore because it brings long term economic returns but in a responsible way and in a socially responsible manner.<sup>113</sup>

The CSR role of managers was published in the first articles by (Berle, 1931; Dodd, 1932)<sup>114</sup> and Bowen (1953) works also attempted to define the concept of CSR as a term that entails policies, the decisions, and the actions that align with the goals and values of society.<sup>115</sup> There have been arguments for and against the idea of social responsibility (Davis, 1973).<sup>116</sup> The concept of CSR takes different definitions depending on who uses it, for example it could mean, legal responsibility, social behaviour, while some studies use it to mean charity contribution. Most terminologies used interchangeably referred to mean CSR include 'corporate responsibility' versus

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<sup>111</sup> Freeman, R.E. *Strategic Management: A Stakeholder Approach* (Pitman Publishing: Marshfield, MA, 1984).

<sup>112</sup> Frederick, W.C., *The growing concern over business responsibility* (California Management Review, Vol.2, 1960) pp. 54-61

<sup>113</sup> Davis, Keith, *Can Business Afford to Ignore Social Responsibilities?* (California Management Review, Spring, 1960)

<sup>114</sup> Berle, A. A. (1931). Corporate power as power in trust. *Harvard law Review*, 44(7), 1049-1074. & Dodd, E. M. (1932). For whom are corporate managers? *Harvard law Review*, 45(7).

<sup>115</sup> Bowen, H. R. (1953). *Social Responsibilities of the Businessman*. New York City, NY: Harper & Brothers.

<sup>116</sup> Davis, K. (1973). The case for and against business assumption of social responsibilities. *Academy of Management Journal (pre-1986)*, 16(000002), 312-323.

'sustainability' used for reporting varies between companies. KPMG research survey conducted on Corporate responsibility reporting 2013 shows the most commonly used terms globally are 'corporate responsibility' (14 percent) or 'corporate social responsibility' (25 percent) and 'sustainability' report (43 percent).<sup>117</sup>

Due to limitation of space, the study selected some few common concepts like; triple bottom line, corporate citizenship, corporate environmental reporting, Human rights, NGOs, the Triple Bottom Line. Most definitions which many authors write about contribute to the conceptual and theories that make CSR complete as presented below.

### **2.3 The Triple Bottom Line Concept**

Despite gaining a lot of interest in various fields of research and industrial world CSR concept still lacks a common accepted definition. Elkington (1997)<sup>118</sup> introduced the famous concept of *Triple Bottom Line* which focuses on three issues that covers the society - social responsibility (people), environmental responsibility (Planet), and economic responsibility (profit). The author opines that a socially responsible company can be considered as an institution that makes an economy prosper, an inclusive and sustainable society and care towards environment protection. The idea of CSR requires individuals to consider their actions in terms of a whole social system, and hold them accountable anywhere in that system (Carroll and Buchholtz, 2000). Hellriegel et al (1999)<sup>119</sup> refer to affirmative social responsibility as the company's prerogative to do everything that is required and to look for areas in which they can do even more for the mutual benefit of all stakeholders. Affirmative social responsibility implies a proactive stance with regards to contributing to society's well-being. John Elkington contributed by making a realization on the importance of considering positive social impact by business while contributing in boosting economic growth and reducing a damaging impact on the environment. The study by Zadek (1997) calls for the 21<sup>st</sup>c TBL businesses which are more committing and transparent in terms of reporting and highlighting the building of corporate accountability 1000 called the Triple Bottom

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<sup>117</sup> KPMG International, *The KPMG Survey of Corporate Responsibility Reporting 2013*, December 2013

<sup>118</sup> Elkington, J 1997, *Cannibals with Forks: Triple Bottom Line of 21st Century Business*, Capstone Publishing Limited, Oxford.

<sup>119</sup> Hellriegel, D., Jackson, S.E., Slocum, J., Staude, G. & Associates. 2001. *Management*. Cape Town: Oxford University Press.

Line Report (Zadek, 1997).<sup>120</sup> The author adds that the TBL report is an accounting of business performance in terms of economic impact, environment impact and social impact. As a steward on the environment society and economy, the triple bottom line is interchangeably used with “CSR report”. The Triple Bottom Line is a medium whereby data on financial results, environmental performance and social impact are brought together in what can simply be termed as 'sustainability report' (UNCTAD/ISAR, 2002, p. 40).<sup>121</sup> The triple bottom line is a mirror that reflects the company’s success in addressing the social, economic and environmental activities (Abd. Hamid Kadir et al., 2012)<sup>122</sup>

The traditional system of measuring the success or failure of a business based on economic performance has been overtaken by the triple bottom line that reflects on the three criteria for assessing organizational performance. The TBL can also be used as a framework to measure and report corporate performance with other variables.

### **2.3-1 The Economic Impact**

Financial or economic performance of an organization is the easiest of the three criteria to determine or value the worthiness of the business at a given point in time. Under the TBL, all economic means that the company generates its income should be justified and accounted for in a transparent manner. The economic performance under TBL calls for company’s adding economic benefit to the shareholder’s value. Without economic value addition, businesses can’t carry out CSR activities. The method the company adopts in achieving their economic goal will be the main focus while protecting the interests of larger stakeholders for example violating employee’s rights, inhumane working conditions, environment destruction. To achieve maximum economic value, business management should adopt a strategic CSR which includes, technology adoption, adopt human rights policy and other social practices that are protects and provides a sustainable means of success.

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<sup>120</sup> Zadek, Simon et al., *Building Corporate Accountability: Emerging Practices in Social and Ethical Accounting, Auditing and Reporting* (1997).

<sup>121</sup> UNCTAD/ISAR--United Nations Conference on Trade and Development. *Guidance manual: accounting and financial reporting for environmental costs and liabilities* (UNCTAD/ITE/EDS/4). Geneva, 2002.

<sup>122</sup> Abd. Hamid Kadir Pakir, Amin Akhavan Tabassi, Mahyuddin Ramli, Abu Hassan Abu Bakar and Kamand Mohammadzadeh Roufechaei (2012). *Sustainable Housing Development and Leadership: A Review. Aust. J. Basic & Appl. Sci., 6(12): 385-395, 2012.*

### **2.3-2 Social Impact**

Business activities should be focused towards a sustainable society. Businesses should create value in the society apart from their economic endeavour. The triple bottom line concept underlines the importance that companies have towards the society. The TBL principles believes in acting in a way that benefits the community through avenues created like employment, markets, infrastructure and other social amenities, like artisans events that nurture talent among other examples. On the notion of social impact, there is an argument that before a corporation engages in CSR activities, it must first be determined which social issues should be addressed and which are in alignments with the particular business (Porter and Kramer, 2002; 2006). Porter and Kramer (2006) provided a three simplistic categorization of determining which social issues are in the best interests of a corporation and society (for example; General social issues, value chain social impacts and social dimensions of competitive context). Forester, Brooke Ellen (2009) supports (Aguilera et al. 2007) on a suggestion that researchers should no longer focus on whether CSR works, but should instead seek to determine how organizations may impart social change (McWilliams, Siegel, and Wright 2006). Researchers have begun to emphasize the need to understand the effects the social goods are having on society as companies worldwide are providing various goods to society through socially responsible initiatives. Foundations must focus on a cause which offers a unique strategic position in terms of CSR activities directed at social effect (Porter and Kramer's, 2002; 2006) an argument seconded by Bhattacharya and Sen (2004), which investigated to better understand when, why, and how consumers respond to corporate social initiatives. Their study found that the CSR initiatives that set the company apart from its competitors are not only more likely to catch consumer's attention, but also to generate attributions and attitudes (p. 17-18). When companies are engaged in a variety of social initiatives, there is a perception that such efforts will add to the harmony between the society and the company and will likely become leaders.

For CSR initiatives to be productive, corporations must choose those initiatives which fit well with their business and recognize the co-dependency of business and society (Porter and Kramer, 2006). Since business and society are so dependent upon one another, research has indicated that, to be socially engaged pays back to the company either in terms of license to operate, reputation, competitive image among

others. Chapter one discloses drivers behind CSR engagement by companies, one of them is the fear of penalties due to state regulations and other independent organizations (Campbell, 2007). Strong state regulation is one among many reasons corporations engage in socially responsible activities. Companies should remain attached to the society with or without pressure from stakeholders.

The concept of TBL on social activities reflects and features the effect that business has on the society on culture, behaviour, living standards, moral and ethical values. International Association of Impact Assessment (IAIA) assesses social of businesses on various issues. The impact business has on people's way of life, people's community in terms of cohesion, stability, characters, service and facilities, impact he impact on political system, people's environment, people's health, their personal and property rights (IAIA, 2008). The concept by IAIA's (2008)

There is specification on environmental, cultural, political, economic, spiritual, psychological, and physical influences which affect individual and group attitudes, values, and behaviours. The social impact as part of triple bottom line has a great impact on the company financial matters and competitiveness because it boosts the confidence of investors and consumers who matter a lot in investing and consuming the company products.

### **2.3-3 Environmental Impact**

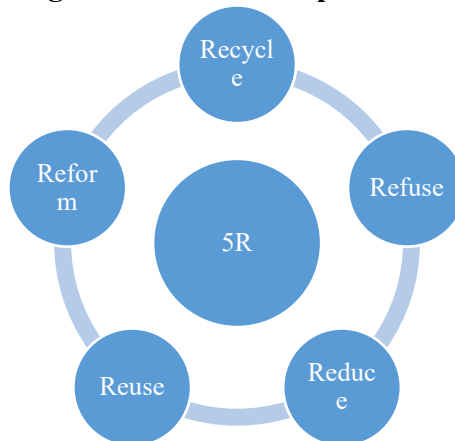
Environmental impact (EI) is concerned with a business's total impact on the natural environment. The Triple Bottom Line concept aims to improve the environment performance by addressing the importance of quality air, water and land. The TBL concept on environment calls for adoption of innovative techniques that will improve the pollution impact that companies create on the environment, by devising energy efficient products, high techniques of producing more products and services with less resources, a recycling product cycle policy. The concept also calls for environmental reporting and rallying for it become more widespread amongst both large and small organisations. The triple bottom line directs that companies assess and evaluate the impact that they cause on the environment. The environment impact assessment (AIA) identifies and predicts the potential impacts on the environment. These predictions on potential impacts on proposed actions should be reported to those who are responsible



to make decision before they make decision on the proposed actions (Harvey 1998).<sup>123</sup> EIA emerged as a discipline in the early 1970s with the introduction of the United States National Environment Policy Act of 1969 (NEPA) (Ortolano & Shepherd 1995).<sup>124</sup>

There is an urgent need for a unified environment policy for the entire company by developing activities that aim to deliver new value not only through product performance and quality but also environmental considerations. The company shall continuously act to reduce environment foot print in all their business operations across their supply chain. The preliminary policy for the environment should be the cornerstone of all operation while considering the environmental impact as the prime considerations at every stage of a product’s lifecycle, from recycling do design.<sup>125</sup> The brother group company devised a concept called environment (5Rs) which addresses “R” for “Refuse” and “Reform” “Reduce”, “Reuse” and “Recycle”. The 5Rs critically explain how the product cycle can be handled to eliminate environmental damage. Refuse – applies to encourage the company to avoid purchasing environment burdensome materials whenever possible. Reduce – encourages a reduction on waste material without processing. Reform – encourages reuse of materials in a different form. Recycle – the need to reuse material as resources. Reuse – motivates on reuse of waste materials). Figure - 2.1 below shows the five Rs concept on environment conservation.

**Figure - 2.1 5R Concept of Environment**



Source: Brother Corporate social Responsibility Report Website Data, 2011.

<sup>123</sup> Harvey, N. 1998. *Environmental Impact Assessment: procedures, practice and prospects in Australia*. Oxford University Press: Melbourne.

<sup>124</sup> Ortolano, L. & Shepherd, A. 1995. Environmental Impact Assessment. In Vanclay, F. & Bronstein, D. (Eds). *Environmental and Social Impact Assessment*. Wiley: Chichester, pp.3–30.

<sup>125</sup> Brother Group Corporate Social Responsibility Report Website Data, 2011.

## 2.4 Sustainability Concept

The term 'sustainability' in management literature is used to refer to both CSR and corporate sustainability that reflects on company social and environmental management issues.<sup>126</sup> Business sustainability is often defined as a process of managing business activities related to different aspects like financial challenges, social issues, risks towards the environment obligations and the business opportunities. It also reflects on profits, people and planet. This approach relies on an accounting based perspective and does not fully capture the time element that is inherent within the corporate sustainability. CS represents resiliency over time as businesses that can survive shocks because they are intimately connected to favourable business environment system. According to sustainable concept businesses should create economic value and contribute to healthy ecosystems and strong communities.<sup>127</sup> Corporate sustainability focus on development "that meets the needs of the present without compromising the ability of future generations to meet their needs"<sup>128</sup>. It requires that to achieve development that is sustainable crucial critical issues should be addressed at the macro level, such as: economic efficiency (innovation, prosperity, and productivity), social equity and environment.

To achieve and foster corporate sustainability, there is need to engage different stakeholders and engaging them in decision making (Heinenin, 1994). Also the company should have a policy on environment management system which will provide structural means to help enforce environment efficiency into a firm's culture (Radermacher, 1999) - These systems provide the structures and processes that help reduce or control risks. Another critical part of corporate sustainability is to report and disclose their CSR activities to various stakeholders. The measurement and control are at the heart of instituting sustainable practices.

Corporate sector obligations should not end up with only contributing towards economic growth of a country or to providing employment to the society but should be far beyond that, like without causing destruction to the natural resources while

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<sup>126</sup> I. Moniel (2008): The differences between the two concepts 'CSR and Corporate Sustainability', *Organizational Environment* 21, no. 3: 245-269.

<sup>127</sup> <http://lexiconft.com/term?term-business-sustainability>

<sup>128</sup> WCED (World Commission on Environment and Development). 1987. *Our Common Future*. Oxford University Press: Oxford.

providing benefits to the society at large.<sup>129</sup> As the role of Corporate Social Responsibility (CSR) for Sustainability has become vital today than yesterday, the strategies designed by the corporate sectors for CSR must be put well into practice to balance each corporate activity with utmost care by addressing both stakeholders as per their requirement. Like CSR, the concept of sustainability or sustainable development has caused strong discussions despite its clear definition with literally data works in large number form containing the word sustainability in the titles without a clear definition (Spedding, 1996). There is no single unanimous approach to “sustainable development” due to a variety of scope’s characteristic of different protection programs and different types of communities and institutions (Environmental Challenges in Farm Management).<sup>130</sup> Jacob’s (1995) study reveals that corporate sustainability on economic literature was mentioned over 100 times with as many as 386 definitions on sustainability mostly oriented towards separate sectors for example environmental, economic, civilization – or emphasizing managerial, technical or philosophical thus revealing many of sustainable development (Munasinghe, 1993; Pearce et al, 1989; Pezzey, 1989; Pezzoli, 1997). Sustainable development concept may be difficult to understand and may have different meaning depending on the analysed literature on the concept in which it is used (Pierantoni, 2004). The world development report in Rio (1992) described sustainable development as one that continues in the long term aimed at satisfaction of humanity’s need at present and in the future via rational usage and replenishment of natural resources, preserving the Earth for future generations of the society.

A sustainable business always embraces an economic system that will benefit people sustainably. Using sustainable development to address sustainability, Goodland and Ledec (1987) describe it as sustainable development that is transformative (development) of economics, optimizing the economic and social benefit obtained at present without jeopardizing the possibilities for obtaining such benefit in the future, (here again the author addressing economic and society). Pirages (1977) states that, sustainable growth means economic growth that is supported by the physical and social environment. Weitzman (1997) study on sustainability measures the future

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<sup>129</sup> Kumar Sima (2011). Conference on Inclusive & Sustainable Growth: Role of Industry, Government and Society Conference Proceedings:2011

<sup>130</sup> Radermacher, W. (1999). Indicators, Green Accounting and Environment Statistics-Information Requirements for Sustainable Development. *International Statistics Review* (67), 339-354.

consumption in advance, while Conway and Barbier (1990) points out that sustainability of economy is the ability to maintain productivity (both in agricultural land property and in the country).

Sustainable development includes the creation of a social and economic system that guarantees support aiming to: increasing the real income, improving the level of education, and the health of the population's quality of life (Pearce, Markandya and Barbier, 1989). As CSR is aimed to transform the social, economic and environment challenges, the concept of sustainable development, reflects an improvement in the population's quality of life while taking into consideration the ecosystem's regenerating capacity that can be described as the maximal continuous load on the environment (Catton, 1986), and the carrying capacity – the greatest number of population that can survive in the presence of ecological balance (Sorlin, 1997). Developing a mission statement that outlines the vision and reason for operating business will help to establish a standpoint concerning social responsibility and sustainability. It should include information about future business objectives by outlining the commitment and values in regards to social responsibility. There should be a consideration of developing a set of policies or guidelines that outline the expectations of business in regard to social responsibility by getting a feedback from the team to work out the policies which are feasible and identify any changes that need to be made. Bringing together environmental and socio-economic questions was most famously expressed in the Brundtland's Report definition of sustainable development as meeting “the needs of the present without compromising the ability of future generations to meet their needs”<sup>131</sup>.

#### **2.4-1 Other Contents of Sustainability:**

Corporate sustainability further involves a sound corporate governance, provision of equal job opportunities, workers participation in management, use of natural resources in a productive and efficient manner, being responsible for conditions under which goods are produced, taking responsibility for production of products which may be recycled naturally, practicing morality and ethics, protection of consumers, and company forming departments responsible for addressing issues related to CSR.

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<sup>131</sup> WCED (World Commission on Environment and Development). 1987. *Our Common Future*. Oxford University Press: Oxford.

## **2.4-2 Benefits of CSR Sustainability**

Corporations that practice sustainability are likely to gain from the following advantages: To achieve long term objectives, brand building, minimize ecological damage, increase in sales and customer loyalty, minimizing the absenteeism and employee turnover.

## **2.5 Corporate Citizenship**

Ratshikhopha (2001) defines corporate citizenship as the management of business operations in accordance with a set of core values and code of conduct in order to balance the legitimate interests of consumers, employees, business partners, shareholders, governments, communities and the environment.<sup>132</sup> The business citizenship is the company's role in, or responsibilities towards society. The term is interchangeably used with corporate social responsibility.<sup>133</sup> The study by (Ryan, 2002)<sup>134</sup> opines that business simply throwing money at good causes in the hope that those causes will be able to sustain themselves is not enough, but instead they need to enhance their current social responsibility practices to fit the current shifts and perspectives of social responsibility in their environment. They also need to set criteria for selecting targets for social responsibility involvement for the mutual benefit of the organization and society at large.

## **2.6 The Stakeholder Theory**

Freeman in his book “Strategic Management - A Stakeholder Approach” defines a stakeholder as a Group of people who can affect or can be affected by the achievement of the organization’s objectives (Freeman, 1984).<sup>135</sup> The author defines stakeholders in the second definition as those groups who are vital to the survival of the organization that can be affected and can affect the company activities (Freeman 2004). Freeman opines that there are a range of stakeholders with different corresponding interests. Stakeholder theory is a conceptual framework of business ethics and organizational management which addresses moral and ethical values in business

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<sup>132</sup> Ratshikhopha, N.E. 2001. Corporate Social Responsibility versus Corporate Citizenship Accountability. Paper presented at the accountability conference, Cape Town.

<sup>133</sup> <http://www.businessdictionary.com/definition/corporate-citizenship.html#ixzz35hy1wJnI>

<sup>134</sup> Ryan, C. 10 November 2002. Having a conscience becomes good for business. Sunday Times, 10.

<sup>135</sup> Freeman, R. E., 1984, “Strategic Management: A Stakeholder Approach”, Boston: Pitman/Ballinger.

management<sup>136</sup>. Edward Freeman's book has outlined how management can satisfy the interests of stakeholders in a business.<sup>137</sup> The theory brings into light the stakeholder value approach of management philosophy that regards maximization of the interests of all its stakeholders (customers, employees, shareholders, and the community) as its highest objective. Stakeholder objective aim to serve some vital policies towards various stakeholders like: (1) Minimizing cost and waste while improving the quality of its products<sup>138</sup>, (2) Enhancing the skills and satisfaction of its employees, and (3) contributing to the development of the community from which it draws its resources and sustenance. The role of the company is to add as much value as possible for stakeholders.<sup>139</sup> The demands of various stakeholders keep changing and it is the role of the company to know those needs and address them abundantly. The demands of suppliers and employees may significantly differ as those of media and government and it is upon the company to adopt a strategic CSR to help address their requirements. There are three branches of stakeholder theory literature according to Donaldson and Preston's (1995):

#### **2.6-1 Descriptive Approach (Analytic):**

The descriptive approach aims to understand how managers deal with Stakeholders and how they represent their interests. The stakeholder descriptive approach views the company as having many interests for example on competition and cooperation. The analytic theory will show how the company can deal with these divergent interests of stakeholders.

#### **2.6-2 Instrumental Approach:**

The instrumental approach reflects on consequences that the company takes into account on stakeholders in management by examining the connections between the practice of stakeholder management and the achievement of various corporate governance goals.

#### **2.6-3 Normative Approach:**

Normative approach aims at identification of moral or philosophical

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<sup>136</sup> <http://www.businessdictionary.com/definition/stakeholder-theory.html#ixzz2sbM3zdIn>

<sup>137</sup> Ibid

<sup>138</sup> Ibid

<sup>139</sup> Ibid

guidelines linked to the activities and the management of corporations. Stakeholder theory considers normative approach as the core compared to the three instrumental and descriptive (analytic) theories. The normative theory aims to answer questions on the responsibility of the company towards different stakeholders like; the reason behind corporate sector taking care of wider stakeholders than shareholders' interests. Normative theory is linked to moral, values and philosophic purposed as the core of the stakeholders theory (Donaldson and Preston, 1995). While Donaldson and Preston principle believes that stakeholders have a legitimate interest in companies and their interests have intrinsic value, Freeman argues that their idea suppose a separation between economics and ethics spheres. For Freeman every organization theory incorporates a moral dimension, even if it is most of the time implicit.

Normative stakeholder theory addresses how the company decisions affect stakeholder outcomes and remain ethical and build ethics principles by having actions of an agent affecting another agent. Company decisions should be considerable and ethical and stakeholder's claims should be honoured as build principle or "rules of the game" on various stakeholders.

#### **2.6-4 Freeman's Extended Normative Theory**

Evan and Freeman (1990) have extended the theory of stakeholder by elaborating the normative theory and analytic theory by defining stakeholders as all those groups (i.e. customers, employees, suppliers, communities, shareholders and managers) who are vital to the survival and success of the corporation. Evan and freeman argues that there is need for redefinition of the purposes of the company to help act as a vehicle for coordinating stakeholders interests by proposing two principles:

**2.6.4-1 Corporate Legitimacy Principle.** The principal of corporate legitimacy believes that the company should be managed for the benefit of its stakeholders and calls for stakeholders must participation in decision making that substantially affect their welfare.

**2.6.4-2 Stakeholder Fiduciary Principle.** This stakeholder principal believes that the managers have extra duties than the normal employees and hold the duty of safeguarding the welfare of the firm and should act in the interests of the stakeholders as their agent in the interests of the corporation to ensure firm survival.

Evan and Freeman have proposed a stakeholder board of directors comprising representatives of the five stakeholder groups, plus a director who would be elected unanimously by the others and be vested with the duty of caring for all stakeholders to help in management of stakeholder practicality. Freeman develops a model between the corporation and the stakeholder representatives who are assumed to be rationally self-interested and to understand the implications of different corporate designs for success or failure. Some of the principles include;

- i. The principle of entry and exit: The contract has to define process that clarifies entry, exit and renegotiation conditions for stakeholders to decide when an agreement can be fulfilled.
- ii. The principle of governance: Procedures for changing the rules of the game must be agreed by unanimous consent. This would lead to stakeholder governing board.
- iii. The principle of externalities: If a contract between two parties involves the third party, then the third party should be invited to be part of the party.
- iv. The principle of contracting costs: Each party must share in the cost of contracting
- v. The agency principle: Any party must serve the interests of all stakeholders
- vi. The principle of limited immortality: The Corporation should be managed as if it can continue to serve the interests of stakeholders through time.

### **2.6-5 Analytic Theory**

In analytic theory according to freeman's vision and model he considers an organization as a centric view of the stakeholder theory which means that the firm is considered to be the nexus of the interests of each stakeholder, a theory which has seen contributions from (Savage, 1991; Clarkson, 1995; Jones, 1995; and Mitchell, Agle, et.al., 1997). Analytic theory answers the question on how to organize into hierarchy stakeholder's influence? Each author has a different point of view and we are going to see each model, theory or contribution. Even if their theories converge in order to find a unique stakeholder theory, there are still differences and the authors have not found a consensus yet.



## 2.7 Freeman's Stakeholder's Strategies (1984)

Freeman has devised four main strategies that should be adopted depending on the type of stakeholders:

**2.7-1 Offensive Strategy:** Should be adopted when a group is supportive. It includes trying to change stakeholder objectives or linking the program to others that the stakeholder views more favourably.

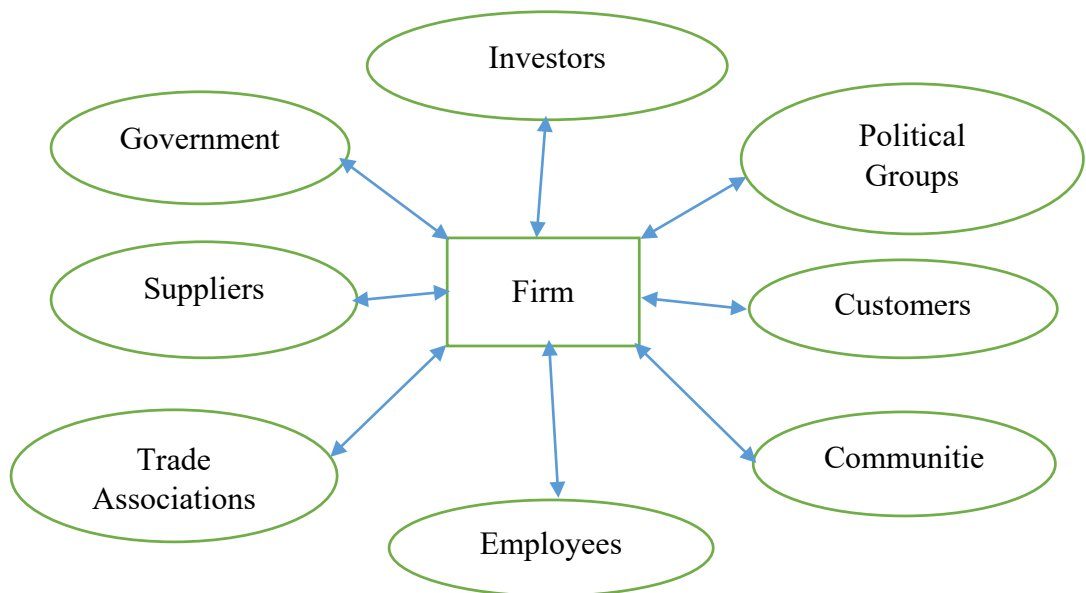
**2.7-2 Defensive Strategy:** Should be adopted when a group is Non-Supportive. This strategy aims to prevent competitive threat on the part of the stakeholders. It means reinforcing current beliefs about the firm, maintaining existing programs or letting the stakeholder drive the integration process.

**2.7-3 Swing Strategy:** Should be adopted when a group is a mixed blessing. The firm has to take decisions such as changing the rules, the decision forum, and the transaction process.

**2.7-4 Hold Strategies:** Should be adopted when a group is marginal. The strategy calls for the company to continue current strategic program and maintain its current position.

Freeman argues that the corporation/firm occupies a central position and has direct connections to all Stakeholders as shown in Figure – 2.2 below.

**Figure - 2.2: Connections of Firm and Stakeholders**



Source: Donaldson and Preston, 1995

Each company should distinguish important stakeholders and negligible ones by limiting the number of stakeholders and taking care of inoffensive ones. Freeman argues that all stakeholders of the company should be identified, their interests and rights, effect of stakeholders, how they are affected, the current assumption strategy the company makes about each stakeholder, how the company can keep score with their stakeholders, and how each variable is measured that affect the company and stakeholders. The stakeholder behaviour can be delineated investigating in the past actions of such kind of groups. The company must analyse the actual behaviour of stakeholders, their cooperative potential and competitive threats because they are important and this can be achieved by developing coalitions of different stakeholder groups with common interests or common issues linked to the activity of the company.

Specific stakeholders behave and act in a different way and the managers should be able to develop a logical explanation on this kind of trend. Every objective of each group should be determined by the company either long term and consider the stakeholders as rational. Savage et al. (1991)<sup>140</sup> opines that the power of threat to a particular issue is determined how a specific issue is related to a threat, reliance on resources and the capacity by different stakeholders to cooperate. The potential to cooperate is determined by the stakeholder's capacity to expand its dependence with the organization.

## **2.8 Types of Stakeholders**

There are two types of stakeholders who can be impacted by the activities of the company for example; primary stakeholders and secondary stakeholder. Clarkson (1995) has introduced a distinction between primary stakeholders and secondary stakeholders. The primary stakeholders are treated to be more critical to the company and without them the company will suffer; they are characterized by mutual interdependence. The Primary stakeholders are the partners of the firm whereas secondary stakeholders have voluntary relationships with the firm. Preble (2005)<sup>141</sup> defines a stakeholder as “any group or individual who can affect or is affected by the

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<sup>140</sup> G. Savage, T. Nix, C. Whitehead, J. Blair, Strategies for Assessing and Managing Organizational Stakeholders Academy of Management Executive, 5 (2) (1991), pp. 51–75.

<sup>141</sup> Preble, J.F. (2005). Toward a Comprehensive Model of Stakeholder Management. *Business and Society Review*, 110(4), 407-431

achievement of the organization's objectives". Stakeholders should be divided into smaller groups according to Preble in order to optimize the company CSR communication. The study outlines that the stakeholders include customers (local, national and/or global), employees and value chain members, investors, media, local communities and activists. Preble has divided stakeholders into three groups; primary stakeholders, secondary stakeholders (media and interest groups) and public stakeholders (governments and communities), which is a broadly accepted definition of stakeholder groups. But in a nutshell, s that the company address.

The study has taken primary stakeholders to mean, employees, owners and the managers, while the secondary stakeholders to include suppliers, society, government, creditors, customers and shareholders

## **2.9 CSR Models**

There are a number of models that have designed to specifically define the concept of CSR in detail and have in depth made the focus more clear. Some of the models have the advantages and disadvantages according to various critics who reflect those models from their perspective. But for the sake of the study some of the main models covered are as follows below:

The first model is the three domain business ethics model by Schwartz and Carroll (2003). The model addresses the economic, legal, and ethical domains of business enterprises. The 'Three Domain Approach' by (Schwartz and Carroll, 2003)<sup>142</sup> is an improvement and a new refined version of Carroll's (1991) popular 'Pyramid of Corporate Social Responsibility'.<sup>143</sup> The domain says that before entering the discourse of effective CSR communication to different stakeholders, it is relevant to briefly state the motives behind the companies' engagement with CSR. The forth part of the original model has been included within the ethical and economic domain.

### **2.9-1 Economic Domain (Profit Motive)**

Include those activities which are intended to have either a direct or an indirect positive economic impact on the company. The economic domain is seen in terms of maximizing shareholder value (maximizing profit). Direct impact activities in the

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<sup>142</sup> Schwartz, M.S and Carroll, A.B. (2003). Corporate Social Responsibility: A Three-Domain Approach. *Business Ethics Quarterly*, 13(4), 503-530.

<sup>143</sup>Carroll, A. B. (1991). The Pyramid of Corporate Social Responsibility: Toward the Moral Management Of Organizational Stakeholders, *Business Horizons*, July-August, pp. 39-48.

economic domain refers to increasing in either profit or shareholder value while the indirect economic impact, refers to activities which improve a company's image that eventually lead to a competitive advantage. The economic domain will impact the sales of the company products, supply chain improved and quality of company products and services improved. Under the domain every CSR activity aims at a direct or indirect impact on economic impact. Reasonably it can be argued that the motives behind CSR activities are fundamentally economic in nature, for example the profit maximisation theory (Friedman's, 1970) theory<sup>144</sup>.

### **2.9-2 The Legal Domain (Obeying the Law)**

The legal domain refers to a company's responsiveness to and compliance with legal expectations and laws on different standards (i.e. waste, resources, working conditions, products). This means that the company has to comply with the state laws concerning specific areas for example environmental protection, compulsory contribution towards social cause among others.

### **2.9-3 The Ethical Domain (Sustaining Legitimacy)**

The ethical domain submits an organization's ethical and social responsibility to its environment. The ethical model fights for the society needs. The ethical domain also addresses issues of corruption. It encourages companies to remain united in running ethical business that doesn't compromise integrity of the organization.

There are other number of models that the study has taken into consideration crucial in addressing the concept of CSR which include; Elizabeth Redman Model, Ackerman's Model, Carroll's Model and Galbreath Model.

### **2.10 Elizabeth Redman Model<sup>145</sup>**

Business researcher Elizabeth Redman proposed the three models of corporate social responsibility as a way of understanding this often contentious concept. She defines corporate social responsibility as the commitment a company has towards the community outside of its shareholders and employees. The definitional work on the topic of CSR, published in the Roosevelt Review, the author's models reveals the

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<sup>144</sup> Friedman, Milton. "The Social Responsibility of Business is to Increase its Profits." *New York Times Magazine*. 13 September 1970, p. 32.

<http://www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.html>.

<sup>145</sup> Redman Elizabeth (2006), Three Models of CSR, Research Paper, The Roosevelt Institution.

relationship between business and the society. After the company's substantial investments in their workforces, their communities, and the environment around the globe, different stakeholders demand to know the commitment of the company towards the society which the model fulfils. The models provide a framework for considerations on public policy and the future of business responsibility but fail to provide a way of conceptualizing CSR. The three models provide a more effective way of organizing and thinking about the often elusive and multifaceted concept of CSR.

### **2.10-1 The Traditional Conflict Model**

In the traditional conflict model for CSR, social values and benefits are seen as in conflict with shareholder value addition. The models see the practice of social responsibility as an added cost. The supporters of the model argue that the nature of business is one of compromise between moral values, economic factors and the corporate managers. Trade-offs between, social and environmental goals and profits are inevitable in this traditional Neo-classical Model. Since firms only consider private marginal costs when making production decisions, firms overproduce products or services, and operate at less than the socially optimum market equilibrium when social costs exceed firms' private costs. These decisions create negative externalities and require government policies or other market-correcting interventions to restore the socially optimal equilibrium. The traditional model holds that CSR practices on society and environment are money stolen from either employees or stockholders, something that contravenes the morality of what a company should stand for. More stringent environmental protections limit firms' ability to use rivers, open land, and the air, for their production waste. The donation of time and money to natural disaster victims or impoverished communities represent money stolen from equity owners cautioning firms to avoid short run private costs and benefits which lead to overproduction and undervalue socially beneficial.<sup>146</sup> The traditional conflict model believes that industry and the environment are at the odds whereby industrialists often view environmentalism as an obstacle to production and growth while the environmentalists see industries as destructive.<sup>147</sup>

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<sup>146</sup> The Good Company." The Economist. 22-28 Jan. 2005: 11.

<sup>147</sup> Braungart, M; McDonough, W. Cradle to Cradle. New York: North Point Press, 2002.

## 2.10-2 Added Value Model- (CSR- Brings in the Cash)

A second model for conceptualizing corporate social responsibility is to see social and environmental commitments as a means to increase profit. The believes of this models say a part from existence of conflicts in the business decision making, investment in CSR will generate revenues. Added value model focuses on the value of CSR in attracting socially conscious employees, consumers and managing the risks of negative press. While the traditional view of conflict between industrial and social goals is far from obsolete, many companies are redefining the relationship between financial, social, and environmental performance. Leaders from these companies view environmental integrity and healthy communities as means to achieve greater profits. The model represents the ideology of the majority of companies that make it into socially responsible investment (SRI) portfolios by choosing to be socially responsible for a variety of profit-oriented reasons: like increased sales, greater innovation, decreased production inefficiencies, decreased future risks, and greater access to capital. Many indicators suggest that businesses today view social and environmental excellence as strategic business tools: (from 1995 to 2003), assets put into social investments grew 40 percent faster than all professionally managed investment assets in the United States.<sup>148</sup> While publicly held companies are still slaves to the numbers on their quarterly SEC filings, many have found ways to turn social responsibility into economic success.<sup>149</sup>

The model highlights how CSR can increase demand for business-to-business transactions, in helping businesses that sell directly to consumers. The added value model, businesses believe that by enhancing their reputation, they also bolster recruitment and retention of quality employees. Numerous psychological studies have found that job satisfaction correlates with greater commitment to a company and greater business success. Job hunters would forgo financial benefits to work for an organization with a better reputation CSR and ethics.<sup>150</sup> In fact, the business case between CSR and human resources is often so clear that many companies fail to

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<sup>148</sup> Social Investment Forum. "2003 Report on Socially Responsible Investing Trends in the United States." December 2003.

[http://www.socialinvest.org/areas/research/trends/SRI\\_Trends\\_Report\\_2003.pdf](http://www.socialinvest.org/areas/research/trends/SRI_Trends_Report_2003.pdf)

<sup>149</sup> The Center for Corporate Citizenship at Boston College [http://www.onphilanthropy.com/tren\\_comm/tc2003-12-31](http://www.onphilanthropy.com/tren_comm/tc2003-12-31)

<sup>150</sup> Roner, L. "MBA graduates want jobs with ethical companies." Ethical Corporation Online. 2 Aug. 2004

acknowledge excellent treatment of employees as a social responsibility. Company wages broaden the applicant pool of choosing employees and increase performance levels and retention rates because employees contribute to health and productivity of the company.<sup>151</sup> The models hold that NGOs collaborate with companies to provide new sources of information or strategies for managing risk avoidance where CSR can improve financial performance.<sup>152</sup>

In model two cases, rather than promoting general CSR, public policy should focus on increasing transparency about companies' CSR practices by encouraging comparable, comprehensive reporting standards or disclosure laws, and fostering collaborations between businesses, and other stakeholders like the government and NGOs issues.

### **2.10-3 Model Three- Multiple Firm Goals, All Created Equal**

The third model for corporate social responsibility reveals a role for social values in corporate decisions that are untethered to economic values. Model three explains the ideology of firms that have made commitments to environmental and social goals without evidence that corporate citizenship leads to tangible financial gains. The owners or managers who have adopted model three believe that social and environmental achievements are independently worthy of attainment and should be pursued with equal enthusiasm to profits. Companies in this model are said to carry social and environmental activities and not basically aimed at shareholder's value. Redman feels that it will be okay if model three businesses are encouraged by and large.

Business leaders who have adopted this model, like to be involved in policy and service, because it helps them lead a fulfilling life and feel good about giving back to their community which they consider as part of their professional responsibility.<sup>153</sup> Redman reveals that this model is rare and uncommon in a society that measures success by GDP per capita or by the amount of economic activity generated regardless of its source or deleterious effects, but there are companies who view their business in terms of their social and environmental contributions. Generally privately run by social entrepreneurs, philanthropists or environmentalists, these companies often have CEOs

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<sup>151</sup> Iriart, K. Vice President of Human Resources. In-N-Out Burger. July 2003.

<sup>152</sup> Zadek, S. Conversations with Disbelievers. The Ford Foundation, 2000.

<sup>153</sup> Wyse, D. president. Oregon Business Council. June 2003

or owners with deep personal convictions whose companies make profits but financial goals do not trump social or environmental considerations. This ideology holds well on the idea that businesses, like people, have moral obligations and responsibilities that extend beyond the financial world. This model reveals that when the company is committed towards CSR beyond shareholders value, it will save a lot in terms of advertising because what the company is doing fulfils the right obligation. The model views their sustainable environment commitment practices strategy as an important end in and of itself.

Elizabeth Redman opines that, to encourage companies to follow model three, policymakers should reconsider current indexes for business success, accounting practices, and the valuation of intangible assets. Model-three thinking requires more than teaching business owners and managers how to be responsible corporate citizens; it requires transforming average citizens' understanding about value creation and expanding definitions of success to include social and environmental triumphs. Redman's third model says that intangible investments will be translated into tangible results and that the financial returns of the company will be quantifiable.<sup>154</sup> The model calls for policies that promote socially responsible behaviour from a model-three perspective that encourage social value creation, research and development and advancement in education.

#### **2.10-4 Merging the Models**

Many company executives often structure their thinking around one of the three models, each with different feelings about the interaction between profits and CSR. They present themselves as committed towards CSR by combining the three models in order to avoid scrutiny. The three models provide a useful framework for developing appropriate policies toward CSR. Redman highlights the proactive role that the government can play in both cases like supporting policies, awareness promotion and emphasis on sustainable development and taking steps to learn more about the "importance of intangibles like competitiveness factors and the knowledge economy." The combined model calls for the study on the investment and performance intangible link across companies and sectors that outline strategies for future financial reporting

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<sup>154</sup>Keen, J. "Don't Ignore the Intangibles; Even benefits that are hard to quantify can be an important part of a successful business case." CIO 16 (22). Framingham: 1 Sept. 2003.



by hold forums to discuss intangible assets as well as methods and practices of measuring and reporting.<sup>155</sup>

## **2.11 Ackerman's Model of Social Responsibility**

Micro-level theorist Robert Ackerman had suggested that responsiveness should be the corporate sector objective on social matters. Ackerman model devices phases which companies commonly tend to pass in developing a response to social issues.

### **2.11-1 Phase 1.**

The first phase focuses on corporation's top managers who learn of an existing social problem but no one asks the company to deal with it. Ackerman opines that the chief executive officer merely acknowledges the problem by making a written or oral statement of the company's policy towards it. This phase presents the best chance for the company managers to deal with the problem by taking steps in time.

### **2.11-2 Phase 2.**

Phase two reveals that the company hires staff specialists or engages external consultants to study the problem and suggest ways of dealing with it. At this stage, the company has limited itself to declaring its intentions and formulating its plans.

### **2.11-3 Phase 3.**

The third phase goes with implementation whereby the company integrates the policy into its ongoing operations. Unfortunately, implementation often comes slowly and often not until the government or public opinion forces the company to act. In phase 3 managers are advised to "act early in the life cycle of any social issue in order to enjoy the largest amount of managerial discretion over the outcome than the time when the company has completely lost the initiative".

Ackerman model designed for stages to help the company in detecting and addressing risks that may affect CSR activities in different stages as revealed in the study below.

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<sup>155</sup> "European Commission Work on Intangible Assets" [http://www.ll-a.fr/intangibles/ec\\_work.htm](http://www.ll-a.fr/intangibles/ec_work.htm)

## **2.12 Ackerman's Four-Stage Model**

The four stage model have been designed to realize the areas from the policy stage where the company has to identify the problem that is to be addressed in detail such as the type of risk by formulating a strategy that contains those problems. The model starts with the learning stage that contain specialized and administrative learning that helps in studying the problem in question, organizational commitment and structural ways and social audit for evaluating performance of corporate.

### **2.12-1 Stage 1- Policy Stage (Identify Problem and Formulate Strategy)**

In the policy stage, the firm becomes aware of those parts of the environment to which it needs to respond and take action after identifying specific problem. Awareness may occur after stakeholder's expectations charge, or it may result from analysis of environment. The policy provides a framework for shaping other aspects of the organization's response (for example; formulating a strategy). New production policies, for example may result in better quality control, in removing job hazards, and reducing water pollution. A firm must develop a socially responsive strategy. The common suggested strategies for companies to adopt when formulating a strategy have been listed below.

- i. First is rejection – is a strategy in which a firm denies any responsibility for taking action on social issues. Strategy of rejection, though sounds harsh, is justified particularly when fringe groups make unreasonable demands on firms. At the same time, rejection and other defensive strategies invite more pressure and a fight in which the corporate image may be dented.
- ii. Adversary strategy – under immense pressure the company takes social actions unwillingly.
- iii. Resistance strategy – the company take a slow move to address activities which are beyond its social responsibility.
- iv. Compliance strategy - In this strategy the firms abides by the government request or a reasonable demand of some stakeholders.
- v. Accommodation strategy - Firms in this category do not oppose, strongly resist or act reluctantly. They develop social programmes to meet the felt needs of communities.
- vi. Proaction strategy - A firm takes actions designed to address potential future stakeholder demands or other demands or other pressures.

### **2.12-2 Stage 2 - Learning Stage (Specialized Learning and Administrative Learning)**

In the learning stage, the firm must learn after it has identified a social problem, how to tackle it and make the new policy work which requires specialized and administrative learning. Specialized learning occurs when a social-technical expert-for example, is employed to advise firm managers. The kind of specialized knowledge that the expert provides will remain helpful in the early stages of social responsiveness when the firm is unfamiliar with social problems. Administrative learning occurs when a firm's managers become familiar with the new routines that are necessary to cope with a social problem. A technical expert can assist the firm in taking its first step to solve a problem and requires the full cooperation and knowledge of line managers, staff experts and personal involvement.

### **2.12-3 Stage 3 - Organizational Commitment (Organizational Changes and Structure)**

It is an institutionalization of the new social policy by the firm. The new policies and routines in the first two stages should become so well accepted throughout the firm that they are considered to be a normal part of doing business. In other words, they should be a part of the firm and its standard operating procedures. The social policy should be institutionalized for example when managers respond to the needs of the local education system or to the students without having to rely on special directives from the top management. To reach stage three of social responsiveness takes time but it may vary considerably depending with the company. It is obvious however, that a combination of internal factors, particularly management determination; and external factors, especially continued stakeholder action on the problem, is necessary for the effective change to occur. This will involve for example; changing the organizational design so that there will be a more responsiveness to external social challenges for better implementation of socially responsible strategies. The top company manager's values and beliefs will make this design emerge successfully and help distinguish a socially responsive structure in a firm. They are breadth, depth, influence, and integration. **Breadth** is the number of staff units that specialize in the socially responsive strategies undertaken by the firm. The breadth of the design must be sufficient to enable the firm to adequately monitor and respond to the demands made by various stakeholders. On the other hand Depth deal with the in-depth learning

process of the organisation in response to the potential for the social challenges and is addressed by the socially responsive strategy process. Firms which are more vulnerable to social challenges require more developed social response functions, which provide a wide range of perspectives and responses. Lastly, the two final dimensions of the socially responsive organisational design which refer to the quality of relationships that exist among the firm's staff units is the influence and integration. The absence of this influence and integration could undermine or bias the firm's socially responsive strategy process since it could lead to one staff unit, or a few, dominating the process at the cost of other units. The ultimate effectiveness often is due to the degree of integration achieved among the staff units

#### **2.12-4 Stage 4 - Social Audit – for Evaluating Performance**

The last stage in the model is social audit. A social audit is a systematic study and evaluation of a firm's social performance. Social audit leads to a report on the social activities of the firm. Early models of CSR which emerged in the 1960s and typically held the "social" aspect of CSR as referring directly to those responsibilities above and beyond economic and legal obligations (Carroll, 1979; Waddock, 2004; Matten and Crane, 2005).<sup>156</sup> Thus, for many, CSR was and still is synonymous with voluntary and philanthropic acts by business organizations designed to alleviate social ills or benefit a disadvantaged group chosen by the corporation's managers.

Among the early most famous models were those of Carroll's "pyramid of corporate social responsibility", the model represents a hierarchy of responsibilities moving from economic and legal through to more socially oriented ones of ethical and philanthropic responsibilities (Carroll, 1991).<sup>157</sup> Acknowledging the problems inherent in the visual representation of this scheme as an implicit hierarchy, Schwarz and Carroll (2003) have replaced the pyramid with a Venn diagram and also abandoned the philanthropic category as not justifiable as a "social responsibility" due to its discretionary nature. This updates the model to correspond more closely to

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<sup>156</sup> Carroll, A.B. (1979), "A three-dimensional conceptual model of corporate performance", *Academy of Management Review*, Vol. 4 No. 4, pp. 497-505. (Waddock, S. (2004), "Parallel universes: companies, academics and the progress of corporate citizenship", *Business and Society Review*, Vol. 109 No. 1, pp. 5-42.), (Matten, A. and Crane, D. (2005), "Corporate citizenship: toward an extended theoretical conceptualization", *Academy of Management Review*, Vol. 30 No. 1, pp. 166-79).

<sup>157</sup>Carroll, A.B. (1991), "The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders", *Business Horizons*, July/August, pp. 39-48.

contemporary notions of CSR as integral to (rather than imposed upon) the business system and exemplified in concepts such as the triple bottom line and social auditing.

### 2.13 Carroll's Four-Part Model

Carroll's (1991) has presented a four part model on CSR that describes the concept in depth. The author has presented an elegant pyramid four-part social responsibility model that involve; economic, legal, ethical and discretionary of business, as shown in Figure – 2.3 below

**Figure - 2.3: Carroll's Pyramid Concept of CSR**



Source: Carroll (1991): The pyramid of Corporate Social Responsibility

Carroll's model suggests that business is basically an economic entity and their primary responsibility is Economic where by goods and services required by the society are produced and sold at a profit. Carroll says that it is the legal responsibility of firms to operate within the laws of the land. Ethical responsibility on the other refers to *behavior by the firm* that is expected by the society but not codified in the law. For example, until the passage of Foreign Corrupt Practices Act in 1977 it was not illegal in USA to bribe foreign officials. But there was public indignation to such practice and Discretionary responsibility is *purely voluntary obligation* that an organization assumes for example providing philanthropic contributions to institutes for example few people expect organizations to fulfill discretionary responsibilities, but all expect a firm to satisfy ethical obligations.

Carroll says that ethical and discretionary together constitute social responsibilities of business where by discretionary responsibility of today may become the ethical responsibility of tomorrow for example day care facilities for children are moving from discretionary to an ethical responsibility. Carroll suggests that companies should undertake both activities voluntarily otherwise society will assert to make it legal.

## **2.14 Galbreath, (2006) Model of CSR<sup>158</sup>**

CSR defined by Carroll (1979)<sup>159</sup> highlights the whole range of corporate social obligations that include: economic, legal, moral and discretionary (philanthropic) responsibilities, which must be met simultaneously by the socially responsible company. Galbreath also identifies *Pragmatic or Rational Approach to CSR* (companies assume increased business responsibilities and engage themselves in social projects in order to gain competitive advantages on the long run), *Deontological Approach to CSR* (companies have the duty to assume additional obligations to the one of making a profit due to the special role they have in the community) and *Social Pressure-Based Approach to CSR* (companies must respond to the increasing social requirements that the communities put on them). Each of the above approaches by Galbreath led to the emergency and consolidation of four strategic models in the specialized literature and analysed according to six components of goal, vehicles, measurement, beneficiaries, corporate benefits and time-frame. Galbreath's four strategic CSR models which he put forward include:

### **2.14-1 CSR Models Based on Shareholder Strategy (*Reactive Strategy*)**

The first CSR model exclusively involves maximizing revenues for the shareholders and profit maximisation. This model was common with Milton Friedman, a neo-liberal economist who believed that companies should aim to maximize profits. Some regulations or legal norms may force companies that are

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<sup>158</sup> Galbreath, Jeremy, *Corporate Social Responsibility Strategy: Strategic Options, Global Considerations*,

“Corporate Governance”, Vol. 6, No. 2, pp. 175-187, Emerald Group Publishing Ltd., Bradford, UK, 2006

<sup>159</sup> Carroll, Archie B., *A Three-Dimensional Conceptual Model of Corporate Performance*, “The Academy of

Management Review”, Vol. 4, No. 4, pp. 497-505, Academy of Management, New York, USA, 1979

strictly looking for profit maximization to involve in reactive CSR strategy. Given its exclusive economic nature, this strategic model is predominantly based on a short-term vision and it is increasingly considered an inappropriate approach for the current business environment as revealed in the structured table - 2.1: below.

**Table - 2.1: CSR Model on Shareholder Strategy**

Shareholder Strategy
1. Goal: Profit
2. Vehicles: Rationalization, Self-interest
3. Measurement: Financial results
4. Beneficiaries: Shareholders, Others indirect
5. Corporate benefits: Financial
6. Time frame: short-term vision

Source: Processing and graphical representation after J. Galbreath (2006)

#### **2.14-2 CSR Models Based on Altruism Strategy (*Compensatory Strategy*)**

Galbreath's 2<sup>nd</sup> CSR model starts from the premise saying that the company should positively involve into and contribute to the development of the host community ("giving something back to community"), because it is a member of that community. Philanthropy is usually adopted towards the community on various activities. Altruism strategy strengthens the community relationship and the company (the beneficiaries of the model are community groups and causes) and highlights the corporate intention of "doing the right thing", without expecting anything in return. This model is considered a donation which cannot be quantified. This approach is an intermittent, possibly temporal-phased one for example one year. Table - 2.2: below shows a structured presentation of the CSR model based on altruistic Strategy.

**Table - 2.2: CSR Model on Altruistic Strategic**

Altruistic Strategy
1. Goal: Giving-back to community
2. Vehicle: Philanthropy
3. Measurement: Donations
4. Beneficiaries: Community groups and cause
5. Corporate benefits: May not be measured
6. Time frame: intermittent, possibly timed

Source: Processing and graphical representation after J. Galbreath (2006)

### 2.14-3 CSR Model Based On Reciprocal Strategy (Proactive Strategy)

The 3<sup>rd</sup> Galbreath, (2006) CSR model which is best represented by the phrase “enlightened self-interest” is deeply pragmatic in nature and solves the conflict between economic objectives and social, environmental or moral pressures that society puts on companies. The reciprocal strategy approach is a proactive one which belief that CSR is associated with corporate core activities and is recognized as a medium to long terms or long-term vision. The CSR reciprocal strategy model aims for a mutual benefit (the beneficiaries being the company and the community as a whole); it uses public relations, sponsorships, partnerships, involvement in the community and other CSR forms in order to transmit relevant information; corporate benefits are quantified through obtained financial performances, achieved marketing objectives and developed human resources. Table – 2.3: shows a structured presentation of CSR Model based on Reciprocal Strategy.

**Table - 2.3: CSR Model based on Reciprocal Strategy**

Reciprocal Strategy
1. Goal: Mutual benefits
2. Vehicles: PR, Partnerships, CSR forms
3. Measurement: Activity-based reporting
4. Beneficiaries: Company and Community
5. Corporate benefits: Financial, Commercial, HR
6. Time Frame: Medium- to Long-term vision

Source: Processing and graphical representation after J. Galbreath (2006)

### 2.14-4 CSR Model Based on Citizenship Strategy (*Integration Strategy*)

The fourth CSR model is more integrated and has a wider coverage than the other three CSR strategic options outlined above by Galbreath (2006). This strategy model recognizes various important stakeholders of the company by taking into account the compensation of their divergent interests or expectations. However since the requirement of various stakeholders are many, the company is not able to equally and evenly respond to them at once and objectively priority basis is adopted in terms of primary and secondary stakeholders. The model promotes accountability, transparency, sustainability through corporate governance, applied ethics, and dialogue with all categories of stakeholders by designing a corporate strategy. Citizenship strategy model is a holistic measurement with the objective focusing on the



environment, economy and society. The model considers a long-term vision highlighting the beneficiaries represented by the company like partners from all sectors and society at large with the corporate benefits that are tangible and intangible. Table - 2.4: below reveals the structured presentation of the citizenship strategy model.

**Table - 2.4: CSR Model Based on Citizenship**

Citizenship Strategy
1. Goal: Responsibility, Transparency, Sustainability
2. Vehicles: Corporate governance, Applied Ethics, Stakeholders dialogue
3. Measurement: Triple-Bottom Line, Holistic
4. Beneficiaries: Company, Business partners, Wider society
5. Corporate benefits: Tangible and Intangible
6. Time frame: Long-term vision

Source: Processing and graphical representation after J. Galbreath (2006)

None of these four models is applied in real life in pure form (J. Galbreath, 2006), but rather various combinations of them are put into practice, depending on the national culture, the legal environment, the pressure of non-governmental organizations and the global standards. Galbreath further says that such models described above are applicable in the European continent in general, and the European Union in particular, where a combination of CSR models are characterized by a high diversity.

### **Summary**

CSR as a term has different meanings and the concepts used to define it differ greatly with who uses it. Most of the models may not be applicable in businesses that don't understand how CSR is carried out. But models like carol three domain model is applicable in many businesses today. CSR concept agrees that the triple bottom line of business, which includes the economy, the environment and the society is the core reason why businesses are established. With the presence of stakeholder theory that defines the requirement of different stakeholders under CSR, has given a different meaning as to why business must exist than previously it was.

## **CHAPTER III**

### **PROFILE OF TATA COMPANY AND ITC COMPANY**

Chapter III highlights the historical background and the current status of CSR in India and in specific Karnataka.

#### **3.1 Introduction**

During industrial revolution, man was in bad shape and wanted a change through their business endeavours which they believed could only be achieved through wealth maximisation. More industries were created with minimal management skills. During the time, basic fundamental issues like human rights, safety at work place, environment protection were much looked into. Industry was quantified in terms of commercial business paradigm based on pure economic parameters of success. This period, CSR was not given much importance because the system was in dire need of immediate wealth to build other stuffing sectors. Laws concerning environment protection, contribution towards the society, fair living wages to labours and working conditions were not kept with glamour. Pollution was very low because industries were less in proportion to free land.

CSR practices accelerated the time companies started going global, when technology and innovation started to increase and persistent pressure from various stakeholders. These advancements though with challenges, contributed to strong laws on child labour and human rights laws, environment protection and other moral and ethical practices towards companies to espouse CSR. Further advancement in shift (from purely economic to economic with an added social dimension), has resulted into many forums, institutions and corporate endorsing the term CSR. The World Business Council on Sustainable Development's (WBCSD) report has titled CSR: "as Making Good Business Sense and the OECD Guidelines for Multi-National Enterprises which includes a discussion on how CSR is emerging as a global business standard".

CSR is called for, to help pursue the policies, make decisions and follow lines of relation desirable in the society value system.<sup>160</sup> It is required of business community to oversee the operation of an economic system that fulfils the expectations of the people

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<sup>160</sup> Bowen H.R , Social Responsibilities of the Businessman (New York: Harper & Row, 1953)

(Frederick, 1960).<sup>161</sup> In many occasions, inaction by industry to take accountability on issues like unemployment, insecurity, poor living standards, poverty, industrial accidents, and environment pollution have pushed the society and other stakeholders to demand for responsibility. Countries that first recognized the importance of CSR inclusion in business sector (for example USA and Europe) have now an advanced CSR tradition which holds the principle that CSR begins where the law ends.

### **3.2 CSR Emergency from 18<sup>th</sup> Century**

CSR practices by the famous Cadbury chocolate makers in the UK in 1870s and move in 1879 to a Greenfield site which came to be called Bournville is another clear indication of presence of the concept in 18<sup>th</sup> century.<sup>162</sup> The Cadbury factory in a garden signed in a new era in industrial relations and employee welfare through joint consultation as an initiative initiated by the pioneering Cadbury brothers. The company expanded its employees to more than 2600 in 1899. The company developed advertising and cost offices, a sales department, work committee, medical department, pension funds, managed scientifically, education and training for employees. In 1900 the company established the Bournville village to promote housing reform and green environment, and green environment and demonstrating today's CSR message: "successful business in successful communities". The company established structure to address and discuss matters affecting its employees. A democratically elected works council was set up in 1918, which equally represented men and another for women, which were set up with equal numbers of management and worker representatives elected by secret ballot on departmental basis. Johnson & Johnson has consistently done as well as any of the "Profit-maximizing" rivals in its sector. The company published more than six decades ago its credo<sup>163</sup> by announcing that its primary stakeholders and explicitly a head of its stockholders which assures their responsibility on them. The company believed most in making a sound profit by experimenting new ideas where they stand for research carried on innovative programmes developed and mistakes paid for.

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<sup>161</sup> Frederick, W.C., *The growing concern over business responsibility* (California Management Review, Vol.2, 1960) pp. 54-61

<sup>162</sup> [www.geocities.com/Napavalley/6454/cadbury.html](http://www.geocities.com/Napavalley/6454/cadbury.html)

<sup>163</sup> [www.jnj.com](http://www.jnj.com)

Some institutions started recognizing emergency of CSR for example in 1931 the subject of business and social welfare to Stanford for the first time was used “social audit” in relation to companies reporting on their social responsibilities by Theodore Kreps. Other international organization that gave ground to strong CSR in batches included the United Nations from as early as 1940’s to 50’s.

1940’s – UN system of national accounts developed comparable GDPs.

1948 - UN freedom of association and protection of the right to organize convention, human rights and World Health Organization were established during this year.

1949 - United Nations Right to organize and collective bargaining Convention.

1957 - United Nations Abolition of Forced Labour Convention, 1957 (N0. 105).

1958-Discrimination (Employment and Occupation) Convention.

### **3.3 Phases of CSR Origin<sup>164</sup>**

There are three phases associated with the origin of CSR as indicated below.

- i. Phase 1 (1960-1990) - Pre CSR Phase
- ii. Phase 2 (1990-2000) - CSR Initiative Phase
- iii. Phase 3 (2000 to date) - Early CSR Mainstreaming

#### **3.3-1 Phases 1 (1960-1990) - Pre CSR Phase**

During the early 1960’s, CSR term was occasionally used where the stakeholder was used to describe corporate owners beyond shareholders value addition.<sup>165</sup> Environmental issues were given prominence throughout this phase, triggering national environmental protection agencies and the United Nations Environment Programme (UNEP). Climate change and the associated global warming was attributed to emissions of carbon dioxide and other greenhouse from human activities including industrial processes, burning fossil fuels and changes in land cover mainly due to deforestation, also ecologically sustainable development requirements were clarified.

In early 1980’s issues of poverty, population pressure, social inequality and the terms of trade and biodiversity were recognized as critical characteristics in the proper functioning of the planetary ecosystem. Brundtland report on the key principles of sustainable development and the key concepts associated with natural capital and measuring sustainability begun to emerge in the late 1980’s. During the periods from

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<sup>164</sup> Katsoulakos, P., Koutsodimou, M. and William, L. *A historic perspective of the CSR movement*. White Paper SFAID, Version 1.0, 20<sup>th</sup> December 2004.

<sup>165</sup> Business Respect, Issue Number 51, dated 9 Mar 2003 By Alice and John Tepper Marlin

1975 to 1987 some proposed conceptual models for social responsibility accounting were regarded influential (Ramanathan, 1976)<sup>166</sup>. ‘The Stakeholder Theory of the Corporation’<sup>167</sup> its concept, evidence and implications, and freeman’s land mark book, the *Strategic Management: A Stakeholder Approach* (1984) was made available during this phase. A dozen books and more than 100 articles with primary emphasis on the stakeholder concept appeared (Alkhafaji, 1989 and Anderson, 1989).

### **3.3.1-1 Adoption and Reporting Practices during the 1<sup>st</sup> phase.**

Adoption and reporting during this period were primarily associated with environment issues. In the 70’s a number of countries promoted environmental and social reporting. In France, law (the Bilan Social) mandated companies with more than 300 employees to produce an employee report. Countries like German adopted the social management model on companies while the USA began to rate companies publicly on their social and environmental performance around this time. In 1978, Social Audit Limited was set up in the UK to undertake external audits of a small number of companies as India’s largest integrated private sector steel company engaged in social audit in 1979. Many companies considered it necessary to introduce quality systems and then environment systems in the 80s. During this period, the European focus was on employee’s relations with attention to standardization/impact measurement while reporting started to grow in response to the increasing volume of emissions data put into the public domain by the US 1987 the right to know legislation which established the toxic release inventory.<sup>168</sup>

### **3.3.1-2 Socially Responsible Investing (SRI)**

Established mainly from the Christian church from 1970, policies on financial investment that promoted corporate social responsibility were adopted. The main intention was to make investor to seek the best investment opportunities on financial grounds and then work from within the church to alter corporate practices that were at variance with social concerns. It was the most effective option available to improve the social impact of a corporation in which a church held its investment normally called

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<sup>166</sup> Ramanathan K.V., 1976, “Towards a theory of corporate social accounting”, *Accounting Review*, 51(3).

<sup>167</sup> Thomas Donaldson and Lee E. Preston: *The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications*. *Academy of management review* 1995. Vol 20. No 1, pp 65-91.

<sup>168</sup> <http://www.epa.gov/tri/index.htm>

shareholder activism collectively which used efforts by investors to influence the behaviour and actions of a company. In the 70's Greenpeace became the first major NGO to adopt policies which shifted the emphasis away from governments and directed more to the corporate sector for example the Brent Spar campaign against Shell and the campaign on apartheid against major US and European banks funding regimes in Pretoria. The movement also was against companies that were involved in production of health endangering activities like cigarettes, beer and other intoxicants.

### **3.3-2 Phase 2 CSR Momentum Building Phase 1990-2000**

From 1990s, CSR rose to unparalleled prominence in political-economic dialogue and momentum building which is attributed to the concerns and CSR oriented expectations from stakeholders (for example citizens, consumers, public authorities and investors). Contributive articles from Brummer, 1991; Brenner and Cochran, 1991; Clarkson, 1991; Goodpaster, 1991; Hill & Jones, 1992 and Wood, 1991a, b), increased transparency of business activities through the media and modern information technologies has been an important factor in the effectiveness of these forces through stakeholder theory. The revolutionary pressure on accountability towards CSR was demanded during this period. The 90's witnessed a continuous development of sustainability concepts, which gained popularity, especially following the 1992 'Earth Summit' in Rio de Janeiro - Brazil, which was represented by 178 countries including 108 leaders.<sup>169</sup> Coherent and integrated strategies by governments and companies on issues to deal with land degradation, financing, poverty, biodiversity, cities, food, energy, climate seas oceans, forest and ozone layer that called for sustainable development as an important issue with millennium development goals were addressed during this period. Principles for responsible business were clearly established through the global compact (GC), the United Nations Norms on the Responsibilities of Transnational Corporations (UNNRTC) and other business enterprises with Regard to Human rights. Another significant achievement during this phase was that universities recognized the importance of education for the training of decision-makers and teachers, towards sustainable development and started fostering environmental awareness programmes during this phase. Adoption and reporting practices to corporate sustainability gained ground in corporate boardrooms. Many membership organizations

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<sup>169</sup> <http://www.un.org/geninfo/bp/environment.html>

were established both in Europe and the USA following the UK based “business in the Community”. These organizations, notably the business for social responsibility, CSR Europe and the World Business Council for Sustainable Development (WBCSD) created the momentum for early adoption of CSR principles and practices.

More cases of CSR reporting were started during this phase also like the body shop shells Canada and Ben and Jerry’s (B&J) which commissioned a “social auditor” in 1989 to work with the B&J staff on a report covering 1988 demanding companies to implement social and ethical auditing. Pioneering work was carried out in Denmark in the 1980s with the Danish Bank SBN, a regional cooperative bank, for publishing annual social reports on results against social objectives and past performance in a number of areas considered important by each of the stakeholder groups. The innovative approaches are based on relatively sophisticated efforts to determine what is considered to be important for each of the stake-holders and to define specific objectives and action programmes for priority areas of performance improvement. Annual social reports evaluated performance against these plans just as the annual financial reports showed financial results compared to prior and sometimes objectives. Common reporting initiatives established during this period remain to date and have been included in many companies’ sustainability reports, like:

1. Global Reporting Initiative (GRI),<sup>170</sup> a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable sustainability reporting guidelines.
2. Corporate Impact Reporting<sup>171</sup> framework that supports their members with measuring and communicating their key impacts.
3. The AA1000 Framework<sup>172</sup> designed to improve accountability and performance by learning through stakeholder engagement. The building blocks of the process framework are planning, accounting, auditing and reporting.

Dow Jones Sustainability Indexes<sup>173</sup> had its first global indexes for tracking the financial performance of leading sustainability-driven companies worldwide, providing asset managers with reliable and objective benchmarks to manage sustainability portfolios. Corporate sustainability is a CSR activity seen as a business approach that

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<sup>170</sup> <http://www.globalreporting.org>

<sup>171</sup> [http://www.bitc.org.uk/programme/key\\_initiatives/corporate\\_impact\\_reporting\\_initiative](http://www.bitc.org.uk/programme/key_initiatives/corporate_impact_reporting_initiative)

<sup>172</sup> <http://www.Accountability.org.uk/aa1000>

<sup>173</sup> <http://sustainability-index.com>

achieve long-term shareholder value by creating and operating to harness the markets potential for sustainability product and services while at the same time successfully reducing and avoiding costs and risks.

### **3.3-3 Phase 3 - Mainstreaming Initiation Phase 2000 Onwards**

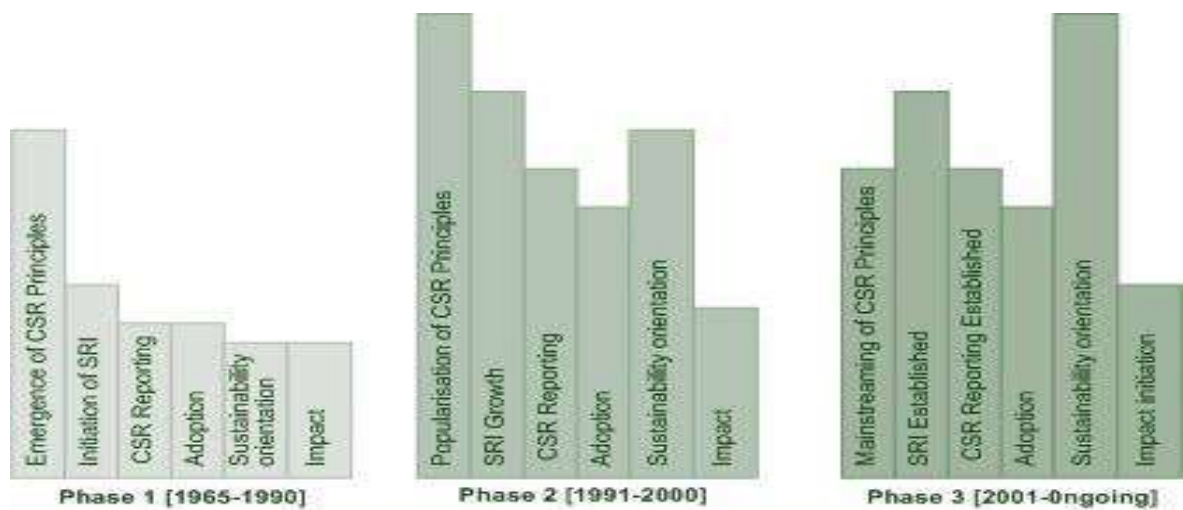
Since the last few years CSR initiative has grown and matured right from the summits of Rio+10 and South Africa in 2002 on sustainability Development. During the time, the basic principles have been established and with the focus on implementation development likely to come from linking CSR with mainstream strategy and management frameworks. EU commission has published a report on its contribution to securing the social benefits of globalisation partly in response to the findings of the ILOs world commission on the social dimension of globalisation (WCSG) published in 2004. This was intended to ensure EU makes an active contribution to harnessing globalisation to serve social as well as economic goals.

During this period the communication was published on green paper entitled 'Promoting a European Framework for Corporate Social Responsibility' in July 2001. The document aimed to launch a public debate about the concept of CSR and to identify how to build a partnership for promoting European CSR framework development. The communication commission of July 2002 formed the basis for the European strategy on CSR entitled 'CSR: a business contribution used as a platform to promote transparency and convergence of CSR practices and instruments. Evidence of increase in non-financial reports produced during this period in many business surveys from across European countries indicate that the majority of public companies believe that responsible business practices remain the key to the long term success of the company. The KPMG 2002 international survey on corporate reporting shows that non-financial reporting is now becoming a mainstream for big companies where by there is a slow shift from the inclusion of only environmental performance to combined environmental, social and economic reports. Katsoulakos, P. et al (2004) made a distinction between two CSR dimensions by saying that: first CSR is part of a new vision for the world based on a global partnership for sustainable development and secondly, CSR represents a business management approach that should aim to provide long run better value for the shareholders as well as for other stakeholders.



Katsoulakos, P. et al. (2004) also found three encouraging revolutionary ways that made a difference on CSR for example; the support for CSR from the financial community through social responsible investment and associated corporate sustainability indexes, second, an early evidence of business benefits that create high impact on CSR agenda and thirdly and most important, is the fact that, more than ever before there is a consensus that CSR is a necessary and critical element in sustainability development reflected in strong business and governmental level support. Figure - 3.1 shows historic CSR evolution phases.

**Figure - 3.1: CSR Movement Evolution Phases**



Source: Katsoulakos, P., Koutsodimou, M. and William, L. *A historic perspective of the CSR movement*. White Paper SFAID, Version 1.0, 20<sup>th</sup> December 2004.

Now the modern business is obliged to meet an increasing demand for ethical, environmental, legal, commercial and public standards as defined by wider society as an initiative of CSR. Since 2000 onwards Corporate Social Responsibility (CSR) has become an important consideration not only for managers of different levels but as an area of study specialization in business management and research.<sup>174</sup> McWilliams and Siegel (2001) consistently defines CSR as situations where the firm goes beyond compliance and engages in “actions that have a positive social impact and the one that complies with regulations of the state.

<sup>174</sup> McWilliams, A. and Siegel, D. 2001. Corporate social responsibility: A theory of the firm perspective. *Academy of Management Review*, 26: 117-127.

### 3.4 CSR in Europe

On a quick glance, the EU commission in 2002 first communication of CSR defined the concept as: "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis."<sup>175</sup> The EU Commission's third Communication on CSR in 2011, defines CSR as "the responsibility of enterprises and their impact on society". Table - 3.1 below reveals the growth definition of the concept of CSR in EU.

**Table - 3.1 Milestones in CSR discourse in Europe**

2000	Lisbon European Council Meeting (March 2000)	March 2000 Lisbon summit - A European Council development plan for Europe called the Lisbon Strategy or Lisbon Plan, which appealed for company's sense of social responsibility regarding best practices that engaged on long term inclusiveness in different working organization. The summit suggested a business that offers equal opportunities in social matters in a sustainable way. These goals were seen as part of a larger project — that of economic competitiveness and growth—to which these were subordinated.
2001	The Green Paper: Promoting a European Framework for CSR	Presented by the European Commission in July 2001 as a way to launch a public consultation defined CSR as a way that companies integrate <i>social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis</i> '.
2002	Communication on CSR: A business contribution to sustainable development	The EU Commission stressed the need for public policy to promote social responsibility voluntary initiatives. The Commission also announced its intention to support activities, including education and training, aimed at raising awareness and improving knowledge about CSR and encouraging collaboration at the sectorial level and between Member states. The Communication also recognized the need to foster CSR among SMEs.
2002	European Multi-stakeholder (EMS) Forum on CSR	The forum implied a proceduralisation of CSR: the CSR policy of the Community soon was reduced to the facilitation of a dialogue about CSR between all relevant stakeholders.

<sup>175</sup>Communication from the Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development, retrieved November 10, 2011 from [http://ec.europa.eu/enterprise/policies/sustainable-business/documents/corporate-social-responsibility/index\\_en.htm#h2-2](http://ec.europa.eu/enterprise/policies/sustainable-business/documents/corporate-social-responsibility/index_en.htm#h2-2)

2006	The second Communication on CSR	The main result of the communication was the establishment of the European Alliance on CSR, conceived as a forum for the promotion of learning about CSR, opens to the participation of business enterprises only on a purely voluntary basis. Priority areas included: (1) Fostering innovation and entrepreneurship in sustainable technologies and products and services which address societal needs (2) Helping SMEs to flourish and grow (3) Assisting enterprises to integrate social and environmental considerations in their business operations, especially those along the supply chain (4) Improving and developing skills for employability (5) Responding in a more effective way to diversity and the challenge of equal opportunities (6) Accounting for demographic changes alongside the rapid aging European population (7) Improving working conditions in cooperation with the supply chain (8) environmental field Innovation.
2008	The European Competitiveness Report	In the report business case is promoted by analysing the effects of CSR on six different determinants and indicators of competitiveness at company level. The study reveals that CSR can have a positive impact on company-level competitiveness in the case of all six determinants examined like cost structure, human resource among others, although differences existed among categories and industry sectors. The report also reveals the evident impact of CSR on competition on areas like risk management, reputation and innovation. The report further reveals that the business case for CSR is not static and is getting stronger, increases based on value creation, and that CSR in any given enterprise still depends on the competitive positioning of the company. The report concluded that there are strong reasons for believing that CSR can have a positive impact on competitiveness at European, national, regional and sector level.
2009	General Assembly on CSR: The CSR Europe's Toolbox	The EU's 2009 CSR concept focuses and offers information, ideas and advice to companies and their stakeholders to address socio-economic and environmental challenges and integrate successfully CSR practices into mainstream business practice. Other main areas covered under the EU 2009 CSR includes; 1. The creation of a balanced and productive working environment to promote non-discrimination, gender equality, and two-way communication mechanism among employers and employees, 2. Building human capital and meeting individual needs of employees, 3. Implementing new business models to keep up with a diverse demand, 4. Adopting principles of transparency and open communication toward all stakeholders 5. Efficient resources management.
2010	Enterprise 2020	In the 2010 CSR review, the EU commission reflects how business can be made to contribute towards achieving a sustainable and inclusive economy, a target towards 2020 whereby the CSR can be used to create employment opportunities companies committed to developing innovative business practices and working together with their stakeholders to provide solutions to emerging needs of the society.

2011	The 3rd Communication on CSR	The 3 <sup>rd</sup> communication of CSR by EU reflected the impact of company enterprises in the society, highlighted the international principles of CSR like the OECD 2011 guidelines, the United Nations ten principles for example ILO regarding multinational companies, ISO and Human Rights. In its approach to CSR, the communication emphasizes the importance of core business strategy, the creation of shared value and need to identify, prevent and mitigate possible adverse impacts. The 3 <sup>rd</sup> CSR communication encourage companies to integrate environment protection measure, reflect of social matters and to be ethical, to have a strategic cooperation with different stakeholders and address Human Rights. The strategic CSR approach is required to maximize the shared value creation and explore the opportunities that can develop innovative products and services that address the society needs, a model that can produce quality and productive jobs.
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Source: The European Commission official website<sup>176</sup>

### 3.4-1 Implementations of CSR in Europe and America

When comparing CSR implementation in Europe and America, the former is ahead compared to the latter (Aaronson & Reeves, 2002).<sup>177</sup> Companies from both continents have given the clouded definition of what it means for a company to be ethical and responsible.<sup>178</sup> Testing how the proposition of ethics, governance and CSR practices of corporations based in Europe and US shows dramatic difference on technology, energy, healthcare and aerospace Nathan E. Hurst (2004). Table - 3.2 shows the comparison of US and European based companies in regard to CSR practices.

**Figure - 3.2: U.S. and European Based Companies**

Industry	US	EU
Technology	Agilent Technologies, AMD, Cisco Systems, Hewlett-Packard	Philips, Siemens
Energy	Calpine, Chevron Texaco	Royal Dutch Shell, TotalFinaElf
Healthcare	Johnson and Johnson, Premier Inc.	Amersham, Novartis
Aerospace and Defence	Lockheed Martin, Northrop Grumman	EADS, BAE Systems

Source: Nathan E. Hurst (2004)

<sup>176</sup> Retrieved 11 October, 2011 from [http://ec.europa.eu/index\\_en.htm](http://ec.europa.eu/index_en.htm)

<sup>177</sup> Aaronson, S. A., & Reeves, J. T. (2002). *Corporate responsibility in the global village: The role of public policy*. Washington, D.C.: National Policy Association.

<sup>178</sup> Nathan E. Hurst (2004). *Corporate Ethics, Governance and Social Responsibility: Comparing European Business Practices to those in the United States*.

The comparison of these companies from technology through to aerospace and defence, revealed that the US based companies lagged behind their EU counterparts in terms of CSR practices. The study reveals that US companies were ahead of their EU counterparts in terms structured business ethics and governance programs activated post Enron scandal and Sarbanes-Oxley. Using indicators, the study objectively measured the sample companies to know whether there was a publicized a Code of Conduct and Ethics, whether conflict of interest guidelines were publicly available to investors, clarity on who the designated Ethics or Compliance officer is, whistle blowing process implementation and its easiness in accessibility, publication of CSR sustainability report, and whether CSR is one of the company's core corporate principles or business objectives? Fifty percent of EU companies had embedded CSR in their corporate strategy while only twenty percent of U.S. companies did. Also the report indicated that European companies published their reports on how the companies were responding to stakeholders' social and environmental concerns, while half of the American companies committed resources to publishing a CSR/sustainability report. The author's results consistently showed that since the mid-1990s, European governments and consumers played a much more active role in promoting formal CSR practices. The technology companies showed the greatest commitment to CSR in both Europe and the U.S. the general public seem to agree that, technology companies are leading other industries in CSR efforts. A survey by GlobeScan Inc. in 2003 showed that Europe wants to regain the public trust by benchmarking policies from across the Atlantic. Still both EU and U.S CSR efforts remain below average in fulfilling their society responsibilities since 1999.<sup>179</sup> There is a gap between the existence of company ethics and CSR policies and embedding of its substance in the organization's 'blood stream' attributed to scandals from the corporate sector (More & Webley, 2003).

Susan Ariel Aaronson (2002), reveals that Europe outdistances America on CSR in depth as a rationale to guide their business practices because of a developed wide range of policies to encourage socially responsible business practices among European governments at the national and multinational levels. In American firms, socially responsible investment is a huge share of investment but adopting and putting into

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<sup>179</sup> GlobeScan Inc 2003, survey. Corporate Ethics, Governance and Social Responsibility: Comparing European Business Practices to those in the United States.

practice of CSR activities in the U.S firms has been. This is why EU is overtaking US because its managers have effectively managed their firms' environmental and social impacts on the communities in which they operate.

CSR practices currently in Europe are based on ethical values and respect for employees, communities, and the environment. The concept of CSR is designed to deliver sustainable value to society at large, as well as to shareholders. Some EU country governments like Belgium showcases CSR in the European Social Policy Agenda as a promotion towards encouraging global adoption of CSR strategies. This has given a competitive advantage edge to EU over Japanese and American companies in the crowded global marketplace. Now companies from EU can easily retain employees, garner consumer and brand loyalty, reduce costs, risks and exposure to lawsuits and build credibility and goodwill among the public and investors. One reason why many European executives practice CSR is because they have been convinced that corporations with stronger social and environmental performances will outperform corporations with poor social/environmental performances. Government in both U.S and Europe award Businesses that reinforce commitment on human rights, improved living standards, worker rights, and environmental protections as a way of promoting CSR practices. To add on that, European governments have experimental wide variety of strategies at the national and multinational level (for example the Danish government has established an international institution, the Copenhagen Centre, to promote corporate social responsibility partnerships between business, society, and government, while the Belgian Government has made CSR a major policy objective). EU is not relenting on promoting CSR, along with the Copenhagen Center, the EU has been planning national conferences and awareness campaigns on CSR, developed a European CSR Academy, and made European year of CSR. Belgian government has a strategy that promotes "social labelling" - labelling explaining the conditions under which a product was made without breaching the rules of the World Trade Organization, prosecuting companies that breach core labour standards in third world countries.

German government reflects the relationship between trade, investment and CSR through the statutory code of conduct for German companies operating in China. The Dutch government requires firms that want taxpayer subsidized export credits to adhere to the OECD Guidelines. Britain has a ministry for CSR and the government has made CSR a development and trade priority by designing ethical trading initiative

"to develop and encourage the use of a widely endorsed set of standards embodied in codes of conduct and monitoring and auditing methods which will enable companies to work together with other organizations outside the corporate sector to improve labour conditions beyond UK." This regulation has pressed pension funds to engage corporations in a dialogue on social and environmental issues and encouraged greater use of triple bottom line reporting (reporting on social and environmental, as well as profit performance.) EU launch of a Green Paper (a draft for public comment) which is promoting a European framework for Corporate Social Responsibility, where many stakeholders have an opportunity in commenting on the paper and their comments are incorporated.<sup>180</sup>

### **3.5 CSR in Asia**

A lot of information is lacking in the marketplace about CSR in Asia and much of what does exist misses the context and fails to grasp the enormity of some of the challenges facing the region. No clarity on what businesses in the region are doing (or not doing) in terms of their CSR activities. The continent has a wide disparity between the rich and the poor in the world. The rapid growing of economies has resulted in huge opportunities and challenges for businesses whereby the private sector can be instituted significantly in tackling these challenges inclusively and sustainably. Both public and private companies operating in Asia have a responsibility to act in ways that can benefit and address issues of the society and protect the natural environment. Private sector creating wealth by providing jobs, reducing poverty and offering much needed products and services can be achieved responsibly. Many stakeholders are buffering over what the social responsible activities of the companies in this part of the continent are because certain CSR practices working in the West have failed to work well in Asia because of difference in cultural systems. Now the governments in this part of the world and the stock markets have taken the initiatives of pushing for CSR by setting forth the stage for companies to take part. Given the position, the population in Asia especially India and China, CSR is of demand on the ground.

Financial sector recognizes presence of huge risks and opportunities in Asia relating to the environmental, social and governance (ESG) issues which has triggered new indices and ratings to track region company performance based on ESG indicators.

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<sup>180</sup> *European Affairs: Volume number III, Issue number I in the winter of 2002.*

Technology advancement and increased company scandals for example of accidents, un-ethical behaviors like corruption and the role of media have collectively accelerated the demand for accountability from various stakeholders in Asia. Under-developed governance structures which have given room increased risks on brands on supply are affecting CSR in Asian context.

There is great variance across Asia on local CSR initiatives and CSR issues but which have remained so far significant towards its promotion. Taking few examples like; China's government interest to develop a number of guidelines and initiatives around CSR as Hong Kong NGOs demands improved CSR initiatives from large listed companies. In Malaysia and Australia, significant leadership on CSR issues from stock exchanges are practiced while Vietnam's leadership through the Chamber of Commerce in partnership with the United Nations Development Programme on CSR have enriched the practice. Singapore's tripartite approach that include business, government and trade unions collectively insist on CSR practices while Japan and South Korea strongly emphasize on reporting and leadership in environmental initiatives. Huge voluntary initiatives apparent in India plus the new company's Act 2013 that demands compulsory company CSR reporting signifies a commitment towards CSR practices. Bangladesh's tax exemptions for companies engaging in CSR programmes and Sri Lanka's emphasis on CSR in small enterprises that links CSR initiatives to peace in the country creates gravity how CSR is treated in Asia. While other countries like Pakistan, Indonesia and Thailand may be having some poor understanding of CSR in the private sector, governance problems and social taxes which business community opposes, there is still some progress in CSR implementation and practices. Amalgamation of western type of running CSR in Asia may not work simply because of huge difference in terms of culture, under-developed system to apply justice in case of misappropriation of funds among other challenges. Political challenges and internal problems may be a barrier towards CSR practices unlike western countries like EU and U.S. where the system is well organized.

There are big opportunities for introspective CSR practices in Asian context and that can be carefully planned and adopted by benchmarking the western and other countries with well-developed CSR initiatives in Asia so that an Asian model type of CSR can be adopted. The challenges that Asian continent and other developing continents face in terms of poverty eradication and other critical services to the community and environment seem all the same and a feeling goes like responding to



social and environment issues should wait for now. Thanks to the way the nature of doing business in the region by creating markets among poor people and helping to develop social enterprises and social entrepreneurship have been carried out. There have been systematic ways of poverty alleviation and economic development without compromising the state of environment. For businesses in Asia to achieve their objectives in time, there is need to understand the context, relevance and who CSR will address by assessing materiality of operations and impacts on the environment and society which calls for stakeholder engagement.

Large corporations in Asia have found themselves under attack over allegations of unethical business conduct at workplaces for example discrimination due to caste system in countries like India, must health tests like HIV/AIDS when joining employment, insecurity of women in work place, corruption in corporate sectors among others. In 2008 consumer trust in a major brand was betrayed when Chinese milk producer Sanlu sold contaminated milk products made for children, tainted animal food products.<sup>181</sup> The brand lost credibility, especially in some foreign markets. These scandals have dented the reputation of many Chinese manufacturers and they are now looking at CSR as a way to rebuild their trust.

### **3.5-1 Key Drivers of CSR in Asia**

There are many drivers of CSR practices in Asia that include; institutional drivers for example stock exchange that demands and regulate companies to disclose their CSR activities in Japan. This demonstrates an encouraging moment and will to practice environment and social reporting. Voluntary to law, corporate drivers (see for example companies starting to recognize the strategic role of CSR practices), transparency and accountability which directs companies to conduct their activities by scrutinizing the public demands and indicates that a company values the opinions of its stakeholders. A large number of Asian companies have challenge on issues around transparency and accountability with few having CSR reports and many have little information available on their websites the time stakeholders demand for reporting and disclosure is mounting.

Investors and the financial community who in particular, are increasingly concerned about material risks associated with environmental, social and governance

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<sup>181</sup> Chinanews November 13, 2008. <http://www.chinanews.com.in>

(ESG) issues have pressured the companies to take accountability and report their CSR practices. Globally pressure from institutional drivers, investors and financial community saw 1265 companies report their CSR activities using the GRI guidelines in 2009. Of the 1265 companies who reported, only 320 Asian company's published GRI reports in 2009, which constitute 25% of all GRI listed reports. When excluding Australia and New Zealand only 260 Asian companies constitutes only 21% of the global GRI reports. Encouragement that spans from the government, and other law enforcement agencies are likely to result in increased reporting and disclosure in the future also adds its weight of CSR practices. Investors have reflected their interest in the performance of Asian companies based on ESG criteria from the launched Asian Sustainability rating (ASR™) in 2009 which covers the top twenty companies by market capitalisation in ten Asian markets as a benchmark tool used by investor to assess companies sustainability and disclosures<sup>182</sup>. Media coverage of companies that practice CSR and call for their strategies exposes the need for further company's practices. Advanced technology gives an opportunity for different stakeholders to directly question company CSR activities. Financial sector and other investor players encourage CSR practices by providing funds towards sustainable investment that focuses on environment, society and good governance.<sup>183</sup>

### **3.5-2 Challenges Facing CSR in Asia**

Given the geographical position of Asian Continent, there are a number of challenges that face CSR in Asia. They may not be universal but the common ones from the Asian context include; corporate governance, the environment and climate change, supply chain, poverty, community impact, human rights and product responsibility. The number of product scandals, lack of information on CSR on various areas regarding different stakeholders adds to the challenges that CSR faces. Consumer protection in Asia has not been to its best where by risk minimization from consumption of products and services, information about the products, the design, manufacture, distribution, after sales services and replacement protocols adds to the challenges. Another challenges is lack of cohesion between countries regarding CSR within the Asian continent. Unlike Europe and America, Asian continent is in race to

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<sup>182</sup> Australia, China, Hong Kong, India, Japan, Malaysia, Pakistan, Philippines, Singapore and Thailand

<sup>183</sup> Kropp, R. (2009) ESG Trends in Emerging Markets Is Focus of New Study. Social Funds, April 2, 2009.

produce more to balance the demand and supply due to its population and demands from the market. There is a fast disappearing of forests and reduced water catchment areas due to man's activities in Asia.<sup>184</sup> Though some countries like South Korea and Japan have made spectacular gains in terms of CSR the larger part of Asia is still struggling.

### 3.6 An Historical Perspective of CSR in India

The idea of social responsibility is very old and has rich traditions in India.<sup>185</sup> The concept of parting with a portion of one's surplus wealth for the good of society is neither modern nor a western import to India. Over time CSR has evolved and affected the cultural norms of corporations' engagement on how businesses are managed. It has brought about an overall mixed reactions among segment classes on the impact it has on the culture among Indian communities. Some view it as a western corporate neo-colonialism while some feel it erodes Indian culture of giving without saying it. But as the term is yet to receive a widespread recognition, entrepreneurs within India have been made aware of the concept as an important part of their segment business activity.<sup>186</sup>

The business community occupied a significant place in ancient Indian society where merchants were treated with respect and civility and regarded as an instrument of social good because of their philanthropic activities. The merchant's community had made giving charity to social and religious places a virtue ethics as they formed the backbone business class in India during the pre-industrialization period, which lasted till 1850. Merchants provided food and money relief to the society during the time of famine and epidemic. During the period, charity and philanthropy played the role of CSR in the business cycles before the new concept and definition of CSR came into common usage in the 1990s.<sup>187</sup> Vardarajan and Menon (1988), argue that the idea of corporate involvement in social well-being as a voluntary response to social issues and

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<sup>184</sup> Krechowicz, D. and Fernando, H. (2009) Emerging Risk: Impacts of Key Environmental Trends in Emerging Asia. World Resources Institute and International Finance Corporation) Environmental challenges in the Asia-Pacific region.

<sup>185</sup> Pushpa Sundar, *Beyond Business*, New Delhi, TMH, 2000, Pp-10-13.

<sup>186</sup> Yogita Sharma (2013). Role of Corporate Social Responsibility in Organization. IOSR Journal of Business and Management (IOSR-JBM) e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 13, Issue 4(Sep. -Oct. 2013), PP 01-08.

<sup>187</sup> The unabbreviated term of "Corporate Social Responsibility" had been used from the early 1970s, but it was not until the corporate scandals of the late 1980s and the CSR reports in the early 1990s of the major multinationals such as Shell, Nike, and Ben and Jerry's, that CSR became a popular concept.

problems is old as business itself. The business concern for society was evident going back to 20<sup>th</sup> century where formal writing on corporate social responsibility was represented by philanthropy and giving in charity (Carroll 1999). This earliest manifestation of CSR is no longer currently considered an adequate response to demands for social responsibility, because of its limited rationale and scope and changed business environment due to globalization. It will be fair if we give a brief historic preview of CSR during the ancient times.

During the period of Chandragupta Maurya in the ancient India in the 4<sup>th</sup> century BC, several management ideas and practices were found, which were based on the Kautilya *Arthashastra*, an Indian treatise on management written by Kautilya *Arthashastra*. Economic principles and Administration (*Arthashastra*) and the principles of political ethics (*Neetishastra* also called *Chanakya Neeti*)<sup>188</sup>, reflects the presence of early CSR. As the practices of CSR dates back to the ancient Greece (Eberstadt, 1977)<sup>189</sup> similar development of CSR took place in Indian subcontinent structured from the Vedic philosophy (Pandey and Tripathi, 2002).<sup>190</sup> During this time CSR conceptualization was broadly based on religious virtues and values such as honesty, love, truthfulness and trust (Evan and Freeman).<sup>191</sup> Kautilya stressed the importance of happiness to all stakeholders of an organisation by stating that happiness is obtained not only by wealth and profit, but also by doing things rightly and doing right things (*sukhasya moolam dharma*) which teaches ethical means of wealth generation that ends with happiness (Garde, 2003).<sup>192</sup> The concept of helping the poor and disadvantaged was cited in much of the ancient literature also. Philosopher Kautilya from India and pre-Christian era philosophers in the West preached and promoted ethical principles while doing business. The idea was also supported by several religions where it was intertwined with religious laws. The Muslim “Zakaat” and Hindu “Dharmada” took an active role

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<sup>188</sup> Muniapan, B. and Dass, M (2008) ‘corporate Social Responsibility: a Philosophical Approach from an ancient Indian perspective’, *Int. J. Indian Culture and Business Management*, Vol. 1, No. 4, pp.408-420.

<sup>189</sup> Eberstadt, N.N. (1977) ‘What history tell us about Corporate Responsibility’, in A.B. Carroll (Ed.), *Business and society Review (autumn) in managing Corporate social responsibilities*. Boston, MA: Little, Brown and Company.

<sup>190</sup> Pandey, R.K. and Tripathi, P.S. (2002) ‘Vedic values and corporate values and corporate excellence’, in S.C. Dhamija and V.K. S. (Eds), *Vedic Values and Corporate Excellence* (pp.168-171). Uttaranchal, India: Gurukul Kaugri University.

<sup>191</sup> Evans, W.M. and Freeman, R.E. (1998) ‘A stakeholder theory of the modern corporation: Kantian capitalism’, in T. Beauchamp and N. Bowie (Eds), *Ethical Theory and Business*. Englewood Cliffs, NJ.

<sup>192</sup> Garde, A.R. (2003) *Canakya’s Aphorism on Management*, Ahmedabad Management Association, Ahmedabad.

in giving one's earnings in donations to the less disadvantaged and poor and the "Daashaant" which conformed to the idea of truth makes the concept of CSR in India philosophy memorable (Radhakrishnan, 1929).<sup>193</sup> The symbolic practices that existed during the ancient time were never applicable for long due to change in business environment and colonialism. Hence there was need to know how CSR grew during the three eras before independence and after independence. The Eras have been divided into Pre-Independence Era, Independence Era and Post-Independence Era.

### **3.7 Three Eras of CSR in India.**

- i.** Pre-Independence Era
- ii.** Independence Era
- iii.** Post-Independence Era

#### **3.7-1 Pre-Independence Era<sup>194</sup>**

During this period, businesses that pioneered industrialisation along with fighting for independence followed the idea of charity, thought good to focus in education and health centres and develop the community through trusts. Much of the spent amount was drawn out of personal savings and never belonged to any shareholders or constituted any integral part of business, for charity and philanthropy activities. During pre-independence period the 19th century industrial families were strongly inclined towards economic as well as social considerations. The efforts of these companies contribution towards social as well as industrial development were influenced by caste groups and political objectives. This time CSR was of no significance because of the economy shape that was so bad whereby societies were longing for jobs while the country was longing for independence from the British. The only CSR of the time was to create jobs for the population and that started by building an iron smelting industry developed in 1853 but failed 21 years later (in 1874). The textile industries were set up in Mumbai and Kolkata which gave birth to railway construction as an infrastructure to transport the raw material to the industry.

Ten more cotton mills had been set up by 1860 in Mumbai and became a game changer because it was the only agricultural activity that was the major source of

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<sup>193</sup> Radhakrishnan, P. (1929) Indian Philosophy: Volume 1(2<sup>nd</sup> Ed.). London, UK: George Allen and Unwin.

<sup>194</sup> <http://www.scribd.com/doc/55526925/Indian-Economy-in-Pre-Independence-Era>

livelihood for the thousands of Indian population a day. Vibrant rail system network in Mumbai was developed due to textile industry in 1914. Across the country many industries were established later on like; Tata Iron and Steel Company that created a lot of development, and meeting other demands of the society. The government had adopted liberal policies and even offered protection to some industries to encourage growth. The pre-independency period was significant to the study because it was the period that many companies started to emerge than other years. The time that the country started to realize its dreams. During this period the number of factories had increased from 2,936 in 1914 to 11,613 1939 which is a 25 percent increase. Though the number of industries increased, production fell due to decreased demand, crisis in management and governance, poor transport infrastructure, capital crisis, struggling for independency, strikes due to lack of services and lack of skilled human resource from 1945 to 1947. Despite creation of jobs, companies faced major crisis that required responsible leadership.

### **3.7-2 Independence Era**

During independency period, the term CSR was in common use but not much in applicability. Indian Industrialists demonstrated their dedication towards the progress of the society by adopting Gandhian "trusteeship" initiative, where the industry leaders had to manage their wealth so as to benefit the common man. Gandhi's desire was to halt capitalism that was viewed to many as power concentrated to the few and intended to advance socialist. Gandhi's influence put pressure on various Industrialists to act towards building the nation and its socio-economic development by establishing trusts for schools and colleges and helped in setting up training and scientific institutions. It was Gandhi's vision that businesses be a revolutionary "temples of modern India" indirectly implying responsible businesses. Many companies were inspired to empower women and youth, dedicated their funds into rural development and many trusts operate in line with Gandhi's vision of non-discrimination. The best moment to remember for this period was that CSR was clearly visible and known to many. Tata Company was ahead rallying for India empowering youths and women. Though during this period CSR was not of much focus because the country after independency was looking to align the demands of the nation.

### 3.7-3 Post Independence Era

In the late 1990s, as a post independent India, the 3 concepts were fully recognized; people and institutions across all sections of society started supporting CSR. This support passed the message on the awareness by the society concerning CSR practices. Post independency India witnessed a CSR evolution that followed a chronology of 4 thinking approaches mostly from 1991 when India was transformed into one of the fastest growing economies in the world due to her significant economic reforms.<sup>195</sup> After the economic reforms, the stakeholder model was adopted to address issues related with different stakeholders. This period brought into board economic, social and environmental problems that the society face to date. Policies on increased industrial production to cater for employment opportunities while catering for rural empowerment and addressing the environment issues were taken into account. Stakeholder model lobbied hard for a secure rule-based system that ensures free trade and investment. Stakeholder model wanted to predict real development benefits from new rules governing corporate behaviour, both to improve standards for workers and communities while upholding to the law. Grievances of suppliers and their CSR activities on environment, human rights, risk management and safety of working place and quality products, employee's issues of liveable wages, addressing media, society, business partners and the government are all addressed in the model.

Stakeholder model seeks businesses to focus on accountability and transparency through several mechanisms whereby both stakeholders will have equity in the activities of the company. Though CSR guiding philosophy in India is now changing, it has been a sense of returning to the society rather than making it an integral part of corporate strategy through which companies reap its embedded value. In many cases unlike the west, corporate involvement in the social sector has been guided by the commitment of top management and the terms of worker's rights, barely discussed in India. Environmental care and total quality management, on the other hand, have been driven by market forces as well as by legislation in India while compliance and enforcement remain weak. With the introduction of the new Companies Act of 2013 that replaced the 1956 Act, India instead has been put ahead of other countries in Asia as a country with regulations on companies actions towards CSR. Post independency

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<sup>195</sup> Montek Singh Ahluwalia (2002). Economic Reforms in India since 1991: Has Gradualism Worked? (MS Word). Journal of Economic Perspectives. Retrieved 13 June 2007.

and after 1990 to date, there are over 800, 000 companies in India. Hence the need by the government to introduce the new companies Act is considered fair.

### **3.7-4 Post Independency CSR Practices In India**

Post independency and more specifically from 1990's, there has been a high record of companies committed towards CSR activities. This time various stakeholders had become more conscious and aware of the need to make companies practice CSR. The government intervention by initiating environment protection measures and human rights practices accelerated CSR practices. Continued accidents for example the Bhopal union carbide accident which killed many employees and the villages changed the way company activities were carried. Entry of multinational companies also had an impact towards CSR practices in India. The following are the companies which have made their way through by practicing CSR in India and transformed the society.

#### **3.7.4-1 Infosys**

An IT company situated in Bangalore, has shown its leadership in CSR by implementing various projects like the Infosys foundation that caters for destitute children from poor background, takes care of orphan and street children across India. The company takes care of their school education, and support also rural education programmes. The company also provides health facilities among others in India.

#### **3.7.4-2 Wipro Company**

The company as an IT company has offered solutions to various challenges facing the society. They support service sector for faster delivery of business activities. The company has a policy toward rehabilitation of those affected by the natural disasters apart from supporting children from underprivileged families.

#### **3.7.4-3 ITC Company<sup>196</sup>**

The company offers various CSR activities that include services to the society through their ITC Infotech. The company has transformed the rural India by promoting the living standards of poor farmers through its e-Choupal initiative. The company also take part in environment protection to mention a few. Water harvesting, agriculture

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<sup>196</sup> Itcportal.com



development, sponsoring primary education, greening wastelands and irrigating the wastelands to name a few among the long list.

#### **3.7.4-4 Tata Group**

The company group has a policy on environment protection, sustainability and code of conduct all directed towards equitable and responsible operations to various stakeholders. Among the CSR activities of the company include, creating employment opportunities, protecting the environment by reducing carbon emissions to the environment, blood donation camps, supporting education and empowering women and youth in various forms. The company also nurtures talent among others.

#### **3.7.4-5 Nestle India<sup>197</sup>**

The company offers various CSR activities to the society that include natural refrigeration that replace Ozone depletion. The company offers health nutrition projects, helps farmers how to improve their produce, addresses issue of human rights, support education and health care to name a few.

#### **3.7.4-6 ICICI Company<sup>198</sup>**

As a financial institution, the major CSR activities towards the society is transforming the banking system that has empowered millions to economically stand. The company offers easy banking services like e-banking that saves customer time, launched the online customer relation management and has extended its services to various cities across India. The company extend home loans and industrial loans at cheap rates. The company also education by sponsoring the seminars and conferences among others.

#### **3.7.4-7 Dr. Reddy's Lab<sup>199</sup>**

It's a pharma company that has delivered services to the society in many ways. The company has taken a lead in environment protection for example it has adopted different ways of disposing their hazardous wastes, minimized its water and energy use as a CSR activity.

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<sup>197</sup> <http://www.nestle.in/investors/documents/nestle-india-corporate-social-responsibility-policy.pdf>

<sup>198</sup> <http://www.icicibank.com>

<sup>199</sup> [http://www.karmayog.org/csr1to500/csr1to500\\_19808.htm](http://www.karmayog.org/csr1to500/csr1to500_19808.htm)

### **3.7.4-8 Indian Railways<sup>200</sup>**

Indian railway remain the top employer in the world. In India alone, apart from creating jobs, the company has helped in transportation of good and service and people in time. Some of the CSR activities include, offering faster service deliver, take part in campaigns against HIV/AIDS, produce cheap and clean water, offers pension, healthcare, training and education to its employees. A part from that the company also takes part in tree plantation, taking security for the passengers and taking a lead in less environment pollution by adopting clean energy to name a few.

### **3.7.4-9 Citi Group<sup>201</sup>**

The city group is a financial service that has extended its CSR activities towards the society. Some of the major CSR activities of the company include rehabilitation services, supporting education and health services, giving a livelihood by empowering women and youth. The company also takes part in improving skills establishing and sustainable enterprises.

Hence from the above example of few companies and their CSR activities, it's evident that most of the companies in India now have CSR practices in their kit. In the wake of new company bill 2013, companies now under CSR will be more responsible and with time it will turn to be a good thing to do.

## **3.8 New Companies Act on CSR**

In 2013 India made an effort to properly position the Indian economy for the remainder of the century, by replacing its fifty-seven-year old Companies Act of 1956 with the new Companies Act in 2013. The new company law seek to harmonize with international law concerning governing of companies. The Act objectively want companies to be accountable and take responsibility to the society by addressing various issues that have challenges to the peace of the societies in India. India has set itself apart from other Asian countries by codifying CSR spending for targeted companies. The term “CSR” itself is not defined in the new Companies Bill. The Act requires targeted companies to spend a prescribed formula-based amount on CSR yearly. A company with (1) a net worth of rupees 500 crore (about U.S. \$90 million) or

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<sup>200</sup> [www.indianrailways.gov.in](http://www.indianrailways.gov.in)

<sup>201</sup> <https://www.online.citibank.co.in/press-room/citizenship.htm>

more; (2) a turnover of rupees 1,000 crore (about U.S. \$180 million) or more; or (3) a net profit of rupees 5 crore (about U.S. \$900,000) or more will have to contribute 2 % towards CSR activities.

The CSR law requires a targeted company to make changes within its board of directors, to spend on government delineated categories of CSR, and to formulate and publicly disclose an official policy on its CSR activities. The CSR Clause requires companies to form a Committee (“CSR committee”) within the board of directors responsible for overseeing the activities of CSR and the much spent on it and communicate it to the other board for approval. This is the governance structure that will strengthen CSR. The clause of the company’s bill 149(6) requires three or more directors to be constituted in the CSR committee whereby one should be an independent one. The composition of the CSR committee must be disclosed in the annual board report. The company must spend at least two percent of its average net profits made in the preceding three financial years using the “Two Percent Formula” on government approved categories of CSR. Locality, the CSR activities developed and implemented during the year by the company must be disclosed to the board. There should be an explanation to the board in case the company was unable to commit its CSR percent.

Despite the definition of CSR being omitted in the new Companies Bill of 2013, the CSR Committee calls for companies to eradicate extreme hunger and poverty, promote education, promote gender equality and empower women, reduce child mortality and improve maternal health. On the health part the bill requires companies to combat HIV, AIDS, malaria and other diseases, maintain environment sustainability, promote employment-enhancing vocational skills, Social business projects, contribute to the Prime Minister’s National Relief Fund or any other fund set up by the Central Government or the state governments towards the society’s economic development. The Act also considers the funds allocation towards the scheduled castes and tribes and other backward classes. Also the Act covers funds for minority and women as part of a sustainable development. Failure to comply a company is not subject to liability for failing to spend on CSR but company and its officers are subject to liability for not explaining such a failure in the annual report of the board of directors. A company and its directors are liable even if they fail to report on CSR activities that actually were conducted and failure to explain is punishable by a fine on the company of not less than 50,000 rupees (about U.S. \$900) and up to 25 lakh rupees (about U.S. \$46,000).

Further, officers who default on the reporting provision could be subject to up to three years in prison and/or fines of not less than 50,000 rupees (about U.S. \$900) and as high as 5 lakh rupees (about U.S. \$9,200). This if well practiced can transform India and make companies more responsible.

The most critical part of the law is to let companies utilize the two percent amount of the CSR Clause as an opportunity to effect positive impact in the communities where they work. It calls for the companies to strategically spend the required amount wisely for the cause that meets the true demands of society. CSR must be tailored to the company's industry, location, supply chains, in addition to customizing the project to Indian cultural and local community needs. Companies must always perform proper due diligence on entities that receive CSR funds both to ensure that a positive impact is being effected and to ensure that funds are not being used illegally or for corrupt practices.

### **3.9 CSR Disclosure in India**

With an economy that has seen a boom in business processing, information technology and manufacturing, India presents a valuable example of the introduction of new management tools such as sustainability CSR reporting in a developing world context. Currently India is recording a high number of company's registration to operate within its territory. Opportunities present in India after liberalization and globalization have kept attracting companies to establish their businesses, also after the economic reforms of 1990 there has been a robust increase in the manufacturing and service sector in India. Ready market due to the high population and highly skilled cheap labour have added to the advantage of increased company concentration in India. But the affairs of these companies have not been reported to the public concerning their CSR activities. The ministry of corporate affairs report as of march 2014 alone, companies in business services were 32,254, manufacturing 14,996, real estate and renting 10,752, trading 10,646 and construction 10,335. Out of 1,394,819 registered companies at the end of March of 2014 only 952,433 were active. The company's act of 1956 never restricted companies to disclose their CSR activities mostly the private sector, while other countries like EU and the USA prosecuted corporates that fail to disclose their activities. The new company's act will help trace company's activities in terms of CSR.

### 3.10 CSR Reporting in India

CSR reporting has become a standard business practice through which companies let different stakeholders know about the activities. This will help the stakeholders in making decision of how to deal with the company. This practice has become a standard to have Company data externally assured. Over half of the world's largest companies (G250) now report their activities to different stakeholders. Reporting CSR activities of the company will help improve internal and external stakeholder communication, will help improve production and invest technology. Different stakeholders will have a glance into the company's activities concerning environment protection, will detail the commitment towards creating a sustainable rural empowerment, and reflects the efforts towards ethical and moral actions. Stakeholders will know how risk management of the company is carried out and business partners will benchmark to know the best CSR practices and how to adopt them.

The findings by KPMG on CR reporting 2013, indicated that the N100 global average reporting rate increased from 64 percent in 2011 to 71 percent in 2013, whereby America overtook Europe as the leading reporting region as Asia Pacific saw the most significant increase due to a jump in Corporate Reporting rates, India falling into the group of countries with fast reporting initiative. EU reporting rate did not change while there was a low reporting noted from Middle East & Africa. There was a high increase in Asia Pacific from 49 percent in 2011 to 71 percent in 2013 in Asian pacific on CSR reporting. In India, Corporate Reporting rate increased to 73 percent in 2013 from 20 percent in 2011 as per the report. The report further revealed that India and Singapore's much growth was attributed to the introduction of new mandatory and voluntary reporting requirements (pp 23).<sup>202</sup> This adds weight on the new mandatory CSR reporting. The new companies Act of 2013 focusses mostly on investment into community development and reporting on the areas that benefited.

The security Securities Exchange Board requires companies to report their environment viability, social and economic responsibilities. But surprisingly enough there are some bad news concerning reporting in India. The report by proxy advisory firm international investor advisory services (liAS) revealed that top companies in India follow poor disclosure standards when it comes to revealing the details of their spending on CSR initiatives opposite to what the Europe and US companies do

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<sup>202</sup> The KPMG Survey of Corporate responsibility reporting 2013

(Isabelle Maignan and David A. Ralston, 2002).<sup>203</sup> Tracking 51 companies that are part of the Bombay Stock Exchange's Sensex and the National Stock Exchange's Nifty indices the report revealed that expenditure on CSR activities by these companies was only Rs 2,660 million in 2012/13, which was one per cent of the average profit before tax of the preceding three years. Clearly showing less commitment by companies towards CSR activities. Many companies in India are not forthcoming when it comes to sharing the details of their CSR spending (for example Bajaj Auto, did not disclose the amount spent on CSR activities for 2012/13). Some companies spend more than 2 percent proposed by the new company's Act of 2013 towards CSR activities in India with examples like: Tata Steel - Rs 470.8 million, Reliance Industries - Rs 357.1 million, Oil & Natural Gas Corporation - Rs 261.6 crore, ICICI Bank - Rs 116.6 crore and State Bank of India - Rs 123 million among others.

The global business review on CSR disclosure of Indian top 16 software companies in 2003-04 revealed that reporting by many companies in India focused on human resources, community development activities and least attention was given to environmental activities.<sup>204</sup> Pressure concerning disclosure of CSR reports in India originates from increasing involvement of global business environment but the much expected pressure from NGOs is much low as compared to other countries. In the past there was lack of mechanism platform to allow different stakeholders argue their case against company activities. An increasing number of companies in India use the GRI guidelines (for example the Tata of companies, Dr. Reddy's Laboratories, Ford India Limited, ITC Company, Toyota Kirloskar Motors Pvt Ltd. and Sony India Pvt Ltd. among others)

### **3.10-1 Challenges of CSR Reporting in India:**

Some of the challenges that CSR reporting in India face include; lack of a specific CSR reporting legislation or guidelines; absence of clear guidance based on local conditions; Typically companies don't provide a detailed information on internal practices and issues detailing how the company manages risk, how the company impact the society and environment and the level of transparency of company activities. But

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<sup>203</sup> Isabelle Maignan and David A. Ralston: *Corporate Social Responsibility in Europe and the U.S.: Insights from Businesses' Self-Presentations*. Journal of International Business Studies, Vol. 33, No. 3 (3rd Qtr., 2002), pp. 497-514

<sup>204</sup> Corporate Social Disclosure Practices of Top Software Firms in India. *Global Business Review August 2008 9*: 173-188, <http://www.jstor.org/stable/3069527>.

now the government quest for companies to disclose their CSR activities will tremendously transform the reporting system.

### **3.11 Karnataka's Corporate Sector**

Since the formation of Karnataka state in 1947, much industrial development has been witnessed. Bangalore the capital city is made up of migrants from within Karnataka, other states in the country and, to a lesser extent, from outside the country.<sup>205</sup> Modern facilities providing opportunities on modern education in engineering, medicine, law, science and technology, nursing, hospitality and business management, research and technology centres, strategic location towards the sea, administrative offices have contributed a lot towards attraction of investments and increase in the number of population in the state.

The state has excellent infrastructure, readily available land, highly skilled technical human resource, research institutes and the countries technology hub, cultural diversity and cosmopolitan urban centres, advanced healthcare facilities, connectivity through air, rail, and sea and road network integrated with the rest of the world, effective law and order, liberalized economy with single window clearance for investors, excellent logistics support and abundant primary resources all have contributed towards increase of corporate sector in the state..

### **3.12 Industries in Karnataka**

The state is considered one of the most desired industrial locations for setting industries in the country. Karnataka is referred as the IT hub of India and the centre for software solutions that many countries depend on. Major software companies have been established in the state for example; Wipro Company, Infosys, Microsoft Company, InfoTech Company, HCL, IBM, TCS among many others. Apart from IT companies, the state has many other companies like: iron, fertilizers, and pharmaceuticals.<sup>206</sup> There are a number of sugarcane manufacturing industries, cement factories, Tobacco Company, coffee factory and biotechnology companies. There are a number of traditional cottages, Handicrafts and Micro Enterprises. The state also has companies that manufactures aerial vehicles for Indian air force and other defence related products.

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<sup>205</sup> State of environment report, Bangalore 2008. Department of forestry, ecology and environment, government of Karnataka.

<sup>206</sup> <http://www.karnataka.com/industry>

Karnataka state policy has been consistent towards attracting more smart industries in the state in order to meet the changing needs of the State's economy and industry. One of the policies is aimed at strengthening the manufacturing sector by setting up the Special Economic Zone. Most of the industrial projects are controlled and approved by the state government as part of encouraging robust growth. The State High Level Clearance Committee (SHLC) during 2012-13, approved and cleared 100 projects worth billions of rupees. The *Micro, Small & medium Enterprises (MSME)* forms an important and growing segment of Karnataka's corporate *State Industrial and Infrastructure Development Corporation Limited (KSIIDC)*: earlier known as Karnataka State Industrial Investment and Development Corporation, was established in the year 1964, as a wholly owned undertaking of the Government of Karnataka with the objective of promoting development of medium and large scale industries in Karnataka. KSIIDC assist ventures through equity participation, has extended long term financial assistance to core sector industries like Steel, Cement, Mining and Textiles and modern sector industries like Information Technology, Aviation, Telecommunication and other infrastructure projects. KSIIDC has been instrumental in establishing Jindal Vijayanagar Limited (presently JSW Steels Limited), Vikrant Tyres Limited, Karnataka Antibiotics and Pharmaceuticals Limited to mention a few.

### **3.13 Other Industries**

There are a number of many other industries in the state like Food Karnataka Ltd., Food Processing Industries (Food Parks) established under the 10th five year plan. As 21<sup>st</sup> century is set to become India's urban century with more people living in cities and towns than in the country side (Goldman Sachs, 2007), Karnataka is making a list of 10 fastest growing cities in the world witnessing massive urbanization in India fuelled by the industrial policy. These rising population will require some convenient industries like food junctions that offer fast foods and other services with a high standard quality. The well-known statesman Sir M Visveswaraiah as Dewan of the erstwhile princely state of Mysore with his well-known slogan 'Industrialize or Perish' which played a catalyst role in industrial development of the state.

### **3.14 Company Pollution in Karnataka**

Since the study focuses on CSR activities in the state of Karnataka, there is need to know the effect of many industry concentration towards environment pollution. All



round rapid urbanization have an impact on the environment, the society and governance issues, there are also cases reported on water, air and land pollution which are industry specific caused by emission directly from industries and other effluents in the state of Karnataka. With many industries concentration in the state, no doubt a lot of devastation towards the environment is obvious. The first Funded World Bank, holistic assessment of Karnataka's state of environment, shows that the industries registered under the department of industries and commerce, November 2002, were 11688.<sup>207</sup> The report provides a close-up to specific urban issues and a broad detailed assessment of problem areas while proposing an equally detailed action plan. The report details the major air industry pollution contributors in the state of Karnataka for example: cement, pulp and paper, stone crushing, foundries, sugar, lead acid batteries manufacturing units, refinery, fertilizers, thermal power units, basic drugs and pharmaceuticals and chemical industries. Around 160 industries were classified under the 17 category of highly polluting industries while 118 types of industries being highly polluting in nature. The report disclosed that about 39 percent of the registered industries with the Karnataka state pollution control board are under red category as shown in table – 3.3 below.

**Table – 3.3: Industries Registered with the Karnataka Pollution Control Board**

Industries	Red	Orange	Green	Total
Large	563	104	310	977
Medium	527	235	595	1357
Small	3991	1993	5390	11374
Total	5081	2332	6295	13708

Source: Department of industries and commerce, government of Karnataka state report 2003

The Karnataka state pollution control board had identified 51 types of industries as moderately polluting in nature, labelling them orange. These are just 18 percent of the total industries located in Bangalore urban, Gulbarga and Dharwad. The green totalling 111 were identified by the board as being less polluting in nature. These industries making 43 percent were located in Bangalore-urban, Dakshina, Kannada, Bellary and Mysore districts. Many reported cases of pollution in underground water with more chemical beyond permissible limits in the state's urban centres like

<sup>207</sup> State of the environment report 2003. Department of industries and commerce, government of Karnataka state.

Bangalore are worrying (Balasubramanyam, 2000).<sup>208</sup> This gave the state government a challenge to pass some tough guideline initiatives to curb pollution.<sup>209</sup> Some of these legislations include: pollution control, collecting some money in the form of cess to help protect the environment, define the monitoring standards, responding to pollution incidents, raising awareness on environment and advising different stakeholders concerning CSR activities. Along with the guideline initiatives, the government passed some legislations that aimed to protect the environment through pollution control as shown in table below.

**Table – 3.4: Government and Other Organization Legislation for Environment Protection**

	Legislation
1	The Environment (Protection) Act 1986
1a	Hazardous waste (Management and Handling) Rules 1989
1b	The Manufacture, Storage and Import of Hazardous Chemical Rules 1989
1c	The Manufacture, Use, Import, Export and Storage of hazardous Micro-organisms/ Genetically Engineered Organisms or Cells Rules 1989
1d	The Chemical Accidents (Emergency Planning, Preparedness, and Response) Rule 1996
1e	Biomedical Waste (Management and Handling) Rules 1998
1f	The Municipal Solid wastes (Management & Handling) Rules 2000
1g	Recycled Plastic Manufacture and Usage Rules 1999
1h	Ozone Depleting Substances (Regulation and Control) Rules 2000
1i	The Noise Pollution (Regulation and Control) Rules 2000
1j	Batteries (management and Handling) Rules 2001
2	The Public Liability Insurance Act 1991
3	National Environmental Tribunal Act 1995
4	The National Environment Appellate Authority Act 1997
5	The Water (Prevention and Control of Pollution) Act 1974
7	Factories Act 1948
8	Air (Prevention and Control of Pollution) Act 1981
9	Indian Penal Code 1962
10	Atomic Energy Act 1962

Source: Government of Karnataka Report

The legislation on industries pollution by Karnataka state pollution report guidelines for orange and green category units demands that;

- i. Citing guidelines for green category industries would be minimal.

<sup>208</sup> Balasubrahmanyam S.K.; Center for Ecological Sciences; Indian Institute of Science, Bangalore, 2002., Thoughts on the Upgradation and Maintenance of Water Bodies in Urban Settings in Proceedings of Symposium on Restoration of Lakes and Wetlands

<sup>209</sup> <http://kspcb.kar.nic.in>.

- ii. No new Orange category industry generating effluent and /or emission shall be permitted within City/Municipal limits. Automobile servicing & repair stations (excluding heavy vehicles) are permitted within these limits subject to compliance of point no.9 of these citing guidelines.
- iii. No orange category industry having effluent discharge shall be established within 500m from the riverbanks/reservoirs/major tanks.
- iv. No orange category industry shall be established within 75m of National and State Highway and State Highways, 50m of Main District Roads, 17.5m of Other District Roads and 15m of Village Roads.
- v. No Orange Category industry shall be established within 12 Km from the notified archeological monuments.
- vi. No Orange Category industry shall be established within declared biosphere reserves and Eco sensitive zone.
- vii. No Orange Category industry shall be established within 10 Kms of the boundaries of National parks and Sanctuaries and wildlife corridors.
- viii. License for both orange and green category industries shall be issued by the Municipalities/Municipal Corporations after the industry obtains Consent for Establishment (CFE) from Karnataka State Pollution Control Board.

Though the report has just highlighted the impact of industries on the environment, other areas that high industry concentration or companies can affect include, high resource consumption that affects the water catchment areas, farming land quashed away making the poor more poor while the rich getting more. But the question concerning responsibility of these industries towards various stakeholders and their sustainability remain in question. But the state government steps are a reward towards environment protection and it challenges the private sector and other organizations to follow suit.

### **3.15 CSR in Karnataka**

Since Karnataka is a home to many companies, due to its strategic location, robust infrastructure and Information Technology hub plus active administration, many global companies like Cisco, IBM, Infosys, Wipro, Coca-Cola and Microsoft among other big players in the state have established different CSR and philanthropic activities in the state. The government of Karnataka has in itself taken some initiatives to protect the environment and other multi-practices by companies as indicated earlier on.

Companies in Karnataka undertake a variety of CSR initiatives while pursuing their organization goal.<sup>210</sup> There are areas that many companies initiate their CSR activities on that include; education, health care environment, child welfare and rehabilitation, disaster management, women and youth empowerment, and slum improvement.

### **3.15-1 Cisco Company<sup>211</sup>**

The company's CSR policy include contributing towards natural calamities that may occur in the society for example the tsunami in the coastal Karnataka in 2009. The company donated 10 million dollars and built 3323 homes to the affected victims a part from reacting to disasters in china and USA. The company runs many CSR activities under the program called Samudaya. This program has integrated technology has helped bridge the gap between the urban and the rural and in making easy accessibility to basic social amenities like healthcare, education and market accessibility. Other projects by the company include; Cisco Education Enable Development (CEED) platform, volunteers, trained retiring soldiers of the Indian Army and Orphaned children in an NGO in basic computer and networking concept which the company offer them job.<sup>212</sup> In Karnataka state the samudaya project has promoted education, built schools and hostels<sup>213</sup> - Raichur, Shimoga, and Hoskote. Currently 10 Primary Healthcare Centres have been set up in 3 districts of Karnataka.

### **3.15-2 Infosys Technology Limited**

The software company based in Karnataka started its CSR activities by helping the underprivileged in the society. The company has constructed hospital wards, donated hi-tech equipment and organizing health camps which distributes medicines to economically-weaker sections in remote areas. The company has taken different initiatives that empower women and orphaned children. The company has set up 10,150 libraries and donated 10,200 books as an initiative towards supporting education in rural India and promotes artists in rural areas of Karnataka and Andhra Pradesh.

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<sup>210</sup> Jayashtri Shetty, (2011): Corporate Social responsibility - A means for Inclusive Growth. International Journal in Multidisciplinary and academic research, Vol. 1, No. 4 November-December)

<sup>211</sup> [www.indiacsr.in](http://www.indiacsr.in)

<sup>212</sup> Editor Rusen Kumar – *INDIACSR: In an interview with Aravind Sitaraman, President – Inclusive Growth, Cisco Systems* (2013)

<sup>213</sup> *Ibid.*

### **3.15-3 Intel Technology India Pvt Ltd<sup>214</sup>**

The company started as a small scale informal employee initiatives which focused on activities such as tree planting and blood donation drives in 2002. By 2004, Intel programs Involved were fully incorporated into the company's corporate culture through the development of team volunteering activities, with programs focusing in the areas of education, technology inclusion and health.<sup>215</sup> The key initiatives that the company was involved in include: Centre for Economic Empowerment of Intellectually Challenged (CEEIC) - In conjunction with a local NGO. Intel provides the intellectually-challenged community with training to learn computer skills that enable them get jobs to sustain them. The company is also running an HIV/AIDS Awareness Programs, voluntary counselling and testing agencies, the company CSR takes part in environment conservation programmes by celebrating Global Earth Day, World Environment Day and the Environment Research Contest.<sup>216</sup> The company has also encouraged its employees to take part in tree plantation, taken initiative on cleaning the environment. Meanwhile, a Solid Waste Management Program in partnership with TERI (The Energy Resources Institute) is currently underway in Annasandrapalya, Bangalore.<sup>217</sup>

Intel is also involved in 'Volunteer Matching Grants Program' which encourages Intel employees to invest time in identified K-12 schools and NGOs. With every 20 hours invested by Intel employees, the Intel Foundation donates US\$80 to schools and NGOs. More than 15 schools and NGOs are part of this program in Bangalore, Delhi and Mumbai. Employee participation has doubled over the last two years with 91 percent of employees volunteering more than 36,000 hours.

### **3.15-4 Standard Chartered Bank<sup>218</sup>**

Standard Chartered Bank CSR activities focuses on matters of health, education, environment protection among others. The company organises the standard chartered marathon events every year that attracts international competitors to create awareness on health matters for example on HIV and AIDS matters. The company also has the environmental social networking project called 'Go Green', the GOAL, and Seeing is

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<sup>214</sup> <http://www.intel.com/cd/corporate/csr/apac/eng/communities>

<sup>215</sup> <http://www.mybangalore.com/article/1210/top-3-companies-for-excellence-in-csr.html>

<sup>216</sup> Ibid.

<sup>217</sup> Ibid.

<sup>218</sup> <http://www.privatebank.standardchartered.co.in/welcome/making-a-difference/in/index/html>

Believing each with the aim to restore sight to two million people globally.<sup>219</sup> By 2013 the company had reached their aim for their programme target of US\$20 million to provide sustainable eye-care services for 20 million people in deprived communities in 20 cities. In India, since 2004, “Seeing is Believing” has benefited over half a million people across the country through cataract surgeries. By the end of 2010, 1.4 million people across India had benefited through primary eye care services and cataract surgeries. GOAL - In many parts of the developing world, women lack the opportunities and role-models to take control of their lives and contribute to society. Empowering women is part of their strategy for improving social and economic development in the country. Goal is one of Standard Chartered Bank's community investment initiatives that aims to empower young women for personal and economic development in underprivileged areas of India, where the government has identified improving gender equality as a priority. The company educates a girl child on how to increase her confidence skills and self-esteem, health education among other critical part of her growth in collaboration with NGOs. There is a long list of companies who run various activities which are philanthropic and CSR within the state of Karnataka, but the point is clear that most of the companies are now practicing CSR within the state.

### **3.16 Tata Group of Companies**

Tata group of companies are a conglomerate with a diversified business. Started over a century ago, Tata Sons and Tata Industries are the two Promoters to the Tata Group of companies. Set up in 1945 as a managing agency by Tata sons, Tata Industries has since then recast itself and entered into a high-tech business entity. The company has a diversified business ranging from manufacturing, engineering to service sector. The company has become a household name in India and across the globe because of its business empire. Tata has merged with many companies, acquired various business factions and is one of the best success story. Due to limit of space, the study assumes to reflect of the main business ventures of the company has revealed below.

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<sup>219</sup> Ibid.

### 3.16-1 Engineering

The Tata AutoComp Systems has Subsidiaries / associates / joint ventures deals in Automotive Composite Systems International, Automotive Stampings and Assemblies, Knorr Bremse Systems for Commercial Vehicles, TACO Engineering, TACO Faurecia Design Centre, TACO Hendrickson Suspension Systems, TACO Interiors and Plastics Division, TacoKunststofftechnik, TACO MobiApps Telematics, TACO Supply Chain Management, TACO Tooling, TACO Visteon Engineering Center, Tata Ficosa Automotive Systems, Tata Johnson Controls Automotive, Tata Toyo Radiator, Tata Yazaki AutoComp, TC Springs, Technical Stampings Automotive.

### 3.16-2 Tata Motors<sup>220 221</sup>

Tata motors is one of India's four wheeler industry with many national locations as manufacturing bases (for example Jamshedpur, Pune, Lucknow, Pantnagar-Uttarakhand, Sanand and Dharwad), with dealership, sales, services and spare parts network comprising of 3,500 touch points. Tata Company entered the commercial vehicle sector in 1954 after forming a joint venture with Daimler-Benz of Germany. Launching of Tata Sierra in 1991 marked the entry of the company into the passenger vehicle market, a multi utility vehicle. Later the company launched the Tata Estate in 1992 a station wagon and from then the company has developed an extensive variety of vehicles that offer service to different areas in the society.<sup>222</sup> Tata Motors has got international recognition and was listed in the New York Stock Exchange (NYSE) in 2004.<sup>223</sup> Tata Motors has acquired many international giant car makers including the Spanish bus and coach manufacturer Hispano Carrocera,<sup>224</sup> but the most expensive one was the British car maker Jaguar Land Rover, manufacturer of the Jaguar, Land Rover and Daimler luxury car brands, from Ford Motor Company.<sup>225</sup> The company has acquired many more companies across the globe.<sup>226</sup> Tata Motors also has invested

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<sup>220</sup> [www.tatamotors.com](http://www.tatamotors.com)

<sup>221</sup> <http://www.tatamotors.com/ourworldreview.php> [www.tatamotors.com](http://www.tatamotors.com)

<sup>222</sup> Ibid.

<sup>223</sup> Ibid

<sup>224</sup> Hispano Hispano-net.com. Retrieved 11 October 2010

<sup>225</sup> Tata Motors enters into Definitive Agreement with Ford for purchase of Jaguar Land Rover (Press release). Tata Motors. 26 March 2008. Retrieved 27 March 2008.

<sup>226</sup> Tata Motors. Retrieved 4 June 2009.

[http://tatanano.inservices.tatamotors.com/tatamotors/index.php?option=com\\_booking&task=outlets&Itemid=304](http://tatanano.inservices.tatamotors.com/tatamotors/index.php?option=com_booking&task=outlets&Itemid=304)

around rupees 6 billion in the development of Futuristic Infantry Combat Vehicles in collaboration with DRDO for defence needs.<sup>227</sup> The company had developed a compressed air (engines designed by the French company MDI) and dubbed "Mini CAT".

Apart from commercial vehicles the company also manufactures military vehicles and electric vehicles which run on lithium batteries. Tata Motors four CNG–Electric Hybrid low-floored Starbuses were used by the Delhi Transport Corporation during the Commonwealth games of 2010 were the first environmentally friendly buses to be used for public transportation in India. Tata Ace, India's first indigenously developed sub-one-ton mini-truck, was launched in 2005 is a top seller with presence in Dharwad Plant and Karnataka. Tata nano also was the car of the year that fits the Indian family with the production agency in Gujarati after the Singur.

### **3.16-3 Tata Steel**

Established in 1907, Tata steel group is among the top global steel companies with a crude steel capacity of over 28 million tonnes per annum. It has operations in 26 countries and a commercial of over 50. Tata steel is a fortune 500 company. In India the group's main facility is located around the city of Jamshedpur with operations including iron ore and coking coal mines. Other company subsidiaries / associates / joint ventures include: Hooghly Met Coke and Power Company, Lanka Special Steel, among many others falling under Tata group.

### **3.16-4 Energy**

Tata group has business in energy sector that ignites the country towards economic growth. Some example of Tata group energy sector includes Tata BP Solar India and Tata Power. Tata power has subsidiaries for energy production in Tata Ceramics, Tata Power Trading, North Delhi Power Limited. The company has interest deals in oil and gas (Tata Petrodyne).

### **3.16-5 Chemicals**

Some of Tata chemicals that the group deals with include; Rallis India, Tata Chemicals and Tata Pigments.

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<sup>227</sup> [http://en.wikipedia.org/wiki/tata\\_motors](http://en.wikipedia.org/wiki/tata_motors)



### **3.16-6 Services**

Tata group is also involved in service sector like Hotels and Realty (i.e. Indian Hotels (Taj group). The group's subsidiaries / associates / joint ventures are: Taj Air, Roots Corporation (Ginger Hotels) and THDC. Other service sectors of Tata group include: Financial Services (i.e. Tata AIG General Insurance, Tata AIG Life Insurance, Tata Asset Management, Tata Financial Services and Tata Investment Corporation), Tata Quality Management Services, Tata Services and Tata Strategic Management Group.

### **3.16-7 Consumer Products**

Tata group deals in consumable beverages like tea and coffee. The most brands that the company is involved in include the Tata Tetley retail group. Some of the common brands include: Tata coffee, Tata Tetley and Tata Tea Inc. The Tata Company also deals in Tata ceramics, Tata McGraw Hill Publishing Company, Titan Industries and Trent

### **3.16-8 Information Systems and Communications**

Tata group has businesses in information systems, communications and industrial automation. The information systems include for example Nelito Systems and Tata Consultancy Services with subsidiaries / associates / joint ventures including APONline, Airline Financial Support Services, Aviation Software Development Consultancy, CMC, CMC Americas Inc, Conscripti, HOTV, Tata America International Corporation, WTI Advanced Technology, Tata Elxsi, SerWizSol, Tata Interactive Systems and Tata Technologies. The Tata communication ventures include: Tata Sky and Tata Teleservices with other subsidiaries and joint ventures like: Tata Teleservices in Maharashtra, Tata Internet Services like the VSNL and Tatanet. In Industrial Automation, Tata Group has Nelco subsidiary which are joint ventures of Tatanet

### **3.17 Indian Tobacco Company (ITC)**

ITC as a Global Reporting Initiative - G3 compliant with Application Level A+, was incorporated on August 24, 1910 under the name Imperial Tobacco Company of India Limited. The name of the company with time from imperial tobacco company to

India Tobacco Company Limited in 1970 and then to I.T.C. Limited in 1974. ITC Ltd is one of India's premier private sector companies with a humble beginning and now deals in a diverse business activities that have revolutionized the country and the world. The company has a market capitalisation of turnover of nearly US \$ 15 billion and a turnover of over US \$ 4.75 billion.<sup>228</sup> A part from dealing in different types of cigarette brands, the company also has a chain of luxury hotels that houses eminent personalities and business class people spread across Indian cities. The paperboards and specialty paper business is a true example of ITC commitment towards serving the society. Its brands of paper are visible in different place that range from government to private offices, hospitals to printing houses. The company deals in Agri-Business activities that have transformed agriculture in India. ITC Company deals in information technology and in FMCG products.

### **3.17-1 E-Choupal**

It is ITC's Agri Business Division among India's largest exporters of agricultural commodities. E-Choupal is a more efficient supply chain aimed at delivering value to its customers around the world on a sustainable basis. ITC initiative of was designed to tackle the challenges posed by the unique features of Indian agriculture that was faced by various challenges. The brightness of the initiative was visible when farmers with fragmented farms were able to make a good harvest and earn handsome income. The programmes eliminated the intermediaries, who took almost everything leaving the poor farmer helpless. E-Choupal is a market-led business model which has enhanced the competitiveness of Indian agriculture and triggered a virtuous cycle of higher productivity, help manage risk, increased earning, larger investments, higher quality and increased productivity.

### **3.17-2 Cigarettes**

ITC is the market leader in cigarettes in India and has a wide range of popular brands such as Insignia, India Kings, Lucky Strike, Silk Cut, Classic, Duke Gold Flake, Navy Cut, Berkeley, Royal Bristol and Flake, in its portfolio. The Company has been able to consolidate its leadership position with single minded focus on continuous value

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<sup>228</sup> <http://www.itcportal.com>

creation for consumers through significant investments in creating & bringing to market innovative product designs.

### **3.17-3 Packaging - Paperboards and Specialty Papers<sup>229</sup>**

ITC Company deals with paperboards and specialty paper division. The company has included technology to eliminate environment carbon emission. The paper business is used in a large scale and the demand remains high always. The company enjoys monopoly like market leadership because of the value-addition which has won the trust of its consumers. The product range includes: Virgin Folding Box Boards, the Specialty Recycled papers like the Food grade packaging board, Barrier coated cartonboards, Biodegradable barrier boards, Cupstock Papers for making cigarette covers and tissues, opaque papers, absorbent and unbleached Kraft base among others, papers for making electrical insulation, printing & barrier papers, and Pharma inserts niche papers superfine printing, and Graphic.

Some of the ITC's prominent paperboard brands in the market include: Folding Box Boards - Cyber XLPac, Cyber Cypak, Cyber Propac, Cyber Premium, Pearl XL Pac; Solid Bleached Sulphate Boards, Safire XL Pac, Digiart; Poly coated boards - Indobev, Indobarr; PLA Coated boards - Omegabev, Omegabarr, Omegawrap; Recycled boards, Hi Brite, Paperkraft, Alfazine, Perma White.

### **3.17-4 Information Technology:**

Formed in 2000, ITC Infotech has today carved a niche for itself in the arena of global IT services and solutions. The company service industries include, Banking Financial Services & Insurance (BFSI), Consumer Packaged Goods (CPG), Retail, Manufacturing, transport service. The company utilizes the technology to offers services on its e-Choupal initiatives and other local services.

### **3.17-5 Hotels:**

The company is involved in a variety of luxury hotels chain business that caters for eminent personalities and business class group. The company also reveals how business can be managed to fit an international class. Some of the hotel chain that the company is involved in include, the ITC has hotels in Chennai, Delhi, Mumbai,

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<sup>229</sup> [www.itcpspd.com](http://www.itcpspd.com) and [www.itcgreenpapers.com](http://www.itcgreenpapers.com).

Kolkata, Bangalore, Hyderabad, Agra and Jaipur. There are a number of ITC company luxury collection which have tied-up with Starwood hotels and resorts to increase their premium brands in India. They are both super deluxe and premium hotels strategically located at business and leisure locations

The company has five rated star hotels that offers business and leisure travelers the taste of their choice and the comfort they require. The fortune hotels is another classy hotel that ITC Company is running that operates in mid-market to upscale properties. It is a full service first-class business hotel segment that's is available across India in major metros, mini metros, state capitals and business towns, promising business and leisure travelers a wide choice of destinations and accommodation.

### **3.17-6 Greeting, Gifting & Stationery:**

ITC Company has brands that deals in greeting cards, gifts and for stationery available across India. The common stationery brands like "Paper Kraft" & "Classmate" are widely used in different institutions. Notepads & multi subject notebooks both in hard, soft covers & multiple binding formats are among the available ITC achievements that has transformed India.

### **3.17-7 Safety Matches**

What is more like iknow ITC's brands of safety matches include iKno, Mangaldeep, VaxLit, Delite and Aim. The Aim is the largest selling brand of Safety Matches in India. ITC also exports premium brands to markets such as Europe, Africa and the USA.

**3.17-8 Aggarbattis: apart from local consumption the** company's variety of fragrant Mangaldeep brand of Aggarbattis that has different scents are exported to United States of America United Arab Emirates, Bahrain, Nepal, Singapore, Malaysia Oman and South Africa.

**3.17-9 Lifestyle Business:** ITC Company wants to fulfil the demand of various segment of the society according to their needs. The company has ventured into a lifestyle retailing including the Wills Sport range with international standards for men

and women in the year 2000. The luxury chain stores have kept expanding and they cover every corner of the country with a more advanced fragrance products.

**3.17-10 Food:** ITC Company also has ventured into food business across the country from 2001. The company has strict policy towards food that have low fat contents for the interests of the stakeholders especially consumers. The company has transformed the Indian home appliances that mostly suits the Indian consumer “Kitchens of India”. Some common kitchens of India include: Kitchens of India, Aashirvaad, Sunfeast, Mint-O, Candyman, and Bingo!.

**3.17-11 Agri Exports:** ITC's International Business Division (IBD) is the country's second largest exporter of agri-products. ITC exports Feed Ingredients (Soyameal), Foodgrains (Rice, Wheat, and Pulses), Coffee & Spices, Edible Nuts, Marine Products, and Processed Fruits. This adds to the Indian farmer sustenance as a CSR activity.

## **Summary**

CSR practices has transformed immensely both globally and locally. In India CSR has passed many phases which have played a significant role towards its firm development. The first phase of CSR did not have much meaning because the state the country was in then, which was demanding for economic development. On the other hand the last phase to date has seen CSR practices becoming mandatory through legislations which has changed the game completely. Karnataka has recorded progress in CSR practices due to the presence of many companies whereby Tata and ITC Companies are part. The state of Karnataka has set laws that will help companies on environment protection as part of CSR activity.

## **CHAPTER IV**

### **CSR PRACTICES OF TATA COMPANY AND ITC COMPANY**

This chapter addresses various CSR activities of both Tata Company and ITC Company. The two percent of the two company's contribution towards CSR have also been given. The study also has analysed the surveyed data concerning CSR policies and programmes that both companies have adopted. The impact of CSR on brand image and the benefits of practicing CSR have been discussed in detail. The adoption of triple bottom line (TBL) by both companies has been highlighted, risks that affects CSR and the strategies of CSR communication have been discussed. The opinion of respondents surveyed concerning various policies have been analysed in advance.

#### **4.1 Introduction**

CSR practices in India has not been a recent issue, but has been around for centuries, only that it was known in a different version for example charity and donations. Tata Company for example started practicing CSR even before independency. It has shown the way by believing that CSR is not just a compliance practice but part of the company DNA. On the other hand ITC Company has played a significant role in transforming societies across India through their innovative e-Choupal which has been admire by many organization in India and across the globe. On a fast glance the study highlights different CSR activities carried by both companies as shown below. The amazing facts that should be revealed missing is the specific amount of CSR amount spend on specific programmes which both companies have not revealed.

#### **4.2 CSR Activities of Tata Company**

Tata Company is over 130 years since it was established with more than 100 companies across the globe. The company is the largest employer among the private companies. Tata group of companies accounts for 5.2 percent of India's GDP. Tata group of companies have been carrying CSR activities for a long time. The policy of the company towards CSR is to remain attached to the society by doing good. The company has the society and environment in mind while running its business. As a private company it has made proud the shareholders of the company by managing their

business and diversifying their investment year after the other. Since 2003-2014 which the study covered, the company across its supply chain has been addressing issues regarding environment, social impact and economic. As on 2013-14 company reports of Tata group of companies, CSR expenditure alone had crossed Rs 660 Crore.<sup>230</sup> The company showcases how CSR remain part of the business structure. The company for the last one decade has crossed above the required 2 percent of the companies regulations on CSR expenditure alone. For the 2014 CSR expenditure report, the company report revealed how it had for the previous three preceding years spend an average of Rs 1,000 crore per annum.

The group brand custodian told reporters while addressing a media roundtable on 'Sustainability @ Tata that the company had spent over \$ 100-billion in the last one decade till 2014, which was in excess of the 2 percent net profit spend on CSR requirement. The company believes in giving back to the society through CSR even when there is a financial crisis. Tata Company believes most in sustainability as its core values which creates a long-term stakeholder value by balancing economic, environmental and social factors. The company as early as 1880's, had established a care-center for working mothers at the Tata textile mills. The company introduced a pension fund for its employees in 1886, medical dispensaries for its employees and medical compensation in 1895, 8-hours work in 1912 and leave with pay plus benefits of maternity leaves to its employees were adopted. From skill development to innovations, Tata group of companies demonstrates that what they spend reflects the value they have for the society and those that help build their empire. The tata group of companies' net profits as per the annual reports, reveals that in general the group nets good profits. Table -4.1 below reveals some of the group's top companies net profits as per their respective annual reports.

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<sup>230</sup> <http://profit.ndtv.com/news/corporates/article-tata-group-csr..>

**Table - 4.1: Top Ten Tata Group of Companies Net Profits (Rs. in crores)**

Company Name	Years net profits (Rs. in crores)											
	14	13	12	11	10	09	08	07	06	05	04	03
Tata Motors	334.52	301.81	1242.23	1811.82	2240.08	1001.26	2028.92	1913.46	1528.88	1236.95	810.34	300.11
Tata Steel	6412.19	5062.97	6696.42	6865.69	5046.80	5201.74	4687.03	4222.15	3506.38	3474.16	1746.22	1012.31
TCS	18474.92	12786.34	10975.98	756.99	5618.51	4696.21	4508.76	3757.29	2716.87	1831.42	15.08	-
Tata Chemicals	436.07	643.32	586.60	408.49	434.78	452.05	949.18	444.21	353.03	340.55	220.53	196.58
Tata Communications	542.43	475.24	171.34	162.56	383.18	515.95	304.46	469.56	479.54	756.37	377.66	780.07
Tata Power	954.08	1024.69	116.73	941.49	947.65	922.20	869.9	696.8	610.54	551.36	509.08	519.92
Tata Elxsi	75.11	20.99	33.95	31.73	47.91	58.11	52.67	52.12	34.33	26.29	17.55	11.69
Tata Coffee	106.57	93.69	78.85	55.08	31.99	18.64	24.68	20.23	22.32	28.70	17.10	20.20
Tata Tele-Services	-560.08	-658.77	-517.77	49.90	-298.01	-159.60	-125.74	-310.60	-541.06	-527.86	-269.68	-205.00
Tata Sponge	101.18	85.43	75.68	101.34	84.52	120.67	95.53	21.23	22.14	60.89	34.36	18.39

Source: Annual financial reports of Tata group

Table - 4.1 shows the net profits for the top tata companies for ten years starting from 2003-04 to 2013-14 were specifically chosen for the purpose of calculating the amount of CSR assumed spent as per the new regulations. Though the rule by the company's Act 2013 started to apply from 2014 onwards, there was need for the study to know how committed the company was towards its CSR practices because company policy is to give back to the society the wealth through transforming various areas that need urgent attention. Table - 4.2 below reveals the amount calculated from the net profits that the company had spent over time for ten years.



**Table - 4.2: Top Ten Tata Group of Companies 2 percent CSR Expenditure (Rs. in Crores)**

Company Name	Years											
	14	13	12	11	10	09	08	07	06	05	04	03
Tata Motors	22.37	35.29	33.69	35.14	32.96	36.48	31.20	23.84	15.65	6.98	-1.76	-3.28
Tata Steel	124.17	124.06	114.06	99.57	94.07	82.77	74.68	58.18	41.56	19.65	11.70	7.77
Tata Chemicals	10.92	9.53	8.64	12.24	12.30	11.64	7.59	6.09	5.05	3.63	3.26	2.73
Tata Communication	5.39	5.45	7.74	8.69	8.59	8.35	11.36	10.76	12.76	17.10	25.79	6.55
Tata Power	20.91	20.39	18.74	18.27	16.59	14.51	24.78	11.14	10.54	10.24	9.44	7.52
Tata Elxsi	0.58	0.76	0.92	1.06	1.09	0.93	0.75	0.52	0.37	0.31	0.28	0.25
Tata Beverages	1.52	1.11	0.70	0.50	0.42	0.45	0.48	0.45	0.44	0.29	0.26	0.3
Tata Tele-Services	-7.51	-5.11	-2.72	-3.89	-3.97	-6.52	-9.20	-8.92	-6.68	-4.15	-3.75	-4.18
Tata Sponge	1.75	1.74	2.04	2.00	1.58	0.93	0.70	0.78	0.76	0.41	0.24	0.18

Source: Figures calculated from the company annual net profits.

Note: The formulae for calculating the two percent (2 percent of the average net profit during the three immediately preceding financial years) was used.

Table – 4.2 shows the amount of CSR expenditure by the Tata Group of companies as from 2003-04 to 2013-14 using the 2 percent formula under the new companies Act of 2013. Given the huge net margins of top Tata companies like Tata Steel, tata motors, TCS, Tata power among other others, their 2 percent towards CSR activities remain high also. From the above table, among the best top performers for CSR in Tata group is Tata steel, Tata motors, TCS and Tata chemicals. They have more expenditure in CSR due to their net profits as compared to other subsidiary companies. The major areas that Tata Group of companies have taken a lead include; the environment, social impact and economic effect.

### **4.3 Tata Company CSR Major Focus**

The tata group of companies CSR initiative addresses its CSR activities by focusing on the triple bottom line for example, the environment, the trustee to the society and economic empowerment.

**4.3-1 Environment Focus** - Tata Company for years has taken a leading role towards protecting the environment by adopting various measures. Climate change remain the most threatening to the human race. It is because of human activities that have resulted into emissions that have compromised the quality of the environment. Nations across the globe are fighting to make a sustainable business that never threaten the existence of the natural environment that the future generations depends. Tata group of companies through their sustainability initiative, address the issue of climate change where by environment take the major lead. The company has developed some abatement strategies and increased awareness along with determining the best practices for saving the environment. The first move the Tata Company did was setting the Tata index for sustainable development which was adopted across all Tata group. The company has improved its carbon print by adopting the technology that reduces the amount of carbon emitted from its activities, it has put into place some monitoring mechanism that reports the emissions made every single day. The company has reduced water consumption and increased its water harvesting initiative. The company's ambitious plan of treating waste water, recycling of waste and re-using has been undisputed for more than a decade. Both the supply chain have adopted the go green initiatives and technology that minimises environmental impact. The company tabs

solar and wind energy, that both substitute the amount of energy consumed by the company.

#### **4.3-2 Social Impact**

The Tata Company commitment towards the society has remained undisputed and unmeasurable because a lot has been done beyond measure. Various companies of Tata have made a contribution to the society in different ways. Among the common social impacts include: the employment creation which has raised the living standards of people, contribution towards health care, taking part in research and innovations, providing transport services to the Indian population. The company also supports education like the higher learning institutions, essay competitions, conferences and study trips not forgetting primary education. The company also has some empowerment initiatives like self-help groups that have been taken and made a big change financially to millions of citizens.

#### **4.3-3 Economic Impact**

Tata Company had made an amazing contribution towards increasing the shareholder values addition through managing the company well. Year after year despite challenges, the company has kept adding the best economic advantage to the company. The tata group has economically remained stable, something that has helped keep its business functions even stronger. The 2013-14 Tata company reports, major company subsidiary were given out sector-wise. Each subsidiary company contributes towards the Tata group's economic financial performance critical to support various activities including CSR. They include: engineering that contributed - 39 percent, materials – 24 percent, information technology and communications – 20 percent, energy – 6.0 percent, services and consumers products each contributed - 4 percent and chemical – 3 percent. It indicate how each company subsidiary made an economic impact not only to the company but also towards CSR support.

**Table – 4.3: Tata Group Turnover Figures (Rs crore)**

Year	Total Turnover	Sale Turnover	Value of Assets
2013-14	624,757	617,212	703,734
2012-13	527,047	520,469	583,554
2011-12	475,721	471,045	515,933
2010-11	379,675	374,687	313,960
2009-10	319,534	311,129	250,179
2008-09	325,334	321,849	237,247
2007-08	251,543	247,416	177,293
2006-07	129,994	128,377	113,573
2005-06	96,723	94,714	79,766
2004-05	79,913	78,275	68,018
2003-04	65,424	61,434	55,063

Source: Tata Company reports 2013-14

Table 4.3 reveals the economic performance of the Tata group for ten years. Economic stability of the company remains the core to various CSR activities of the company. With total turnover and sales turnover increasing progressively apart from 2009-10 when there was a reduction, it reflects how responsible the company management is in both owner's value addition and responsibly making the company competitive.

The company has remained one that has contributed towards economic development of the country through their tax payment to the government. The company has taken some partnership with the government in development of infrastructure like roads, health centers, in research and development, pollution reduction, production of defence facilities and creating a large pool of employment. All these initiative reliefs the government economically and makes it operate fast in delivering services. The accolades received by the company reflects the true commitment of service in CSR activities. Some of the awards received include: Tata Group ranked the 11th most reputable company in the world in the survey that included 600 global companies.<sup>231</sup> Tata Group and its companies & enterprises are perceived to be India's best-known

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<sup>231</sup> Kneale, Klaus (6 May 2009). "World's Most Reputable Companies: The Rankings". Forbes. Retrieved 15 September 2010. <http://www.forbes.com/2009/05/06/world-reputable-companies-leadership-reputation-table.html>.

global brand within and outside the country as per the ASSOCHAM survey.<sup>232</sup> Tata Company has been awarded the best award because of its frontline efforts of sponsoring research Indian cultural institutions and learning institutions in various communities.<sup>233</sup> The company's philanthropic activities were recognized and awarded with the Carnegie Medal (a medal endowed mostly for international peace by the US) in 2007.<sup>234</sup> The international brand consultancy Brand Finance has ranked Tata Group, as 39th most valuable brand in the world.<sup>235</sup> In 2009 the Tata Group was ranked 11 in the world's top 100 reputable companies by Forbes Magazine.<sup>236</sup> In 2011 and 2012, ranked the 2<sup>nd</sup> most trusted brand by The Brand Trust Report.<sup>237</sup> <sup>238</sup> In 2013-14, The Brand Trust Report<sup>239</sup> ranked Tata as India's fifth most trusted brand and in 2014 Tata was ranked third Most Trusted Brand.

#### **4.4 CSR Activities of Indian Tobacco Company**

ITC Company has been in the business of giving back to the society for a long period of time. The company's CSR activities focus specifically on the society, environment and the shareholder value addition. The company's sustainability initiatives are part of larger inclusive targets that have transformed its business for years. The company, to achieve such objectives, has been investing for this cause. The ITC Company reports reveal various net profits achieved over years. Out of the net profits the company spends some amount towards CSR activities. The study in table 4.4 below using the 2 percent formulae, reveals the amount spent for ten years starting 2003-2014 by ITC as per the new companies Act 2013.

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<sup>232</sup> Tata Group seen as India's best-known global brand: Assocham survey". PTI. 24 December 2012. Retrieved 24 December 2012. <http://business today.in/story/tata-groupindias-best-known global brand>

<sup>233</sup> India's Tata Group: Empowering marginalized communities". 4 May 2008

<sup>234</sup> U.S. and Indian philanthropists recognized for conviction, courage and sustained efforts". 4 May 2008.

<sup>235</sup> Best Global Brands | Brand Profiles & Valuations of the World Top Brands". Brandirectory.com. Retrieved 8 July 2013. Best Global Brands | Brand Profiles & Valuations of the World Top Brands". <http://www.Brandirectory.com>. Retrieved 8 July 2013.

<sup>236</sup> Kneale, Klaus (6 May 2009). "World's Most Reputable Companies: The Rankings". Forbes. Retrieved 15 September 2010. <http://www.forbes.com/2009/05/06/world-reputable-companies-leadership-reputation-table.html>.

<sup>237</sup> Tata among most trusted brands in India. <http://www.exchange4media.com/> accessdate=2012-01-18

<sup>238</sup> <http://www.financialexpress.com/news/a-matter-trust>. Financialexpress.com. Retrieved 8 July 2013.

<sup>239</sup> Ibid.

**Table – 4.4: ITC Company CSR Expenditure for Ten Year Period**

Years	Combined net sum profits of the two years (amount in crores)	Average of the preceding 3years (amount in crores)	*Amount to be spend on CSR (amount in crores)
2013/14	16203.16	11259.78	225.2
2012/13	13580.76	9174.39	183.49
2011/12	11149.98	7585.63	151.71
2010/11	9048.61	6509.45	130.19
2009/10	7324.59	5713.03	114.26
2008/09	6383.69	5060.71	101.21
2007/08	5820.07	4382.11	87.64
2006/07	4935.32	3725.07	74.50
2005/06	4426.75	3103.07	62.06
2004/05	3784.25	2573.75	51.48
2003/04	2964.20	2185.25	43.71
2002/03	2561.07	1803.51	36.07

Source: Calculated from the company's net profit reports for ten years

Note: \* The formulae for calculating the two percent (2 percent of the average net profit during the three immediately preceding financial years) was used.

Table – 4.4 reveals the amount that ITC Company spends towards CSR activities as per the requirement of the company regulation Act of 2013. The table reveals that the company met the minimum requirement and beyond of two percent as per the Act. The CSR expenditure over years from 2003 as per the table has been increasing progressively. It signifies a commitment in governance of company affairs. Without enough finance it will be hard for the company to execute its CSR activities.

The company runs various CSR activities which covers the triple bottom line as the company website reveals. Some of these areas include the environment, society and economic as they have been explained below.

#### **4.4-1 CSR on Environment Protection**

ITC Company is among the leading companies in India in terms of environment protection. The company remains conscious of its activities when it comes to

environment protection. The initiative towards energy renewable, waste recycling and the green hotels reflects the company's true commitment towards protection of the environment. The company across its subsidiary companies and supply chain have adopted a policy of reducing environment pollution across its plants. The first move the company has taken is by adopting stringent quality requirements across the world (for example ISO 9001 certified) in four of its manufacturing paperboard units that meets strict Environment norms. The company has its manufacturing units (for example, the largest integrated pulping and paperboard manufacturing unit in Bhadrachalam in India) certified equipments supplied by internationally renowned suppliers for pulping processes like paper machines, web detection & inspection systems, finishing & packing lines. The high end virgin and recycled boards for packaging and application of graphics, availability of fine paper printing that uses pulp made from Ozone bleaching process known as light ECF process adds to the company's pollution reduction. The technology of Ozone bleaching significantly reduces the load of toxins in the effluent discharged that help customers with the brighter and stronger product. The company's environmental responsibility with the BOD (Biochemical oxygen on demand) and COD (Chemical oxygen on demand) level way below the National Standard Limits remain the top priority for the company.

The idea of creating wealth from the wastes has helped not only in pollution effect but in creating employment opportunities and raised living standards while reducing company costs. All ITC hotels are green rated which has helped in reduction of energy used from other sources making the company among the elite companies in terms of innovations for energy independence. The company has planted a great deal of trees that provide cover and the raw material for the paper industry. More than 1, 24,000 hectares of land planted trees stands testimony to ITC's commitment to sustainable forestry. The awards that the company has achieved because of environment protection for the last ten year is an evidence of CSR towards their commitment towards environment protection.

#### **4.4-2 Social Impact and Livelihood**

The company has brought a great change in the rural villages since the last ten years since the e-Choupal programme was adopted in different states across India. Since its launch in 2000, the e-Choupal initiative has created a very big social impact

and improved millions of poor Indians in villages. The initiative has transformed the way farming is run right from organizing the farm through methods of farming to the market place eliminating the middle men who used to suck huge commissions. The company has sponsored more than 3.5 lack children for free primary education alone, and increased the healthcare facilities. In Karnataka alone, the initiative has improved production of soya bean, coffee, wheat, rice, and pulses across thousands of villages in the state. The company helps through research and innovations to produce disease resistant, high yielding clones that help farmers realize greater yields in a shorter time from unproductive land.

Table 4.5 below reveals the major CSR sustainability initiatives the company had carried out and the impact it had created by 2013-14 alone across India.

**Table – 4.5: ITC 2013-14 CSR Sustainability Report**

Intervention Areas	Unit of Measurement	Cumulative Till Date
Total Districts Covered Across India	Number	61
Social and Farm Forestry	Hectare	164,551
Soil and Moisture Conservation Programme	Hectare	161,427
Sustainable Agricultural Practices Compost Units	Number	20,274
Sustainable Livelihoods Initiative	Number	256
Cattle Development Centres	Artificial Insemination doses (in lakhs)	13.78
Animal Husbandry Services		
Economic Empowerment of Women	Persons	20,508
Self Help Group Members Livelihoods created	Persons	42,568
Primary Education Beneficiaries	Children ( in lakhs)	3.58
Health and Sanitation		
Low Cost Sanitary Units	Number	4,686

Source: ITC annual reports 2013-14.[www.itcportal.com](http://www.itcportal.com)

The ITC company reports as on 2013-14 reveals their role in making change in the society right from environment protection, economic and social impact. On addressing the triple bottom line, the company's economic initiative has affected the



women through Self-Help Groups, which creates sustainable earning for a living. The company has been in the fore front in economic development of the nation through tax payment. The service through its ITC Infotech to various companies has improved and reduced company earning and operating costs. For ten years the company has improved various areas covering many districts.

#### 4.5 CSR in the Organisation

Also every organisation now practices CSR with the knowledge that it pays by doing good. CSR presence in the organization matters a lot to different stakeholders. Every organization be it small or big wants to include CSR practices to its kit. The study in table - 4.6 below reveals the opinion of respondents from both companies concerning presence of CSR in the organization.

**Table - 4.6: Classification Based on Presence of CSR**

CSR Awareness	Respondents Company		Total
	Tata Company	ITC Company	
Yes	46(95.8)	23(95.8)	69(95.8)
No	2(4.2)	1(4.2)	3(4.2)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Study (values in parenthesis indicates percentage to the column total)

Table - 4.6 reveals the company and opinion of respondents concerning the presence of CSR practices in the company. Out of 95.8 percent respondents, 95.8 percent respondents each for Tata Company and ITC Company opined that CSR practices were present in the organization. Out of 4.2 percent respondents, each respondents of Tata Company and ITC Company with 4.2 percent opined that there were no CSR practices in the company.

In view of the above analysis, it is inferred that there were CSR practices in both companies.

#### 4.6 Time for CSR in the Organization

The concept of CSR is not a new one for both Tata Company and ITC Company, because for more than 100 years, no government agencies have made them adopt the tradition. Just like other big companies in India, the two private companies have created their reputation over time and different stakeholders have created trust with both companies. Companies that have practiced CSR for a long time reveals to stakeholders

that they are not aiming to maximize economic purposes but giving back to the larger society and caring for the environment. Trust is created over a period of time and once gained the practice of CSR remain as part of doing normal business. A vast majority of companies, business partners, customers and other stakeholders, love to be associated with the companies that are consistent with ethical and moral values on CSR over time. The study in table - 4.7 below reveals the opinion of respondents surveyed from both companies concerning the time that CSR practices have been in practice.

**Table - 4.7: Classification Based on the Period of CSR in the Company**

Time	Respondents Company		Total
	Tata Company	ITC Company	
Less than 5	2(4.2)	1(4.2)	3(4.2)
6-10	2(4.2)	1(4.2)	3(4.2)
11-15	12(25.0)	7(29.2)	19(26.4)
More than 16	32(66.7)	15(62.5)	47(65.3)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 4.7 shows the company and opinion of respondents concerning the period CSR has been in practice. Out of 65.3 percent respondents, 66.7 percent respondents and 62.5 percent respondents of Tata Company and ITC Company opined that CSR practices have been in place for more than 16 years. Out 26.4 percent respondents, 25.0 percent respondents and 29.2 percent respondents of Tata Company and ITC Company opined that CSR practices have been in place for 11-15 years. Out of 4.2 percent respondents, 4.2 percent respondents of Tata Company and ITC Company each opined that they had practiced CSR for 11-15 and less than 5 years.

It is inferred from the above table analysis that both companies have been practicing CSR for more than 16 year.

#### **4.7 Company CSR Programmes**

There are many company CSR programmes crucial to the organization which act as a guideline towards achieving specific goals. The study has revealed in table - 4.8 below the opinion of respondents concerning CSR programmes.

**Table - 4.8: Classification Based on CSR Programmes**

Programmes	Respondents Company		Total
	Tata Company	ITC Company	
Ethical Responsibility	12(25.0)	5(20.8)	17(23.6)
Social Responsibility	9(18.8)	7(29.2)	16(22.2)
Environmental Responsibility	11(22.9)	7(29.2)	18(25.0)
Economic Responsibility	14(29.2)	4(16.7)	18(25.0)
Other	2(4.2)	1(4.2)	3(4.2)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 4.8 shows the company and opinion of respondents concerning CSR programmes. Out of 25.0 percent respondents, 22.9 percent respondents and 29.2 percent respondents of Tata Company and 29.2 percent respondents and 16.7 percent respondents of ITC Company opined that they had environmental and economic responsibility programmes. Out of 23.6 percent respondents, 25.0 percent respondents and 20.8 percent respondents opined that they had ethical responsibility programmes. Out of 22.2 percent respondents, 18.8 percent respondents and 29.2 percent respondents of Tata Company and ITC Company said that they had social responsibility programmes. Out of 4.2 percent respondents, Tata company respondents of Tata Company and ITC Company each with 4.2 percent opined that they had other CSR programmes like donations and philanthropic activity programmes.

From the above table analysis, it is evident that Tata Company's major CSR programme was economic while ITC Company major CSR programme were social and environment programmes. Hence it is inferred that both companies had common CSR programmes on environment and economic.

#### **4.8 CSR Policies**

Every company has policies that will help them achieve their targeted CSR programmes. Those policies differ depending with the type of business objectives that a certain company wants to achieve. Table 4.9 below reveals the opinion of respondents concerning the presence of CSR policies in the company.

**Table - 4.9: Classifications Based on CSR Policies**

Response	Respondents Company		Total
	Tata Company	ITC Company	
Yes	47(65.3)	23(31.9)	70(97.2)
No	1(1.4)	1(1.4)	2(2.8)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 4.9 reveals the company and the opinion of respondents concerning presence of CSR policies in the company. Out of 97.2 percent respondents, 65.3 percent respondents and 31.9 percent respondents of Tata Company and ITC Company opined that they had CSR policies, while out of 2.8 percent respondents, 1.4 percent respondents each for Tata Company and ITC Company opined that there were no CSR policies.

From the above table analysis, it can be inferred that both companies had CSR policies.

#### 4.9 Types of CSR Policies adopted by Tata Company and ITC Company

Company policies help address certain specified targets within a specified time. Every company has its own policies that they aim to achieve over time. The study in table – 4.10 below reveals the opinion of respondents from both companies concerning CSR policies.

**Table - 4.10: Classification Based Types of CSR Policies**

Policies	Respondents Company		Total
	Tata Company	ITC Company	
Product Safety and Quality	6(12.5)	4(16.7)	10(13.9)
Human Rights	7(14.6)	4(16.7)	11(15.3)
Environment	7(14.6)	3(12.5)	10(13.9)
Compliance	5(10.4)	4(16.7)	9(12.5)
Disclosure	8(16.7)	3(12.5)	11(15.3)
Risk Management	6(12.5)	3(12.5)	9(12.5)
Social Contribution	6(12.5)	2(8.3)	8(11.1)
Other	3(6.3)	1(4.2)	4(5.6)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 4.10 reveals the company and opinion of respondents towards CSR policies of the company. Out of 15.3 percent respondents, Tata company respondents

with 14.6 percent and 16.7 percent and ITC Company respondents with 16.7 percent and 12.5 percent opined that CSR policy on human rights and disclosure were available in their respective companies. Out of 13.9 percent respondents, 12.5 percent respondents and 14.6 percent respondents of Tata Company and 16.7 percent respondents and 12.5 percent respondents of ITC Company opined that CSR policy towards product safety and quality and environment were available in their respective companies. Out of 12.5 percent respondents, Tata Company respondents with 10.4 percent and 12.5 percent while ITC Company respondents with 16.7 percent, and 12.5 percent, opined that CSR policy towards compliance and risk management were available in their respective companies. Out of 11.1 percent respondents, Tata Company and ITC company respondents with 12.5 percent and 8.3 percent respectively opined that CSR policies towards social contribution was available in their respective companies. Out of 5.6 percent respondents, 6.3 percent respondents and 4.2 percent respondents of Tata Company and ITC Company opined that other CSR policies like economic and innovations were practiced in their respective companies.

In view of the above analysis, it is inferred that Tata company CSR policy focused majorly on disclosure while ITC Company CSR policy focused majorly on product safety and quality, human rights and compliance.

#### **4.9-1 Policy of CSR towards Human Rights**

For a long time, human rights issue has been under discussion from various groups like NGO and activists, from religious organization and from the governments themselves. Human rights is critical to the success of any organization and it must be uphold and practiced. Though much improvements have been made to date on the issue of human rights, a lot still is to be done for a longer beneficial harmony with other stakeholders. The study in table - 4.10-1 below reveals the opinion of respondents from both companies concerning human rights policies.

**Table - 4.10-1: Classification Based on CSR on Human Rights**

Policies	Respondents Company		Total
	Tata Company	ITC Company	
Gender Equality Across Supply Chain	7(14.6)	5(20.8)	12(16.7)
Non-Discrimination in the Work Place	7(14.6)	4(16.7)	11(15.3)
Safe and Health Workplace	11(22.9)	3(12.5)	14(19.4)
Child Labour Protection	12(25.0)	3(12.5)	15(20.8)
Setting Minimum Wages and Hours for Work	9(18.8)	7(29.2)	16(22.2)
Other	2(4.2)	2(8.3)	4(5.6)
<b>Total</b>	<b>48(66.7)</b>	<b>24(33.3)</b>	<b>72(100.0)</b>

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 4.10-1 shows the company and opinion of respondents concerning CSR practices on human rights policy. Out of 22.2 percent respondents, 18.8 percent respondents and 29.2 percent respondents of Tata Company and ITC Company opined that the company human rights CSR policy focused on setting minimum wages and working hours and wages for workers and employees respectively. Out of 20.8 percent respondents, 25.0 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that the company human rights CSR policy focused on child labour protection. Out of 19.4 percent respondents, 22.9 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that CSR Human rights policy focused on safe and health workplace. Out of 16.7 percent respondents, 14.6 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that CSR human rights policy focused on gender equality across supply chain. Out of 15.3 percent respondents, 14.6 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that CSR human rights policy focused on non-discrimination in the workplace. Out of 5.6 percent respondents, 4.2 percent respondents and 8.3 percent respondents of Tata Company and ITC Company opined that there were other human rights CSR policies that focused on giving employees freedom of worship.

From the above analysis, it is clear that Tata Company's human rights major preference was on child labour protection followed by safe and health workplace, while ITC Company human rights major preference was on setting minimum wages and hours for work closely followed by gender equality across supply chain. Hence it

is inferred that both companies had a wide range of human rights policies led by time and pay wages followed by child labour abuses.

#### **4.9.1-1 Company CSR on Human Rights Creates Competition**

CRS Practices on human rights remain the centre stage that determines the future of the most successful companies. When there are human rights practices many employees, business partners and other stakeholders will focus their attention towards the company. This will in together make the company more competitive. Table - 4.10-2 below reveals the opinion of respondents from both companies concerning whether CSR practices on human rights has an impact on competitiveness of the company.

**Table - 4.10-2: Classification Based on Human Rights CSR and Competitive Advantage**

Response	Respondents Company		Total
	Tata Company	ITC Company	
Yes	46(63.9)	23(31.9)	69(95.8)
No	2(2.8)	1(1.4)	3(4.2)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 4.10-2 reveals the opinion of respondents concerning the impact of CSR on human rights towards the competitiveness of the company. Out of 95.8 percent respondents, 63.9 percent respondents and 31.9 percent respondents of Tata company and ITC Company opined that CSR on human rights made the company competitive, while out of 4.2 percent respondents, 2.8 percent respondents and 1.4 percent respondents of Tata Company and ITC Company opined that CSR on human rights did not have any impact of competitiveness of the company.

From the above table analysis, it can be inferred that CSR practices on human rights makes the company competitive.

#### **4.9.1-2 Human Rights CSR Practice Impacts the Competitiveness of the Company**

Human rights practices have an impact towards the company's competitiveness in many ways. The practices of CSR on human rights makes the brand of the company better because different stakeholders including employees will wish to work closer with a caring company. The company creates the trust that pulls customers and other stakeholders to have trust with the company activities. Stakeholders who demand for

human rights disclosure will use the report they get in making decision how to deal with the company in a wider perspective. Table - 4.10-3 below shows the opinion of respondents concerning the impact of human rights CSR practices towards the competitiveness of the company.

**Table - 4.10-3: Classification Based on CSR Human Right Practices towards Company Competitiveness**

Impact	Respondents Company		Total
	Tata Company	ITC Company	
Commercial benefits like Attracting Investments and Finance	8(16.7)	5(20.8)	13(18.1)
Competitive Advantage	9(18.8)	5(20.8)	14(19.4)
Safeguard Company Image and Brand Reputation	9(18.8)	4(16.7)	13(18.1)
Improve Recruitment and Staff Loyalty	8(16.7)	4(16.7)	12(16.7)
Foster Greater Production	8(16.7)	4(16.7)	12(16.7)
Secure and Maintain a Social Licence to Operate	6(12.5)	2(8.3)	8(11.1)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 4.10-3 shows the opinion of respondents concerning the impact of human rights CSR practices towards company competitiveness. Out of 19.4 percent respondents, 18.8 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that CSR practices on human rights gave the company a competitive advantage. Out of 18.1 percent respondents, Tata company respondents with 16.7 percent and 18.8 percent and ITC Company respondent with 20.8 percent and 16.7 percent opined that CSR practices on human rights made some commercial benefits like attracting investments and finance and safeguard company image and brand reputation. Out of 16.7 percent respondents, respondents of Tata Company and ITC Company each with 16.7 percent opined that CSR practices on human rights improved recruitment and staff loyalty and fostered greater production. Out of 11.1 percent respondents, 12.5 percent respondents and 8.3 percent respondents opined that CSR practices on human rights made the company secure and maintain a social Licence to operate.



From the above table analysis, it is clear that Tata Company's CSR on human rights was beneficial on increasing the competitive advantage and safeguarding the brand image and company reputation while ITC Company CSR on human rights was beneficial for commercial benefits like attracting investment and finance. Hence it can be inferred from the analysis that both company's CSR towards human rights was much beneficial mostly for giving the company a competitive advantage.

To test whether there is a significant difference between the two companies concerning CSR practices on human rights and competitive advantage, t-test was taken as shown below.

### Hypothesis 1

H0: CSR of Tata Company and ITC Company will not lead to retaining the competitiveness of the company

Ha: CSR of Tata Company and ITC Company will lead to retaining the competitiveness of the company

**Table - 4.10-4: Statistical Data for Judging the CSR on Human Practices**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
CSR and Human Rights Benefits	Equal variances assumed	.021	.886	.554	70	.581	.229	.414	-.596	1.054
	Equal variances not assumed			.555	46.271	.582	.229	.413	-.602	1.060

Source: Calculated from Analysed Primary Data

Table - 4.10-4 shows the statistical value for judging the significance of CSR on human rights towards the competitiveness of the company. The significance (p-value) for t-test is 0.886 which is bigger than 0.05, hence the variances are assumed to be the

same. Using the upper row, the t-test value is .554, while the significance p-value for the test is .581. Since the p-value is more than the alpha (for example  $p > \alpha$  or  $p > 0.05$ ) there is no enough evidence to reject the null hypothesis and conclude that there is no significant difference of CSR on human rights between the two companies. Hence since there is no evidence to suggest that there is a significant difference between the two companies concerning their CSR practices on human right towards company competitiveness, the study concludes that CSR of Tata Company and ITC Company will lead to retaining the competitiveness of the company. Hence the null hypothesis is rejected.

#### 4.9.1-3 Human Rights CSR on Brand Image

CSR practices on human rights have a great impact on the company brand image. Putting into practice the welfare of employees and upholding the best human rights through CSR will attract various stakeholders for example investors, business partners, the government and employees towards company brands. CSR on human rights has become very sensitive issue and many companies have to disclose their CSR activities on human rights. Consumer's consciousness about the sensitivity of the company towards human rights will give the advantage of increased consumption of goods and services of the company. Table - 4.10-5 below reveals the opinion of respondents from each companies concerning human rights CSR on the brand image of the company.

**Table - 4.10-5: Classification based on Human Right CSR and Brand Image**

Response	Respondents Company		Total
	Tata Company	ITC Company	
Yes	20(41.7)	12(50.0)	32(44.4)
Sometime	13(27.1)	7(29.2)	20(27.8)
Not Always	12(25.0)	4(16.7)	16(22.2)
Never	3(6.3)	1(4.2)	4(5.6)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 4.10-5 shows the company and opinion of respondents towards human rights CSR impact on brand image. Out of 44.4 percent respondents, 41.7 percent respondents and 50.0 percent respondents of Tata Company and ITC Company opined that CSR on human rights improved company brand image. Out of 27.8 percent respondents, 27.1 percent respondents and 29.2 percent respondents of Tata Company and ITC Company opined that CSR on human rights sometimes improved brand image

of the company. Out of 22.2 percent respondents, 25.0 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that CSR on human rights improved brand image of the company but not always. Out of 5.6 percent respondents, 6.3 percent respondents and 4.2 percent respondents of Tata Company and ITC Company said that CSR did not improve the brand image of the company.

It can be inferred from the above table analysis, that CSR on human rights improved brand image of the company.

#### 4.9-2 CSR Policy towards the Environment

Company activities have a great impact towards the environment. There are different policies that have been laid down by every company or by the state or central government concerning the environment. Table – 4.11 below reveals the opinion of respondents from both companies concerning the presence of CSR policy on the environment.

**Table - 4.11: Classification Based on Presence of CSR towards the Environment**

Response	Respondents Company		Total
	Tata Company	ITC Company	
Yes	46(95.8)	22(91.7)	68(94.4)
No	2(4.2)	2(8.3)	4(5.6)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Study (values in parenthesis indicates percentage to the column total)

Table - 4.11 reveals the company and opinion of respondents concerning presence of CSR measure towards environment protection. Out of 94.4 percent respondents, 95.8 percent respondents and 91.7 percent respondents of Tata Company and ITC Company opined that there were measures to protect the environment, while out of 5.6 percent respondents, 4.2 percent respondents and 8.3 percent respondents of Tata Company and ITC Company opined that there were no measures towards environment protection.

From the above analysis it is inferred that both companies had protection measures towards the environment.

#### 4.9.2-1 CSR Policy Measures towards Environment Protection

Given the fact that the demands for goods and services keep increasing due to increase in population, pressure for production on the side of companies too has

significantly rose. Due to this fact, there will be more carbon emissions and other effluents that have a negative impact towards the environment. Hence it is of benefit for companies to adopt various environment protection policy measures that will look after the safety of the environment. The study in table – 4.11-1 below reveals the opinion of respondents concerning various environment protection measures adopted by both companies.

**Table 4.11-1 Classification Based on Measures to Protect the Environment**

Measures	Respondents Company		Total
	Tata Company	ITC Company	
Emission Standard	14(29.2)	5(20.8)	19(26.4)
Surveillance Team	8(16.7)	4(16.7)	12(16.7)
Aggressive Pollution Control Measures in Place	18(37.5)	8(33.3)	26(36.1)
Building Green Field Projects	4(8.3)	4(16.7)	8(11.1)
Carbon Print Monitoring	4 (8.3)	3(12.5)	7 (9.7)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 4.11-1 reveals the company and opinion of respondents concerning various CSR policy measures towards environment protection. Out of 36.1 percent respondents, Tata Company respondents and ITC Company respondents with 37.5 percent and 33.3 percent opined that aggressive pollution control measures were in place as a policy measure for protecting the environment. Out of 26.4 percent respondents, 29.2 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that they had a policy on emission standards as a measure towards environment protection. Out of 16.7 percent respondents, Tata Company respondents and ITC Company respondents each with 16.7 percent opined that they had surveillance team as a policy measure towards environment protection. Out of 11.1 percent respondents, 8.3 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that their respective companies had adopted the CSR policy of building green field projects aimed towards environment protection. Out of 9.7 percent respondents, 8.3 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that they had a policy on carbon print emission as a CSR measure towards environment protection.

It is inferred from the above table analysis that both companies had Aggressive Pollution Control Measures in Place aimed at protecting the environment.

#### **4.9.2-2 Effectiveness of Environment Protection Measures on the Company Brand Image**

The effectiveness of environment protection policies adopted by the company depends on the methods employed in tackling them. If the methods adopted become more effective, then it will have a positive impact on the brand image of the company. Using a five point Likert scale to determine the effectiveness of environment protection measures of the company, the opinion of respondents from both companies were rated after feeling the questionnaire where by “1-Highly Ineffective and 5- Highly Effective” as table – 4.11-2 below reveals.

**Table - 4.11-2: Classification Based on Effectiveness of CSR Environment Protection Methods**

Policies	Company	Effectiveness					Total
		Highly not Effective	Un-Effective	Neither Effective nor Un-Effective	Effective	Highly Effective	
Technology and Innovative R&D for Clean Energy	Tata	1(2.1)	1(2.1)	1(2.1)	1(2.1)	44(91.7)	48 (66.7)
	ITC	0(.0)	0(.0)	0(.0)	6(25.0)	18(75.0)	24 (33.3)
	Total	1(1.4)	1(1.4)	1(1.4)	7(9.7)	62(86.1)	72 (100.0)
Planting trees and keeping wetlands	Tata	1(2.1)	1(2.1)	2 (4.2)	5(10.4)	39(81.3)	48 (66.7)
	ITC	0(.0)	0(.0)	0(.0)	4(16.7)	20(83.3)	24 (33.3)
	Total	1(1.4)	1(1.4)	2(2.8)	9(12.5)	59(81.9)	72 (100.0)
Establishing and Implementing Standard Laws and Regulations	Tata	2(4.2)	0(.0)	1(2.1)	5(10.4)	40(83.3)	48 (66.7)
	ITC	2(8.3)	1(4.2)	0(.0)	5(20.8)	16(66.7)	24 (33.3)
	Total	4(5.6)	1 (1.4)	1(1.4)	10(13.9)	56(77.8)	72 (100.0)
Recycling plants for safe disposal of waste substances and hazardous materials	Tata	1(2.1)	2(4.2)	1(2.1)	18(37.5)	26(54.2)	48 (66.7)
	ITC	0(.0)	1(4.2)	1(4.2)	15(62.5)	7(29.2)	24 (33.3)
	Total	1(1.4)	3(4.2)	2(2.8)	33(45.8)	33(45.8)	72 (100.0)
Production of Energy Efficient Products	Tata	1(2.1)	1(2.1)	2(4.2)	19(39.6)	25(52.1)	48 (66.7)
	ITC	0(.0)	1(4.2)	0(.0)	10(41.7)	13(54.2)	24 (33.3)

	Total	1(1.4)	2(2.8)	2(2.8)	29(40.3)	38(52.8)	72 (100.0)
Training and Disseminating Employees on CSR towards the Environment	Tata	0(.0)	0(.0)	1(2.1)	16(33.3)	32(64.6)	48 (66.7)
	ITC	0(.0)	0(.0)	0(.0)	8(33.3)	16(66.7)	24 (33.3)
	Total	0(.0)	0(.0)	1(1.4)	24 (33.3)	47(65.3)	72 (100.0)
Inducting E-waste Minimization Technology and Turn Carbon, Solid and Water Positive	Tata	0(.0)	1(2.1)	1(2.1)	17(35.4)	29(60.4)	48 (66.7)
	ITC	1(4.2)	0(.0)	0(.0)	9(37.5)	14(58.3)	24 (33.3)
	Total	1(1.4)	1(1.4)	1(1.4)	26 (36.1)	43(59.7)	72 (100.0)
Compliance on Environment Regulation and Reporting	Tata	2(4.2)	3(6.3)	2(4.2)	13(27.1)	28(58.3)	48(66.7)
	ITC	0(.0)	1(4.2)	0(.0)	11(45.8)	12(50.0)	24(33.3)
	Total	2(2.8)	4(5.6)	2(2.8)	24(33.3)	40(55.6)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the row total)

Table - 4.11-2 above reveals the company and opinion of respondents concerning the effectiveness of CSR initiatives towards environment protection and sustainability. Out of 86.1 percent respondents, 91.7 percent respondents and 75.0 percent respondents of Tata company and ITC company opined that technology and innovative R&D for clean energy were highly effective; out of 9.7 percent respondents, 2.1 percent respondents and 25.0 percent respondents of Tata company and ITC company opined that technology and innovative R&D for clean energy were effective, the remaining respondents each with 2.1 percent respondents of Tata company opined that technology and innovative R&D for clean energy were neither effective nor ineffective, ineffective and highly ineffective. Out of 81.9 percent respondents, 81.3 percent respondents and 83.3 percent respondents of Tata company and ITC company opined that planting trees and keeping wetlands was highly effective; out of 12.5 percent respondents, 10.4 percent respondents and 16.7 percent respondents of Tata company and ITC company opined that planting trees and keeping wetlands was effective, out of 2.8 percent respondents with and 1.4 percent respondents each of Tata company opined that planting trees and keeping wetlands was effective with 4.2 percent and 2.1 each respectively. Out of 77.8 percent respondents, 83.3 percent respondents and 66.7 percent respondents of Tata company and ITC company opined that establishing and implementing standard laws and regulations for environment was highly effective, out of 13.9 percent respondents, 10.4 percent and 20.8 percent respondents of Tata company and ITC company opined that establishing and implementing standard laws and regulations for environment effective, out of 1.4 percent respondents, 2.1 percent respondents of Tata company opined that establishing and implementing standard laws and regulations for environment was neither effective nor ineffective, out of 1.4 percent respondents, 4.2 percent respondents of Tata company and ITC company opined that establishing and implementing standard laws and regulations for environment were not effective, out of 5.6 percent respondents 4.2 percent and 8.3 percent respondents of Tata company and ITC company opined that with 4.2 percent establishing and implementing standard laws and regulations for environment were highly not effective; out of 45.8 percent respondents, 54.2 percent respondents and 29.2 percent respondents of Tata company and ITC company opined that recycling and safe disposal of waste substance and hazardous materials was highly effective, out of 45.8 percent respondents, 37.5 percent respondents and 62.5 percent respondents of Tata company and ITC company opined that recycling and safe disposal of waste substance and hazardous materials were



effective, out of 2.8 percent respondents, 2.1 percent respondents and 4.2 percent respondents of Tata company and ITC company opined that recycling and safe disposal of waste substance and hazardous materials was neither effective nor ineffective, out of 4.2 percent respondents, 4.2 percent respondents each for Tata company and ITC company opined that recycling and safe disposal of waste substance and hazardous materials was not effective, out of 1.4 percent respondents, Tata company respondents with 2.1 percent opined that recycling and safe disposal of waste substance and hazardous materials was highly ineffective. Out of 52.8 percent respondents, 52.1 percent respondents and 54.2 percent respondents of Tata company opined that production of energy efficient products was highly effective, out of 40.3 percent respondents, 39.6 percent respondents and 40.1 percent respondents opined that production of energy efficient products was effective, out of 2.8 percent respondents, 4.2 percent respondents of Tata company opined that production of energy efficient products was neither effective neither ineffective, out of 2.8 percent respondents, 2.1 percent respondents and 4.2 percent respondents opined that production of energy efficient products was not effective, out of 1.4 percent, Tata company respondents with 2.1 percent respondents opined that production of energy efficient products was highly ineffective. Out of 65.3 percent respondents, 64.6 percent respondents and 66.7 percent respondents opined that training and disseminating employees on CSR towards the environment was highly effective, out of 33.3 percent respondents, respondents of Tata Company and ITC company respondents each with 33.3 percent opined that training and disseminating employees on CSR towards the environment was effective. Out of 1.4 percent respondents, Tata company respondents with 2.1 percent opined that training and disseminating employees on CSR towards the environment was neither effective nor ineffective. Out of 59.7 percent respondents 60.4 percent respondents and 58.3 percent respondents of Tata company and ITC company opined that inducting e-waste minimization technology and turn carbon, solid and water positive was highly effective, out of 36.1 percent respondents, 35.4 percent respondents and 37.5 percent respondents of Tata company and ITC company opined that inducting e-waste minimization technology and turn carbon, solid and water positive was effective, out of 1.4 percent respondents, Tata company respondents each with 2.1 percent and ITC company respondents with 4.2 percent opined that inducting e-waste minimization technology and turn carbon, solid and water positive was neither effective nor ineffective, not effective and highly not effective. Out of 55.6 percent respondents, 58.3 percent respondents and

50.0 percent respondents opined that compliance on environment regulation and reporting was highly effective, out of 33.3 percent respondents, 27.1 percent respondents and 45.8 percent opined that compliance on environment regulation and reporting was effective, out of 5.6 percent respondents, 6.3 percent respondents and 4.2 percent respondents of ITC company and ITC company opined that compliance on environment regulation and reporting was not effective, out of 2.8 percent respondents, Tata company respondents each with 4.2 percent respondents opined that compliance on environment regulation and reporting was neither effective nor ineffective and highly ineffective.

From the above table analysis, it can be inferred that environmental protection and sustainability policy on CSR initiatives were highly effective in both companies.

In order to know effectiveness of CSR towards environment protection on the brand image, t-test was used to compare the means as shown below.

## **Hypothesis 2**

H<sub>0</sub>: There is no significant relationship between CSR practices and the brand image of Tata Company and ITC Company.

H<sub>a</sub>: There is a significant relationship between CSR practices and brand image of Tata Company and ITC Company.

An independent t-test was conducted to compare if there was a significant difference between the two companies concerning their CSR practices impact on the brand image of the company as revealed in table – 4.11-3 below.

**Table 4.11-3 Independent Samples T-Test for Testing the Significance of CSR on Brand Image**

		Levene's Test for Equality of Variances		t-test for Equality of Means							Hypothesis Testing
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference		
									Lower	Upper	
Technology and Innovative R&D for Clean Energy	Equal variances assumed	.002	.961	.245	70	.807	.042	.170	-.298	.381	H0: Fail to Reject the Null Hypothesis
	Equal variances not assumed			.291	68.539	.772	.042	.143	-.244	.328	
Planting trees and keeping wetlands	Equal variances assumed	3.887	.053	-.930	70	.356	-.167	.179	-.524	.191	H0: Reject the Null Hypothesis
	Equal variances not assumed			-1.164	69.629	.249	-.167	.143	-.452	.119	
Establishing and Implementing Standard Laws and Regulations	Equal variances assumed	3.825	.054	1.400	70	.166	.354	.253	-.150	.859	H0: Reject the Null Hypothesis
	Equal variances not assumed			1.251	34.940	.219	.354	.283	-.220	.929	
Recycling plants for safe disposal of waste substances and hazardous materials	Equal variances assumed	1.954	.167	1.000	70	.321	.208	.208	-.207	.624	H0: Reject the Null Hypothesis
	Equal variances not assumed			1.082	56.870	.284	.208	.192	-.177	.594	

Production of Energy Efficient Products	Equal variances assumed	.278	.599	-.415	70	.680	-.083	.201	-.484	.317	H0: Fail to Reject the Null Hypothesis
	Equal variances not assumed			-.437	52.948	.664	-.083	.191	-.466	.299	
Training and Disseminating Employees on CSR towards the Environment	Equal variances assumed	.692	.408	-.323	70	.747	-.042	.129	-.299	.215	H0: Fail to Reject the Null Hypothesis
	Equal variances not assumed			-.334	50.356	.740	-.042	.125	-.292	.209	
Inducting E-waste Minimization Technology and Turn Carbon, Solid and Water Positive	Equal variances assumed	.504	.480	.453	70	.652	.083	.184	-.283	.450	H0: Fail to Reject the Null Hypothesis
	Equal variances not assumed			.410	35.883	.684	.083	.203	-.329	.496	
Compliance on Environment Regulation and Reporting	Equal variances assumed	2.469	.121	-.508	70	.613	-.125	.246	-.616	.366	H0: Fail to Reject the Null Hypothesis
	Equal variances not assumed			-.581	64.643	.563	-.125	.215	-.554	.304	

Source: Calculated from the analysed primary data

Tables - 4.11-3 shows the statistical value for judging the significance of effectiveness of CSR activities towards environment protection. The independent sample t-test has been adopted to test the hypothesis. Technology and Innovative R&D for Clean Energy, the calculated p-value (.807) is greater than the t-value (0.245) or  $(0.807 > 0.245)$  – result - fail to reject the null hypothesis. On planting trees and keeping wetland the p-value (0.356) is less than the t-value (0.930) or  $(0.356 < 0.930)$  – result - reject the null hypothesis. Establishing and Implementing Standard Laws and Regulations, the calculated p-value (0.166) is less than the t-value (1.40) for example  $(0.166 < 1.40)$  – result – reject null hypothesis, recycling plants for safe disposal of waste substances and hazardous materials, the calculated p-value (0.321) is bigger than the t-value (1.00) for example  $(0.321 < 1.00)$  – result – reject null hypothesis, production of energy efficient products calculated p-value (0.680) is bigger than the t-value (0.415) (for example  $0.680 > 0.415$ ) - result – fail to reject null hypothesis, training and disseminating employees on CSR towards the environment, calculated p-value (0.747) is higher than the t-value (0.323) for example  $(0.747 > 0.323)$  – result – fail to reject null hypothesis, Inducting e-waste minimization technology, the calculated p-value (0.652) is bigger than the t-value (0.453) for example  $(0.652 > 0.453)$  – result- fail to reject null hypothesis, compliance on environment regulation and reporting, calculated p-value (0.613) is bigger than the t-value (0.508) for example  $(0.613 > 0.508)$  – result- fail to reject the null hypothesis. Hence from the above analysis the null hypothesis is rejected. It is evident that the independent sample t-test shows that there is significant difference in effectiveness of CSR activities on various variable.

A t-test reveals the difference in CSR effectiveness on the environment. Hence the study concludes that there is a significant relationship between CSR practices and brand image. Hence the null hypothesis is rejected

#### **4.9.2-3 Environment CSR Implementation**

Environment remain threatened most because of increased man's activities. Issues of climate change has become the topic of discussion among the corporate sector and governments because of challenges that have become disastrous in terms of human health, climate change and depletion of ozone layer. Now there is an urgent call for CSR implementation policies among the corporate sector in order to address and most urgently try to put a framework towards controlling company pollution impact. The

study in table - 4.11-4 below reveals the opinion of respondents concerning different policies used by companies to implement CSR on environment.

**Table - 4.11-4: Classification Based on CSR Environment Implementation**

Response	Respondents Company		Total
	Tata Company	ITC Company	
Corporate Environmental Policy	2(4.2)	1(4.2)	3(4.2)
Environmental Audit and systematic Monitoring Programs	6(12.5)	1(4.2)	7(9.7)
Stakeholder Involvement and Dialogue Promotion	13(27.1)	6(25.0)	19(26.4)
Data acquisition software	9(18.8)	5(20.8)	14(19.4)
Green Products and Green Procurement	18(37.5)	11(45.8)	29(40.3)
Total	48(66.7)	24 (33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 4.11-4 shows the company and the opinion of respondents towards CSR environment implementation policy. Out of 40.3 percent respondents, 37.5 percent respondents and 45.8 percent respondents of Tata Company and ITC Company said that the company used Green Products and green procurement to implement the CSR environment policy. Out of 26.4 percent respondents, 27.1 percent respondents and 25.0 percent respondents of Tata Company and ITC Company opined that stakeholder involvement and dialogue promotion were used to implement the CSR environment policy. Out of 19.4 percent respondents, 18.8 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that Data acquisition software were used to implement CSR environment. Out of 9.7 percent respondents, 12.5 percent respondents and 4.2 percent respondents opined that environment audit and systematic monitoring programs were used to implement the CSR environment policy. Out of 4.2 percent respondents, 4.2 percent respondents each for Tata Company and ITC Company opined that corporate environment policy was used to implement the CSR environment policy.

From the above table analysis, it is inferred that CSR environmental implementation by both companies were more focused on green products and green procurement.

### **4.9-3 Compliance**

There are various state laws that regulate how companies work. And demands their reports on various CSR activities they perform concerning social and

environmental issues. Compliancy with the state, company or any other agencies give the company the upper factor of benefit from different stakeholders as a transparent company. When companies comply with the state laws it will help reduce conflict with various stakeholders. The study in table – 4.12 below reveals opinion of surveyed respondents concerning areas that company comply on as part of their CSR activities.

**Table - 4.12: Classification Based on CSR areas of Company Compliance**

Response	Respondents Company		Total
	Tata Company	ITC Company	
Human Rights Address	9(18.8)	4(16.7)	13(18.1)
Communicating and Reporting CSR Activities	12(25.0)	5(20.8)	17(23.6)
Sustainable Business	13(27.1)	6(25.0)	19(26.4)
Social Contribution	11(22.9)	6(25.0)	17(23.6)
Other	3(6.3)	3(12.5)	6(8.3)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 4.12 shows the company and the opinion of respondents concerning company compliance policy. Out of 26.4 percent respondents, 27.1 percent and 25.0 percent respondents of Tata Company and ITC Company opined that they had complied on sustainable business policy. Out of 23.6 percent respondents, 25.0 percent respondents and 22.9 percent respondents of Tata Company and 20.8 percent respondents and 25.0 percent respondents of ITC Company opined that they had complied on communicating and reporting CSR activities and contributed towards the society. Out of 18.1 percent respondents, 18.8 percent and 16.7 percent respondents of Tata Company and ITC Company had complied on human rights. Lastly, out of 8.3 percent respondents, 6.3 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that they had complied on other CSR activities like environment protection and keeping ethical and moral issues.

It can be inferred from the above research analysis that both companies had a strong policy of compliancy, mostly on running a sustainable business, communicating and reporting their CSR activities and social contribution.

#### 4.9-4 Adopted Disclosure Standards

It's a good practice and moral ethics for companies to disclose their CSR activities without pressure from any law enforced, the state or any other agency. Different companies disclose by reporting their CSR activities towards different stakeholders and other agencies or authorities using different methods. There are different disclosure methods adopted by various companies to disclose their CSR activities but the most commonly used is the Global Reporting Initiative (GRI), Corporate Impact Reporting and the AA1000 Framework. The company disclosed reports are communicated to various stakeholders including investors, consumers, government and business partners to easily help in crucial decision making concerning their dealings with the company. A company that fails to disclose their CSR activities risks losing its reputation because investor will pull their resources elsewhere. Table – 4.13 below reveals the opinion of respondents from both companies concerning various reporting standards adopted on disclosing various CSR practices.

**Table – 4:13: Classification Based on Reporting Standards**

CSR Reporting Standards	Respondents Company		Total
	Tata Company	ITC Company	
GRI Reporting	30(62.5)	15(62.5)	40(62.5)
IIRC Reporting	2(4.2)	1 (4.2)	3(4.2)
Financial Reporting	16(33.3)	8(33.3)	24(33.3)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table – 4.13 shows the company and the opinion of respondents concerning disclosure of various CSR reporting standards adopted in the organization. Out of 62.5 percent respondents, Tata Company respondents and ITC Company respondents each with 62.5 percent said that they had adopted GRI reporting standards. Out of 33.3 percent respondents, each respondents of Tata Company and ITC Company with 33.3 percent opined that they had adopted financial reporting. Out of 4.2 percent respondents, Tata Company respondents and ITC Company respondents each with 4.2 percent opined that they had adopted IIRC Reporting in disclosing their CSR activities.

It can be inferred from the above table analysis that both companies had adopted various disclosure methods but the most commonly used was the Global Reporting Initiative compared to IIRC reporting which is new and not been adopted.



#### 4.9.4-1 Major Areas of Company CSR Disclosures

Government in India under new companies Act, demands that company disclose their various CSR activities. Most of the companies in India present their CSR reports as part of annual financial report. Some of the areas that the company CSR disclosure covers may vary but those areas should be made public and known to various stakeholders. In recent years, there has been a shift from purely environmental reporting to comprehensive wider aspects of corporate responsibility. Company reporting is currently the most looked into concerning the companies CSR activities relating to social and environmental impact and other activities. Table – 4.14 below discloses the opinion of respondents from both companies concerning areas that CSR reporting focuses on.

**Table – 4.14: Classification Based on Areas of CSR Reporting**

Areas of Focus	Respondents Company		Total
	Tata Company	ITC Company	
Strategy, Risk and Opportunity	5(10.4)	3(12.5)	8(11.1)
Materiality	9(18.8)	4(16.7)	13(18.1)
Targets and Indicators	9(18.8)	3(12.5)	12(16.7)
Suppliers and the Value Chain	7(14.6)	3(12.5)	10(13.9)
Stakeholder Engagement	7(14.6)	3(12.5)	10(13.9)
Governance	7(14.6)	4(16.7)	11(15.3)
Transparency and Balance	4(8.3)	4(16.7)	8(11.1)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table – 4.14 shows the company and opinion of respondents concerning the areas that the company focus on while reporting CSR activities. Out of 18.1 percent respondents, 18.8 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that their CSR reporting focused on materiality. Out of 16.7 percent respondents, 18.8 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that their CSR reporting focused on targets and indicators. Out of 15.3 percent respondents, 14.6 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that their CSR reporting focused on corporate governance. Out of 13.9 percent respondents, Tata Company and ITC Company respondents each with 14.6 percent and 12.5 percent opined that their CSR reporting focused on suppliers and the value chain and stakeholder engagement respectively. Out of the total 11.1 percent respondents, 10.4 percent respondents and

8.3 percent respondents of Tata Company and 12.5 percent respondents and 16.7 percent respondents of ITC company opined that their CSR reporting focused on strategy, risk and transparency and balance.

From the above analysis, it is inferred that much focus on CSR reporting by Tata Company was on materiality, targets and indicators while the majority of respondents of ITC Company reported on majorly on materiality, governance, transparency and balance. Hence it can be inferred from the above table analysis that both companies report mostly on materiality closely followed by targets and balance.

#### 4.9.4-2 Benefits of CSR Reporting

Some companies feel that reporting their CSR practices may make them uncompetitive and waste of resources. CSR reporting goes just beyond benefits. But in the current scenario different stakeholders use CSR reports to make their decisions concerning how to transact with the company. CSR reports provide a warning of trouble spots and also of unanticipated opportunities, compels managers to look at the business threats and opportunities a fresh and with a long term perspective. Table - 4.15 below reveals some of the benefits of CSR reports.

**Table – 4.15: Classification Based on Benefits of Reporting**

Benefits	Respondents Company		Total
	Tata Company	ITC Company	
Encourage Performance and Innovation	27(56.3)	12(50.0)	39(54.2)
Improves Stakeholders Communication	18(37.5)	9(37.5)	27(37.5)
Other	3(6.3)	3(12.5)	6(8.3)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 4.15 reveals the company and opinion of respondents concerning benefits of CSR reporting towards the company. Out of 54.2 percent respondents, 56.3 percent respondents and 50 percent respondents of Tata Company and ITC Company opined that reporting encouraged performance and innovation. Out of 37.5 percent respondents, Tata Company and ITC Company each with 37.5 percent opined that reporting improved communication. Out of 8.3 percent respondents, 6.3 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that CSR reporting had other benefits like; it created trust and improved consumption behaviours and provided a warning of risky areas.

It is clear from the above analysis that CSR reporting was beneficial to both companies because it increased performance and innovation and equally improved communication in both companies. Hence it is inferred that reporting CSR activities is beneficial to the company.

#### **4.9.4-3 CSR Reporting and Company Brand Image**

CSR reporting is beneficial because it helps companies improve their brand image. Reporting of CSR is used as a measure by financial institutions, investors and consumers in making their decision in terms of how much to lend to the company, invest and the changes the trend of consumption of the company brands. The tradition of reporting CSR activities of the company not only disclose the commitment of the company towards transparency, but also an assurance to the general stakeholders that strong brands grow when collectively believe in the company operations. Reporting is used as a benchmark by many companies to improve their CSR activities like risk management, environment protection and social impact. The company also after reporting may receive a feedback about the type of technology needed that can better the quality of goods and services to their stakeholders. The study in table – 4.16 below adopted a five point Likert scale to know the opinion of respondents concerning the importance of CSR reporting on various issues. “1=Highly Not Important and 5=Highly Important in that order”.

**Table - 4.16: Classification Based on Importance of CSR Reporting in Encouraging Performance and Innovation**

Activity	Company	Highly not Important	Not Important	Neutral	Important	Highly Important	Total
Creates Management Awareness	Tata	0(.0)	0(.0)	0(.0)	26(54.2)	22(45.8)	48(66.7)
	ITC	0(.0)	0(.0)	0(.0)	14(58.3)	10(41.7)	24(33.3)
	Total	0(.0)	0(.0)	0(.0)	40(55.6)	32(44.4)	72(100.0)
Identifies New Opportunities for Innovation	Tata	0(.0)	0(.0)	0(.0)	19(39.6)	29(60.4)	48(66.7)
	ITC	0(.0)	0(.0)	0(.0)	15(62.5)	9(37.5)	24(33.3)
	Total	0(.0)	0(.0)	0(.0)	34(47.2)	38(52.8)	72(100.0)
Helps Internal and external Awareness and Reputation	Tata	0(.0)	0(.0)	0(.0)	23(47.9)	25(52.1)	48(66.7)
	ITC	0(.0)	0(.0)	0(.0)	12(50.0)	12(50.0)	24(33.3)
	Total	0(.0)	0(.0)	0(.0)	35(48.6)	37(51.4)	72(100.0)
Positive Impact on Employee Pride and Motivation	Tata	0(.0)	0(.0)	0(.0)	20(41.7)	28(58.3)	48(66.7)
	ITC	0(.0)	0(.0)	0(.0)	11(45.8)	13(54.2)	24(33.3)
	Total	0(.0)	0(.0)	0(.0)	31(43.1)	41(56.9)	72(100.0)
Helps Recruitment and Retention of Employees	Tata	0(.0)	0(.0)	0(.0)	25(52.1)	23(47.9)	48(66.7)
	ITC	0(.0)	0(.0)	0(.0)	15(62.5)	9(37.5)	24(33.3)
	Total	0(.0)	0(.0)	0(.0)	40(55.6)	32(44.4)	72(100.0)
Strengthens Relationship with External Stakeholders	Tata	0(.0)	0(.0)	0(.0)	25(52.1)	23(47.9)	48(66.7)
	ITC	0(.0)	0(.0)	0(.0)	13(54.2)	11(45.8)	24(33.3)
	Total	0(.0)	0(.0)	0(.0)	38(52.8)	34(47.2)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table – 4.16 shows the company and opinion of respondents concerning the importance of CSR reporting in driving performance and innovations. Out of 55.6 percent respondents, 54.2 percent respondents and 58.3 percent respondents of Tata company and ITC company opined that CSR reporting was important in driving performance and innovation because it created management awareness, while out of 44.4 percent respondents, 45.8 percent and 41.7 percent respondents of Tata company and ITC Company opined that CSR reporting was highly important in driving performance and innovation because it created management awareness. Out of 52.8 percent respondents, 60.4 percent respondents and 37.5 percent respondents of Tata Company and ITC Company opined that CSR reporting was highly important in driving performance and innovation because it helped identify new opportunities for

innovation, while out of 47.2 percent respondents, 39.6 percent respondents and 62.5 percent respondents of Tata company and ITC company opined that CSR reporting was important in driving performance and innovation because it helped identify new opportunities for innovation. Out of 51.4 percent respondents, 52.1 percent respondents and 50.0 percent respondents of Tata Company and ITC Company opined that CSR reporting was highly important in driving performance and innovation because it helped internal and external awareness and reputation, while out of 48.6 percent respondents, 47.9 percent respondents and 50.0 percent respondents of Tata Company and ITC company opined that CSR reporting was important in driving performance and innovation because it helped internal and external awareness and reputation. Out of 56.9 percent respondents, 58.3 percent respondents and 54.2 percent respondents of Tata Company and ITC Company opined that CSR reporting was highly important in driving performance and innovation because it positively impacted employee pride and motivation, while out of 43.1 percent respondents, 41.7 percent respondents and 45.8 percent respondents of Tata company and ITC company opined that CSR reporting was important in driving performance and innovation because it positively impacted employee pride and motivation. Out of 55.6 percent respondents, 52.1 percent respondents and 62.5 percent respondents of Tata Company and ITC Company opined that CSR reporting was important in driving performance and innovation because it had a positive impact in recruitment and retention of employees, while out of 44.4 percent respondents, 47.9 percent respondents and 37.5 percent respondents of Tata company and ITC company opined that CSR reporting was highly important in driving performance and innovation because it had a positive impact in recruitment and retention of employees. Out of 52.8 percent respondents, 52.1 percent respondents and 54.2 percent respondents of Tata Company and ITC Company opined that CSR reporting was important in driving performance and innovation because it strengthened relationship with external stakeholders, while out of 47.2 percent respondents, 47.9 percent respondents and 45.8 percent respondents of Tata company and ITC company opined that CSR reporting was highly important in driving performance and innovation because it strengthened relationship with external stakeholders.

From the above table analysis, it can be inferred that CSR reporting was both important and highly important towards driving performance and innovations.

To know whether there was any significant difference between CSR reporting impact on driving performance and innovation and brand image, t-test was adopted to test the hypothesis below.

### Hypothesis 3

**H0:** Reporting CSR practices of the company do not improve the brand image.

**Ha:** Reporting CSR practices of the company do improve the brand image.

**Table - 4.17: Statistical Value for Judging the Significance CSR Reporting on Brand Image**

Factors that Increase Internal Performance	Value	df	Asymp. Sig. (2-sided)	N of Valid Cases	Hypothesis Test
Creates Management Awareness	.113 <sup>a</sup>	1	.737	72	H0: Reject Null Hypothesis
Identifies New Opportunities for Innovation	3.372 <sup>a</sup>	1	.066	72	H0: Fail to Reject Null Hypothesis
Helps Internal and external Awareness and Reputation	.028 <sup>a</sup>	1	.868	72	H0: Reject Null Hypothesis
Positive Impact on Employee Pride and Motivation	.113 <sup>a</sup>	1	.736	72	H0: Reject Null Hypothesis
Positives Role on Recruitment of New and Retention of Employees	.703 <sup>a</sup>	1	.402	72	H0: Fail to Reject Null Hypothesis
Strengthens Relationship with External Stakeholders	.028 <sup>a</sup>	1	.867	72	H0: Reject Null Hypothesis

Source: Calculated from the analysed primary data

Table – 4.17 shows the statistical value for judging the significance of CSR reporting and the brand image of the company. On creating management awareness the calculated value is 0.113 at 1 degrees of freedom, while the table value is 0.737 at 5% significance level. Since the calculated value is less than the table value we reject the null hypothesis and conclude that CSR reporting did help drive performance and innovation for competitiveness. On identifying new opportunities for innovation, the calculated value is 3.372 at 1 degrees of freedom, while the table value is 0.066 at 5% significance level. Since the calculated value is bigger than the table value, the study fail to reject the null hypothesis and conclude that CSR reporting did not help drive performance and innovation for competitiveness. On helping internal and external awareness and reputation, the calculated value is 0.028 at 1 degree of freedom while the table value is 0.868 at 5% significance level. The null hypothesis stand rejected. On creating positive impact on employee pride and motivation the calculated value is 0.113 at 1 degree of freedom, while the table value is 0.736 at 5% significance level. The null hypothesis stand rejected. On positive impact on recruitment and retention of employees the calculated value is 0.703 at 1 degrees of freedom, while the table value is 0.402 at 5% significance level. The study failed to reject the null hypothesis. On strengthening relationship with external stakeholders, the calculated value is 0.028 at 1 degrees of freedom, while the table value is 0.867 at 5% significance level. The study failed to reject the null hypothesis. From the analysis above, it is evident that there were significant difference in CSR reporting between Tata Company and ITC Company. It is inferred that CSR reporting improves the brand image of the company. Hence the null hypothesis is rejected

#### **4.9.4-4 CSR Reporting Improves Stakeholder Communication**

CSR reporting will have a direct impact towards various stakeholders specifically in improving communication between internal stakeholders of the company. Internal stakeholders are very important towards the company because all decisions pertaining the company are confined with the internal stakeholders. Hence reporting to them about company CSR initiatives will help them feel part of the company and hence get motivated to even work more. It will align the management and governance of the company through its internal stakeholders and make the company more productive. Improvement in coordination and strategic execution of activities originates from inside out. When communication of company CSR activities is improved internally, it

will definitely make the brand products more competitive because employees for example will put the best to produce quality products and services, and concentrates more because they feel part of the organisation and their working will be coordinated. Table – 4.18 below using the five point scale where by 1=highly not important and 5=highly important, surveyed the respondents of the two companies (tata company and ITC Company) concerning the importance of CSR reporting in improving internal stakeholder communication. They rated their opinions on various questions revealed in the table.

**Table – 4.18: Classification Based Internal Communication Improvement**

Response	Company Name	Highly Not Important	Not Important	Neutral	Important	Highly Important	Total
Improves Internal Awareness for all Employees	Tata	0(.0)	0(.0)	0(.0)	27(56.3)	21(43.8)	48(66.7)
	ITC	0(.0)	0(.0)	0(.0)	18(75.0)	6(25.0)	24(33.3)
	Total	0(.0)	0(.0)	0(.0)	45(62.5)	27(37.5)	72(100.0)
Easy for Innovation Purposes	Tata	0(.0)	0(.0)	0(.0)	27(56.3)	21(43.8)	48(66.7)
	ITC	0(.0)	0(.0)	0(.0)	16(66.7)	8(33.3)	24(33.3)
	Total	0(.0)	0(.0)	0(.0)	43(59.7)	29(40.3)	72(100.0)
Easy Communication to External Stakeholders	Tata	0(.0)	0(.0)	0(.0)	20(41.7)	28(58.3)	48(66.7)
	ITC	0(.0)	0(.0)	0(.0)	13(54.2)	11(45.8)	24(33.3)
	Total	0(.0)	0(.0)	0(.0)	33(45.8)	39(54.2)	72(100.0)
Help Different Functions Learn from each Other	Tata	0(.0)	0(.0)	0(.0)	27(56.3)	21(43.8)	48(66.7)
	ITC	0(.0)	0(.0)	0(.0)	15(62.5)	9(37.5)	24(33.3)
	Total	0(.0)	0(.0)	0(.0)	42(58.3)	30(41.7)	72(100.0)

Source: Field Survey (Values in Parenthesis Indicates Percentage to the Column Total)

Table - 4.18 shows the company and the opinion of respondents towards CSR reporting on improving internal communication. Out of 62.5 percent respondents, 56.3 percent respondents and 75.0 percent respondents of Tata Company and ITC Company opined that CSR reporting was important because it improved internal awareness for all employees, while out of 37.5 percent respondents, 43.8 percent respondents of Tata company and ITC company opined that CSR reporting was highly important because it improved internal awareness for all employees. Out of 59.7 percent respondents, 56.3 percent respondents and 66.7 percent respondents of Tata Company and ITC Company opined that CSR reporting was important because it eased innovation purposes, while



out of 40.3 percent respondents, 43.8 percent respondents and 33.3 percent respondents of Tata Company and ITC Company opined that CSR reporting was highly important because it eased innovation purposes. Out of 54.2 percent respondents, 58.3 percent respondents and 45.8 percent respondents of Tata Company and ITC Company opined that CSR reporting was highly important because it improved communication with external stakeholders, while out of 45.8 percent respondents, 41.7 percent respondents and 54.2 percent respondents of Tata company and ITC company opined that CSR communication was important because it improved communication with external stakeholders. Out of 58.3 percent respondents, 56.3 percent respondents and 62.5 percent respondents of Tata company and ITC company opined that CSR reporting was highly important because it helped different functions learn from each other, while out of 41.7 percent respondents, 43.8 percent respondents and 37.5 percent respondents of Tata company and ITC company opined that CSR reporting was important because it helped different functions learn from each other.

From the above analysis, it can be inferred that CSR communication was important in improving internal communication.

#### **Hypothesis 4**

To study whether there is any significant difference between CSR communication and brand image of the company, chi-square test is adopted and the result is as follows.

**H<sub>0</sub>:** There is no Significant Difference between CSR Communication and Brand Image of the Company.

**H<sub>a</sub>:** There is a Significant Difference between CSR Communication and Brand Image of the Company.

Brand image of the company can be improved when the companies openly disclose their various CSR activities to internal and external stakeholders who uses the reports communicated to them to make decision on how to transact with the company.

The study used a five point scale to test whether there is any significant relationship between CSR communication and the brand image of the company. 1= Highly not Important and 5= Highly Important was used. The chi-square test was used to know the significance of CSR communication and brand image as shown in table - 4.19 below.

**Table - 4.19: Statistical Data for judging the Significance of CSR Communication on Brand Image**

Impact	Value	df	Asymp. Sig. (2-sided)	N of Valid Cases	Hypothesis Test
Improves Internal Awareness for all Employees	2.400 <sup>a</sup>	1	.121	72	No Significance
Easy for Innovation Purposes	.722 <sup>a</sup>	1	.396	72	No significance
Easy Communication to External Stakeholders	1.007 <sup>a</sup>	1	.316	72	No Significance. Fail to reject Null Hypothesis
Help Different Functions Learn from each Other	.257 <sup>a</sup>	1	.612	72	There is Significance. Reject Null Hypothesis

Source: Calculated from analysed primary data

Table – 4.19 shows the statistical value for judging the significance of CSR communication on brand image of the company. On improving internal awareness for all employees, the calculated  $\chi^2$  value is 2.400 at 1 degrees of freedom, while the table value is 0.121 at 5% significance level. Since the calculated value is higher than the table value, hence the study failed to reject the null hypothesis. On easing innovation purposes, the calculated value is 0.722 at 1 degrees of freedom and the table value is 0.396 at 5% significance level. Hence the study fails to reject the null hypothesis since the calculate value is higher than the table value. On improving communication to external stakeholders, the calculated value is 1.007 at 1 degrees of freedom, while the table value is 0.316 at 5% significance level. The study failed to reject null hypothesis. On helping different functions learn from each other, the calculated value was 0.257 at 1 degrees of freedom, while the table value is 0.612. Since the calculated value is less than the table value, the Null hypothesis is rejected.

Thus it is concluded that there is a significant difference between CSR Communication and brand image of the Company. Hence the null hypothesis is rejected.

#### 4.10 Risks Affecting CSR

Business are prone to risks of different types. These risks are accelerated by various factors like international markets, geo-political issues, governance variances, fast changing demands of various stakeholders for goods and services due to change in innovations and other business environment factors. These risks differ from one company to the other, but there are universal risks that often affect every company. Every risk faced by the company has an impact of CSR activities in the short or long-term. For example when the company faces financial risk due to loses, it will have an impact on procurement processes, employees and labour payment, may affect in time payment to supply chain who a times don't allow credit and at last this will have a great consequence towards CSR activities of the company in both long and short term depending with the company. This demands strategic means of containing these risks. But before going to address ways of containing the risks, it will be fair to highlight some of the risks that affect business CSR practices as revealed in table – 4.20 below.

**Table – 4.20: Classification Based on CSR Risks**

Risks	Respondents Company		Total
	Tata Company	ITC Company	
Strategic Risk	10(20.8)	4(16.7)	14(19.4)
Financial Risks	13(27.1)	5(20.8)	18(25.0)
Operational Risks	10(20.8)	7(29.2)	17(23.6)
Compliance	12(25.0)	6(25.0)	18(25.0)
Other Risks	3(6.3)	2(8.3)	5(6.9)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table – 4.20 shows the company and opinion of respondents towards the company risks that will affect CSR activities. Out of 25.0 percent respondents, 27.1 percent respondents and 25.0 percent respondents of Tata Company and 20.8 percent respondents and 25.0 percent respondents of ITC Company opined that financial risks and compliance were the risks that had an effect CSR activities of both companies. Out of 23.6 percent respondents, 20.8 percent respondents and 29.2 percent respondents of Tata Company and ITC Company opined that operational risks had an effect on CSR activities. Out of 19.4 percent respondents, 20.8 percent respondents and 16.7 percent respondents Tata Company and ITC Company opined that strategic risks had an effect of CSR activities of the company. Out of 6.9 percent respondents, 6.3 percent

respondents and 8.3 percent respondents of Tata Company and ITC Company opined that there were other risks like environmental risks that affected CSR activities of the company.

It is evident from the above analysis that strategic risks and operation risks were risks that affected Tata Company while operational risks affected CSR activities of ITC Company

#### 4.10-1 Risk Management

To contain the risks that threaten business existence needs to lay a CSR strategy. It will help eliminate or control the risks in time before they affect the business. This calls for problem identification, assessment and management in time. Table – 4.21 reveals the opinion of respondents from each company concerning CSR risk identification and assessment.

**Table – 4.21: Classification Based on Risk Identification and Assessment**

Response	Respondents Company		Total
	Tata Company	ITC Company	
Setting a Team Responsible for Checking and Controlling Risks	12(25.0)	5(20.8)	17(23.6)
Checks and Balances on most Prone Areas	5(10.4)	4(16.7)	9(12.5)
Educating Different Stakeholders on Precautionary Risk Safety Measures	11(22.9)	4(16.7)	15(20.8)
Integrated Technology To Help Identify Risks In Time	6(12.5)	6(25.0)	12(16.7)
Employees in Implementation Process	11(22.9)	5(20.8)	16(22.2)
Other	3(6.3)	0(.0)	3(4.2)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table – 4.21 shows the company and opinion of respondents concerning the risk identification and assessment methods. Out of 23.6 percent, 25.0 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that they had set a team responsible to check and assess risks. Out of 22.2 percent respondents, 22.9 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that they had included employees in implementation process to check and assess risks. Out of 20.8 percent respondents, 22.9 percent respondents and 16.7 percent

respondents of Tata Company and ITC Company opined that they educated different stakeholders on precautionary risk safety measures. Out of 16.7 percent respondents, 12.5 percent respondents and 25.0 percent respondents of Tata Company opined that they integrated technology to identify early risks. Out of 4.2 percent respondents, Tata company respondents opined that other risk management methods like benchmarking was adopted to identify and assess CSR risks.

From the above analysis, it is evident that Tata Company major CSR risk management method adopted was setting a team responsible to check and assess risks, while ITC company major risk management method adopted was technology integration that help identify risks earlier. Hence it is inferred that both company's risk management have an impact in controlling risks that threaten CSR.

To test whether CSR practices by the two companies will help reduce risk, chi-square was adopted to test the hypothesis below

### Hypothesis 5

H0: CSR practices of Tata Company and Indian Tobacco Company will not help manage risk.

Ha: CSR practices of Tata Company and Indian Tobacco Company will help manage risk.

**Table - 4.22 Statistical Information for Judging the Significance between CSR and Competitiveness**

	Tata Company			ITC Company		
	Value	df	Asymp. Sig. (2-sided)	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.008 <sup>a</sup>	5	.699	8.291 <sup>b</sup>	5	.141
Likelihood Ratio	3.778	5	.582	7.038	5	.218
Linear-by-Linear Association	2.236	1	.135	4.002	1	.045
N of Valid Cases	48			24		

Source: Calculated from the analysed primary data

a. 7 cells (58.3%) have expected count less than 5. The minimum expected count is .33.

b. 12 cells (100.0%) have expected count less than 5. The minimum expected count is .0

c. 7 cells (58.3%) have expected count less than 5. The minimum expected count is .42.

Table – 4.22 reveals the statistical values for judging the significance between CSR for risk management. The calculated value of  $\chi^2$  is 3.008 in case of Tata Company and the table value of  $\chi^2$  for 5 degree of freedom at 5% level of significance is 0.699. The calculated value of  $\chi^2$  is 8.291 in case of ITC Company and the table value of  $\chi^2$  for 5 degrees of freedom at 5% level of significance is 0.141. The study concludes that CSR practices helps in risk management of the company. Hence the null hypothesis is rejected.

#### **4.11 The Triple Bottom Line (TBL) Concept**

Business activities should address the three pillars that the business stand for. These pillars include the society (community), the economy (profits) and the environment (planet). It's upon the business sector to give back to society because all the three powerful factors of production essential for company (for example manpower, raw material and market) rests in the society itself. While diversifying and developing their business empire, care towards the environment remain critical because all said factors of production hang on the environment for survival. Including responsible shareholder value (for example economic), the study reflects in detail the triple bottom line of the two companies.

The concept of social responsibility involves business activities towards the society completely addressing the social challenges, the environment and the economy. It a situation whereby the company is paying attention to the social impact generated by their work activities, how they impact the environment and how they increase economic value without compromising their ethical and moral commitment. Social responsibility reflects obligation which business owes to society like answering some deficiencies in terms of health care, education, environment to mention a few. This social responsibility talk involves issues like combination of business with human and fulfilment, meaning and purpose of business in society, nature of human community and place of business in that community. As indicated earlier on, business depend on society for factors of production without which the survival of business will be really hard. The higher proportion of business depend on society to achieve their goal but to some extent the societies can survive without companies as they have been since time memorial. Businesses actions towards the society should define the achievements that will create harmony now and in the future. Therefore company dependence on society compels and propels a business to voluntarily assume its responsibility towards the

business on environment protection, economic contributions and infrastructure development as illustrated below.

#### 4.11-1 Environment Protection

Many companies have taken initiatives on environment protection due to legal compliance or pressure from stakeholders. Commitment towards environment protection by companies should be beyond legal compliance if the war on environment protection is to be won, where by a tradition of integrating efforts towards environment protection remain part of business. Some companies consume a lot of resources for example water and energy at the same time emits carbon in the form of waste to the environment (for example air, water and land) polluting the only home that man, animal and plant species depend for their survival. Resource depletion has become a common thing that has reduced and affected the water catchment areas. The most talked climate change is due to company activities that has now changed normal seasons and climate change, endangered indigenous families, plants and animal species from extinction. Cancer, allergy and other breathing health related diseases have been blamed on environment pollution that adds an extra cost to the common man in the society. Hence, company's accountability towards the society concerning environment remain inevitable. Table – 4.23 below reveals the opinion of respondents from both companies concerning environmental CSR activities that both companies practice in the society.

**Table – 4.23: Classification Based on Environment CSR towards the Society**

CSR on Environment in the Society	Respondents Company		Total
	Tata Company	ITC Company	
Planting Trees	7(14.6)	5(20.8)	12(16.7)
Recycling and Re-Use Initiatives	13(27.1)	6(25.0)	19(26.4)
Awareness on Pollution Control	13(27.1)	5(20.8)	18(25.0)
Energy Efficient Products	11(22.9)	6(25.0)	17(23.6)
Other	4(8.3)	2(8.3)	6(8.3)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table – 4.23 shows the company and opinion of respondents towards CSR on environment in the society. Out of 26.4 percent respondents, 27.1 percent respondents

and 25.0 percent respondents of Tata Company and ITC Company opined that recycling and re-use initiatives policy were adopted to save the environment as a CSR activity to the society. Out of 25.0 percent respondents, 27.1 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that awareness on pollution control was adopted to save the environment as a CSR activity to the society. Out of 23.6 percent respondents, 22.9 percent respondents and 25.0 percent respondents of Tata Company and ITC Company opined that energy efficient products were adopted to save the environment as a CSR activity to the society. Out of 16.7 percent respondents, 14.6 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that they had adopted planting trees to save the environment as a CSR activity to the society. Out of 8.3 percent respondents, Tata company respondents and ITC company respondents each with 8.3 percent opined that they had adopted other methods of saving the environment like reduced water consumption, alternative source of energy for example solar energy and protected the wetlands as a CSR activity to the society.

From the above table analysis, it is evident that both companies had made paramount efforts towards saving the environment as a CSR activity to the society. It can be inferred that Tata Company had considered most recycling and re-use of products while ITC Company had considered planting trees and awareness campaigns on pollution control.

#### **4.11-2 Economic Contribution**

Majority of rural people residing in rural areas have depend mostly on monsoon to run their traditional agriculture which is their only source of income. Many a times the rains may fail and the hefty loans they borrow from banks fail to be paid due to lack of other source of income. It remains that the tradition of handing over poverty in these situation from generation to generation is inevitable. Taking example of India's rural people, the 2011 census indicates that nearly 70 percent of the people live in rural areas and a majority of them live below a dollar a day. This calls for the corporate sector to step in and provide a more sustainable livelihood that will create employment and reduce rural urban influx. There are many initiatives that the company sector can deploy to economically stabilize the situation as shown in table – 4.24 below.



**Table – 4.24: Classification based on Economic CSR towards the Society**

CSR Economic Activities Towards The Society	Respondents Company		Total
	Tata Company	ITC Company	
Creating employment opportunities	6(12.5)	5(20.8)	11(15.3)
Creating sustainable agriculture	11(22.9)	7(29.2)	18(25.0)
Youth and women empowerment programs	11(22.9)	5(20.8)	16(22.2)
Creating wealth out waste	12(25.0)	4(16.7)	16(22.2)
Providing education loans to poor children	8(16.7)	3(12.5)	11(15.3)
Total	48(66.7)	24 (33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table – 4.24 reveals the company and opinion of respondents concerning economic initiatives as a CSR activity towards the society. Out of 25.0 percent respondents, 22.9 percent respondents and 29.2 percent respondents of Tata Company and ITC Company opined that they created sustainable agriculture as an economic CSR contribution towards the society. Out of 22.2 percent respondents, 22.9 percent respondents and 25.0 percent respondents of Tata Company and 20.8 percent respondents and 16.7 percent respondents of ITC Company opined that youth and women empowerment programs were the economic CSR contribution made towards the society. Out of 15.3 percent respondents, 12.5 percent and 16.7 percent respondents of Tata Company and 20.8 percent respondents and 12.5 percent respondents of ITC Company opined that they created employment opportunities and provided education to the poor children as an economic CSR activity towards the society.

It can be inferred from the above table analysis that, Tata Company had created sustainable agriculture, empowered youths and women while ITC Company had created sustainable agriculture as an economic CSR activity towards the society.

#### **4.11-3 Infrastructure**

In infrastructure remain the pillar of any economic development of a country. A part from environment protection and economic contribution, it is recommendable for companies to extend their CSR activities to the community. This will help production, reduce mass movement to urban areas in search of those facilities, and provide emergency facilities at the right time when needed. The role of private sector since liberalization and globalization has remained critical because services like education, medication and other necessities are catered for easing the lot from the government.

The study in table – 4.25 below reveals the opinion of respondents from both companies concerning CSR activities towards the community.

**Table – 4.25: Classification Based on Infrastructure towards the Society**

CSR Infrastructure	Respondents Company		Total
	Tata Company	ITC Company	
Technology and innovation centres	6(12.5)	6(25.0)	12(16.7)
Learning institutions	9(18.8)	5(20.8)	14(19.4)
Sports facilities for talent nurturing	8(16.7)	5(20.8)	13(18.1)
Health facilities	9(18.8)	3(12.5)	12(16.7)
Roads, energy and clean water	9(18.8)	4(16.7)	13(18.1)
Market for the produce	7(14.6)	1(4.2)	8(11.1)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table – 4.25 shows the company and opinion of respondents towards infrastructure CSR activity towards the society. Out of 19.4 percent respondents, 18.8 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that they supported learning institution like schools and colleges in the society. Out of 18.1 percent respondents, 16.7 percent respondents and 18.8 percent respondents of Tata Company and 20.8 percent respondents and 16.7 percent respondents of ITC Company opined that they had built sports infrastructures for nurturing talent and built roads, energy and clean water in the society. Out of 16.7 percent respondents, 12.5 percent respondents and 18.8 percent respondents of Tata Company and 25.0 percent respondents and 12.5 percent respondents of ITC Company respondents opined that they had developed technology and innovation centres and health facilities in the society. Out of the total 11.1 percent respondents, 14.6 percent respondents and 4.2 percent respondents of Tata Company and ITC Company opined that they had created ready market for the produce in the society.

From the above table analysis, it can be inferred that CSR infrastructure towards the society by Tata Company mainly focused on learning institutions, health facilities and roads, energy and clean water and ITC Company technology and innovation closely followed by learning institutions and sports infrastructures for nurturing talent.

#### **4.12 CSR for Poverty Alleviation**

Company CSR activities contributes to eradication of poverty in the society to a large extent. Various CSR projects laid down by the company have a long term impact

that transform communities in a more sustainable way. Government's role alone can fight for the society for the best by drafting key guidelines that should be achieved but their support financially and resource are limited due to multiplicity of demands. Private sector's role has kept playing a mature role that balances the demands of the society and in helping the government in poverty reduction. Some of the initiatives that the private sector has invested have a direct and indirect impact towards poverty reduction. To do justice to the study, there was need to focus specifically on some of the company CSR initiatives that alleviate poverty and provide social services directly or indirectly.

#### 4.12-1 CSR towards Education

The previous roles played by the government have been assumed by the private sector undertakings for example contributing towards society governance and education (Curran et al, 2000).<sup>240</sup> Both public and private sector demand professional to work in their organizations in different fields, signifying the importance of supporting education from the grass roots. Company policy of giving back to the society through education has doubled and it gives high hopes of transforming the society of entrepreneurs. The study has highlighted activities carried by the company towards education. Table – 4.26 below reveals the opinion of respondents from both companies concerning CSR activities towards education.

**Table – 4.26: Classification Based on Education**

Activities	Respondents Company		Total
	Tata Company	ITC Company	
Education Scholarships	10(20.8)	5(20.8)	15(20.8)
Building Learning Institutions	10(20.8)	5(20.8)	15(20.8)
Sponsoring Research and Development for Innovations	10(20.8)	6(25.0)	16(22.2)
Promoting Seminars, Conferences and Exchange Programmes	6(12.5)	1(4.2)	7(9.7)
Producing Quality Learning Materials at Affordable cost	10(20.8)	5(20.8)	15(20.8)
Sponsored Study trips and internships	2(4.2)	2(8.3)	4(5.5)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

<sup>240</sup> Curran, j., Rutherford, R., & Lloyd Smith, S. (2000). Is There a Local Business Community? Explaining the Non-Participation of Small Businesses in Local Economic Development

Table – 4.26 reveals the company and opinion of respondents concerning various CSR activities towards education. Out of 22.2 percent respondents, 10.8 percent respondents and 25.0 percent respondents of Tata Company and ITC Company opined that they sponsored research and development for innovations. Out of 20.8 percent respondents, Tata Company respondents and ITC Company respondents each 20.8 percent opined that they sponsored education scholarships, built schools, and other higher learning institutions, produced quality learning material at affordable cost. Out of 9.7 percent respondents, 12.5 percent respondents and 4.2 percent respondents of Tata Company and ITC Company opined that they sponsored seminars, conference and exchange programmes. Out 5.5 percent respondents, 4.2 percent respondents and 8.3 percent respondents of Tata Company and ITC Company opined that they sponsored internships and study trips.

From the above table analysis, it is inferred that both companies had multiple CSR practices towards sponsoring research and development for innovations closely followed by education scholarships, building learning institutions and produced quality learning materials at affordable prices.

#### **4.12-2 CSR towards Healthcare**

Healthcare remains a challenging issue to many governments, companies and families. Quality life of an individual means a quality society and nation. This makes different business sectors across the board to make a contribution towards healthcare. The mortality and maternal rates will ever be in control if a country and its business sectors can make their effort to address them. Combating dreadful HIV and AIDS, among other health challenges remains the role that companies can address. The study in table – 4.27 below reveals the opinion of respondents from both companies concerning CSR activities on health care.

**Table – 4.27: Classification Based on CSR on Health Care**

CSR Activities	Respondents Company		Total
	Tata Company	ITC Company	
Reduce Child Mortality and Maternal Health	6(12.5)	2(8.3)	8(11.1)
Combating HIV and AIDS	8(16.7)	3(12.5)	11(15.3)
Providing Health Insurance	8(16.7)	5(20.8)	13(18.1)
Building Hospitals and sponsored R&D	9(18.8)	5(20.8)	14(19.4)
Prevention Through Awareness	14(29.2)	8(33.3)	22(30.6)
Other	3(6.3)	1(4.2)	4(5.6)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table – 4.27 reveals the company and opinion of respondents concerning CSR towards healthcare. Out of 30.6 percent respondents, 29.2 percent respondents and 33.3 percent respondents of Tata Company and ITC Company opined that the company was supporting prevention through awareness a CSR activity on healthcare. Out of 19.4 percent respondents, 18.8 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that their respective companies supported building of hospitals and sponsored research and development as a CSR activity toward healthcare. Out of 18.1 percent respondents, 16.7 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that their respective companies were providing health insurance. Out of 15.3 percent respondents, 16.7 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that their respective companies were combating HIV/AIDS. Out of 11.1 percent respondents, 12.5 percent respondents and 8.3 percent respondents of Tata Company and ITC Company said that they had reduced child mortality and maternal health as a CSR activity on healthcare. Out of 5.6 percent respondents, 6.3 percent respondents and 4.2 percent respondents of Tata Company and ITC Company respondents opined that their respective companies had other CSR activities towards health like blood donation campaigns and free health check-ups.

From the above table analysis it is inferred that CSR towards health care had given more focus on prevention through awareness.

#### 4.13 CSR Communication

CSR activities of the company should be communicated to various stakeholders with interest to know the progress of the company in terms environment performance and social contribution. Advance in technology and the impact of globalization, different stakeholders in press of a button, can know the engagement that certain companies are carrying across the globe. There are different methods of communicating CSR activities of the company towards various stakeholders who are more interested in the affairs of the company. Communication is a very critical tool that can create or break trust, can call for more resource mobilization, and can motivate employees to work harder and more efficiently among many others. Table - 4.28 below shows the adopted method of communication towards various stakeholders of the company.

**Table - 4.28: Classification Based on Company Stakeholders CSR Communication**

Response	Respondents Company		Total
	Tata Company	ITC Company	
Company Website	12(25.0)	4(16.7)	16(22.2)
CSR Programmes	9(18.8)	5(20.8)	14(19.4)
Media like Television, Business Magazines	10(20.8)	7(29.2)	17(23.6)
Company Products	8(16.7)	5(20.8)	13(18.1)
Annual General Meetings	9(18.8)	3(12.5)	12(16.7)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 4.28 reveals the company and opinion of respondents concerning different methods of company CSR communication towards various stakeholders. Out of 23.6 percent respondents, 20.8 percent respondents and 29.2 percent respondents of Tata Company and ITC Company opined that they communicated their CSR activities through media like television, and business magazines to various stakeholders. Out of 22.2 percent respondents, 25.0 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that they used company websites to communicate about their CSR activities to various stakeholders. Out of 19.4 percent respondents, 18.8 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that they used CSR programmes to communicate about their CSR activities to various stakeholders. Out of 18.1 respondents, 16.7 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that they communicated their CSR activities through company products to various

stakeholders. Out of 16.7 percent respondents, 18.8 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that they used annual general meetings to communicate their CSR activities to various stakeholders.

From the above analysis, it can be inferred that media and company websites were mostly used to communicate CSR activities by both companies to different stakeholders.

#### 4.13-1 CSR Communication Strategies

Adopting the CSR communication strategies by Morsing & Schultz, (2006), the study has highlighted some of the communication strategies used by the two companies as indicated in table – 4.29 below.

**Table - 4.29: Classification Based on Communication Strategies**

Strategies	Respondents Company		Total
	Tata Company	ITC Company	
Stakeholders Information Strategy	13(18.1)	3(4.2)	16(22.2)
Stakeholder Response Strategy	14(19.4)	5(6.9)	19(26.4)
Stakeholder Involvement Strategy	21(29.2)	16(22.2)	37(51.4)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table – 4.29 reveals the company and opinion of respondents on the communication strategies adopted by both companies towards various stakeholders. Out of 51.4 percent respondents, Tata Company and ITC company respondents with 29.2 percent and 22.2 percent respectively opined that they had adopted stakeholder involvement strategy. Out of 26.4 percent respondents, Tata company respondents and ITC respondents with 19.4 percent and 6.9 percent opined that they had adopted stakeholder’s response strategy, while out of 22.2 percent, Tata Company and ITC Company with 18.1 percent and 4.2 percent respectively opined that they had adopted stakeholder information strategy.

It can be inferred from the above table analysis that both companies had adopted stakeholder involvement strategy.

#### 4.13-2 Benefits of Strategic CSR Communication

There are a number of CSR benefits towards the company due to strategic CSR communication to different stakeholders. As disclosed earlier a good communication strategy adopted by the company to reach out to various stakeholders, create a long

term impact. It motivates different stakeholders like employees, supply chain, business partners among others to have a harmonious relationship with the company. This in return creates a good image of the company because many stakeholders will create the trust towards the company because it will reflect its responsibility. Corporate challenges require effective and strategic CSR communication to help have an inside understanding when dealing with different stakeholders. Commitment towards a series of corporate social and environmental practices along with their financial commitments to their shareholders and investors which remain critical requires continues strategic communication in order to create confidence and trust within various stakeholders. Businesses are required to go above their ordinary operations and involve all potential stakeholders through by adopting strategic communication. Benefits of strategic communication may not be measured but there are more fruits of it. The study in table – 4.30 below reveals the opinion of respondents from each company concerning the benefits of strategic CSR communication.

**Table – 4.30: Classification Based on Benefits of Strategic CSR Communication**

Benefits	Company		Total
	Tata Company	ITC Company	
Help Reduce Risk And Accidents	8(16.7)	2(8.3)	10(13.9)
Builds Mutual Trust with Different Stakeholders	6(12.5)	5(20.8)	11(15.3)
Safeguards Environment and other Social Activities	8(16.7)	4(16.7)	12(16.7)
Attracts Investors and Easy Financial Availability	7(14.6)	3(12.5)	10(13.9)
Helps Retain and Recruit Best Human Resource	9(18.8)	5(20.8)	14(19.4)
Enhance Performance on Health, Safety, Quality of Products and Services	8(16.7)	3(12.5)	11(15.3)
Other	2(4.2)	2(8.3)	4(5.6)
Total	48(66.7)	24(6.9)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table – 4.30 reveals the company and the opinion of respondents concerning the benefits of strategic CSR communication. Out of 19.4 percent respondents, 18.8 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that strategic CSR communication helped retain and recruit best human resource. Out of the total 16.7 percent respondents, Tata company respondents and ITC company respondents each with 16.7 percent opined that strategic CSR communication safeguarded environment and other social activities like poverty reduction. Out of the total 15.3 percent respondents, Tata company respondents with 12.5 percent and 16.7



percent and ITC company respondents with 20.8 percent and 12.5 percent opined that strategic CSR communication helped built mutual trust with different stakeholders and enhanced performance on health, safety, quality of products and services. Out of the total 13.9 percent respondents, Tata company respondents with 16.7 percent and 14.6 percent respondents and ITC Company with 8.3 percent and 12.5 percent respondents said that strategic CSR communication helped reduce risk and accidents and attracted investors and easy financial availability. Finally out of the total 5.6 percent respondents, 4.2 percent respondents and 8.3 percent respondents of Tata Company and ITC Company said that strategic CSR communication had other benefits like reduced operations like marketing, advertisement, reduced corruption and reduced litigation.

The analysis from the above table reveals that strategic CSR communication had a wide range of benefits to the company which enhanced the brand image with Tata company major being 18.8 percent for human resource retaining and recruitment while 20.8 percent respondents of ITC Company major was towards building mutual trust with different stakeholders and helping in retaining and recruiting human resources.

## **Summary**

Adoption of CSR practices by the company doesn't necessarily mean big net profits or huge turnovers. But it is the spirit of the company to adopt its practice as tradition in order to give back to the society and safe guard the environment. There are various CSR policies that are aligned to achieving the objectives of the company with less or no conflict at all. Issues of human rights, environment sustainability, moral and ethical practices are very important towards for the companies that want to achieve a competitive advantage and brand improvement. The best ethical means of practicing CSR is to develop the need of disclosing, reporting and communicating CSR activities to various stakeholders who transact with the company. Strategic CSR communication is required as a pre-requisite to informing various stakeholders the affairs of the company and the only platform to solve challenges that may hinder the company.

# CHAPTER V

## SURVEY ANALYSIS AND INTERPRETATION

Chapter five is devoted towards the analysis and interpretation of surveyed data of Tata Company and ITC Company. The reasons behind companies CSR practices and CSR towards various stakeholders have been dealt with in advance. Various challenges that affect CSR and their solutions have been discussed and analysed. Opinion of respondents concerning future CSR activities have been covered also.

### 5.1 Introduction

CSR practices by the company remain critical towards the brand image of the company. In a fast changing world of technology, different stakeholders keep their expectations high concerning company activities. This makes companies remain vigilant on the way they operate in the society and contributes to a better improved CSR. Apart from the traditional way of thinking that the only purpose of the company is to make profits, most companies today carry CSR activities due to certain driven reasons. Those reasons range from company to company due to the kind, size and place of the business. The study below reveals the opinion of respondents from Tata Company and ITC Company concerning reasons that drive the company towards CSR activities.

### 5.2 Reasons for Companies CSR Engagement

There are many reasons that drive various companies to carry out CSR practices. Some companies carry CSR in order to look better, feel better, do better and live longer (Kotler and Lee, 2005). Other companies carry out CSR practices in order to improve brand image, sales and to improve employee motivation among others. The sole responsibility of running business for profit maximization<sup>241</sup> is way gone because various stakeholders now demand for company accountability that addresses the social and environmental issues. After criticism from different stakeholders, some companies embark into CSR practices for image makeover and try to live up to the society

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<sup>241</sup> Friedman, M. (1970). The Social Responsibility of Business is to Increase Its Profits. The New York Times Magazine, 1-6. Retrieved April 29 2012.

expectations and sustaining their organizational legitimacy (Suchman, 1995; Waddock, 2008).<sup>242</sup>

The survey data from respondents of both companies reveals in table - 5.1 below reveals the reasons behind companies CSR practices.

**Table - 5.1: Classification Based on Reason for CSR**

Reasons	Respondents Company		Total
	Tata Company	ITC Company	
Pressure from Stakeholder	12(25.0)	1(4.2)	13(18.1)
Better Corporate Image	19 (39.6)	5(20.8)	24(33.3)
Competitiveness	5(10.4)	10(41.7)	15(20.8)
Advertising Strategy	4(8.3)	2(8.3)	6(8.3)
Managing Risk and Cut marketing Cost	3(6.3)	1(4.2)	4(5.6)
License to Operate	3(6.3)	3(12.5)	6(8.3)
Other	2(4.2)	2(8.3)	4(5.6)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.1 reveals the company and opinion of respondents concerning reasons for CSR practices. Out of 33.3 percent respondents, 39.6 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that they practiced CSR activities for better corporate image. Out of 20.8 percent respondents, 10.4 percent respondents and 41.7 percent respondents of Tata Company and ITC Company said that they practiced CSR for competitive advantage. Out of 18.1 percent respondents, 25.0 percent respondents and 4.2 percent respondents of Tata Company and ITC Company opined that they practiced CSR because of pressure from stakeholders. Out of 8.3 percent respondents, 8.3 percent and 6.3 percent respondents of Tata Company and 8.3 percent and 12.5 percent respondents of ITC Company each opined that they practiced CSR as an advertising strategy and to get the license to operate. Out of 5.6 percent respondents, 6.3 percent and 4.2 percent respondents of Tata Company and 4.2 percent and 8.3 percent respondents of ITC Company each opined that they practiced CSR for managing risk and cutting marketing cost and other reasons (for example the company practicing CSR as a tradition).

From the above table it is clear that Tata Company was majorly driven to conduct CSR activities due to better corporate image while ITC Company conducted CSR majorly to become competitive. In view of the above table analysis, it is inferred that

<sup>242</sup> Suchman, M.C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20(3), 571-610. Waddock, S. (2008). Building a New Institutional Infrastructure for Corporate Responsibility. *Academy of Management Perspectives*, 87 -108.

both companies carry out CSR activities due to various reasons led by better corporate image, followed by competitiveness.

### 5.2-1 CSR Due To Pressure from Stakeholders

Stakeholders of the company ranging from internal to external are parties with interest in the affairs of the company. It is of concern for every stakeholder to know where their company stands in terms of child and labour issues, safety and quality of products and services, environment protection, contributing towards the society among many other factors that awards the company a citizenly title in this cut throat competitive global market. CSR concept has developed over time from a relatively uncoordinated and voluntary practice into a more explicit commitment in response to stakeholder's pressures and eventually into ongoing future commitments (de Bakker et al., 2005).<sup>243</sup> Certainly, the past decade has seen growing pressure on corporations from internal and to a larger extent external various stakeholders to take stock of their non-commercial impact on society. By including societal actors' not just financial interests the stakeholder model assumes that the enterprise has a social responsibility. Russo and Pirrini (2010) have described a whole new perceptive of CSR which focuses on stakeholder model now that requires companies to build relationships that are more complex with their stakeholders.<sup>244</sup> Table - 5.2 below reveals the opinion of respondents from companies concerning areas where stakeholders are demanding companies for CSR activities.

**Table - 5.2: Classification Based on Stakeholder Pressure**

Reasons	Respondents Company		Total
	Tata Company	ITC Company	
Quality of Products	8 (16.7)	4(16.7)	12(16.7)
CSR Disclosure	9(18.8)	4(16.7)	13(18.1)
Human Rights Practices	9(18.8)	4(16.7)	13(18.1)
Environment Protection	9(18.8)	5(20.8)	14(19.4)
Supply Chain Management	9(18.8)	4(16.7)	13(18.1)
Other	4(8.3)	3(12.5)	7(9.7)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

<sup>243</sup> De Bakker, F.G.A., Groenewegen, P. & Den Hond, F. 2005. A Bibliometric Analysis of 30 Years of Research and Theory on Corporate Social Responsibility and Corporate Social Performance. *Business & Society*, 44(3): 283-317.

<sup>244</sup> Russo, A., & Pirrini, F. (2010). Investigating stakeholder theory and social capital: CSR in large firms and SMEs. *Journal of Business Ethics*, 91(3), 207-221.

Table - 5.2 reveals the company and opinion of respondents towards areas that stakeholder's demand for CSR practices. Out of 19.4 percent respondents, the respondents of Tata Company and ITC Company with 18.8 percent and 20.8 percent respectively opined that stakeholders demanded CSR practices on environment protection. Out of 18.1 percent respondents, Tata company respondents and ITC company respondents with 18.8 percent and 16.7 percent each opined that stakeholders demanded CSR practices on disclosure, human rights practices and supply chain management. Out of 16.7 percent respondents, Tata Company respondents and ITC Company respondents each with 16.7 percent opined that stakeholders demanded CSR practices on quality of products. Out of 9.7 percent respondents, 8.3 percent respondents and 12.5 percent respondents of Tata Company and ITC Company, opined that stakeholders demanded other CSR practices like innovation and communication.

It is evident from the above table analysis that majority of Tata company opined that the company practiced CSR on CSR disclosure, environment protection, human rights and supply chain, while majority of ITC company respondents opined that they practiced environment due to pressure from stakeholders. Hence it can be inferred from the above table analysis that pressure from different stakeholders for Tata Company and ITC Company had an effect towards CSR practices.

### **5.2-2 For Better Corporate Image**

Fombrun & Shanley (1990) argue in their study that social responsibility is a type of institutional signal used by publics to construct the company's image.<sup>245</sup> CSR gives the name to the company. Findings from other studies have led to suggestions that consumer attitudes toward a company's sponsoring CSR are largely positive (Lichtenstein, Drumwright, & Braig, 2004;<sup>246</sup> Mohr, Webb, & Harris, 2001;<sup>247</sup> Nan & Heo, 2007;<sup>248</sup> Webb & Mohr, 1998<sup>249</sup>). Consumers positively value a brand which

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<sup>245</sup> Fombrun, C. J. & Shanley, M. (1990). What's in a name? Reputation building and corporate strategy, *Academy of Management Journal*, 33 (2), 233-258.

<sup>246</sup> Lichtenstein, D. R., Drumwright, M. E., & Braig, B. M. (2004). The effect of corporate social responsibility on customer donations of corporate -supported nonprofits. *Journal of Marketing*, 68, 16-32.

<sup>247</sup> Mohr, L. A., Webb, D. J., & Harris, K. E. (2001). Do consumers expect companies to be socially responsible? The impact of corporate social responsibility on buying behaviour. *Journal of Consumer Affairs*, 35 (1), 45-72.

<sup>248</sup> Nan, X. & Heo, K. (2007). Consumer responses to corporate social responsibility (CSR) initiatives: Examining the role of brand-cause fit in cause-related marketing. *Journal of Advertising*, 36 (2), 63-74, doi: 10.2753/JOA0091-3367360204.

engages in social commitment thereby influencing brand prestige and reputation.<sup>250</sup> Enhanced brand image impacts the behavior of consumers which further increases the competitive advantage of the company.<sup>251</sup> Walker and Kent (2009) found that brand image can be an important lens through which the company's management can assess the efficacy of the company's CSR engagement.<sup>252</sup> Defining and mentioning the relationship of the brand with both internal and external helps build the brand. The internal process primarily describes the relationship between the organization and the brand objectively for the organization to live its brands while the external process is concerned with relations between the brand and consumers with the aim of creating value and forming relationships with the customer.<sup>253</sup>

Brand image help in maintain customers loyalty, maximizes investment and avoiding conflict with shareholders (Blumenthal and Bergstrom, 2003). The "Branded CSR turns philanthropy from implicit delivery promise to an explicit one" (p. 337).<sup>254</sup> The study in table - 5.3 below reveals company CSR practices that increases the brand image of the company.

**Table - 5.3: Classification Based on Brand Image**

Practices	Respondents Company		Total
	Tata Company	ITC Company	
Innovations through R&D	9(18.8)	5(20.8)	14(19.4)
Safety, Quality and Cost Effective Products	10(20.8)	5(20.8)	15(20.8)
Human Rights Practices	10(20.8)	5(20.8)	15(20.8)
Timely Payment of Taxes	10(20.8)	4(16.7)	14(19.4)
Environment and Social Impact	9(18.8)	5(20.8)	14(19.4)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

<sup>249</sup> Webb, D. J. & Mohr, L. A. (1998). A typology of consumer responses to cause-related marketing: From skeptics to socially concerned. *Journal of Public Policy and Marketing*, 17, 226-238.

<sup>250</sup> Perez, R. C., Alcaniz, E. B., & Herrera, A. A. (2009). The role of self-definitional principles in consumer identification with a socially responsible company. *Journal of Business Ethics*, 89, 547-564.

<sup>251</sup> Menon, S. & Kahn, B. E. (2003). Corporate sponsorships of philanthropic activities: When do they impact perception of sponsor brand? *Journal of Consumer Psychology*, 13(3), 316-327

<sup>252</sup> Walker, M. & Kent, A. (2009). Do fans care? Assessing the influence of corporate social responsibility on consumer attitudes in the sport industry. *Journal of Sport Management*, 23, 743-769.

<sup>253</sup> Urde (2003), "Core Value-Based Corporate Brand Building", *European Journal of Marketing*, 37 (7/8), 1017-1040.

<sup>254</sup> Blumenthal, Danielle and Alan J. Bergstrom (2003), "Brand Councils That Care: Towards the Convergence of Branding and Corporate Social Responsibility", *Brand Management*, 10 (4/5), 327-341.

Table - 5.3 above reveals the company and opinion of respondents towards CSR practices that improves brand image. Out of 20.8 percent respondents, Tata Company and ITC company respondents each with 20.8 percent opined that safety, quality and cost and human rights practices were CSR practices aimed towards brand image. Out of 19.4 percent respondents, Tata Company and ITC Company respondents each with 18.8 percent and 20.8 percent opined that innovations through R&D and environment and social impact were CSR practices that improved the brand image of the company. While out of 19.4 percent respondents, Tata Company and ITC company respondents with 20.8 percent and 16.7 percent opined that timely payment of taxes was a CSR activity that improved company brand image.

From the above table analysis, it is inferred that CSR practices by both companies were aimed towards brand image.

### 5. 2.2-1 CSR Practices towards the Brand Image

Company CSR activities improves the brands image of the company in many different ways. The study in table - 5.3-1 below reveals the respondents from both companies concerning the impact of CSR practices on the brand image.

**Table – 5.3-1 Classification Based on CSR Impact on Brand Image and Company Reputation**

Response	Tata Company			ITC Company			Total
	Yes	No	Total	Yes	No	Total	
Increased Sales and Improved Profits	3 (7.0)	0 (.0)	3 (6.3)	3 (15.0)	1 (25.0)	4 (16.7)	7 (9.7)
Ready Capital from Financial Services	7 (16.3)	1 (20.0)	8 (16.7)	2 (10.0)	1 (25.0)	3 (12.5)	11 (15.3)
Easy Recruitment and Retaining Employees	6 (14.0)	0 (.0)	6 (12.5)	3 (15.0)	1 (25.0)	4 (16.7)	10 (13.9)
Trust from Various Stakeholders	6 (14.0)	1 (20.0)	7 (14.6)	3 (15.0)	1 (25.0)	4 (16.7)	11 (15.3)
Increased Investments and Competition	10 (23.3)	1 (20.0)	11 (22.9)	4 (20.0)	0 (.0)	4 (16.7)	15 (20.8)
Reduced Litigations and more Tax Incentives	8 (18.6)	1 (20.0)	9 (18.8)	3 (15.0)	0 (.0)	3 (12.5)	12 (16.7)
Accreditations	3 (7.0)	1 (20.0)	4 (8.3)	2 (10.0)	0 (.0)	2 (8.3)	6 (8.3)
<b>Total</b>	<b>43</b> (89.6)	<b>5</b> (10.4)	<b>48</b> (100.0)	<b>20</b> (83.3)	<b>4</b> (16.7)	<b>24</b> (100.0)	<b>72</b> (100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table – 5.3-1 reveals the company and opinion of respondents towards CSR activities on brand image. Out of 20.8 percent respondents, 23.3 percent respondents and 20.0 percent respondents of Tata Company and ITC Company opined that there were increased investments and competition due to brand image, while 20.0 percent respondents of Tata opined that there were no increase in investment and competition due to brand image. Out of 16.7 percent respondents, 18.6 percent respondents and 15.9 percent respondents of Tata Company and ITC Company opined that there were reduced litigation and tax incentives due to brand image, while 20.0 percent respondents of Tata Company said that litigations were not reduced and tax incentives were not given. Out of 15.3 percent respondents, Tata respondents with 16.3 percent and 14.0 percent and ITC Company respondents with 10.0 percent and 15.0 percent opined that ready capital from financial institutions and trust from various stakeholders due to brand image, while 20.0 percent respondents of Tata Company and 25.0 each for ITC Company opined that there was no ready capital from financial institutions and trust from various stakeholders due to brand image. Out of 13.9 percent respondents, 14.0 percent respondents of Tata Company and ITC Company said that it was easy to recruit and retain employees due to brand image while 25.0 percent respondents of ITC Company opined that it was not easy to recruit and retain employees due to brand image. Out of 9.7 percent respondents, 7.0 percent respondents and 15.0 percent respondents of Tata Company and ITC Company opined that there were increased sales and improved financial position due to brand image, while 25.0 percent respondents of ITC Company opined that there were no increased sales and improved financial position due to brand image. Out of 8.3 percent respondents, 7.0 percent respondents and 10.0 percent respondents of Tata Company and ITC Company said that there were many accreditations due to brand image, while 20.0 percent respondents of Tata Company opined that the company was not accredited due to brand image.

It is clear from the above analysis that the majority of Tata Company with 89.6 percent respondents opined that CSR practices had an impact on brand image while 83.3 percent respondents of ITC Company opined that CSR practices had an impact on the brand image. It can be inferred that CSR practices are very critical towards the company brand image.

To study whether there is any significant difference for CSR practices towards brand image, chi-square test is adopted.



**H0<sub>2</sub>:** There is no significant relationship between CSR and brand image and company reputation of Tata Company and ITC Company.

**Ha:** There is a significant relationship between CSR and brand image and company reputation of Tata Company and ITC Company.

**Table – 5.3-2 Statistical Value for Testing the Significance of CSR on Brand Image**

	Tata Company			ITC Company		
	value	df	Asymp. Sig. (2-sided)	value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.133 <sup>a</sup>	6	.907	3.000 <sup>b</sup>	6	.830
Likelihood Ratio	2.828	6	.830	4.312	6	.635
Linear-by-Linear Association	.629	1	.428	2.041	1	.153
N of Valid Cases	48			24		

**Source: Calculated from the primary data**

Table – 5.3-2 above reveals statistical value for judging the significance of CSR on brand image. The calculated value of  $X^2$  is 2.133 in case of Tata Company while the table value is .907 for 6 degrees of freedom at 5% level of significance. In case of ITC Company, the calculated value is 3.000 while the table value is .830 for 6 degrees of freedom at 5% level of significance. Thus it is clear from the above analysis that, in case of Tata Company the calculated value is greater than the table value while in case of ITC Company the calculated value is greater than the table values. Hence it can be concluded that there is a significant difference in respect to CSR activities and the brand image. Hence the null hypothesis is rejected.

### **5.2-3 CSR as an Advertisement Strategy**

Advertisement is a means under which the company reaches various stakeholders to alert them about the company welfare. For example when the company wants to raise capital from the public, want to introduce the new product, want to sale the product or change of location, advertisement is used to pass the message. Companies also advertise their brands to various consumers, business partners and supply chain as a means of image re-construction after a scandal. Advertisement can make the company competitive and that's the reason behind many organizations have adopted CSR to help cut the cost of advertisement which is extremely highly. CSR practices act as an advertising agent towards various stakeholders especially customers, business partners

and financial institutions. In the age of information technology many companies have taken various media channels like internet, television and business magazines as a means of advertising their activities. Companies carrying out CSR activities help reduce much of expensive advertisement on various media channels because of their cost.

The study in table - 5.4 below reveals the opinion of respondents on how CSR activities act as an advertising agent.

**Table - 5.4: Classification Based on CSR as an Advertising Strategy**

CSR as an Advertising Strategy	Respondents Company		Total
	Tata Company	ITC Company	
Creates Confidence	15(31.3)	7(29.2)	22(30.6)
Trust towards the Brand	19(39.6)	9(37.5)	28(38.9)
Purchasing Power	14(29.2)	8(33.3)	22(30.6)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.4 shows the company and opinion of respondents towards CSR as an advertisement strategy. Out of 38.9 percent respondents, 39.6 percent respondents and 37.5 percent respondents of Tata Company and ITC Company opined that CSR was an advertising strategy because of the trust towards the brand. Out of 30.6 percent respondents, 31.3 percent and 29.2 percent respondents of Tata Company and 29.2 percent and 33.3 percent respondents of ITC Company opined that CSR practices was an advertisement strategy because of the confidence in had created among stakeholders and the high purchasing power towards the company.

From the above table analysis it is evident that CSR practices make different stakeholders have trust towards the brand, hence it is inferred that CSR practices plays a major role as an advertising strategy.

#### **5.2-4 CSR for Competitive Advantage**

There has been an increased competition in the market where by every company wants to position itself as the best in terms of CSR practices. Globalization, innovations due to information technology have drastically changed the equation of competition over the last decades. Transactions of goods and service now are done online, through media (for example social media) and delivery system has become more efficient with reduced time. Companies to retain their competitive advantage need to strategize and

overhaul the strategies of doing business. Consumers, investors, financial institutions, companies and the governments want to deal with businesses after having the knowledge of their CSR practices in detail that makes them different from others. Increased awareness by various stakeholders makes companies to up their CSR practices and communicate them transparently to make them competitive. Companies that produce energy efficient products, communicate their CSR activities to different stakeholders and collaborating with the government will make them competitive. Table - 5.5 below shows opinion of respondents from both companies concerning CSR activities that promote competitiveness.

**Table - 5.5: Classification Based on Factors that Indicate Company Competitiveness**

Factors that Indicates the Competitiveness of the Company	Respondents Company		Total
	Tata Company	ITC Company	
Cost Structure	6(12.5)	1(4.2)	7(9.7)
Best Human Resource	9(18.8)	4(16.7)	13(18.1)
Customer Perspective	5(10.4)	2(8.3)	7(9.7)
Innovation	7(14.6)	5(20.8)	12(16.7)
Risk Management	8(16.7)	5(20.8)	13(18.1)
Reputation	8(16.7)	5(20.8)	13(18.1)
Improved Financial Performance	5(10.4)	2(8.3)	7(9.7)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.5 reveals the company and opinion of respondents concerning CSR and company competitiveness. Out of 18.1 percent respondents, 18.8 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that CSR practices on best human resource made the company competitive, while 16.7 percent respondents and 29.8 percent respondents of Tata Company and ITC Company each opined that CSR practices on risk management and brand reputation made the company competitive. Out of 16.7 percent respondents, 14.6 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that CSR practices on innovation made the company competitive. Out of 9.7 percent respondents, 12.5 percent respondents and 10.4 percent respondents each of Tata Company and 4.2 percent respondents and 8.3 percent respondents of ITC Company opined that CSR practices on cost structure, customer's perspective and improved financial performance made the company competitive.

In view of the above table analysis, it is inferred that CSR practices have an impact towards company competitiveness mostly on quality of human resource, risk management and brand reputation.

### 5.2-5 CSR for Managing Risk

Adopting cutting edge technology is an inch close to eliminating any unseen dangers like accidents of fire and machine mishaps in the working place. Companies should adopt a policy on training its human resource on safety measures through workshops and field studies, will help the company evade accidents and damages to the company and its reputation. Companies need to be in the state of preparedness in case of any tragedy. Table - 5.6 reveals the opinion of respondents from both companies concerning CSR as a risk manager.

**Table - 5.6: Classification Based on CSR for Managing Risk**

Managing Risk	Respondents Company		Total
	Tata Company	ITC Company	
Safety Measures	22(45.8)	10(41.7)	32(44.4)
Innovative Technology	21(43.8)	11(45.8)	32(44.4)
Other	5(10.4)	3(12.5)	8(11.1)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.6 reveals the company and opinion of respondents towards managing risk. Out of 44.4 percent respondents, 45.8 percent respondents and 43.8 percent respondents of Tata Company and 41.7 percent respondents and 45.8 percent respondents of ITC Company opined that the company practiced CSR on safety measures and innovative technology towards risk management. Out of 11.1 percent respondents, 10.4 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that there were other CSR practices towards risk management like awareness through education and communicating with other stakeholders.

To manage risk it demands an integration of CSR into business activities, hence from the above table analysis it is inferred that inclusion of safety measures and innovative technology will help in risk management.

## 5.2-6 License to Operate

Companies delegating their duties responsibly in the name of CSR have an advantage over others with a long term agenda of being accepted in the society. When the locality surrounding the company accept to surrender a portion of their land for the sake of company establishment and operating their activities without any commotion or conflict or objection, then that is a direct guarantee towards peaceful running of the company without jeopardizing the security of the plant and it employees. Companies promising to create sustainable livelihoods in backward areas like creating of jobs, addressing community problems, doing less harm to the environment, promoting education, research and development, health care, safety and quality of products get the license to operate with less opposition. Communities consider those companies with the history of carrying CSR activities towards the society with the policy of reporting transparently their activities, for the license. Governments issue licenses for companies to operate when they fulfil certain standards required from different authorities concerned like the environment regulatory body, safety body and as per the companies act. Table - 5.7 below discloses opinion of respondents concerning CSR practices as a license to operate.

**Table - 5.7: Classification Based on License to Operate**

License to Operate	Respondents Company		Total
	Tata Company	ITC Company	
Abiding by the Rules and Regulations of the State	21(43.8)	11(45.8)	32(44.4)
Addressing Social and Environmental Challenges	23(47.9)	11(45.8)	34(47.2)
Other	4(8.3)	2(8.3)	6(8.3)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.7 reveals the company and opinion of respondents towards CSR practices as a license to operate. Out of 47.2 percent respondents, 47.9 percent respondents and 45.8 percent respondents of Tata Company and ITC Company opined that addressing social and environmental challenges was a CSR activity towards the license to operate. Out of 44.4 percent respondents, 43.8 percent respondents and 45.8 percent respondents opined that abiding by the rules and regulations of the state was a CSR activity towards the license to operate. Out of 8.3 percent respondents, 8.3 percent

respondents each for Tata company and ITC company opined that other CSR practices like utilizing the resources of the company and reporting CSR practices were part of company that guaranteed the license to operate.

From the above table analysis it can be inferred that, CSR practices of the company can guarantee the license from the community and the government to operate by addressing social and environmental challenges and abiding by the rules of the state.

### **5.3 Benefits of CSR Practices towards the Company**

Although economic considerations constitute the main driving factor in any business activity, there is a growing resistance against the conventional view that business is chiefly a means for only improving the economic condition of an individual or a group of individuals. There are a number of benefits towards the company due to CSR practices. A company that practice CSR is rewarded in the market by the behaviour of consumption of products because of brand loyalty (Pivato et al, 2008)<sup>255</sup>. Customers who are loyal towards the brand are a great asset towards boosting sales that increase revenues of the companies (Auger et al, 2003).<sup>256</sup> A firm which practices CSR receives more favourable recommendations on investments in recent years relative to earlier ones.<sup>257</sup> There are reduced oversights and many other benefits as table - 5.8 below reveals due to CSR practices.

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<sup>255</sup> Pivato, S., Misani, N., and Tencati, A. (2008). The impact of corporate social responsibility on consumer trust: the case of organic food. *Journal of Business Ethics: A European Review*. Vol. 17 No. 1, pp.3-12.

<sup>256</sup> Auger, P., Burke, P., Devinney, T.M., and Louviere, J. J. (2003). What will consumers pay for social product features? *Journal of Business Ethics* Vol. 42 No. 3, pp. 281-304.

<sup>257</sup> Ioanniu Ioanniu & George Serafeim (2010). The impact of Corporate Social Responsibility on Investment Recommendations. Working paper Copyright.

**Table - 5.8: Classification Based on Benefits of CSR Practices**

Benefits	Respondents Company		Total
	Tata Company	ITC Company	
Increases Sales and Customer Loyalty	8(16.7)	4(16.7)	12(16.7)
Reduced Regulatory Oversight	8(16.7)	4(16.7)	12(16.7)
Reduce Risk	8(16.7)	4(16.7)	12(16.7)
Attracting and Retaining Employees	9(18.8)	3(12.5)	12(16.7)
Good Relation with Financial Institutions and Investors	7(14.6)	5(20.8)	12(16.7)
Increases Efficiency, Productivity and Improved Financial Performance	8(16.7)	4(16.7)	12(16.7)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.8 reveals the company and the opinion of respondents concerning benefits of CSR practices towards the company. Out of 16.7 percent respondents, Tata company respondents and ITC company respondents each with 16.7 percent opined that CSR benefits increased customer loyalty and sales, led to reduced regulatory oversight, help manage risk, and increases efficiency, productivity and improved financial performance, while Tata company respondents and ITC company respondents with 18.8 percent and 12.5 percent opined that CSR practices increased the ability to attract and retain employees and lastly the respondents of Tata company and ITC company with 14.6 percent and 20.8 percent opined that CSR practices increased transparency.

In view of the above analysis, it is inferred that CSR practices has multiple benefits towards the company.

### **Hypothesis - 6**

To study whether there is any significant difference in terms of benefits due to CSR practices chi-square test is adopted below.

H<sub>0</sub>: There is no significant difference in terms of benefits due to CSR Practices to the company.

H<sub>a</sub>: There is a significant difference in terms of benefits due to CSR Practices to the company.

**Table – 5.8-1: Statistical Value for Judging the Significance of CSR benefits Chi-Square Tests**

Respondents Company	Tata Company			ITC Company		
	Value	df	Asymp. Sig. (2-sided)	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.426 <sup>a</sup>	5	.490	3.709 <sup>b</sup>	5	.592
Likelihood Ratio	3.442	5	.632	4.265	5	.512
Linear-by-Linear Association	.094	1	.759	2.674	1	.102
N of Valid Cases	48			24		

Source: Calculated from the primary data

a. 6 cells (50.0%) have expected count less than 5. The minimum expected count is .15.

b. 12 cells (100.0%) have expected count less than 5. The minimum expected count is .25

c. 6 cells (50.0%) have expected count less than 5. The minimum expected count is .50.

Table – 5.8-1 reveals statistical value for judging the significance of CSR benefits towards the company. The calculated value of  $\chi^2$  is 4.426 in case of Tata Company for 5 degrees of freedom at 5% level significance is 0.490. The calculated value of  $\chi^2$  is 3.709 in case of ITC Company for 5 degrees of freedom at 5% level of significance is 0.592.

It is clear from the above table analysis that both calculated  $\chi^2$  value in case of Tata Company and ITC Company were both greater than the table value. Hence it can be concluded that there is a significant difference in respect to benefits of practicing CSR to the company. Hence the null hypothesis is rejected.

#### 5.4 Company Stakeholders - Stakeholder Theory

Without stakeholders there will be no complete cycle and the activities of the company may be dangerous lacking the normal accountability. Stakeholders are very critical in shaping CSR. The company recognizes them because they have a place in the progress of the company which is significant. Stakeholder groups have always their views and concern on operations of company activities, they hold a critical eye and can affect, or can be affected by the achievement of the business organization's mission (Bomann-Larsen & Wiggen, 2004;<sup>258</sup> Freeman, 1984<sup>259</sup>) and have the right to a stake or

<sup>258</sup> Bomann-Larsen, L. and Wiggen, O. (Eds.). 2004. *Responsibility in World Business: Managing Harmful Side-effects of Corporate Activity*. Tokyo: United Nations University Press.

<sup>259</sup> Freeman R. E. 1984. *Strategic Management: A Stakeholder Approach*. Boston: Pitman.



share or claim on the firm (Evan & Freeman, 1988)<sup>260</sup>. Stakeholders form a link between the aims and ambitions of the organization and the expectations of society (Whetten, Rands, & Godfrey, 2002).<sup>261</sup> Businesses mostly work to address the grievances, demands and issues raised by different stakeholders for example a commitment towards primary stakeholder's wealth creation and other needs (Clarkson, 1988).<sup>262</sup> Direct or indirect relationship between internal and external stakeholders with the company remain essential while producing goods and rendering services for customers (Lawrence and Weber, 1996).<sup>263</sup>

There is need for every company to clearly identify stakeholders related to the company for better utilization and allocation of limited resources. Mitchell, Agle and Wood (1997) identified in their study, two categories of stakeholder groups for example internal stakeholders made up of employees, shareholders, managers and investors while external stakeholders included consumers, suppliers, and government, media, society, environment and business partners.<sup>264</sup> Table - 5.9 reveals opinion of respondents from both companies concerning the types of stakeholders addressed by CSR practices of Tata Company and ITC Company.

**Table - 5.9: Classification Based on types of Stakeholders**

Stakeholders	Respondents Company		Total
	Tata Company	ITC Company	
Internal Stakeholders	28(58.3)	14(58.3)	42(58.3)
External Stakeholders	20(41.7)	10(41.7)	30(41.7)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

<sup>260</sup> Evan, W. M. & Freeman, R.E. 1988. A Stakeholder Theory of the Modern Corporation: Kantian Capitalism. In T. L. Beauchamp and N. E. Bowie (Eds.), *Ethical Theory and Business*: 97-106. Englewood Cliffs: Prentice Hall.

<sup>261</sup> Whetten, D. A., Rands, G., & Godfrey, P. 2002. What are the responsibilities of business to society? In A. Pettigrew, H. Thomas, and R. Whittington (Eds.), *Handbook of Strategy and Management*: 373-408. London: Sage.

<sup>262</sup> In L. E. Preston (Ed.), *Research in corporate social performance and policy*: 241-265. Greenwich, CT: JAI Press.

<sup>263</sup> Post, J. E., Frederick, W. C., Lawrence, A. T., & Weber, J. 1996. *Business and Society. Corporate Strategy, Public Policy and Ethics*. New York: McGraw-Hill. Clarkson, M. B. 1988. Corporate social performance in Canada, 1976-86.

<sup>264</sup> Mitchell, R.K., Agle, B.R., & Wood, D.J. 1997. Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts'. *Academy of Management Review*, 22 (4): 853-886

Table - 5.9 reveals the company and the opinion of respondents towards the type of stakeholders addressed by the company's CSR activities. Out of 58.3 percent respondents, Tata company respondents and ITC company respondents each with 58.3 percent opined that CSR activities addressed internal stakeholders, while out of 41.7 percent respondents, Tata company respondents and ITC company respondents each with 41.7 percent opined that CSR activities addressed external stakeholders.

It can be inferred from the above table analysis that company CSR practices addresses both internal and external stakeholders of the company.

### 5.5 Internal Stakeholders of the Company

Internal stakeholders of the company vary depending on the type of business and size of the company. The study has highlighted internal stakeholders of the company in table - 5.10 below.

**Table - 5.10: Classification Based on Internal Stakeholders**

Stakeholders	Respondents Company		Total
	Tata Company	ITC Company	
Employees	14(29.2)	8(33.3)	22(30.6)
Shareholders	14(29.2)	7(29.2)	21(29.2)
Managers	10(20.8)	5(20.8)	15(20.8)
Investors	10(20.8)	4(16.7)	14(19.4)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.10 reveals the company and opinion of respondents concerning the types of internal stakeholders the company's CSR activities addresses. Out of 30.6 percent respondents, 29.2 percent respondents and 33.3 percent respondents of Tata Company and ITC Company opined that employees were the main internal stakeholders of the company. Out of 29.2 percent respondents, Tata Company respondents and ITC Company respondents each with 29.2 percent opined that shareholders were the internal stakeholders of the company. Out of 20.8 percent respondents, Tata company respondents and ITC company respondents opined that managers were the internal stakeholders of the company. Out of 19.4 percent respondents, 20.8 percent respondents and 16.7 percent respondents of Tata Company and ITC Company said that investors were the internal stakeholders of the company.

It can be inferred from the above table analysis that company CSR activities addressed various internal stakeholders led by employees followed shareholders.

### 5.5-1 Employees as Internal Stakeholders

Company employees are critical towards the smooth functioning of the organisation as internal stakeholders. Employees are at the forefront in all functions of the company. In exception of the specific type of employees, every company employee remain critical as the study will reveal below. One point is very clear, employees make the major player in the success of CSR practices.

### 5.5-2 Employee CSR Awareness

Employees remain the most important internal stakeholders when it comes to CSR implementation. When employees are aware of CSR programmes it becomes easy for the company to execute it and other stakeholders. The study in table - 5.11 below reveals opinion of respondents from both companies concerning employees CSR awareness.

**Table - 5.11: Classification Based on Awareness of CSR**

Awareness	Respondents Company		Total
	Tata Company	ITC Company	
Yes	39(81.3)	21(87.5)	60(83.3)
No	9(18.8)	3(12.5)	12(16.7)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.11 reveals about the company and opinion of respondents concerning company employee CSR awareness. Out of 83.3 percent respondents, 81.3 percent respondents and 87.5 percent respondents of Tata Company and ITC Company opined that employees CSR awareness was available while, out of 16.7 percent respondents, 18.8 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that employee CSR awareness was not available.

In view of the above table analysis, it is inferred that employee CSR awareness was available in both companies.

#### 5.5.2-1 Company CSR Activities towards Employees

Due to the critical part that employees take towards the company success, companies adopt some CSR practices that improve their performance and keep them safe. CSR activities helps the company in retaining and recruiting the best human resource. Different companies use different CSR practices towards their employees.

The study in table – 5.11-1 reveals the opinion of respondents concerning different CSR activities towards its employees.

**Table - 5.11-1: Classification Based on CSR towards Employees of the Company**

CSR Activities	Respondents Company		Total
	Tata Company	ITC Company	
Providing Health Insurance Cover	7(14.6)	5(20.8)	12(16.7)
Setting Hours of Work	9(18.8)	7(29.2)	16(22.2)
Providing Education to Family Members	6(12.5)	3(12.5)	9(12.5)
Housing and Travel Allowances	13(27.1)	5(20.8)	18(25.0)
Giving Incentives and Gifts	10(20.8)	3(12.5)	13(18.1)
Other	3(6.3)	1(4.2)	4(5.6)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.11-1 shows the company and opinion of respondents towards employee CSR activities by the company. Out of 25.0 percent respondents, 27.1 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that the company provided housing and travel allowances as part of CSR activities towards employees. Out of 22.2 percent respondents, 18.8 percent respondents and 29.2 percent respondents of Tata Company of ITC Company opined that the company had set hours of work as part of CSR activity towards the employees. Out of 18.1 percent respondents, 20.8 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that the company gave gifts and incentives as part of CSR towards employees. Out of 16.7 percent respondents, 14.6 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that the company provided health insurance cover was part of CSR towards employees. Out of 12.5 percent respondents, Tata company respondents and ITC company respondents each with 12.5 percent opined that the company provided education as part of CSR activity towards employees. Lastly out of 5.6 percent respondents, 6.3 percent respondent and 4.2 percent respondents of Tata Company and ITC Company opined that the company had other CSR activities like promotions and off job trainings as part of CSR activities towards employees.

From the above table analysis, it can be inferred that the company had many CSR activities towards company employees led by housing and traveling allowances.

### 5.5.2-2 Company CSR that Improve Employees Job Efficiency

The company uses different methods that will improve employees efficient in their work place. The study in table - 5.11-2 reveals the respondents opinion concerning CSR activities that the company extend to its employees to improve their job efficiency.

**Table - 5.11-2: Classification Based on CSR Activities towards Employees Job Efficiency**

Activities	Respondents Company		Total
	Tata Company	ITC Company	
Training Through Seminars and Conferences	11(15.3)	9(12.5)	20(27.8)
Technology Skills	12(16.7)	5(6.9)	17(23.6)
Promotion	14(19.4)	3(4.2)	17(23.6)
Including Employees in Decisions making	8(11.1)	5(6.9)	13(18.1)
Other	3(4.2)	2(2.8)	5(6.9)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Study (values in parenthesis indicates percentage to the column total)

Table - 5.11-2 reveals the company and opinion of respondents concerning company CSR activities towards employee's job efficiency. Out of 27.8 percent respondents, 15.3 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that they provided training through seminars and conferences as part of CSR initiatives towards employee job efficiency. Out of 23.6 percent respondents, 16.7 percent and 19.4 percent respondents of Tata Company and 6.9 percent respondents and 4.2 percent respondents of ITC Company opined that they provided technology skills and promotions as a part of CSR initiative towards employee's job efficiency. Out of 18.1 percent respondents, 11.1 percent respondents and 6.9 percent respondents of Tata Company and ITC Company opined that they included employees in decision making as part of CSR initiative towards employees job efficiency. Out of 6.9 percent respondents, 4.2 percent respondents and 2.8 percent respondents of Tata Company and ITC Company opined that they adopted other CSR initiatives like orientations and internships.

It is evident from the above table analysis that majority of Tata Company opined that they used promotions as a CSR initiative towards their employees on job efficiency while majority respondents of ITC Company with 12.5 percent opined that they provided training through seminars and conferences as a CSR activity to the employees

towards their job efficiency. Hence it is inferred that both companies have CSR initiatives towards their employee's that improve job efficiency.

### 5.5.2-3 Motivating Employees to Participate in CSR

Companies use different methods aimed at encouraging employees to participate in CSR activities. Every job in the companies is carried out by employees, right from sweeper to financial manager. The study in table – 5.11-3 below reveals some of the ways that the company has adopted towards motivating employees to take part in CSR activities.

**Table - 5.11-3: Classification Based on Job Related CSR Motivation Initiatives towards Employees**

Initiatives	Respondents Company		Total
	Tata Company	ITC Company	
Providing a Chance to Participate	6(12.5)	3(12.5)	9(12.5)
Sharing the Company Achievements	5(10.4)	5(20.8)	10(13.9)
Using New Production and Cost Effective Techniques	6(12.5)	4(16.7)	10(13.9)
Empowerment through Training	7(14.6)	4(16.7)	11(15.3)
Following Company Recruitment Policy	6(12.5)	3(12.5)	9(12.5)
Better Information Flow	9(18.8)	2(8.3)	11(15.3)
Improving Salaries and Working Conditions	7(14.6)	2(8.3)	9(12.5)
Other	2(4.2)	1(4.2)	3(4.2)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table 5.11-3 reveals the company and opinion of respondents concerning job related CSR motivation activities towards the employees. Out of 15.3 percent respondents, 14.6 percent respondents and 18.8 percent respondents of Tata Company and 16.7 percent respondents and 8.3 percent respondents of ITC Company opined that the company empowered employees through training and better information flow as job related CSR motivation activity. Out of 13.9 percent respondents, 10.4 percent respondents and 12.5 percent respondents of Tata Company and 20.8 percent respondents and 16.7 percent respondents of ITC Company opined that the company shared company achievements and used new production and cost effective techniques towards employees as job related CSR motivation activities. Out of 12.5 percent respondents, Tata company respondents and ITC company respondents each with 12.5 percent opined that the company provided a chance for employees to participate and the

company followed employment recruitment policy as a motivational job related CSR activities towards employees, while out of 12.5 percent respondents, 14.6 percent respondents and 8.3 percent respondents of Tata company and ITC company opined that the company had improved salaries and working conditions as a motivation job related CSR activities towards employees. Out of 4.2 percent respondents, respondents of Tata Company and ITC Company each with 4.2 percent opined that there were other motivation job CSR related activities towards employees for example leadership development towards employees that the company practiced.

In view of the above table analysis, it can be inferred that both companies had adopted different motivational job related CSR activities towards employees to encourage them to take part in CSR practices.

#### **5.5.2-4 Employee CSR and Competitiveness.**

When the company provide resources to their employees at the right time, it will make them efficient and productive by reducing wastage. A motivated employee can manage time well, can specialize and utilize resources to the maximum during production which leads to quality and efficiency of goods and services. There will be minimized strikes, protests and lock-up due to low pay but long working hours and under poor working conditions due to CSR practices. CSR activities will help the company retain its experienced employee and recruit new ones and make the company competitive. The study in table - 5.11-4 below reveals opinion of respondents from both companies whether employee CSR activities contributed towards company competitive.

**Table - 5.11-4: Classification Based on Employee CSR and Company Competitiveness**

Response	Respondents Company		Total
	Tata Company	ITC Company	
Yes	42 (87.5)	22(91.7)	67(88.9)
No	6(12.5)	2(8.3)	5(11.1)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.11-4 reveals the company and opinion of respondents concerning employee CSR practices and competitiveness of the company. Out of 88.9 percent respondents, 87.5 percent respondents and 91.7 percent respondents of Tata Company

and ITC Company said that employees participation in CSR activities increased the competitiveness of the company, while out of 11.1 percent respondents, 12.5 percent respondents and 8.3 percent respondents of Tata Company and ITC company opined that employee participation in CSR activities did not increase the competitiveness of the company.

From the above table analysis it is clear that CSR practices towards employees contributed towards the competitiveness of the company. Hence it can be inferred that CSR towards employees contributes towards company competitiveness.

#### **5.5.2-5 Employee CSR Helps the Company Become Competitive**

Competitiveness of the company largely depends on the quality of employees. There are many ways that CSR towards employees can make the company competitive. When employees are taken care of, their concentration towards job increases, this will affect by far and large productivity. Employee cut short time in chatting or in other activities instead save it for the company activities, it should be born in mind too that an employee will not go to strike or protest because the company is not paying well, not observing human rights or because of failure to recognise their rights. Among others an employee will also be happy to remain working for the company for a long time and other more qualified joining the company because it is a caring one. All these factor will make the company a more competitive and overlook the risks that may threaten its existence. A lot of resources are saved that could otherwise be wasted, precaution is taken concerning the quality of products and service due to high concentration and education on risk management is of great importance to the employees of the company. The study in table – 5.11-5 below reveals the opinion of respondents from both companies concerning employee CSR towards company competitive.



**Table - 5.11-5: Classification Based on Employee CSR on Competitive**

Activities	Respondents Company		Total
	Tata Company	ITC Company	
Help Cut Cost	6(12.5)	5(20.8)	11(15.3)
Increases Sales and Employee Customer Relation	9(18.8)	4(16.7)	13(18.1)
High Concentration and Efficiency	9(18.8)	5(20.8)	14(19.4)
Employee Safety, Security and Risk Management	11(22.9)	4(16.7)	15(20.8)
Discipline and Morality is Maintained.	9(18.8)	5(20.8)	14(19.4)
Help in Easy Decision Making	4(8.3)	1 (4.2)	5(6.9)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.11-5 reveals the company and opinion of respondents concerning employee CSR on competitiveness of the company. Out of 20.8 percent respondents, 22.9 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that CSR towards employees on safety, security and risk management made the company competitive. Out of 19.4 percent respondents, 18.8 percent respondents and 20.8 percent respondents each of Tata Company and ITC Company opined that CSR towards employees increased their concentration and efficiency, encouraged discipline and morality that made the company competitive. Out of 18.1 percent respondents, 18.8 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that CSR towards employee increased sales and employee customer relation affected sales that made the company competitive. Out of 15.3 percent respondents, 12.5 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that CSR towards employees helped cut cost and made the company competitive. Out 6.9 percent respondents, 8.3 percent respondents and 4.2 percent respondents of Tata Company and ITC Company opined that CSR practices towards employees helped in making decisions made the company competitive.

It is evident from the above table analysis that the majority of respondents of Tata Company and ITC Company opined that CSR towards employees kept employees safe, secure and easy risk management. Hence it is inferred that CSR practices help company become competitive.

To study whether CSR towards employees make the company competitive, chi-square is adopted to test the hypothesis below. This will support hypothesis 1

## Hypothesis 7

H0: CSR Practices towards employees will not make the Company Competitive

Ha: CSR Practices towards employees will make the Company Competitive

**Table - 5.11-6 Statistical Information for Judging the Significance between CSR and Competitiveness**

	Tata Company			ITC Company		
	Value	df	Asymp. Sig. (2-sided)	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.008 <sup>a</sup>	5	.699	8.291 <sup>b</sup>	5	.141
Likelihood Ratio	3.778	5	.582	7.038	5	.218
Linear-by-Linear Association	2.236	1	.135	4.002	1	.045
N of Valid Cases	48			24		

Source: Calculated from the analysed primary data

- a. 7 cells (58.3%) have expected count less than 5. The minimum expected count is .33.
- b. 12 cells (100.0%) have expected count less than 5. The minimum expected count is .08.
- c. 7 cells (58.3%) have expected count less than 5. The minimum expected count is .42.

Table – 5.11-6 reveals the statistical values for judging the significance between employee CSR practices and competitiveness. The calculated value of  $\chi^2$  is 3.008 in case of Tata Company while the table value of  $\chi^2$  for 5 degree of freedom at 5% level of significance is 0.699. The calculated value of  $\chi^2$  is 8.291 in case of ITC Company while the table value of  $\chi^2$  for 5 degrees of freedom at 5% level of significance is 0.141. Thus it is clear from the above analysis that, both company's calculated values of chi-square are greater than the table value. Hence it is concluded that there is a significant difference with respect to employee CSR practices and competitiveness of the company. Hence null hypothesis rejected.

### 5.5-3 Shareholders of the Company

Depending on the type of the company and business size and the environment that a company operates in, its shareholders will also differ significantly. There are a number of shareholders who claim a share in the company. So every company management has the responsibility to make sure that shareholders of the company are

protected from any wrong doing that may scare investors, consumers away. The study in table - 5.12 below reveals the type of shareholders of the two companies.

**Table - 5.12: Classification Based on Company Shareholders**

Company Shareholders	Respondents Company		Total
	Tata Company	ITC Company	
Financial Institutions, Insurance and Mutual Funds	5(10.4)	3(12.5)	8(11.1)
Foreign Institutional Investors	6(12.5)	5(20.8)	11(15.3)
Owners and Employees	23(47.9)	6(25.0)	29(40.3)
NRIs and Foreign Nationals	5(10.4)	6(25.0)	11(15.3)
Bodies Corporate and Public	9(18.8)	4(16.7)	13(18.1)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.12 reveals the company and opinion of respondents towards company shareholders. Out of 40.3 percent respondents, 47.9 percent respondents and 25.0 percent respondents of Tata Company and ITC Company opined that owners and employees owned the shares of the company. Out of 18.1 percent respondents, 18.8 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that foreign companies had shareholding in the company. Out of 15.3 percent respondents, 12.5 percent respondents and 10.4 percent respondents of Tata Company and 20.8 percent respondents and 25.0 percent respondents of ITC Company opined that foreign institutional investors and NRIs and foreign nationals had shares in the company. Out of 11.1 percent respondents, 10.4 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that financial institutions, insurance and mutual funds owned shares of the company.

From the above table analysis, it is inferred that owners and employees of the company owned more shares of the Company.

### **5.5.3-1 Company Responsibility towards Shareholders**

Stakeholders (shareholders) who own the shares of the company are the owners of the company because they have the right to its ownership. They expect the company to be managed with some sense of dignity to be able to pay back. It's upon the management of the company to run the business responsibly and increase shareholder's value. The returns on investment (ROI) of shareholders will depend to a great extent

how responsible the corporate is in terms of its commitment towards various CSR practices. After the scandal for example inside trading, corruption, misappropriation of shares, oil spill, factory accidents, human rights violation and unsafe product, company shares plunge and causes panic in the market. Company's commitment beyond the rules of the game will give an edge in terms of competitiveness due to their brand image name. A large number of shareholders invest in the company due to her reputation acquired from CSR practices. There are many ways that the company operate and increase shareholders value in a more responsible ways. Of late there is an increased demand from stock markets across the globe like the Dow Jones Sustainability Index, BSE, NIFTY, mutual funds, FTS4Good index, Shanghai Stock Market and many more globally, governments and investors towards the company's disclosure of their CSR activities on issues of environment and social impact and rating different firms there in. The study in table - 5.12-1 below reveals opinion of respondents concerning company CSR activities towards shareholders.

**Table - 5.12-1: Classification Based on CSR Practices towards the Shareholders of the Company**

Activities	Respondents Company		Total
	Tata Company	ITC Company	
Transparency in the Company Operation	11(22.9)	4(16.7)	15(20.8)
Priority in Keeping Business Secrets	7(14.6)	8(33.3)	15(20.8)
Creating a Competitive Advantage	12(25.0)	4(16.7)	16(22.2)
Expanding the Business to New Areas	4(8.3)	3(12.5)	7(9.7)
Saving the Environment	7(14.6)	2(8.3)	9(12.5)
Adopting Technology	6(12.5)	2(8.3)	8(11.1)
Other	1(2.1)	1(4.2)	2(2.8)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.12-1 shows the company and opinion of respondents towards shareholder's CSR activities. Out of 22.2 percent respondents, 25.0 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that the company created a competitive advantage as a CSR activity towards shareholders interest. Out of 20.8 percent respondents, 22.9 percent and 14.6 percent respondents of Tata Company and 16.7 percent and 33.3 percent respondents of ITC Company opined that the company had transparency in its operations and kept top business secrets a priority as a CSR activities towards shareholders interest. Out of 12.5 percent

respondents, 14.6 percent respondents and 8.3 percent respondents of Tata Company and ITC Company opined that the company saved the environment as the CSR activity towards the shareholders interest. Out of 11.1 percent respondents, 12.5 percent respondents and 8.3 percent respondents of Tata Company and ITC Company opined that the company had adopted technology as a CSR activity towards shareholders interest. Out of 9.7 percent respondents, 8.3 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that the company had expanded the business into new areas of operation as a CSR activities towards shareholders interest. Out of 2.8 percent respondents, 2.1 percent respondents and 4.2 percent respondents of Tata Company and ITC Company opined that the company had other CSR activities towards the shareholders of the company like quality of products and risk management.

It is evident from the above analysis that tata Company respondents with 25.0 percent and ITC Company respondents with 33.3 percent created a competitive advantage and prioritized keeping business secrets as a CSR activity towards shareholders. Hence from the analysis, it is inferred that both companies carry out CSR activities towards the shareholders of the company led by creating a competitive advantage.

### 5.5.3-2 Achieving Shareholders Objectives

To achieve company objectives, stakeholder's needs should be met first including those of shareholders. The strategic method that the company will adopt to address issues more significant and urgent will help reach its goals in time. The study in table - 5.12-2 below.

<b>Table - 5.12-2: Classification Based on CSR practices towards Achieving Shareholders Objectives</b>			
Activities	Respondents Company		Total
	Tata Company	ITC Company	
Continuous Communication	9(18.8)	5(20.8)	14(19.4)
Investing in R&D	7(14.6)	5(20.8)	12(16.7)
Increasing Managerial Policies	10(20.8)	5(20.8)	15(20.8)
Including Shareholders in Decision Making	12(25.0)	2(8.3)	14(19.4)
Environment Protection	7(14.6)	6(25.0)	13(18.1)
Other	3(6.3)	1(4.2)	4(5.6)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.12-2 reveals the company and opinion of respondents concerning CSR practices for achieving shareholder's objectives. Out of 20.8 percent respondents, 20.8 percent respondents each for Tata Company and ITC Company opined that the company had increased managerial practices as a CSR activity towards achieving shareholders objectives. Out of 19.4 percent respondents, 18.8 percent respondents and 25.0 percent respondents of Tata Company and 20.8 percent respondents and 8.3 percent respondents of ITC Company opined the company had continued communication and included opinions of shareholders as a CSR activity towards achieving shareholder's objectives. Out of 18.1 percent respondents, 14.6 percent respondents and 25.0 percent respondents of Tata Company and ITC company respondents opined that the company had protected the environment as a CSR activity towards achieving shareholder's objective. Out of 16.7 percent respondents, 14.6 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that they had invested in R&D as a CSR activity aimed at achieving shareholders objectives. Out of 5.6 percent respondents, 6.3 percent respondents and 4.2 percent respondents of Tata Company and ITC Company opined that the company had other CSR activities like human resource development, supply chain management and risk management aimed at achieving the shareholders objectives.

In view of the above table analysis, it is inferred that both companies had CSR activities towards achieving shareholder's objectives led by increased managerial policies, closely followed by continuous communication and including shareholders in decision making.

### **5.5.3-3 CSR for Shareholder's Value Addition**

Shareholder value addition has been centuries old game. It is a management system whereby the company manages the company shares in a moral and ethical way. As a CSR practice, the company has many ways that it can adopt without compromising the interests of other stakeholders. Market volatility lends the managers with the option of working smart within the principles of business ethics so that negative sentiments related to scandals like accidents, corruption and inside trading to mention a few are kept at bay for stability of company shares. The study in table - 5.12-3 below shows some of the CSR activities that adds value to the shareholders.

**Table - 5.12-3: Classification Based on Shareholder's Value Addition**

Activities	Respondents Company		Total
	Tata Company	ITC Company	
Safe, Quality Products and Services	6(12.5)	3(12.5)	9(12.5)
Retaining and Recruiting Competitive Employees	8(16.7)	5(20.8)	13(18.1)
Attracting more Investors towards the Company	6(12.5)	4(16.7)	10(13.9)
Creating Close Ties with Financial Institutions	4(8.3)	2(8.3)	6(8.3)
Technology Adoption and Innovations	6(12.5)	3(12.5)	9(12.5)
Risk Management	6(12.5)	1(4.2)	7 (9.7)
Human Rights Address	4(8.3)	2 (8.3)	6(8.3)
Obeying the Law	2(4.2)	1(4.2)	3(4.2)
Reporting and Disclosure	6(12.5)	3(12.5)	9(12.5)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.12-3 shows the company and opinion of respondents towards shareholders value addition. Out of 18.1 percent respondents, 16.7 percent respondents and 20.8 percent respondents of Tata Company and ITC Company respondents opined that they retained and recruited competitive employees to help add value to shareholders. Out of 13.9 percent respondents, 12.5 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that they attracted more investors towards the company to help add value to shareholders. Out of 12.5 percent respondents, Tata Company respondents and ITC Company respondents each with 12.5 percent said that produced quality products and services, adopted technology for innovation and disclosed by reporting their CSR activities as a way of adding value to shareholders. Out of 9.7 percent respondents, 12.5 percent respondents and 4.2 percent respondents of Tata Company and ITC Company opined that they managed risk as a means of adding value to shareholders of the company. Out of 8.3 percent respondents, Tata company respondents and ITC company respondents each with 8.3 percent opined that their CSR towards shareholders value addition included creating close ties with the financial institutions and addressing human right issues. Out of 4.2 percent respondents, Tata Company respondents and ITC Company respondents each with 4.2 percent opined that their shareholder value addition included obeying the law.

From the above table analysis, it can be inferred that both companies had multiple CSR activities towards shareholder value addition, led by recruiting and retaining the competitive employees, closely followed by attracting more investors to the company.

#### 5.5-4 Managers of the Company

Managers of the company are the movers of the company who coordinate the daily business activities. They are a very responsible stakeholders for purchases, sales, marketing, financing, among many activities that make a company run smoothly. Manager's expertise and connection with company in terms of hard work pays and increases momentum for other stakeholders of the company towards CSR activities. Managerial leadership of the company has the capacity to develop a good environment that meets varying stakeholder's demands. Since the managers were the target respondents for the study, it will be fair if their marital status, education level, place of stay and religion and the way they affect CSR be addressed in a nutshell.

##### 5.5.4-1 Marital Status

Married and un-married people view their profession differently depending with the environment and the motivation behind them concerning the job. Some people get motivated to work because they are married, while others work even harder when single or un-married because they believe they have more responsibilities before them. But both side has an effect. The study in table - 5.13 below reveals the opinion of respondents concerning their marital status.

**Table – 5.13: Classification Based on Marital Status**

Respondents Marital Status	Respondents Company		Total
	Tata Company	ITC Company	
Single	12(25.0)	6(25.0)	18(25.0)
Married	36(75.0)	18(75.0)	54(75.0)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Study (values in parenthesis indicates percentage to the column total)

Table – 5.13 shows the company and opinion of respondents concerning their marital status. Out of 75.0 percent respondents, Tata Company respondents and ITC company respondents each with 75.0 percent opined that they were married, while out of 25.0 percent respondents, Tata Company respondents and ITC Company respondents each with 25.0 percent opined that they were single.



### 5.5.4-2 Age

Different companies select employees for managerial position depending with age. Age also is a factor in decision making with the study revealing that those with advanced age reason wisely when it comes to making decisions and may be possessing some experience. The study in table 5.14 below reveals the opinion of respondents from both companies concerning their age.

**Table – 5.14: Classification Based on Respondents Age**

Respondents Age	Respondents Company		Total
	TATA Company	ITC Company	
Less than 30	13(27.1)	4(16.7)	17(23.6)
31-40	13(27.1)	9(37.5)	22(30.6)
41-50	15(31.3)	8(33.3)	23(31.9)
Above 51	7(14.6)	3(12.5)	10(13.9)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table – 5.14 shows the company and opinion of respondents concerning the age. Out of 31.9 percent respondents, 31.3 percent and 33.3 percent respondents of Tata Company and ITC Company respondents opined that they were between 41-50 years of age. Out of 30.6 percent respondents, 27.1 percent respondents and 37.5 percent respondents of Tata Company and ITC Company opined that they were between 31-40 years of age. Out of 23.6 percent respondents, 27.1 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that they were less than 30 years of age. Lastly, out of 13.9 percent respondents, 14.6 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that they were above 51 years of age.

From the above table it's evident that the majority of respondents of Tata Company were between the ages of 41-50 years while the majority respondents of ITC Company were between the ages of 31-40 years. Hence it's is inferred that both companies majority respondents were between the age of 41-50.

### 5.5.4-3 Working Place

Specific work place has an impact on the employee's concentration. When the place where workers operate from is well equipped with infrastructure (i.e. banking facilities, communication and transportation, markets to name a few), easily serves the purpose of the organization. It becomes easy to achieve the goals of the organization

because either reaching the various stakeholders who are crucial to the company to handling and detecting the risks and urgent issues becomes an issue easily worked upon. Rural villages have challenges to modern facilities as compared to urban. But depending on the care the company is putting upon its employees, the efficiency of all workplace become easily adaptable and loved as revealed in the table - 5.15 below.

**Table - 5.15: Classification Based on Place of Work**

Response	Respondents Company		Total
	TATA Company	ITC Company	
City	30(62.5)	10(41.7)	40(55.6)
Rural	4(8.3)	2(8.3)	6(8.3)
Semi-Rural	12(25.0)	11(45.8)	23(31.9)
Other	2(4.2)	1(4.2)	3(4.2)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

The table - 5.15 shows the company and opinion of respondents concerning place of work. Out of 55.6 percent respondents, 62.5 percent respondents and 41.7 percent respondents of Tata Company and ITC Company opined that they worked in the city. Out 31.9 percent respondents, 25.0 percent respondents and 45.8 percent respondents of Tata Company and ITC Company opined that they worked in semi-rural areas. Out of 8.3 percent respondents, Tata Company respondents and ITC Company respondents each with 8.3 percent opined that they worked in a rural place. Finally out of 4.2 percent respondents, Tata company respondents and ITC Company respondents with 4.2 percent each opined that they worked in other places like both rural and semi-rural.

From the above table analysis, it is inferred that both companies' respondents worked in cities.

#### **5.5.4-4 Religion**

Various religions teach different moral values to their followers from their tender age which they hardly neglect at their life time including work place. Despite work place training and new methods of handling the job. Religion too can't be neglected because of its impact on employees. Hence the study has taken an investigation to know the religion background of various respondents as revealed in table – 5.16 below.

**Table – 5.16: Classification Based on Respondents Religion**

Religion	Respondents Company		Total
	Tata Company	ITC Company	
Hindu	30(62.5)	12(50.0)	42(58.3)
Muslim	10(20.8)	8(33.3)	18(25.0)
Christian	8(16.7)	3(12.5)	11(15.3)
Others	0(.0)	1(4.2)	1(1.4)
Total	48(66.7)	24(33.3)	72 (100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table –5.16 reveals the company and opinion of respondents concerning the type of religion. Out of 58.3 percent respondents, 62.5 percent respondents and 50.0 percent respondents of Tata Company opined that they were Hindus. Out of 25.0 percent respondents, 20.8 percent respondents and 33.3 percent respondents of Tata Company and ITC Company opined that they were Muslims. Out of 15.3 percent respondents, 16.7 percent respondents and 12.5 percent respondents opined that they were Christians. Out of 1.4 percent respondents, 4.2 percent respondents of ITC Company opined that they were from other religions like Sikh.

#### 5.5.4-5 Family Structure

Family structure has a great impact on a person in terms of output. As a person grow, the kind of family traits they are thought to follow shapes a lot their future as they grow. Many studies reveal that (cite) families structure background has an effect in the outcome of an individual either in workplace and the decisions that they make. It is a highly influential factor in an organisation, like in an Indian un-divided family. Table -5.17 below reveals the opinion of respondents from both companies concerning family structure.

**Table – 5.17: Classification Based on Family Structure**

Response	Respondents Company		Total
	Tata Company	ITC Company	
Nuclear	34(70.8)	14(58.3)	48(66.7)
Joint/Extended Family	14(29.2)	10(41.7)	24(33.3)
Total	48 (66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table – 5.17 reveals the company and opinion of respondents concerning the family structure. Out of 66.7 percent respondents, 70.8 percent respondents and 58.3 percent respondents of Tata Company and ITC Company respondents opined that they

were nuclear company. Out of 33.3 percent respondents, 29.2 percent respondents and 41.7 percent respondents of Tata Company and ITC Company opined that they were extended family.

From the above table analysis, it is inferred that the majority respondents were a nuclear family.

#### 5.5.4-6 Place of Stay

One of the responsibility of the company is to consider the commuting place for the employee who work for their organization. This will safe time in terms of reaching working place, it remains safe for women employees and safes resource like transportation costs to name a few. But many company rarely consider the place of their employees commuting. Table – 5.18 shows the opinion of respondents from both companies concerning the place of stay.

**Table – 5.18: Classification Based on Place of Stay**

Place of Stay	Respondents Company		Total
	TATA Company	ITC Company	
Own House	2(4.2)	4(16.7)	6(8.3)
Rented House	11(22.9)	1(4.2)	12(16.7)
Family House	5(10.4)	3(12.5)	8(11.1)
Company House	30(62.5)	16(66.7)	46(63.9)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table -5.18 shows the company and opinion of respondents towards place of stay. Out 63.9 percent respondents, 62.5 percent respondents and 66.7 percent respondents of Tata Company and ITC Company opined that they lived in company houses. Out of 16.7 percent respondents, 22.9 percent respondents and 4.2 percent respondents of Tata Company opined that they lived in a rented house. Out of 11.1 percent respondents, 10.4 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that they lived in a family house. Out of 8.3 percent respondents, 4.2 percent respondents and 16.7 percent respondents of Tata Company and ITC Company respondents opined that they lived in their own houses.

Hence from the above table analysis, it is inferred that both companies provided accommodation for it employees.

### 5.5.4-7 Managerial Implications

Managers seeking to enforce CSR practices needs a commitment and some expertise in order to deliver. Adoption, implementation and effectiveness of CSR framework by managers of a company demands coordination with other stakeholders in the organization. Due to change of tastes business environment and cultures, managers should work on diverse areas in order to understand areas for successful CSR implementation. It's upon the management to mobilize resources necessary and in time for the company if success is to be achieved. To corner all these requirements and meet the required dateline and remain competitive and relevant in the market, it calls for managers to give their expertise of leadership skills with focus on opportunities that are rare in a wide risk environment. Table - 5.18-1 below opinion of respondents concerning managers experience impact on CSR implementations in the organisation.

**Table - 5.18-1: Classification Based of Experience of Managers**

Response	Respondents Company		Total
	Tata Company	ITC Company	
Yes	24(50.0)	11(45.8)	35(48.6)
To Some Extent	18(37.5)	10(41.7)	28(38.9)
Never	6(12.5)	3(12.5)	9(12.5)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.18-1 shows the company and opinion of respondents towards manager's experience on CSR implementation and management. Out of 48.6 percent respondents, 50.0 percent respondents and 45.8 percent respondents of Tata Company and ITC Company said that experience had an impact on CSR implementation and management. Out of 38.9 percent respondents, 37.5 percent respondents and 41.7 percent respondents of Tata Company and ITC Company opined that experience to some extent had an impact on CSR implementation and management. Lastly out of the total 12.5 percent respondents, 12.5 percent respondents each for Tata Company and ITC Company opined that experience had no impact on CSR implementation and management.

From the above table, it can be inferred that experience has an impact towards CSR implementation and management.

### 5.5-5 Effective CSR Leadership Management

There are a number of factors that contribute towards effective leadership in management, for example age of the leader or manager, education, experience, family factors among others have an impact on management impact. The traditional methods of management specific to a certain locality have lost ground and a universal system of management has been adopted because of globalization. Some of the common factors that make managers effective towards their CSR activities include education and gender, age and time of working in the company.

#### 5.5.5-1 Education and Gender

In 21 century every manager requires education management skills because now rules of managing business have become almost universal due to globalization. To this effect both genders in the organization deserves this equal opportunity if they deserve success. Most managerial positions in many organization are held by men as compared to women counterparts. Both private and government organizations are challenged to equally educate male and women on management skills reflecting management. The study in table - 5.18-2 reveals the opinion of respondents from both companies concerning gender education qualification in managing CSR activities of the company.

**Table - 5.18-2: Classification Based on Gender and Education Qualification**

Education Qualification	Company Name						Total
	Tata Company			ITC Company			
	Gender		Total	Gender		Total	
	Male	Female		Male	Female		
Graduation	10(58.8)	7(41.2)	17(35.4)	3(42.9)	4(57.1)	7(29.2)	24(33.3)
P.G	17(77.3)	5(22.7)	22(45.8)	6(54.5)	5(45.5)	11(45.8)	33(45.8)
Ph.D	5(71.4)	2(28.6)	7(14.6)	2(66.7)	1(33.3)	3(12.5)	10(13.9)
Other	1(50.0)	1(50.0)	2(4.2)	2(66.7)	1(33.3)	3(12.5)	5(6.9)
Total	33(68.8)	15(31.3)	48(100.0)	13(54.2)	11(45.8)	24(100.0)	72(100)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.18-2 reveals the company and opinion of respondents towards gender and academic qualification. Out of 45.8 percent respondents, 77.3 percent male respondents and 54.5 percent male respondents of Tata Company and ITC Company and 22.7 percent female respondents and 45.5 percent female respondents of Tata Company and ITC Company opined that they had post graduate degree. Out 33.3 percent respondents, 58.8 percent male respondents and 42.9 percent male respondents,

and 41.2 percent female respondents and 42.9 percent female respondents of Tata Company and ITC Company opined that they had a graduation degree. Out of 13.9 percent respondents, 71.4 percent male respondents and 66.7 percent male respondents and 28.6 percent female respondents and 33.3 percent female respondents of Tata Company and ITC Company opined that they had a PhD degree. Out of 6.9 percent respondents, 50.0 percent male respondents and 66.7 percent male respondents and 50.0 percent female respondents and 33 percent female respondents of Tata Company and ITC Company opined that they had other qualification like advanced diploma and certificate.

From the above table analysis, it is evident that male general male education qualification on managerial positions were more as compared to their female counterparts, for example Tata Company had 68.8 percent male respondents and ITC Company 54.2 percent male respondents as compared to 31.3 percent female respondents and 45.8 percent female respondents of Tata company and ITC company respectively. Hence it inferred that there is still a gap in terms of gender and qualification in terms of company managerial jobs positions and that has an impact of efficiency.

#### **5.5.5-2 Period of Work and Experience**

The longer the time an employee or manager works in an organization the more they are supposed to acquire experience critical for achieving the solutions to the challenges that face the company. The study in table – 5.18-3 below reveals the opinion of respondents concerning the years of managers working and where the experience helps in CSR management.

**Table – 5.18-3 Classification Based on Age and Experience of Respondents on CSR Management**

Response	Tata Company					ITC Company					Total
Respondents	Respondents Age					Respondents Age					
	<30	31-40	41-50	51>	Total	<30	31-40	41-50	>51	Total	
Yes	3 (60.0)	6 (46.2)	6 (46.2)	9 (52.9)	24 (50.0)	0 (.0)	1 (25.0)	6 (66.7)	4 (44.4)	11 (45.8)	35 (48.6)
To Some Extent	2 (40.0)	5 (38.5)	5 (38.5)	6 (35.3)	18 (37.5)	1 (50.0)	1 (50.0)	3 (33.3)	4 (44.4)	10 (41.7)	28 (38.9)
Never	0 (.0)	2 (15.4)	2 (15.4)	2 (11.8)	6 (12.5)	1 (50.0)	1 (25.0)	0 (.0)	1 (11.1)	3 (12.5)	9 (12.5)
Total	5 (10.4)	13 (27.1)	13 (27.1)	17 (35.4)	48 (100.0)	2 (8.3)	4 (16.7)	9 (37.5)	9 (37.5)	24 (100.0)	72 (100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)



Table – 5.18-3 shows the company and the opinion of respondents concerning the age and experience in terms of years. Out of 50.0 percent respondents, 60.0 percent, 52.9 percent, and 46.2 percent respondents of Tata Company who were aged less than 30 years, above 51 years, and between 31-50 years opined that experience and age factors had effect on management of CSR activities of the company, while out of 45.8 percent respondents, 66.7 percent, 44.4 percent and 25.0 percent respondents of ITC Company who were aged 41-50 years, more than 51 years and 31-40 years opined that experience and age factors had effect on management of CSR activities of the company. Out of 37.5 percent respondents, 40.0 percent, 38.5 percent each and 35.3 percent respondents of Tata Company who were aged less than 30 years, 31-50 years and above 51 years said that age and experience factors had an effect on management of CSR activities to some extent, while out of 41.7 percent respondents, 50 percent respondents each, 44.4 percent and 33.3 percent respondents of ITC company who were aged below 30 years and 31-40 years, above 51 years and between 41-50 years said that age and experience factors had an effect on management of CSR activities to some extent. Out of 12.5 percent respondents, 15.4 percent and 11.8 percent respondents of Tata Company who were aged 31-50 years and above 51 years opined that age and experience factors never had any effect on management of CSR activities, while out of 12.5 percent respondents 50.0 percent, 25.0 percent and 11.1 percent respondents of ITC company who were aged less than 30 years, 31-40 and above 51 years opined that age and experience factors never had any effect on management of CSR activities.

It can be inferred from the above table analysis that age and experience had an effect towards best management of CSR activities.

## **5.6 External Stakeholders**

External stakeholders play a critical role towards the company in many aspects. They facilitate and shapes the company towards achieving its objectives in time. There are a variety of external stakeholders who transact with the company in many ways like: consuming products and services, supplying raw material or finished products and services to the company, advising the company, investing in the company and in research and development of the company. Depending with the type of company, external stakeholders may vary. Table – 5.19 below reveals the opinion of respondents concerning external stakeholders of the company.

**Table - 5.19: Classification Based on the External Stakeholders**

Stakeholders	Respondents Company		Total
	Tata Company	ITC Company	
Consumers	8(16.7)	5(20.8)	13(18.1)
Suppliers	8(16.7)	4(16.7)	12(16.7)
Government	6(12.5)	2 (8.3)	8(11.1)
Media	4(8.3)	1(4.2)	5(6.9)
Society	8(16.7)	4(16.7)	12(16.7)
Environment	8(16.7)	5(20.8)	13(18.1)
Business Partners	6(12.5)	3(12.5)	9(12.5)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.19 reveals the company and opinion of respondents towards the external stakeholders of the company. Out of 18.1 percent respondents, 16.7 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that consumers and the environment were the external stakeholders. Out of 16.7 percent respondent, Tata Company respondents and ITC Company respondents each with 16.7 percent opined that the suppliers and society were the external stakeholders. Out of 12.5 percent respondents, Tata Company respondents and ITC Company respondents each with 12.5 percent opined that business partners were their external stakeholder. Out of 11.1 percent respondents, 12.5 percent respondents and 8.3 percent respondents of Tata Company and ITC Company opined that the government was their external stakeholders of Tata Company and ITC Company opined that media was their external stakeholder.

It can be inferred from the above analysis that both companies had multiple external stakeholders who made considerable contribution towards the company.

### **5.6-1 CSR Guidelines towards Suppliers**

Suppliers form a very important part of external stakeholders. Their role is beyond just a mere supply of goods and services. They contribute towards the brand name and competitive advantage through their contribution towards the society and environment protection. When supplier's products meet the standards required by institutions and other stakeholders, response towards those products and services due to brand name product differentiation with the number of investors and financial institutions associating with the company increasing overtime. Hence the company

requires some guidelines that will help monitor suppliers CSR practices. Table – 5.20 below shows opinion of respondents concerning the presence of CSR guidelines in the company

**Table - 5.20: Classification Based on Guidelines towards Suppliers of the Company**

Response	Respondents Company		Total
	Tata Company	ITC Company	
Yes	45(93.8)	23(95.8)	68(94.4)
No	3(6.3)	1 (4.2)	4(5.6)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.20 shows the company and opinion of respondents towards presence of consumer’s guidelines. Out of 94.4 percent respondents, 93.8 percent respondents and 95.8 percent respondents of Tata Company and ITC Company opined that there were guidelines towards the suppliers of the company, while out of 5.6 percent respondents, 6.3 percent respondents and 4.2 percent respondents of Tata company and ITC company opined that there were no CSR guidelines towards the Suppliers of the company.

It can be inferred from the above table analysis that both companies had CSR guidelines towards the suppliers of the company.

### **5.6.1-1 Suppliers CSR Procurement Policies**

Supply chain remains very critical part not only in CSR part but towards the general reputation of the company. A company has to set clear some procurement policies of its suppliers so that they don’t compromise with interests of other stakeholders in the society. Society moral and ethical values, human rights, child abuse, environment impact, safety of products and services among others should be addressed in advance across supply chain. To a great deal, suppliers’ procurement policies that disclose transparently its activities, safety and product quality, human rights, environment protection, safety of employees at work place, methods of risk management among others. The in table - 5.20-1 below reveals some of the company CSR procurement policies towards its suppliers.

**Table - 5.20-1: Classification Based on Guideline Towards Suppliers of the Company**

Guidelines	Respondents Company		Total
	Tata Company	ITC Company	
Safety and Product Quality	7(14.6)	4(16.7)	11(15.3)
Human Rights and Labour Issues	6(12.5)	4(16.7)	10(13.9)
Environment Protection	9(18.8)	2(8.3)	11(15.3)
Compliance and Disclosure	7(14.6)	3(12.5)	10(13.9)
Strengthening Partnerships	8(16.7)	3(12.5)	11(15.3)
Fair and Equitable Transactions	7(14.6)	4(16.7)	11(15.3)
Securing Right Price and Quality	4(8.3)	4(16.7)	8(11.1)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.20-1 reveals the company and opinion of respondents concerning CSR guidelines towards suppliers of the company. Out of 15.3 percent respondents, 14.6 percent and 16.7 percent respondents each for Tata company and ITC company opined that safety and product quality, fair and equitable transactions were CSR guidelines towards the suppliers of the company, while 18.8 percent respondents and 16.7 percent respondents of Tata company and 8.3 percent and 12.5 percent respondents of ITC company opined that environment protection and strengthening partnerships were CSR guidelines towards the suppliers of the company. Out of 13.9 percent respondents, 12.5 percent and 14.6 percent respondents of Tata Company and 16.7 percent and 12.5 percent respondents of ITC Company opined that human rights labour issues, compliance and disclosure were CSR guidelines towards suppliers of the company. Out of 11.1 percent respondents, 8.3 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that securing right price and quality was the CSR guidelines towards the suppliers of the company.

It is evident from the above table analysis that Tata Company major supplier guideline was on environment protection while majority of respondents of ITC Company opined that their supplier guideline was on safety and product quality, human rights and labour issues, fair and equitable transactions and securing right price and quality. Hence it is inferred the major supplier's guidelines by both companies were on safety and product quality, environment protection, strengthening relationships and fair equitable transactions.

### 5.6.1-2 Monitoring Supplier Compliance on CSR Guidelines

Different stakeholders increase vigilance on company's disclosure reports of supply chain activities. A slight failure may lead to boycott in consuming products from these companies dealing with such supply chains. It's upon various companies to monitor how their supply chain comply with the rules of the game in the chain process to avoid flashback. There should be strict adherence by the supply chain on the CSR guidelines if the company wants success and improve its image. Table - 5.20-2 below reveals opinion of respondents concerning the methods the company uses to monitor supplier's CSR guideline compliance.

**Table - 5.20-2: Classification Based on Monitoring Supplier CSR Guidelines**

Guidelines	Respondents Company		Total
	Tata Company	ITC Company	
Onsite Inspections	21(43.8)	13(54.2)	34(47.2)
Briefings on CSR	13(27.1)	6(25.0)	19(26.4)
Presentations of CSR Activities	11(22.9)	4(16.7)	15(20.8)
Other	3(6.3)	1(4.2)	4(5.6)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.20-2 shows the company and opinion of respondents concerning the method the company uses to monitor supplier's CSR guideline compliance. Out of 47.2 percent respondents, 43.8 percent respondents and 54.2 percent respondents of Tata Company and ITC Company opined that they used onsite inspections to monitor supplier's compliance with CSR guidelines. Out of 26.4 percent respondents, 27.1 percent respondents and 25.0 percent respondents of Tata Company and ITC Company opined that briefings from suppliers was used to monitor their compliance with CSR guidelines. Out of 20.8 percent respondents, 22.9 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that presentation by suppliers on their CSR activities was used to monitor CSR guidelines of the company. Out of 5.6 percent respondents, 6.3 percent respondents and 4.2 percent respondents of Tata Company and ITC Company opined that they revised the guidelines concerning basic agreement used to monitor other supplier CSR guidelines of the company.

It can be inferred from the above table analysis, that onsite inspections were most preferred for monitoring supplier CSR guidelines of the company.

### 5.6.1-3 Encouraging Suppliers to Practice CSR

Suppliers must be part of CSR participation because their part contributes a lot towards the success or failure of the company. There are different ways that suppliers can be made to take part in CSR practices that are diverse and most demanding by different stakeholders. The study in table - 5.20-3 below shows the opinion of respondents concerning methods used by the company to encourage supplier's participation in CSR practices.

**Table - 5.20-3: Classification Based on Methods that Encourage Suppliers towards CSR Practices**

Methods	Respondents Company		Total
	Tata Company	ITC Company	
Two way Communication	10(20.8)	5(20.8)	15(20.8)
Adoption of Technology, R&D	8(16.7)	4(16.7)	12(16.7)
Participation in Decision Making	8(16.7)	5(20.8)	13(18.1)
Providing some Credit in the form of Capital	6(12.5)	2(8.3)	8(11.1)
Making payment to suppliers in time	8(16.7)	4(16.7)	12(16.7)
Education through Seminars and Conference	8(16.7)	4(16.7)	12(16.7)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.20-3 reveals the company and opinion of respondents concerning methods to encourage suppliers CSR practices. Out of 20.8 percent respondents, Tata company respondents and ITC company respondents each with 20.8 percent opined that they had adopted a two way technology as a method of encouraging suppliers to participate in CSR. Out 18.1 percent respondents, 16.7 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that they welcomed suppliers to be part of decision making as a means of encouraging them to carry out CSR activities. Out 16.7 percent respondents Tata Company respondents and ITC Company respondents each with 16.7 percent opined that had adopted technology, research and development, made payment to suppliers in time and gave education through seminars and conferences to encourage suppliers to carry CSR practices. Out 11.1 percent respondents, 12.5 percent respondents and 8.3 percent respondents of Tata Company and ITC Company said that they provided credit in the form of loans as a method of encouraging suppliers to carry CSR practices.

From the above table, it is inferred that both companies had adopted different methods that encouraged suppliers of the company to carry CSR practices led by a two way communication.

#### 5.6.1-4 Impact of CSR Policies towards Supply Chain

There are a number of ways both the company, the stakeholders and the suppliers themselves can gain once suppliers participate in CSR activities. It helps in environment protection, there remains a responsible commitment towards timely supply of good and services, maintains quality of goods and services, human rights violations is eliminated, labour laws are uphold. Table - 5.20-4 below reveals benefit of CSR practices by company suppliers.

**Table - 5.20-4: Classification Based on Supplier CSR Benefits of CSR**

Benefits	Tata Company			ITC Company			Total
	Benefits			Benefits			
	Yes	No	Total	Yes	No	Total	
Customers get Best Price in the Market.	8(16.7)	0(.0)	8(16.7)	4(16.7)	1(4.2)	5(20.8)	13(18.1)
Quality, Health and Safety is Maintained	9(18.8)	1(2.1)	10(20.8)	3(12.5)	1(4.2)	4(16.7)	13(18.1)
Environment Protection Practices Maintained	9(18.8)	1(2.1)	10(20.8)	4(16.7)	0(.0)	4(16.7)	14(19.4)
Human Rights Practices Maintained	7(14.6)	1(2.1)	8(16.7)	5(20.8)	0(.0)	5(20.8)	13(18.1)
Helps Manage Risk	9(18.8)	0(.0)	9(18.8)	4(16.7)	0(.0)	4(16.7)	13(18.1)
Other	3(6.3)	0(.0)	3(6.3)	9(18.8)	0(.0)	2(8.3)	5(6.9)
Total	45(93.8)	3(6.3)	48(100.0)	22(91.7)	2(8.3)	24(100.00)	72(100.00)

Source: Field Study (values in parenthesis indicates percentage to the column total)

Table - 5.20-4 shows the company and opinion of respondents concerning benefits of supplier's CSR practices. Out of 19.4 percent respondents, 18.8 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that CSR was beneficial in maintaining environment protection practices, while 2.1 percent respondents of Tata Company opined that suppliers CSR practices was not

beneficial in maintaining environment protection. Out of 18.1 percent respondents 16.7 percent, 18.8 percent, 14.6 percent and 18.8 percent respondents each for Tata company and 16.7 percent, 12.5 percent, 20.8 percent and 16.7 percent opined that supplier CSR practices were beneficial in helping customers get best price in the market, maintained quality, health and safety, human rights and in managing risk, while 2.1 percent respondents each for Tata company and 4.2 percent for ITC Company said that CSR practices by suppliers were not beneficial on maintaining quality, health and safety, human rights and customer getting the right price in the market. Out of 6.9 percent respondents 6.3 percent respondents and 16.6 percent respondents of Tata company and ITC Company opined that supplier there were other benefits of CSR practices by suppliers like; research and development and adding value to shareholders of the company.

In view of the above analysis it is clear that 93.8 percent respondents of Tata company and 91.7 percent respondents of ITC Company opined that CSR practices by supply chain were beneficial, hence it is inferred that CSR practices towards the suppliers is beneficial towards the company.

H<sub>0</sub>: CSR Practices of Tata Company and ITC Company do not benefit the company

H<sub>a</sub>: CSR Practices of Tata Company and ITC Company do benefit the company

The t-test has been adopted to test whether there is any significant difference between supplier CSR practices and benefits.



**Table – 5.20-5: Independent Samples t-Test for testing the Statistical evidence on significance of CSR benefit on Suppliers**

Benefits of supply CSR towards the Company	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Equal variances assumed	.201	.655	-.053	70	.958	-.021	.393	-.805	.764
Equal variances not assumed			-.052	43.547	.959	-.021	.402	-.831	.790

Source: Calculated From the Primary Data

Table – 5.20-5 shows an independent sample t-test to determine whether there are significant differences between the two company's benefits due to CSR activities on supply chain. The significance level is 0.958 while the t-value -.053. Since the p-value is higher than the alpha or  $0.958 > 0.053$ , the study opines that there were no differences between the two companies on CSR benefits on supply chain. Hence the study rejects the null hypothesis.

### 5.6-2 Government as External Stakeholder

Governments support businesses because of their role towards economic development. They set rules under which business organizations work to create help create harmony in the system. The government provide security to businesses, help in providing essential infrastructure like transport, health services, water, and easing service delivery. Every government has set rules that companies have to follow like disclosure of their financial and non-financial activities, taking part in CSR practices and saving the environment, it acts as watchdogs to protect the weaker sections of the society, address stakeholders grievances for example consumers, investors, employees and child labour. To help the government in delivering the required changes and

services, the business community has to bear some responsibility toward the government too. Table - 5.21 below reveals the opinion of respondents concerning company CSR practices towards the government.

**Table - 5.21: Classification Based on CSR towards the Government**

Activities	Respondents Company		Total
	Tata Company	ITC Company	
Timely Payment of Taxes	6(12.5)	3(12.5)	9(12.5)
Partnering in R&D for Innovations	8(16.7)	2(8.3)	10(13.9)
Developing Human Capital in Education and Health Care	6(12.5)	3(12.5)	9(12.5)
Promoting Agriculture by Adopting Green Technologies	8(16.7)	4(16.7)	12(16.7)
Creating Employment Opportunities	6(12.5)	3(12.5)	9(12.5)
Powering Growth with Many Multiple Business Drivers	10(20.8)	5(20.8)	15(20.8)
Nurturing Talent and Risk Management	4(8.3)	4(16.7)	8(11.1)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.21 shows the company and opinion of respondents concerning CSR practices towards the government. Out of 20.8 percent respondents, Tata Company respondents and ITC Company respondents each with 20.8 percent opined that they powered growth with many multiple business drivers as a CSR activity towards the government. Out of 16.7 percent respondent, Tata Company respondents and ITC Company respondents each with 16.7 percent opined that promoted agriculture by adopting green technologies as CSR practices towards the government. Out of 12.5 percent respondents Tata Company respondents and ITC company respondents each with 12.5 percent opined that they timely paid taxes, developed human capital in education and health care and created employment opportunities as a CSR practice towards the government. Out of 11.1 percent respondents, 8.3 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that they nurtured talent and managed risk as CSR practices towards the government.

In view of the above table analysis, it can be inferred that both companies had adopted more than one CSR practices towards the government led by powering growth with many multiple business drivers.

### 5.6.2-1 Public Private Partnership (PPP)

Government cooperation with the private sector will help faster in addressing many issues that affect the economy, environment, and the society. The contributions from the private sector remain significant because it almost equates market forces which otherwise the public sector alone cannot manage. The government have acknowledged the role that private sector has play since privatization took place and find more need to work closely on the model public private partnership in order to achieve company goals efficiently. The study reveals in table - 5.21-1 below on the areas that the companies have partnered with the government as a CSR practice.

**Table - 5.21-1: Classification Based on Company CSR Partnership with the Government**

Response	Respondents Company		Total
	Tata Company	ITC Company	
Research and Development	7(9.7)	5(6.9)	12(16.7)
Healthcare	8(11.1)	3(4.2)	11(15.3)
Energy Sector	8(11.1)	4(5.6)	12(16.7)
Education Development	6(8.3)	5(6.9)	11(15.3)
Drafting Job Industry Oriented Syllabuses	7(9.7)	5(6.9)	12(16.7)
Environment Protection Measures	9(12.5)	2(2.8)	11(15.3)
Other	3(4.2)	0(.0)	3(4.2)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table 5.21-1 reveals the company and opinion of respondents towards the company and government joint partnership on CSR practices. Out of 16.7 percent respondents, 9.7 percent respondents, 11.1 percent respondents and 9.7 percent respondents of Tata Company and 6.9 percent respondents, 5.6 percent respondents and 6.9 percent respondents of ITC Company each opined that they had jointly carried research and development, worked on energy sector and drafted job industry oriented syllabuses as a CSR practice with the government. Out of 15.3 percent respondents, 11.1 percent respondents, 8.3 percent respondents and 12.5 percent respondents of Tata Company and 4.2 percent respondents, 6.9 percent respondents and 2.8 percent respondents of ITC Company opined that they had jointly worked on healthcare, education development and environmental protection measures with the government as a CSR practice. Out of 4.2 percent respondents, Tata company respondents with 4.2

percent opined that they had jointly carried CSR activities with the government on other areas like curbing corruption and other philanthropic activities.

In view of the above table analysis, it can be inferred that, R&D, energy and drafting job oriented syllabuses with industry were the major joint CSR activities that both the companies carried with the government.

### 5.6.2-2 Company Benefits due to CSR Practices towards the Government

There are a number of benefits that the company gets due to CSR practices towards the government as an external stakeholder. When the companies remain accountable in their CSR activities towards various stakeholders like the government, it remains the plus point to the company in terms of capital availability, tax holidays and incentives, reduced inspections, and availability of credit among others. Table - 5.21-2 below shows opinion of respondents concerning the benefits the company gets due to its CSR practices towards the government.

**Table - 5.21-2: Classification Based on Company Benefits of Practicing CSR towards the Government**

Benefits	Respondents Company		Total
	Tata Company	ITC Company	
Tax Incentives	6(12.5)	4(16.7)	10(13.9)
Credit Availability	8(16.7)	4(16.7)	12(16.7)
Improved Infrastructure	8(16.7)	4(16.7)	12(16.7)
Improved Business Security	9(18.8)	3(12.5)	12(16.7)
Supporting R&D	9(18.8)	4(16.7)	13(18.1)
Environment Investment Policies	5(10.4)	3(12.5)	8(11.1)
Other	3(6.3)	2(8.3)	5(6.9)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.21-2 reveals the company and opinion of respondents concerning the company benefits due to its CSR activities to the government. Out of 18.1 percent respondents, 18.8 percent respondents and 16.7 percent respondents of Tata Company and ITC Company said that the company benefited from R&D from the government due to CSR practices. Out 16.7 percent respondents, 16.7 percent respondents each for Tata Company and ITC Company opined that the credit was easily available, and infrastructure was improved due to CSR practices towards the government, while 18.8

percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that the government improved security to protect the business establishment. Credit was availed and infrastructure was improved infrastructure and 18.8 percent respondents and 12.5 percent respondents of Tata Company and ITC Company respectively opined that that the company got improved business security due to CSR practices. Out of 13.9 percent respondents, 12.5 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that the company benefited from tax incentives due to CSR practices towards the government. Out of 11.1 percent respondents, 10.4 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined the company benefitted from environment investment policies. Out of 6.9 percent respondents, 6.3 percent respondents and 8.3 percent respondents of Tata Company and ITC Company opined that they got other benefits like priority in investment opportunities in terms of tenders and advices from the government due to CSR practices.

From the above table analysis, it can be inferred that there were a number of benefits that a company got due to its continued CSR practices towards the government.

### **5.6-3 Consumer's CSR Activities**

Consumers make a strong part of external stakeholders of the company who matter a lot in the success of the company in terms of its competitiveness. A company produces products and services, aiming to reach various categories of consumers who are visible and invisible to it. When consumers are able to differentiate between different types of company products and services of companies that practice CSR activities and those that don't, then it makes a difference in the competitive market for the former. In the present scenario, companies have no option but to maintain the close ties with the consumers if they want to be competitive in the market. The company should be vigilant to address the fast changing consumer tastes and fashion by investing in innovations and research. Consumers now demand goods and services that are more efficient, energy and time saving. They are the determinants of the quantity of products and services that producers should manufacture during a specified period of time and can punish or reward the activities of the company. The study in table – 5.22 below reveals opinion of respondents concerning CSR activities towards the consumers.

**Table - 5.22: Classification Based on CSR towards Consumers**

CSR Activities	Respondents Company		Total
	Tata Company	ITC Company	
Integrating Technology with the Products	8(16.7)	2(8.3)	10(13.9)
Energy Efficient and Cost Effective Products	4(8.3)	3(12.5)	7(9.7)
Replacing Defective Products and Services	4(8.3)	2(8.3)	6(8.3)
Clear Guidelines of the Products and Risks Involved	6(11.1)	2(8.3)	8(8.3)
Hotlines for Addressing Consumer Grievances	8(16.7)	4(16.7)	12(16.7)
Educating Consumers	6(12.5)	3(12.5)	9(12.5)
Safe Package, Producing Quality and Standard Products	5(10.4)	4(16.7)	9(12.5)
Constituting Consumers Ideas to Improve the Product	3(6.3)	2(8.3)	5(6.9)
Securing Right Price and Quality	4(8.3)	2(8.3)	6 (8.3)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.22 reveals the company and opinion of respondents concerning CSR activities towards consumers. Out of 16.7 percent respondents, Tata Company respondents and ITC Company respondents each with 16.7 percent opined that they had hotline for addressing consumer's grievances. Out 13.9 percent respondents, 16.7 percent respondents and 8.3 percent respondents of Tata Company and ITC Company opined that they had integrated technology with the products as a CSR activity towards consumers. Out 12.5 percent respondents, Tata Company respondents with 12.5 percent and 10.4 percent and ITC Company respondents with 12.5 percent and 16.7 percent both opined that they educated consumers and packed safely, produced quality and standard products and services as a CSR activity towards consumers. Out of 9.7 percent respondents, 16.7 percent respondents and 8.3 percent respondents of Tata Company and ITC Company opined that the company integrated technology with the products as a CSR activity towards consumers. Out of 8.3 percent respondents, Tata Company respondents and ITC Company respondents each with 8.3 percent opined that they replaced defective products and service and secured right price and quality for the consumer as a CSR activity towards consumers. Out of 8.3 percent respondents, 11.1 percent respondents and 8.3 percent respondents of Tata Company and ITC Company opined that they gave clear guidelines of the products and the risks involved. Out of 6.9

percent respondents, 6.3 percent respondents and 8.3 percent respondents of Tata Company and ITC Company opined that they constituted consumer's ideas to improve the products as a CSR activity towards consumers.

From the above table analysis, it is be inferred that both companies had multiple CSR activities that protected the consumers of the company.

### 5.6.3-1 Communication with Consumers

The demands of consumers can be known once the company devotes their efforts to communicate their activities that address their demands. Company needs an effective communication to various stakeholders like consumers to reduce gap trust. Communication method reflects to inform the consumer that the company is responsible towards various activities. The study in table - 5.22-1 shows opinion of respondents concerning consumer communication.

**Table - 5.22-1 Classification Based on Presence of Consumer Communication**

Response	Respondents Company		Total
	Tata Company	ITC Company	
Yes	45(93.8)	22(91.7)	67(93.1)
No	3(6.3)	2(8.3)	5(6.9)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.22-1 shows the company and opinion of respondents concerning the presence of consumer CSR communication policy. Out of 93.1 percent respondents, 93.8 percent respondents and 91.7 percent respondents of Tata Company and ITC Company opined that there was a communication policy towards consumers of the company. While out of 6.9 percent respondents, 6.3 percent respondents and 8.3 percent respondents of Tata Company and ITC Company said that there was no communication policy towards consumers of the company.

In view of the above table analysis, it is inferred that CSR communication policy was available in both companies towards consumers.

### 5.6.3-2 Effectiveness of Consumers CSR Communication

Since the consumers of the company products vary in terms of background, culture and traditions, tastes and preference, it is good the mode of communication be effective in order to win their attention. What to be communicated should be fully

analysed in order to know the impact it will have to both the company and consumers without any prejudice or contradiction and misconception concerning the products. A detailed communication concerning the effects of the product and service involved pre and post consumption should be clearly communicated. Hence effectiveness of CSR communication towards various stakeholders-consumers is of paramount importance and should hold ideas that can make consumers and other stakeholders have trust with the company. Table - 5.22-2 below discloses opinion of respondents concerning the effectiveness of different CSR communications towards consumers.

**Table - 5.22-2 Classification Based on Effectiveness of CSR Communication**

Communi- cation	Comp any	Effectiveness					Total
		Highly Ineffec- tive	Ineffec- tive	Neither Effective nor Ineffec- tive	Effectiv- e	Highly Effectiv- e	
Electronic Media	Tata	1(2.1)	0(0.0)	2(4.2)	27(56.3)	18(37.5)	48(66.7)
	ITC	0(0.0)	2(8.3)	0(0.0)	15(62.5)	7(29.2)	24(33.3)
	Total	1(1.4)	2(2.8)	2(2.8)	42(58.3)	25(34.7)	72(100.0)
Company Websites	Tata	1(2.1)	0(0.0)	2(4.2)	15(31.3)	30(62.5)	48(66.7)
	ITC	1(4.2)	1(4.2)	0(0.0)	6(25.0)	16(66.7)	24(33.3)
	Total	2(2.8)	1(1.4)	2(2.8)	21(29.2)	46(63.9)	72(100.0)
Product Package Labeling	Tata	1(2.1)	1(2.1)	7(14.6)	18(37.5)	21(43.8)	48(66.7)
	ITC	0(0.0)	1(4.2)	2(8.3)	14(58.3)	7(29.2)	24(33.3)
	Total	1(1.4)	2(2.8)	9(12.5)	32(44.4)	28(38.9)	72(100.0)
Meetings and Seminars	Tata	1(2.1)	0(0.0)	4(8.3)	29(60.4)	14(29.2)	48(66.7)
	ITC	0(0.0)	1(4.2)	1(4.2)	14(58.3)	8(33.3)	24(33.3)
	Total	1(1.4)	1(1.4)	5(6.9)	43(59.7)	22(30.6)	72(100.0)
Social Activities	Tata	1(2.1)	0(0.0)	1(2.1)	18(37.5)	28(58.3)	48(66.7)
	ITC	1(4.2)	0(0.0)	0(0.0)	11(45.8)	12(50.0)	24(33.3)
	Total	2(2.8)	0(0.0)	1(1.4)	29(40.3)	40(55.6)	72(100.0)
Environm- ent Safety Activities	Tata	0(0.0)	1(2.1)	1(2.1)	4(8.3)	42(87.5)	48(66.7)
	ITC	1(4.2)	0(0.0)	0(0.0)	6(25.0)	17(70.8)	24(33.3)
	Total	1(1.4)	1(1.4)	1(1.4)	10(13.9)	59(81.9)	72(100.0)
Diagram and Drawings	Tata	0(0.0)	2(4.2)	5(10.4)	25(52.1)	16(33.3)	48(66.7)
	ITC	1(4.2)	0(0.0)	3(12.5)	12(50.0)	8(33.3)	24(33.3)
	Total	1(1.4)	1(2.8)	8(11.1)	37(51.4)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.22-2 reveals the company and opinion of respondents towards effectiveness of consumer communication methods. Out of 66.7 percent respondents of Tata company, 56.3 percent respondents said that electronic media was an effective means of communicating with the consumers, while other respondents with 37.5



percent, 4.2 percent and 2.1 percent said that electronic media was highly effective, neither effective nor ineffective and highly ineffective means of communicating with the consumers, while out of 33.3 percent respondents of ITC Company, 62.5 percent respondents opined that electronic media was an effective means of communicating with the consumers, the remaining respondents with 29.2 percent and 8.3 percent opined that electronic media was highly effective and ineffective means of communicating with consumers. Out of 66.7 percent respondents of Tata Company, 62.5 percent respondents said that company website was highly effective means of communicating with consumers of the company, the remaining respondents with 31.3 percent, 4.2 percent and 2.1 percent opined that company website was an effective, neither effective nor ineffective and highly ineffective means of communicating with consumers of the company, while out of 33.3 percent respondents of ITC company, 66.7 percent respondents opined that company website was highly effective means of communicating with consumers of the company, followed by the respondents with 25.0 percent, and 4.2 percent each who said that company website was an effective, ineffective and highly ineffective means of communicating with consumers. Out of 66.7 percent respondents of Tata company, 43.8 percent respondents and 37.5 percent respondents opined that product package labelling were highly effective and effective means of communicating with consumers, the remaining respondents with 14.6 percent and 2.1 percent each opined that product package labelling was neither effective nor ineffective, ineffective and highly ineffective means of communicating with consumers, while out of 33.3 percent respondents of ITC company, 58.3 percent respondents and 29.2 percent respondents opined product package labelling was an effective and highly effective means of communicating with consumers, the remaining respondents with 8.3 percent and 4.2 percent said that product package labelling was neither effective nor ineffective and ineffective means of communicating with consumers. Out of 66.7 percent respondents of Tata Company, 60.4 percent respondents and 29.2 percent respondents said that meetings and seminars was an effective means of communicating with consumers of the company, the remaining respondents with 8.3 percent and 2.1 percent opined that meetings and seminars was neither effective nor ineffective and highly not effective means of communicating with consumers of the company. Out of 33.3 percent respondents of ITC Company, 58.3 percent respondents and 33.3 percent respondents opined that that meetings and seminars were effective and highly effective means of communicating with consumers,

the remaining respondents with 4.2 percent each opined that meetings and seminars were neither effective nor ineffective and ineffective means of communicating with consumers. Out of 66.7 percent respondents of Tata Company, 58.3 percent respondents, 37.5 percent respondents and 2.1 percent respondents each opined that social activities was highly effective, effective, neither effective nor ineffective and highly ineffective means of communicating with consumers, while out of 33.3 percent respondents of ITC Company, 50.0 percent respondents, 45.8 percent respondents and 4.2 percent respondents opined that social activities was highly effective, effective and highly ineffective means of communicating with consumers of the company. Out of 66.7 percent respondents of Tata Company, 87.5 percent respondents, 8.3 percent respondents and 2.1 percent respondents opined that environment safety activities were highly effective, effective, neither effective nor ineffective and ineffective means of communicating with consumers, while out of 33.3 percent respondents of ITC Company, 70.8 percent respondents, 25.0 percent respondents and 4.2 percent respondents opined that environmental safety activities were highly effective, effective, and highly not effective means of communicating with consumers. Out of 66.7 percent respondents of Tata Company, 52.1 percent respondents, 33.3 percent respondents, and 10.4 percent respondents opined that diagrams and drawings were effective, highly effective, neither effective nor ineffective and ineffective means of communicating with consumers, while out of 33.3 percent respondents of ITC Company, 50.0 percent respondents, 33.3 percent respondents, 12.5 percent respondents and 4.2 percent respondents opined that diagrams and drawings were effective, highly effective, neither effective nor ineffective and highly ineffective means of communicating with consumers.

From the above table analysis, it can be inferred that majority of respondents opined that communication methods with consumers adopted were effective and highly effective.

## **5.7 CSR Challenges**

Companies face a number of challenges as they operate their business ventures Laudal (2011).<sup>265</sup> Challenges vary in category depending on the type of company, size and the kind of business it is involved in. internal and external factors of business

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<sup>265</sup> Laudal, T. (2011), Driver and barriers of CSR and the size and internationalization of firms. *Journal of Social Responsibility*. Vol. 7 No.2, pp.234-256

environment have an impact on company activities either from the time of establishment, expansion, or the time the business is still operating. Every challenge has a direct or direct impact on CSR practices of the company. Table - 5.23 below reveals the opinion of respondents from both companies whether their respective companies face challenges that affect CSR activities.

**Table - 5.23: Classification Based on Presence of CSR Challenges**

Response	Respondents Company		Total
	Tata Company	ITC Company	
Yes	45(93.8)	23(95.8)	68(94.4)
No	3(6.3)	1(4.2)	4(5.6)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.23 reveals the company and the opinion of respondents towards presence of CSR challenges. Out of the total 94.4 percent respondents, 93.8 percent respondents and 95.8 percent respondents of Tata Company and ITC Company opined that they faced CSR challenges while out of the total 5.6 percent respondents, 6.3 percent respondents and 4.2 percent respondents of Tata Company and ITC Company opined that they did not face CSR challenges.

From the above table analysis, it is inferred that both companies had challenges that affected their CSR activities.

## 5.8 Types of CSR Challenges

There are a number of CSR challenges that affect CSR activities of the company. Table - 5.23-1 below reveals opinion of respondents from both companies concerning the challenges CSR practices face.

**Table - 5.23-1 Classification Based on CSR Challenges**

Challenges	Respondents Company		Total
	Tata Company	ITC Company	
Human Rights	9(18.8)	6(25.0)	15(20.8)
Government	7(14.6)	5(20.8)	12(16.7)
Technology	10(20.8)	4(16.7)	14(19.4)
Environment	9(18.8)	4(16.7)	13(18.1)
Competition	10(20.8)	4(16.7)	14(19.4)
International Pressures	3(6.3)	1(4.2)	4(5.6)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.23-1 shows the company and the opinion of respondents concerning CSR challenges that affect CSR activities. Out of 20.8 percent respondents, 18.8 percent respondents and 25.0 percent respondents of Tata Company and ITC Company opined that human rights was a challenge that had an impact on CSR activities of the company. Out of 19.4 percent respondents, 20.8 percent respondents and 16.7 percent respondents each of Tata Company and ITC Company opined that technology and competition were challenges that had an impact on CSR activities of the company. Out of 18.1 percent respondents, 18.8 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that environment was a challenge that had an impact on CSR activities of the company. Out of 16.7 percent respondents, 14.6 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that government was a challenge that had an impact on CSR activities of the company. Out of 5.6 percent respondents, 6.3 percent respondents and 4.2 percent respondents of Tata Company and ITC Company opined that international impact was a challenge that had an impact on CSR activities of the company.

In view of the above table analysis it can be inferred that the company faced many challenges that had an impact on CSR activities of the company led by human rights challenges, followed by technology and competition challenges.

### **5.8-1 Government Challenges that Affect CSR Activities**

In any business establishment, the government's role remains critical because the policies they adopt may favour or discourage the growth of business. The policies either economic reforms, or adopting a system that encourages investment that the government adopts has an impact directly or indirectly on CSR activities of the company. Table - 5.23-2 below reveals opinion of respondents concerning government challenges that affect CSR activities of the company.

**Table - 5.23-2: Classification Based on Government Challenges**

Government Challenges	Respondents Company		Total
	Tata Company	ITC Company	
Mandatory for CSR	7(14.6)	2(8.3)	9(12.5)
High Taxes	12(25.0)	9(37.5)	21(29.2)
High Interest Rates	23(47.9)	12(50.0)	35(48.6)
Other	6(12.5)	1(4.2)	7(9.7)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.18-2 above shows the company and opinion of respondents towards government challenges that affect CSR activities. Out of 48.6 percent respondents, 47.9 percent respondents and 50.0 percent respondents of Tata Company and ITC Company opined that high interest rates by the government was a challenge towards CSR activities. Out of 29.2 percent respondents, 25.0 percent respondents and 37.5 percent respondents of Tata Company and ITC Company opined that high taxes by the government was a challenge towards CSR activities. Out of 12.5 percent respondents, 14.6 percent respondents and 8.3 percent respondents of Tata Company and ITC Company opined that government CSR mandatory was a challenge towards CSR activities. Out of 9.7 percent respondents, 12.5 percent respondents and 4.2 percent respondents of Tata Company and ITC Company opined that other government challenges like lack of reforms, security and infrastructure affected CSR activities.

It can be inferred from the above table analysis that high interest rates were the major government challenges followed by high taxes that affected CSR activities.

### 5.8-2 Technological Challenges

Technology has completely transformed commerce by increasing the speed and accuracy in production and manufacturing, banking, and service delivery. Advancement in technology has remained beneficial because time of transportation has reduced, accessibility increased and affordability, clean energy adopted and risk can be detected before it happens. Delivery of goods and services can be done at an enormous speed now while consumers can easily compare and differentiate between two brands concerning their CSR reports in just press of a button. Despite many advantages, there still remain some technology challenges that have an impact in CSR activities of the company as revealed by respondents of the company in table - 5.23-3 below.

**Table - 5.23-3: Classification Based on Technology Challenges**

Challenges	Respondents Company		Total
	Tata Company	ITC Company	
High Cost of Installing Technology	10(20.8)	8(33.3)	18(25.0)
Un-Flexibility to use Technology	11(22.9)	3(12.5)	14(19.4)
Lack of Enough Technology Professionals	10(20.8)	6(25.0)	16(22.2)
Low Investment into Innovative Technology	14(29.2)	5(20.8)	19(26.4)
Other	3(6.3)	2(8.3)	5 (6.9)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.23-3 above shows the company and opinion of respondents towards technology challenges that affect CSR activities. Out of 26.4 percent respondents, 29.2 percent respondents and 20.8 percent respondents of Tata Company and ITC Company opined that low investment into innovative technology was a challenge that affected CSR activities. Out of 25.0 percent respondents, 20.8 percent respondents and 33.3 percent respondents of Tata Company and ITC Company opined that high cost of installing technology was a challenge that affected CSR activities. Out of 22.2 percent respondents, 20.8 percent respondents and 25.0 percent respondents of Tata Company and ITC Company opined that lack of enough technology professionals was a challenge that affected CSR activities. Out of 19.4 percent respondents, 22.9 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that inflexibility to use technology was a challenge that affected CSR activities. Out of 6.9 percent respondents, 6.3 percent respondents and 8.3 percent respondents of Tata Company and ITC Company opined that other challenges like lack of technology inclusion in some products and risk monitoring technology were the challenges that affected CSR activities.

It can be inferred from the above table analysis that, technology challenges of the company were more on low investment into innovative technology followed closely by high cost of installing technology.

### **5.8-3 Environment challenges**

The Brundtland Report (1987) posits that sustainable development should meet the needs of the present without compromising the ability of the future generations to meet their own needs. This implies responsible and wise use of few natural resources, cause less pollution, and protect water catchment areas and endangered species. The major environment challenges focused by the study according to the opinion of respondents are shown in table - 5.23-4 below.

**Table - 5.23-4: Classification Based Environmental Challenges**

Challenges	Respondents Company		Total
	Tata Company	ITC Company	
Pollution and Waste management	5(10.4)	3(12.5)	8(11.1)
Technology to Monitor Pollution	9(18.8)	5(20.8)	14(19.4)
Irrigating Vast dry and Maintaining Wet Lands	9(18.8)	4(16.7)	13(18.1)
Clean Energy	9(18.8)	5(20.8)	14(19.4)
Environment Reporting	10(20.8)	3(12.5)	13(18.1)
Bio-Diversity and Land Use	6(12.5)	4(16.7)	10(13.9)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table 5.23-4 reveals the company and opinion of respondents towards environment challenges that affects CSR activities of the company. Out of 19.4 percent respondents, 18.8 percent respondents and 20.8 percent respondents each for Tata Company and ITC Company opined that technology to monitor pollution and clean energy were environment related challenges that affected CSR activities. Out of 18.1 percent respondents, Tata company respondents with 18.8 percent and 20.8 percent and ITC company respondents with 16.7 percent and 12.5 percent said that irrigating vast dry land and maintaining wet lands and environmental reporting were environment related challenges that affected CSR activities. Out of 13.9 percent respondents, 12.5 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that bio-diversity and land use were environment related challenges that affected CSR activities. Out of 11.1 percent respondents, 10.4 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that pollution and waste management were the environment related challenges that affected CSR activities.

In view of the above table analysis it can be inferred that there are many challenges that affected the company led by technology to monitor pollution and clean energy

#### **5.8-4 Competitive Challenges**

As every company wants to gain a share in the market, some company face some obstacles when competing with others. There are many competition related challenges that companies encounter have an impact on CSR activities of the company as the

study in table - 5.23-5 reveals.

**Table - 5.23-5: Classification Based Competitive Challenges**

Challenges	Respondents Company		Total
	Tata Company	ITC Company	
Human Rights Practices	6(12.5)	4(16.7)	10(13.9)
Ethical and Moral issues	10(20.8)	6(25.0)	16(22.2)
Technology and Innovation	8(16.7)	6(25.0)	14(19.4)
Communication and Reporting	11(22.9)	4(16.7)	15(20.8)
Training in Research and Development	9(18.8)	2(8.3)	11(15.3)
Other	4(8.3)	2(8.3)	6(8.3)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.23-5 above shows the company and opinion of respondents towards competitive challenges that affect CSR activities. Out of 22.2 percent respondents, 20.8 percent respondents and 25.0 percent respondents of Tata Company and ITC Company opined that ethical and moral issues were competitive challenges that affected CSR activities. Out of 20.8 percent respondents, 22.9 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that communication and reporting CSR activities were competitive challenges that affected CSR activities. Out of 19.4 percent respondents, 16.7 percent respondents and 25.0 percent respondents of Tata Company and ITC Company opined that technology and innovation were competitive challenges that affected CSR activities. Out of 15.3 percent respondents, 18.8 percent respondents and 8.3 percent respondents of Tata Company and ITC Company opined that training in research and development were environment challenges that affected CSR activities. Out of 13.9 percent respondents, 12.5 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that human rights practices were competitive challenges that affected the company. Finally, out of 8.3 percent respondents, Tata company respondents and ITC company respondents each with 8.3 percent opined that other competitive challenges like access to finance, marketing and social contributions affected CSR activities.

In view of the above analysis it can be inferred that competitive related challenges in both companies have an impact on CSR activities of the company led by ethical and moral issues, closely followed by communication and reporting.



### 5.8-5 International Challenges that Affect the Company

Due to globalization, countries have made treaties and agreements on how to run their businesses across the border. As multinational companies take advantage of the local market, due to cheap labour and opportunities in terms of taxes, easy rules to acquire licenses and ready market, local companies too like software companies and pharmaceuticals depend in exporting their products to other countries. If the countries of destination are not stable due to political issues, conflicts and terrorisms, it may affect to a great extent the exports and this will have an impact of CSR. Table - 5.23-6 below reveals the opinion of respondents of both companies concerning international challenges that affect CSR activities of the company.

**Table - 5.23-6: Classification Based on Types of International Challenges**

Challenges	Respondents Company		Total
	Tata Company	ITC Company	
Trade Restriction and Embargos	7(14.6)	4(16.7)	11(15.3)
Macroeconomic Factors	22(45.8)	15(62.5)	37(51.4)
Unstable Prices of Essential Commodities	11(22.9)	4(16.7)	15(20.8)
Political Factors in Target Countries	8(16.7)	1(4.2)	9(12.5)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.23-6 shows the company and opinion of respondents towards international challenges that have an effect on CSR activities. Out of 51.4 percent respondents, 45.8 percent respondents and 62.5 percent respondents of Tata Company and ITC Company opined that macroeconomic factors was an international challenge that effected CSR activities. Out of 20.8 percent respondents, 22.9 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that unstable prices of essential commodities was an international challenge that affected CSR activities. Out of 15.3 percent respondents, 14.6 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that trade restrictions and embargos were international challenges that affected CSR activities. Out of 12.5 percent respondents, 16.7 percent respondents and 4.2 percent respondents of Tata Company and ITC Company opined that political factor in target countries was a challenge that affected CSR activities.

From the above table analysis, it is inferred that macroeconomic factors were international challenges that had higher effect on CSR activities of the company.

## 5.9 Measures to Contain CSR challenges

The challenges that affect company activities can be contained if precautionary measures will be put into place in time. Different companies adopt different methods of dealing with the challenges that affect CSR activities. The study in table - 5.24 below reveals the opinion of respondents concerning the measures that Tata Company and ITC Company had taken to contain the challenges facing CSR activities.

**Table - 5.24: Classification Based On Measures to Contain CSR Challenges**

Opportunities on CSR Activities	Respondents Company		Total
	Tata Company	ITC Company	
CSR Reporting and Disclosure	5(10.4)	2(8.3)	7(9.7)
Innovations in R&D	9(18.8)	3(12.5)	12(16.7)
More Stakeholder Involvement	7(14.6)	5 (20.8)	12(16.7)
Proactive measure in Environment Protection	8(16.7)	4(16.7)	12(16.7)
Addressing Human Rights and Child Labour	8(16.7)	4(16.7)	12(16.7)
Risk Management	7(14.6)	4(16.7)	11(15.3)
Other	4(8.3)	2(8.3)	6(8.3)
Total	48(100.0)	24(100.0)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table - 5.24 reveals the company and opinion of respondents concerning measures to contain CSR challenges. Out of 16.7 percent respondents, Tata company respondents with 18.8 percent, 14.6 percent, and 16.7 percent each and, ITC company respondents with 12.5 percent, 20.8 percent, and 16.7 percent each opined that they had invested in innovations in R&D, stakeholders involvement, proactive measures towards environment protection and social impact human rights and child labour as measures towards containing CSR challenges. Out of 15.3 percent respondents, 14.6 percent respondents and 16.7 percent respondents of Tata Company and ITC Company opined that they had taken steps in risk management as the measure towards containing CSR challenges. Out of 9.7 percent respondents, 10.4 percent respondents and 8.3 percent respondents said that they had increased CSR reporting and disclosure as a measure towards containing CSR challenges. Our of 8.3 percent respondents, 8.3 percent respondents each for Tata company and ITC company opined that there were other measures adopted like awareness policies on CSR, covering large areas concerning

CSR activities and developing awareness campaigns on CSR challenges as a measure towards containing CSR challenges.

From the above table analysis, it can be inferred that both companies had taken measures to contain CSR challenges in advance.

### 5.10 Opinion of Respondents on Future CSR Activities

The changing market dynamics due to advent in technology has rent company management with information on the most risky areas and the demands most made by different stakeholders concerning the business. As the future remain uncertain, there is need for companies to sketch future CSR activities to be achieved within a stipulated period of time. The time may be short terms or long term depending with the company objectives. The plan by companies may involve objectively how remain competitive in the future, manage risk before it happens, retaining and recruiting the best human resource, environment protection, adopting smart technology and innovations in order to remain competitive by retaining market share. The study in table - 5.25 below reveals the opinion of respondents from both companies concerning future CSR activities.

**Table - 5.25: Classification Based on Future CSR Activities**

Activities	Respondents Company		Total
	Tata Company	ITC Company	
Transparent CSR Communication to Stakeholders	10(20.8)	5(20.8)	15(20.8)
Technology Integration to Improve Quality of Products and Services	10(20.8)	5(20.8)	15(20.8)
Develop New Products and Services that have More Social and Less Environmental Impact	10(20.8)	5(20.8)	15(20.8)
Increase CSR Awareness to Different Stakeholders	8(16.7)	3(12.5)	11(15.3)
Innovations through Research and Development	6(12.5)	2(8.3)	8(11.1)
Improving on Human Rights, Healthcare and Social Welfare	4(8.3)	4(16.7)	8(11.1)
Total	48(66.7)	24(33.3)	72(100.0)

Source: Field Survey (values in parenthesis indicates percentage to the column total)

Table 5.25 reveals the company and opinion of respondents concerning future CSR activities. Out of 20.8 percent respondents, Tata Company respondents and ITC

Company respondents each with 20.8 percent opined that they had future plans on transparent CSR communication to stakeholders, technology integration to improve quality of products and services, and develop new products and services that have more social and less environmental impact. Out of 15.3 percent respondent, 16.7 percent respondents and 12.5 percent respondents of Tata Company and ITC Company opined that their future CSR activities included to increase CSR awareness to different stakeholders. Out of 11.1 percent respondent, 12.5 percent respondents and 8.3 percent respondents of Tata Company and 8.3 percent respondents and 16.7 percent respondents of ITC Company opined that innovations through research and development and improving on human rights and healthcare and social welfare were the future CSR activities they aimed to achieve.

In view of the above table analysis, it can be inferred that both companies had many CSR targets to achieve in the future led transparent CSR communication to stakeholders, technology integration to improve quality of products and services, and develop new products and services that have more social and less environmental impact.

## **Summary**

Companies assume CSR practices for different reasons. Most companies conduct CSR to look good, or as a means of making financial gains, while others carry CSR due to pressure from different stakeholders. With the countries now uniting for a common goal of unifying the trade deals internationally, issues of climate change have always been the agenda of discussion. Addressing different stakeholders with dignity is what every company want to achieve by setting regulations that address their welfare. Since solution will never be a miracle, companies should accept their responsibility towards different stakeholders without pressure as a way remain in harmony. CSR is a methodology through which company can achieve its full potential by utilising resources without waste. Commitment towards CSR also will make company products have a competitive advantage compared to other brands in the competitive market. Companies have the responsibility of knowing their stakeholder in order to meet their requirements in advance to avoid conflicts. Once both stakeholders have been integrated for CSR, achieving company objectives and overcoming various challenges that affects the company become easy.

## CHAPTER VI

### FINDINGS, SUGGESTIONS AND CONCLUSION

#### 6.1 Introduction

This study entitled “Corporate Social Responsibility – A Comparative Study of Tata Company and India Tobacco Company” is brought to its logical end in this chapter where the summary of findings are presented, suggestions are offered to enhance further investigations in future.

The investigation came out with the following findings.

1. Company reports for ten years reveals that both Tata group of companies and ITC Company have been spending more than 2 percent recommended by the company’s Act towards CSR activities.
2. Both Tata company and ITC Company CSR practices addresses the triple bottom line that include the environment, social and economic. Both companies of Tata Company and ITC Company carry some charity for some cause.
3. Both Tata Company and ITC Company net profits have generally been stable for ten years.
4. Majority of Tata Company sample respondents and ITC company sample respondents each with 95.8 percent opined that they were aware of CSR.
5. Majority of Tata Company sample respondents with 66.7 percent and ITC Company majority sample respondents with 62.5 percent opined that CSR had been in practice for more than 16 years.
6. Majority respondents of Tata Company with 29.2 percent opined that their main CSR programme was economic activity while majority respondents of ITC Company with 29.2 percent opined that social and environment responsibility were the main CSR programmes.
7. Majority respondents of Tata Company with 65.3 percent and majority respondents of ITC Company with 31.9 percent revealed that the company had various CSR policies.
8. Majority of Tata company respondents with 16.7 percent said that their main CSR policy was on disclosure, while majority respondents of ITC Company with 16.7 percent revealed that product safety and quality, human rights and compliance were their main CSR policies.

9. Majority of Tata company sample respondents with 25.0 percent opined that their main CSR activity on human rights was protecting child labour, while majority of ITC company sample respondents with 29.2 percent opined that they had set working hours and wages as a CSR activity on human rights practices.
10. Majority of Tata company sample respondents with 18.8 percent revealed that CSR on human rights was beneficial because it gave a competitive advantage and safeguarded company image and brand reputation, while majority of ITC company sample respondents with 20.8 percent opined that CSR on human rights was beneficial because it gave some commercial benefits like attracting investment and finance and competitive advantage.
11. The study test hypothesis supports the fact that CSR practices are beneficial to the company.
12. Majority of Tata company sample respondents with 41.7 percent opined that CSR on human rights improved brand image of the company, while majority of ITC Company sample respondents with 50.0 percent revealed that CSR on human rights improved brand image of the company.
13. Majority of Tata Company respondents with 95.8 percent and majority respondents of ITC Company with 91.7 percent opined that there were CSR measures towards environment protection.
14. Majority of Tata company sample respondents with 29.2 percent and majority sample respondents of ITC Company with 20.8 percent opined that they had emission standards in place as a CSR policy measures towards environment protection.
15. Majority of sample respondents with 40.3 percent each for Tata Company and ITC Company opined that they adopted green products and green procurement towards CSR environmental implementation.
16. Majority of sample respondents with 4.2 percent each for Tata Company and ITC Company revealed that they had adopted corporate policy as a CSR policy towards environment implementation.
17. Majority of sample respondents of Tata Company with 27.1 percent revealed that they complied towards CSR by running a sustainable business, while majority of sample respondents of ITC Company with 25.0 percent each opined

that they were running a sustainable business and social contribution as part of CSR compliance.

18. Majority of sample respondents of Tata Company with 18.8 percent revealed that they disclosed their CSR reports on materiality and targets and indicators, while majority of ITC sample respondents with 16.7 percent revealed that they disclosed their CSR report on materiality, governance, transparency and balance.
19. Majority respondents of Tata Company and ITC Company each with 62.5 percent opined that they had adopted GRI reporting as a CSR disclosure standard towards various stakeholders.
20. Reporting of CSR activities was beneficial towards the company as the t-test reveals
21. Majority respondents of Tata Company with 56.3 percent and majority respondents of ITC Company with 50.0 percent opined each opined that CSR reporting was beneficial because it encouraged performance and innovation.
22. Majority respondents of Tata Company with 54.2 percent and majority of respondents of ITC Company with 58.3 percent opined that CSR reporting was important in creating management awareness.
23. Majority respondents of Tata Company with 60.4 percent and ITC Company with 37.5 percent opined that CSR reporting was highly important in identifying new opportunities for innovation.
24. Majority of respondents with a total of 52.8 percent opined that CSR reporting was important in strengthening the relationship with external stakeholders.
25. Majority of respondents of Tata Company with 18.8 percent opined that their major disclosure areas on CSR were materiality, targets and indicators while the majority of ITC Company respondents with 16.7 percent opined that their major areas of disclosure were materiality, governance, transparency and balance.
26. Majority of sample respondents of Tata Company and ITC Company with a total of 54.2 percent revealed that reporting CSR activities of the company encouraged driving of performance and innovation.
27. Majority of sample respondents of Tata Company with 27.1 percent opined that financial risk affected their CSR activities, while majority of sample respondents of ITC Company with 29.2 percent revealed that operational risks affected their CSR activities.

28. Majority of sample respondents of Tata Company with 25.0 percent opined that they had a team responsible for checking and controlling risks as CSR risks management, while majority respondents of ITC Company with 25.0 percent opined that as part of risk management the company integrated technology to help identify risks in time.
29. Majority respondents of Tata company with 27.1 percent each revealed that recycling and re-use initiatives and awareness on pollution as a contribution towards environment contribution towards the society, while majority respondents of ITC Company with 25.0 percent each said that recycling and re-use initiatives and energy efficient products were the CSR environmental protection contributions they made in the society.
30. Majority of sample respondents of Tata Company with 25.0 percent revealed that they created wealth out of waste as an economic CSR contribution towards the society, while majority of ITC Company respondents with 29.2 percent opined that they created sustainable agriculture as an economic CSR activity towards the society.
31. Majority sample respondents from both Tata Company and ITC Company with a total of 25.0 percent opined that they created sustainable agriculture as an economic CSR activity towards the society.
32. Majority of sample respondents with 19.4 percent from both Tata Company and ITC Company opined that had sponsored learning institutions as an infrastructure to the society. While on specific company, majority respondents of Tata Company with 18.8 percent opined that they had developed learning institutions, health centers, roads, energy and clean water, while majority respondents of ITC Company with 25.0 percent respondents opined that they had developed technology and innovation centers followed closely by 20.8 percent each for learning institutions and sports infrastructure for nurturing talent.
33. Both Tata company and ITC Company had taken initiatives towards eliminating poverty from the society
34. Majority of Tata Company respondents with 20.8 percent opined that they gave education scholarships, built learning institutions, sponsored research and development for innovations and produced quality learning materials at affordable cost, while majority respondents of ITC Company with 25.0 percent



opined that they sponsored research and development for innovations as a CSR activity towards education.

35. Majority of Tata Company respondents and ITC company respondents with a total of 30.6 percent opined that their CSR contribution towards healthcare was prevention through awareness.
36. Majority of Tata company respondents with 25.0 percent opined that they communicated their CSR activities to various stakeholders using company websites, while majority of ITC Company respondents with 29.2 percent opined that they communicated their CSR activities to various stakeholders using media like television, business magazines.
37. Majority of respondents of Tata Company and ITC Company with 29.2 percent and 22.2 percent opined that the company had adopted a stakeholder's involvement strategy in communicating with its stakeholders.
38. Majority of Tata Company and ITC company respondents with 18.8 percent and 20.8 percent opined that CSR communication helped in retaining and recruiting best human resource.
39. Majority of Tata Company respondents with 39.6 percent opined that they practiced CSR for better corporate image while majority of ITC company respondents with 41.7 percent opined that they carried CSR activities for competitive advantage purposes.
40. Majority respondents of Tata Company and ITC Company with 18.8 percent and 20.8 percent opined that they practiced CSR on environmental protection due to pressure from stakeholders. At the same time, majority of respondents of Tata Company with 18.8 percent opined that due to pressure from stakeholders, they practiced CSR activities on CSR disclosure, human rights and supply chain apart from environment protection, while Majority respondents of ITC company with 16.7 percent each opined that they practiced CSR on quality of products, CSR disclosure, human rights and supply chain due to pressure from stakeholders.
41. Majority respondents of Tata Company with 20.8 percent each opined that they practiced CSR on safety, quality and cost effective products, human rights and timely paid taxes to help their improve the brand image of the company, while majority respondents of ITC Company with 20.8 percent each opined that they practiced CSR on innovations through R&D, safety and cost effective products,

human resource, environment protection and social impact to help improve their brand image.

42. Majority of Tata Company with 89.6 percent respondents opined that CSR practices had an impact on brand image while 83.3 percent respondents of ITC Company opined that CSR practices had an impact on the brand image. Majority respondents of Tata Company and ITC Company with 23.3 percent and 20.0 percent opined that due to CSR activities the brand image of the company was improved because of increased investments and competition. The chi-square test supports that there is a relationship between CSR and brand image of the company.
43. Majority respondents of Tata Company with 39.6 percent opined that CSR practices acted as an advertisement strategy because many stakeholders trusted the brand, while majority respondents of ITC Company with 37.5 percent opined that CSR practices acted as advertisement strategy because many stakeholders trusted the brand.
44. Majority respondents of Tata Company with 18.8 percent opined that CSR practices on best human resource made the company competitive while majority of respondents of ITC Company with 20.8 percent each opined that CSR practices towards innovations, risk management and reputation made the company competitive.
45. Majority respondents of Tata Company and ITC Company each with 44.4 percent said that practicing CSR activities on safety measures and innovative technology helps in risk management.
46. Majority respondents of Tata Company with 47.9 percent and majority respondents of ITC Company with 45.8 percent opined that they comply by abiding by the rules and regulations of the state as a CSR practice that guarantees their license to operate.
47. Majority respondents of Tata Company and ITC Company opined that CSR practices are beneficial towards the company as the hypothesis reveals.
48. Majority respondents of Tata Company and ITC Company each with 58.3 percent opined that CSR practices by both companies addressed internal stakeholders while 41.7 percent respondents of both Tata Company and ITC Company opined that their CSR practices addressed external stakeholders.

49. Majority of respondents of Tata Company with 29.2 percent opined that employees and shareholders were the major internal stakeholders of the company, while the majority of respondents of ITC Company with 33.3 percent opined that employees were the internal stakeholders of the company.
50. Consumers and suppliers were the major external stakeholders of the company as revealed by 65.3 percent respondents of Tata Company, while government and society were external stakeholders of the company as revealed by 33.3 percent sample respondents of ITC Company.
51. Majority respondents of Tata Company and ITC Company with 81.3 percent and 87.5 percent opined that there was employee CSR awareness in the company in their respective companies.
52. Majority respondents of Tata Company with 27.1 opined that they provided housing and travel allowances to employees of the company as part of CSR activity, while majority respondents of ITC Company with 29.2 percent opined that they set hours of working as a CSR activity towards the employees of the company.
53. Majority respondents of Tata Company with 19.4 percent opined that their company gave promotions to its employees as a CSR initiative towards their job efficiency while 12.5 percent respondents of ITC Company opined that they provided training through seminars and conferences as a CSR initiatives to the employee towards their job efficiency.
54. Both companies had motivational initiatives towards encouraging employees to take part in CSR initiatives. Majority respondents of Tata company with 18.8 percent opined that they used better information flow closely followed by empowerment through training and improved salaries and working conditions each with 14.6 percent while majority respondents of ITC company with 20.8 percent opined that they shared company achievements with the employees closely followed by use of new production and cost effective techniques and empowering employees through training.
55. Majority respondents of Tata Company and ITC Company with 87.5 percent and 91.7 percent opined that CSR towards employees made the company competitive.
56. Majority respondents of Tata Company with 22.9 percent opined that CSR towards employees helped in safety, security and risk management while

majority respondents of ITC Company with 20.8 percent opined that CSR towards employees helped cut cost, ensured efficiency due to concentration, discipline and morality maintenance.

57. Majority respondents of Tata Company with 25.0 percent opined that their CSR activities towards shareholders aimed at creating a competitive advantage while majority respondents of ITC Company with 33.3 percent opined that their CSR activities towards shareholders prioritized keeping business secrets.
58. To achieve shareholders objective, majority respondents of Tata Company with 25.0 percent opined that they included shareholders in decision making while majority respondents of ITC Company with 25.0 percent opined that to achieve shareholder objective they had to protect the environment. Total majority respondents from Tata Company and ITC Company with 20.8 percent opined that to achieve shareholder objective there was need to increase managerial policies.
59. Majority respondents of Tata Company with 16.7 percent and majority respondents of ITC Company with 20.8 percent opined that their CSR practice towards value addition included retaining and recruiting competitive employees.
60. Majority respondents of Tata Company and ITC Company each with 75.0 percent opined that they were married.
61. Majority respondents of Tata Company with 31.3 percent opined that they were between 41-50 years of age, while majority respondents of ITC Company with 37.7 percent opined that they were between 31-40 years of age.
62. Majority respondents of Tata Company with 62.5 percent opined that their work place was located in the city, while majority respondents of ITC Company with 45.8 percent respondents opined that their work place was located in semi-rural place.
63. As an inclusive means of creating employment opportunities, the company has appointed various employees for managerial position from different religion, whereby majority respondents of Tata Company and ITC Company with 62.5 percent and 50.0 percent opined that they were Hindus.
64. Majority respondents of Tata Company and ITC Company with 70.8 percent and 58.3 percent opined that they were from a nuclear family.
65. Majority respondents of Tata Company and ITC Company with a total of 63.9 percent opined that they were staying in company houses.

66. Majority respondents of Tata Company and ITC Company with a total of 48.6 percent opined that CSR management required experience.
67. The study found that there are a number of factors that affect effective CSR management for example education and gender and the period of work. Majority of respondents of Tata Company and ITC Company revealed that male respondents were highly educated than their female counterparts. The study also found that the total respondents with 48.6 percent opined that age and experience mattered in CSR management.
68. Respondents from both companies opined that they had more than one external stakeholders, whereby majority respondents of Tata Company with 16.7 percent each opined that their external stakeholders were consumers, suppliers, society, and environment, while majority respondents of ITC Company with 20.8 percent opined that their main external stakeholders were consumers and the environment.
69. Majority respondents of Tata Company and ITC Company respondents with 93.8 percent and 95.8 percent opined that they had supplier CSR guidelines.
70. Majority respondents of Tata Company and ITC Company with a total of 15.3 percent opined that their supplier CSR guidelines included safety and product quality, environment protection, strengthening partnerships and fair and equitable transactions. On specific company cases, majority respondents of Tata company with 18.8 percent opined that their supplier CSR guidelines included environment protection while the majority respondents of ITC Company with 16.7 percent opined that their CSR guidelines towards suppliers included safety and product quality, human rights, fair and equitable transactions, securing right price and quality.
71. Majority respondents of Tata Company and ITC Company with a total of 47.2 percent opined that they monitored suppliers CSR guidelines of the company through onsite inspections.
72. Majority respondents of Tata Company and ITC Company with a total of 20.8 percent each opined that they had adopted a two way communication as a CSR activity towards encouraging suppliers to practices CSR.
73. Majority of respondents of both Tata and ITC companies each with 20.8 percent opined that they partnered with the government on powering growth with many multiple business drivers as a CSR activity.

74. Majority respondents of Tata Company with 18.8 percent opined that there was improved business security and support in R&D from the government as a benefit of practicing CSR, while majority respondents of ITC Company with 16.7 percent each opined that they got benefits on tax incentive, credit availability, improved infrastructure and support in R&D due to CSR practices from the government.
75. Majority respondents of Tata company with 16.7 percent each opined that their CSR practices towards consumers included integrating technology with the products and hotlines for addressing their grievances, while majority respondents of ITC Company with 16.7 percent opined that their CSR practices included hotline for addressing grievances and safe package, production of quality and standard products.
76. Majority respondents of Tata Company with 93.8 percent and ITC Company with 95.8 percent opined that they faced various CSR challenges.
77. Majority respondents of Tata Company with 20.8 percent each opined that they faced challenges of technology and competition, while majority respondents of ITC Company with 25.0 percent opined that they faced human rights challenge as a CSR activity.
78. Majority respondents of Tata Company with 47.9 percent and ITC Company with 50.0 percent opined that high interest rates were the government challenges that affected CSR activities.
79. Majority Tata Company respondents with 29.2 percent opined that low investment into innovative technology was a challenge that affected CSR activities while the majority respondents of ITC Company with 33.3 percent opined that high cost of installing technology was a challenge that affected company's CSR activities.
80. Majority respondents of Tata Company with 20.8 percent opined that the company faced the challenge of environment reporting while the majority respondents of ITC Company with 20.8 percent opined that their CSR faced the challenge of lack of technology to monitor pollution and lack of clean energy.
81. Majority respondents of Tata Company and ITC Company with a total of 51.4 percent opined that international challenges on macroeconomics affected the CSR activities of the company.

82. Majority respondents from both Tata Company and ITC Company with 16.7 percent opined that they had measures in place to contain CSR challenges that included innovations in R&D, more stakeholder involvement, proactive measure in environment protection and addressing human rights and child labour. Meanwhile the study findings reveals also that majority respondents of Tata Company with 18.8 percent opined that they were making innovations in research and development, while the majority respondents of ITC Company with 20.8 percent opined that they had involved more stakeholders as a means to help solve CSR challenges.
83. Majority respondents from both companies with 16.9 percent opined that their future CSR activity was on innovations through research and development. On specific company, majority respondents of Tata Company with 16.8 percent opined that they wanted to integrate technology to improve quality of products and services, developing new products and services that have more social and environmental impact, increase CSR awareness to different stakeholders and innovations through research and development as a future CSR activity in the future.

## **6.2 Suggestions**

1. The company reports reveals that both companies spend more than the two percent required currently required by the new company regulations, but the percent expenditure on every activity has not been disclosed. Hence it is suggested that both companies disclose the exact amount spend in each CSR activity in their company report not just mentioning.
2. While both companies have clearly addressed the triple bottom line as their CSR activity, the issue of strict address of corruption which is dangerous as cancer has not been given full capacity, hence it is suggested that the issue of corruption be raised as a campaign to alert the society of the vice.
3. The two companies have addressed the issue of healthcare by considering the health, safety and quality of products and services they produced for their consumers, but companies like ITC Company still produce cigarettes which are a contributor towards cancer a number one killer in the one now. Hence it is suggested that the company should drop the manufacture or else increase more campaigns against cigarettes and other tobacco related products.

4. Since both company health services in various forms, it may not be enough and the contribution they may extend may not cover the needy daily. Hence it is suggested that both companies to build hospitals and medical research centers as models with the latest innovative technology that can offer medication and teaching to various sections of the society including the poor at affordable cost.
5. Majority of respondents opined that emission standard, surveillance team, aggressive pollution measures, building green field projects and carbon printing as measures taken against environment protection, but that alone won't fully check pollution for example in rural areas, it is suggested that a more innovative method through research and development be adopted which can help the rural poor light their homes at affordable cost.
6. Majority of sample respondents revealed that they reported their CSR activities, but even on the sustainability reports, not all subsidiaries have disclosed their CSR activities on some areas. Hence it is suggested that all company's subsidiaries report transparently their activities for all stakeholders because that will create more trust back
7. While most of the CSR activities by both companies has touched lives and transformed societies, still many projects carried by both companies are concentrated in major cities leaving a majority of residents in poor conditions. It is suggested that most of the projects be set directly in rural areas to bring change.
8. Most parts of rural areas are not having enough water for drinking, and other allied activities. These poor villagers depend on monsoon rains and through irrigation occasionally to grow food to raise hardly enough for food, medication, kid's school fees and other needs. Hence it is suggested that both companies develop some mechanism through which more water can be harvested that covers a wider are and help in irrigation by drilling wells on behalf of the villages.
9. Majority from both companies opined that they had teams to monitor risks and report in time when they occur. This may not occur to some areas given the wider area the two companies operate and the context of risk which may keep changing. Hence it is suggested that the two company instead of just giving the two percent or more to two or three institutes, the build their own sustainability



and risk management learning institutes that trains professionals in large numbers to counter such risks.

10. Majority respondent of Tata Company and ITC Company with 18.8 percent and 25.0 percent opined that CSR faced a number of challenges led by human rights. It is suggested that the issue of human be given the first priority because it is a global big problem, it is suggested that child labour, low wages and salaries of labour and employees should be negotiated and fixed, suppliers of the company to adopt those measures.
11. Majority sample respondents of Tata Company and ITC Company with 45.8 percent and 62.5 percent had revealed that negative macroeconomic changes factors were international related challenges that affected company CSR, it is suggested that the company adopt positive measures to counter those microeconomic changes like, negotiating with the government on reducing the interest rates, using surplus capital to run company activities when interest rates goes up and always create more avenues of generating employment in the company.
12. Majority sample respondents of Tata Company and ITC Company with 29.2 percent and 20.8 percent revealed that low investment into innovative technology was a big challenge. It is suggested that the company invest in smart and innovative technology that will create smarter, cost effective and environment friendly products and services.
13. Majority of sample respondents opined that they practiced CSR because of pressure from stakeholders, it is suggested that both Tata Company and ITC Company to do advanced research concerning the demands from various stakeholders by increasing their inclusion in decision making to help know the expected.
14. It is suggested that both companies should promote more sanitation campaigns across the state by building and encouraging building toilets on every village. It is also suggested that more campaign drives for awareness for safe disposal of waste to be carried beyond areas of operation. This will make the company brands known gain the competitive age.
15. Most of the products and services produced by the two companies rarely benefit the poor class population. Hence it is suggested that the products and services produced by the two companies should have the poor in mind.

16. Many villages depend for firewood as their only source of energy for cooking, and warming. The smoke produced from the firewood not only make the environment dirty but also has some health problems like lung problem, eyesight problem and the carbon when inhaled may bring other complications. This also degrades the ecosystem by cutting of trees. Hence it is suggested that innovative means of energy affordable be implemented that include lighting the society with the solar panels and building biogases which is affordable for the poor.
17. Innovative initiatives like e-Choupal have made tremendous impact in India including Karnataka, but the initiative has covered very few districts of the state. Hence it is suggested that the company extend the initiative to more other districts in the state to make change.

### **6.3 Conclusion**

Corporate Social Responsibility has become a major part of business across nations and more specific India. CSR has changed the way different stakeholders view business and this helps in long term goodwill creation across the society. There are though some few observed outcome in this era of continued fast urbanization and increased corporate world that are alarming (for example; increased population, increased demand for 21 century services, increased deforestation and high pollution among others). All these come at the expense of racing to maximize depletion of resources to fight conflict of interest from different stakeholders. There has been a huge wide gap between the haves and have not's. In an age when climate change has caused impact in the normal human life both positive and negative, more diseases related to company's impact like cancer, asthma and other breathing related have increased tremendously, impact on water catchment areas not forgetting the evacuations of indigenous people from their original land for setting up industries. The less privileged, marginalized and poor are not spared by the strong rich. Equal share from the big players in the game of business when it comes to basic social services like clean water, medical health, food and clothing gives a mixed reaction. Diminishing of moral and ethical degradation for example corruption, rapes and abuses in the workplace are increasing by the day while perpetrators go unpunished with the excuse that not employment for the youth and women. In a country like India where caste system has

existed for decades, there are continuous reports of suicides related to family poverty for example farmers unable to pay loans and marry their daughters, discrimination in the workplace, honor killings due to caste inter marriages which have become common. Where the role of a company come in or whether all these problems are related to the company are debated across the board. But the matter of the fact remain that the corporate sector has the capacity to create enough wealth that will at least sustain the majority languishing in poverty.

The new companies Act of 2013 has highlighted the most basic challenges that the society is facing. This gives an highlight on the necessity for the corporate sector to channel their help through CSR activities. This calls for inclusion of all stakeholders to hold hands together to help send the message that CSR is not for economic purposes or as a ticket for a license to operate, but as an answer to inclusively address the above challenges. Since the important stakeholders are diverse in nature, there is need for a strategic CSR communication that can effectively reach out to them and convey the message without biasness about CSR and the interest of the company in committing towards CSR through. As change begins with an individual, the company can be an individual by leading the way on CSR. Meanwhile it's upon the company to development infrastructure, because it facilitates economic growth of a country and boosts growth. Adoption of technology for innovation purposes will help the company lead in the market with product technology of 21 century most demanded now. There is need for new models of running business that are more innovative, because they will help in solving risks and uncertainty in the market place. This will be new strategic business that defines and address equitably the challenges faced by companies. It will also place and retain the brand reputation in the market. Now, the private sector has a major responsibility role of delivering service using the power of CSR to the society. They have the influence because they are in contact with the general public and the environment every single time through their product and service delivery system. Its beyond doubt that, in the era of technology and information, the only brands that can survive the market and remain competitive in terms of economic value and regaining the market share, are the ones that draft and adopt CSR as a tradition. Sarbutts (2003) says that the timing for participating in CSR is of major importance since the values of society are an ever changing process. Companies can gain economic muscle depending why and how they participate in CSR (McGuire et al., 1988). Many companies view CSR investment as a traditional investment of improving company financial

performance without necessary engagement. Since we are living in a technology oriented society, companies leniency to apply CSR remain on watch and it may have a negative impact if they fail to implement it. In days to come almost everything will rely on CSR to move, because from a point something must be fixed responsibly. Last instead of thinking of stakeholders punishing the company due to failure to be responsible, it will be just to say that stakeholders should be made responsibly aware that CSR is a collective concept. It is concluded that CSR in itself is value and value always is wealth.

The other recommended area for further study are the CSR between public and private sector. The role of CSR in stakeholder's engagement.

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## APPENDICES: QUESTIONNAIRE

### A. GENERAL QUESTIONS

GENERAL INFORMATION (Tick (√) the ones that suits your choice from 2-10)

- 1 Company Name: \_\_\_\_\_
- 2 Gender
  1. Male
  2. Female
- 3 Marital status
  1. Single
  2. Married
- 4 What is your Age
  1. Less than 30 years
  2. 31-40
  3. 41-50
  4. Above 51
- 5 Education qualification
  1. Pre-University College
  2. Graduation
  3. Post Graduate
  4. PhD
  5. Other
- 6 Place of work
  1. City
  2. Rural
  3. Semi-rural
  4. Other
- 7 Religion
  1. Hindu
  2. Muslim
  3. Christian
  4. Others

- 8** Family Structure
  - 1. Nuclear
  - 2. Joint/Extended family
  - 3. Other
- 9** Place of stay
  - 1. Own house
  - 2. Rented house
  - 3. Family house
  - 4. Company House
  - 5. Other
- 10** Years/Length of service
  - 1. Less than 5
  - 2. 6-10
  - 3. 11-15
  - 4. More than 16

**B. SPECIFIC QUESTIONS**

CSR Knowledge in the Organization (Tick (√) the options that fits your choice)

- 1** Do you have CSR programmes in the Organisation?
  - 1. Yes
  - 2. No

If YES for how long CSR has been in practice?

  - 1. Less than 5 years
  - 2. 6-10
  - 3. 11-15
  - 4. More than 16 years
- 2** What are the CSR programmes of the company?
  - 1. Ethical responsibility
  - 2. Social responsibility
  - 3. Environmental responsibility
  - 4. Economic responsibility
  - 5. Other

3 Does the company have CSR policies?

1. Yes
2. No

If “Yes” what are those Policies towards CSR programmes?

1. Product safety and quality
2. Human rights
3. Environment
4. Compliance
5. Disclosure
6. Risk management
7. Social contribution
8. Other

### **CSR and Human Rights**

4 Which are the CSR policy towards human rights of the company?

1. Gender equality across supply chain
2. Non-discrimination in the work place
3. Safe and healthy workplace
4. Child labour protection
5. Set minimum livable wages and hours for work

5 How does the CSR on human rights make the company competitive?

1. Help attract investors and financial institutions.
2. Competitive advantage
3. Safeguard brand image and company reputation
4. Improve recruitment and staff loyalty
5. Foster greater production due to high sales
6. Secure and maintain a social license to operate

6 Does CSR on human rights have impact on brand image?

1. Yes
2. Sometime
3. Not Always
4. Never

## CSR and Environment

7 Are there some improvement measures in place to protect the environment?

1. Yes
2. No

8 If “Yes” what are those improvement measures?

1. Emission Standard
2. Surveillance team
3. Aggressive pollution control measures in place
4. Building green fields projects
5. Carbon print monitoring

9 How effective are the following company Environmental protection and sustainability Policy on CSR initiatives in place? (Tick the intervals 1 through 5 that best reflects your opinion) *Level of Effectiveness*

1=Highly Ineffective, 2=Not Effective, 3=Neither Effective Nor Un-Effective, 4=Effective, 5=Highly Effective

Research and development in technology in innovation for clean energy	1	2	3	4	5
Planting trees and keeping wetlands	1	2	3	4	5
Establishing and implementing environmental standards scientifically tested to meet	1	2	3	4	5
The required laws and regulations	1	2	3	4	5
Establishing recycling plants and safe disposal of waste substances and hazardous materials	1	2	3	4	5
Production of energy efficient products	1	2	3	4	5
Training and disseminating employees to enable them accept individual responsibility towards the environment	1	2	3	4	5
Technology induction in e-waste minimization process by turning carbon, solid and water positive	1	2	3	4	5
Compliance reporting and regulatory environment	1	2	3	4	5

- 10 How does the company implement its CSR on environment?
  1. Corporate Environmental Policy
  2. Environmental Audit and systematic monitoring program
  3. Stakeholder Involvement and dialogue promotion
  4. Data acquisition software
  5. Green Products and Green Procurement
  
- 11 What are the CSR compliance that the company has adopted?
  1. Human rights address
  2. Communicating and reporting CSR activities
  3. Sustainable business
  4. Social contribution
  5. Other
  
- 12 What are the disclosure policies available in the company?
  1. GRI reporting
  2. IIRC reporting
  3. Financial reporting
  
- 13 What are the major areas of CSR disclosure?
  1. Strategic, risk and opportunity
  2. Materiality
  3. Target and indicators
  4. Suppliers and the value chain
  5. Stakeholder engagement
  6. Governance
  7. Transparency and balance
  
- 14 What are the benefits of CSR Reporting
  1. Encourages performance and innovations
  2. Improves communication
  3. Other
  
- 15 How does CSR reporting increase performance and innovation  
Please tick the appropriate box to indicate your level of importance concerning the benefits of CSR reporting towards increasing performance and innovation

1=Highly Not-Important b. Not Important c. Neither Important Nor Un-Important  
d. Important 5=Highly Important

Drivers of Performance and Innovations	1	2	3	4	5
Creates Management Awareness	1	2	3	4	5
Identifies New Opportunities for Innovation	1	2	3	4	5
Helps Internal and external Awareness and Reputation	1	2	3	4	5
Positive Impact on Employee Pride and Motivation	1	2	3	4	5
Positives Role on Recruitment of New and Retention of Employees	1	2	3	4	5
Strengthens Relationship with External Stakeholders	1	2	3	4	5

16 How does CSR Communication help improve the company brand image? Tick the levels that best fits your option where 1=Highly Not Important through 5=Highly Important					
Improves Internal Awareness for all Employees	1	2	3	4	5
Easy for Innovation Purposes	1	2	3	4	5
Easy Communication to External Stakeholders i.e. Investor and Analysts	1	2	3	4	5
Help Different Functions Learn from each Other	1	2	3	4	5

17 What are the risks that affect CSR activities of the company?

1. Strategic risks
2. Financial risks
3. Operational risks
4. Compliance risks
5. Other risks

18 How does the company manage risk?

1. Setting a team responsible for checking and controlling risks
2. Checks and balances on most prone areas
3. Educating different stakeholders on precautionary safety measures
4. Integrated technology to help identify risks early
5. Employees in implementation process
6. Other

19 What are the CSR activities that the company takes towards the society as an environment contribution?

1. Planting trees
2. Recycling and re-use initiatives
3. Awareness on pollution control
4. Energy efficient products

- 20 What are the CSR activities that the company takes towards the society as an economic contribution?
1. Creating employment opportunities
  2. Creating sustainable agriculture
  3. Youth and women empowerment programs
  4. Creating wealth out of waste
  5. Providing education loans to poor children
- 21 What are the CSR activities that the company takes towards the society on infrastructure?
1. Technology and innovation centers
  2. Build learning institutions
  3. Sports facilities for nurturing talent
  4. Health facilities
  5. Energy, roads and clean water
  6. Market for produce
- 22 What are the CSR activities that the company runs towards healthcare?
1. Reducing child mortality and maternal health
  2. Combating HIV and AIDS
  3. Providing health insurance
  4. Building hospital and sponsoring R&D
  5. Prevention through awareness
  6. Other
- 23 How does the company communicate its CSR activities to various stakeholders?
1. Company website
  2. CSR programmes
  3. Media
  4. Company products
  5. Annual general meetings
- 24 What are the communication strategies adopted by the company towards different stakeholders?
1. Stakeholders information strategy
  2. Stakeholders response strategy
  3. Stakeholder involvement strategy



25 What are the benefits of strategic CSR communication?

1. Helps in reducing risks and accidents
2. Builds mutual trust with different stakeholders
3. Safeguards environment and other social activities
4. Attracts investors and easy financial availability
5. Helps retain and recruit best human resource
6. Enhance performance on health, safety, quality of products and services.
7. Other

### **Reasons for CSR Practices**

26 What are the reasons for CSR practices towards the company?

1. Due to pressure from stakeholders
2. For better corporate and brand image
3. For competitive advantages
4. As an advertising strategy
5. To help manage risk and cut marketing cost
6. For license to operate
7. Other

27 What are the pressure from stakeholders concerning CSR?

1. Quality of products
2. CSR disclosure
3. Human rights practices
4. Environment protection
5. Addressing supply chain
6. Other

28 What are the CSR practices that improve the brand image of the company?

1. Innovations through R&D
2. Safety, quality and cost
3. Human rights practices
4. Timely payment of taxes
5. Environment and Social impact

29 Are there benefits of CSR towards the brand? 1. Yes 2. No

If “Yes” what are those benefits of CSR towards the brand image and company reputation?

1. Increased sales
2. Ready capital from financial services
3. Easy recruitment and retaining employees
4. Trust from various stakeholders
5. Increased investments and competition
6. Reduced litigations and more tax incentives
7. Accreditations

30 How does CSR act as an advertising strategy towards the company?

1. Creates confidence
2. Trust towards the brand
3. Purchasing behavior

31 How does CSR activities help the company to be competitive?

1. Reduced or controlled cost
2. Human resources
3. Customers and consumer perspective
4. Advance in innovation, R&D
5. High risk management
6. Increased reputation
7. Improved financial performance

32 How does CSR help in managing risk

1. Safety measure
2. Technology and innovation
3. Other

33 How does CSR help the company get the license to operate?

1. Abiding by the rules and regulations of the state
2. Addressing social and environmental challenges
3. Other

34 Are there benefits of CSR practices towards the company?

1. Yes
2. No

If “Yes” What are the benefits of practicing CSR towards the company?

1. Increases Sales and customer loyalty
2. Reduces regulatory oversight
3. Reduces risks
4. Attracts and retains good human resource
5. Good relation with financial institutions and investors
6. Increases efficiency, productivity and improved financial performance

35 Does the company have different Stakeholders?

1. Yes
2. No

If ‘Yes’ who are the stakeholders of the company?

1. Internal stakeholders
2. External stakeholders

36 Who are internal stakeholders in your company?

1. Employees
2. Shareholders
3. Managers
4. Investors

37 Who are the external stakeholders in the company?

1. Consumers
2. Suppliers
3. Government
4. Media
5. Society/Community
6. Environment
7. Business partners

### **Employees as Internal Stakeholders**

38 Are all employee aware of CSR activities?

1. Yes
2. No

39 What are the CSR initiatives towards employees of the company in general?

1. Providing Health Insurance Cover
2. Setting Hours of Work
3. Providing Education to Family Members
4. Housing and Travel Allowances
5. Giving Incentives and Gifts
6. Other

40 How does the company motivate employees to participate towards CSR activities?

1. Giving employees a chance to participate
2. Sharing company achievements
3. Using new production and cost effective techniques
4. Empowering through Training
5. Following company recruitment policy
6. Better information flow
7. Improving salaries and working conditions
8. Other

41 How does the company CSR make employees more jobs efficient?

1. Training through seminars and conferences
2. Technology skills
3. Promotion
4. Including employees in decisions making
5. Other

42 Does company CSR towards employees' make the company competitive?

1. Yes
2. No

43 If "YES" how does company CSR towards employees' help in making the company competitive?

1. Help cut cost
2. Increases sales and employee customer relation
3. High concentration and efficiency
4. Safety, security and risk are well managed
5. Discipline and morality is maintained.
6. Other

## CSR towards Shareholders

- 44 Who are the shareholders of the company?
1. Banks, financial institutions, insurance and mutual funds
  2. Foreign institutional investors
  3. Owners and employees
  4. NRIs and foreign nationals
  5. Bodies corporate and public
- 45 What are the CSR activities aimed at achieving shareholders objective?
1. Transparency in the company operations
  2. Priority in keeping business secrets
  3. Creating a competitive advantage
  4. Expanding the business to new areas
  5. Saving the environment
  6. Adopting technology
  7. Other
- 46 What are the company CSR activities that add value to shareholders?
1. Safe, quality products and services
  2. Retaining and recruiting competitive employees
  3. Attracting more investors towards the company
  4. Creating close ties with financial institutions
  5. Technology adoption and innovations
  6. Risk management
  7. Human rights address
  8. Obeying the law
  9. Reporting and disclosure
- 47 How does the company communicate with its shareholders?
1. News letter
  2. Special shareholder meeting
  3. Annual reports
  4. Television and phones

48 Does experience of managers matter towards CSR implementation?

1. Yes
2. To Some Extent
3. Never

### **CSR and Suppliers**

49 Are there company CSR procurement policies towards suppliers?

1. Yes
2. No

If “YES” What are the CSR procurement policies towards suppliers?

1. Safety and product quality
2. Human rights and labor
3. Environment protection
4. Compliance and disclosure
5. Strengthening partnerships
6. Fair and equitable transactions
7. Securing right price and quality

50 What are the CSR guidelines towards the suppliers of the company?

1. Onsite inspections to confirm CSR performance
2. Briefings on CSR.
3. Suppliers presenting their CSR activities
4. Other

51 Company initiatives to encourage suppliers towards CSR practices

1. Two way communication
2. Encouraging use of technology, R&D
3. Participate in decision making
4. Providing some credit in the form of capital
5. Making payment to suppliers in time
6. Education through seminars and conference

52 Does the CSR practices towards the suppliers of the company beneficial?

1. Yes
2. No

If “YES” what are those benefits towards the company?

1. Customers get best price in the market.
2. Quality, health and safety is maintained
3. Environment protection practices maintained
4. Human rights practices are practices
5. Helps manage risk
6. Other

### **CSR and Government**

53 What are the companies CSR towards the government? Tick all that apply

1. Timely payment of taxes
2. Partnering in R&D for Innovations
3. Developing human capital in education and health care
4. Promoting agriculture by adopting green technologies
5. Creating employment opportunities
6. Powering growth with many multiple business drivers
7. Nurturing talent and risk management

54 Which kind of CSR activities has the company jointly taken part with the government?

1. Research and development
2. Healthcare
3. Energy sector
4. Promoting education development.
5. Drafting job industry oriented syllabuses
6. Environment protection measures
7. Other

55 Benefits to the company on CSR activities towards the government

1. Tax incentives
2. Credit availability
3. Improved Infrastructure
4. Improving business security
5. Supporting the company in matters of R&D
6. Environment investment policies
7. Other

## CSR and Consumers

56 Company CSR initiatives towards consumers

1. Integrating technology with the products
2. Energy efficient and cost effective products.
3. Replacement of defective products
4. Clear guidelines of the products and risks involved
5. Hotlines for addressing consumer grievances
6. Educating consumers
7. Safe package, producing quality and standard products
8. Constituting consumers on ideas to improve the product
9. Securing right price and quality

57 Does the company have consumer communication concerning CSR practices?

1. Yes 2. No

58 How effective are the following methods of company communication with the consumers? (Tick the intervals 1 through 5 that best reflects your opinion)

*Level of Effectiveness* 1= Highly Ineffective, 2=Ineffective, 3=Neither Effective Nor Un-Effective, 4=Effective, 5=Highly Effective

	Through electronic media	1	2	3	4	5
	Through company websites	1	2	3	4	5
	On product pack labeling	1	2	3	4	5
	In meetings and seminars	1	2	3	4	5
	Through social activities	1	2	3	4	5
	Through environmental safety activities	1	2	3	4	5
	Through diagram and drawings	1	2	3	4	5

## CSR Challenges

59 Does the company face any challenges which affect CSR activities?

1. Yes
2. No

60 If “Yes” Which are the challenges that affect CSR activities of the company

1. Human rights challenges
2. Government challenges
3. Technology challenges
4. Environment challenges
5. Competitive challenges
6. International pressure challenges



- 61 What are the government challenges that affect the company's CSR initiatives?
1. Mandatory for CSR
  2. High Taxes
  3. High interest rates
  4. Other
- 62 What are technological challenges the company faces while executing its CSR activities?
1. High Cost of installing technology
  2. Un-flexibility to use technology
  3. Lack of enough technology professionals
  4. Low investment into innovative technology
  5. Other
- 63 Which are the environmental challenges faced by the company?
1. Pollution and Waste management
  2. Technology to monitor pollution
  3. Irrigating vast dry and maintaining wet lands
  4. Clean energy
  5. Environment Reporting
  6. Bio-diversity and land use
- 64 What are the competitive challenges the company faces that affect CSR?
1. Human Rights Practices
  2. Ethical and Moral issues
  3. Technology and Innovation
  4. Communication and Reporting
  5. Training in Research and Development
  6. Other
- 65 What are the international challenges the company faces that affect CSR initiatives?
1. Trade restrictions and embargos
  2. Macroeconomic factors
  3. Unstable prices of essential commodities
  4. Political factors in target countries

66 What are the measures taken to contain CSR challenges?

1. CSR Reporting and Disclosure
2. Innovations in R&D
3. More Stakeholder Involvement
4. Proactive measure in Environment Protection
5. Addressing Human Rights and Child Labour
6. Risk Management
7. Other

67 Which activities does the company want to realize in the future?

1. Communicate company sustainability performance in CSR to stakeholders in a more transparent manner.
2. Improve product and service quality by integrating technology.
3. Develop new products/services that have less social and environmental problems.
4. Improve more education on CSR and other infrastructure to the society that is more sustainable
5. Addressing all transparent means of communication to stakeholders
6. Improve company suppliers on their employees safety standards, human rights and giving back to society
7. Other