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# viewpoint



## The hard business of doing good

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# The Hard Business of Doing Good

*Why true social responsibility – by corporations, government, and individuals – is never that easy or straightforward.*

In a perfect world, corporate social responsibility would be a given, not a strategy. This is something to pay more attention to as a new government takes charge in an atmosphere of hope and expectation. After all, key to better governance and progress is the assumption of responsibility by corporations, government bodies and individuals. If past record is any indication, this is an aspect that we really need to work on. But is this due to some flaw in our collective psyche or something else?

Today, the onus is clearly on corporations to run their operations in a way that minimizes environmental impact and optimizes results for all stakeholders. But by the same token, the onus is also on stakeholders and members of civil society to ensure that businesses meet these obligations.

There are now new ways and models for maximizing social impact, according to one of our writers. But companies must first define what social responsibility means for them in a holistic business sense before throwing their weight (and money) behind specific causes.

We know that CSR activities have an impact on corporate reputation but what is the best way to manage and talk about them? In the face of greater public skepticism, companies have to show that their activities amount to more than greenwashing.

We hand it over to our experts to debate the nuances of this not-so-simple facet of business and public life.

## In This Issue:

**The Policing Role of Civil Society** - Boosting corporate social responsibility requires corporations to face their obligations and for civil society to keep the pressure on them to do that.

**The Sociology of Responsibility in India** - Social responsibility in India through the ages and how it might develop in the future.

**For People, Planet & (ultimately) Profit** - How companies can expand their social footprint in the light of new regulation and models.

**Doing Good and Talking About it** - How organizations can communicate their CSR motivation and goals in a way that resonates with stakeholders.

**Alterpoint: Complex (and Simple) Acts of Kindness** - Theories of altruism and our real motivation for doing good.

# The Policing Role of Civil Society

*Corporate social responsibility needs more than government regulation to foster it. It requires a corporation to be mindful of its obligations to all its stakeholders – with regular reminders from civic and pressure groups.*

Recently, the Indian Companies Act was amended to mandate that companies spend up to 2% of pre-tax profits on CSR. However, this is a measure that is too late and too limited in its scope. Trying to promote responsible corporate social behaviour based on a mere 2% spend is an idea that is beyond its expiry date.

The new law fails to recognize that a business corporation has to take care of all its stakeholders – and not just shareholders - during the course of its operations. These stakeholders include the government, customers, employees, vendor partners and society at large.

In order to survive in today's environment, a corporation has to balance the interests of all these varied stakeholders. If it favors the interests of one over the other, it will jeopardize its own existence. There are several ways in which such a scenario could play out. If a corporation overcharges customers or delivers sub-standard products or services, it will lose business. If it looks for ways and loopholes to evade taxes, it will eventually have to pay these and more in the form of fines. If it pollutes the environment in a narrowly focused quest for profitability, it will, sooner or later, pay the price for these actions. If it chooses to squeeze or otherwise take advantage of its vendor partners, the latter will not want to do business with it.





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In short, the boards of corporations have to seriously weigh the interests of all the individuals and entities that have a stake in the business. This philosophy is now pervading the business world and corporations realize they have to embrace it if they want to survive.

If we had to identify one single major force in producing this mindset change, it would probably be civil society. This includes various non-governmental organizations and institutions, each with its own agenda for transforming society. They make themselves heard through pressure groups that push for goals not easily achieved through the legislative process or by lobbying the government.

There are many examples of this at work. Take, for instance, the problem of reporting oil revenues in oil rich emerging markets, a process that is riddled with inaccuracy and a lack of transparency. Through organizations such as the IFRS Foundation, it has been possible to incorporate accounting rigor into this process and to ensure that total oil revenues are accurately disclosed by geographical region and location.

Various watchdog organizations have been tirelessly striving for more stringent environmental and labor regulations in various parts of the globe. After the tragic collapse of an industrial building in Bangladesh more than a year ago, many NGOs increased the pressure on clothing companies in the West to make garment industry safety a top priority in the countries they manufacture in.

Similarly, Apple came under fire not too long ago for failing to ensure safe working conditions for employees in Chinese factories that manufacture its products. In the face of increased criticism, Apple sought to satisfy NGOs that it would enforce better safety standards in these facilities.

NGOs and pressure groups have considerable clout with consumers who in turn want to be assured that they are dealing with companies that treat people and the environment with respect.

As the pressure mounts, corporations are changing the way they do business. Food and beverage companies, for instance, are actively building their credentials in sustainable farming in order to get on the right side of consumers. Extractive industries that receive a great deal of flak for their polluting ways are now attempting to roll out several environmentally responsible measures.

Stakeholders have more power in this age of social media. Oppressive behavior by an employer, shoddy product quality, a bad customer service experience – any of these can be aired online with immediate and significant repercussions. And so, many corporations have set up special groups to manage this portion of their stakeholder engagement and the complexity of external communication.

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In essence, corporations are attempting to be proactively responsible and to adopt a benign attitude towards their stakeholders. The era of business chieftains with absolute authority and the power to buy out government regulators is behind us.

That is not to say that everything is perfect. There are still many industries that are characterized by a lackadaisical attitude towards worker health and safety, among other things, and where change is desperately needed. The construction industry in India is a prime example of this. Many of the safety issues that plague the industry are linked to the inability of the State to enforce standards. But beyond this, it is up to the corporate entities in the industry to overturn current norms and uphold global standards in working conditions. But who will push them to do this?

Again, this is a change that has to be driven by civil society. All over the world and throughout history, societal progress has been driven by civic and pressure groups. Public outrage forces corporations to change their behavior. And that is what is needed in this country today. When the government is ineffective and corporations are blatantly irresponsible, the only way out of the lockjam is for citizens to come together and expose unscrupulous business practices. We need many people to speak up and articulate their concerns; to present a convincing case for change. Someone wisely said that ‘eternal vigilance is the price of liberty’. What that means is that citizens cannot ignore their responsibility to fight for their rights.

And it will work. After all, it is incumbent upon corporations to take care of all their stakeholders. If they fail to do that, their mortality is assured.



### Mohandas Pai

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# The Sociology of Responsibility in India

*A look at the levels of accountability and responsibility in Indian society at different points in history and what we can expect on those fronts in the future.*

Corporate social responsibility has become a buzzword in today's business world and was even singled out for special treatment in the latest Companies Act 2013. But despite the formal importance attached to it, its actual visibility is limited in the present Indian context. The question that then arises is whether social responsibility – at the government, corporate and individual levels - has historically been lacking in India and whether we can expect this to change as we move forward.

If mythological accounts are to be given any weight, ancient India was characterized by high levels of accountability. There is no subsequent parallel to “Ram Rajya”, during which the best practices in governance and social responsibility were followed. The prime role of the State was to work for the well being of its citizens. There are many other references to good governance in our literature, including “Vidur Niti” at the time of the Mahabharata and “Chanakya Niti” at a later point in time.

In the country's more recent recorded history, the State became fragmented and a feudal framework emerged. Then came colonization, the self-serving nature of which further wore out the fabric of social responsibility. Even in the post-colonial era, successive governments have been preoccupied with staying in power and maintaining their supremacy. In all of this, the needs and concerns of the governed or the citizens of the country were ignored.



Thus, it can be argued that with the passage of time, the Indian psyche has gradually become more self-interested and materialistic across all spheres - government, corporate and individual.

A similar evolution can be witnessed in the business sphere as well. Prior to the industrial revolution, business was more craft-based and centered on the individual. The farmers, craftsmen and traders who ran their own businesses placed a high premium on honesty and ethics. The overhead involved in business transactions was low when ethical conduct was given the topmost priority. Individuals who were able to develop and grow their businesses donated generously to public causes and employee welfare.

Those were the times when a sense of civic responsibility was also high at the individual level. The joint family system expected that each member contribute for the well being of other members. Similarly, in the villages of the country, concern for the greater community ran high with civic issues addressed directly in village panchayats.

Our societal framework has changed over the years. With growing urbanization, nuclear families have become the norm. An increase in population density has made a lot of resources very scarce. The post-partition sociological changes of the country have brought out our survivalist instincts. In essence, this has caused a more self-centric culture to take root in our society and pushed civic responsibility to the background.

Thus, it can be argued that with the passage of time, the Indian psyche has gradually become more self-interested and materialistic across all spheres - government, corporate and individual. As a result, we see poor governance, unethical business practices, and a dire lack of civic responsibility.

The underlying principle of sound governance is an ability to demonstrate accountability and responsibility towards all the stakeholders involved. This important aspect of stakeholder theory is rarely addressed in the modern corporate enterprise where the prime stakeholder is almost always the shareholder.

Corporate social responsibility is designed to expand this concern towards other stakeholders, including employees and society at large. Farsighted enterprises realize that this is key to long-term sustainability and look for ways to improve their triple bottom line in terms of financial, social and environmental performance. Companies such as ITC and Hindustan Lever Limited provide models that are worthy of emulation in the conduct of their business.

Since this degradation has taken place across all levels, it is imperative to reintroduce accountability into the system. This can be accomplished by assessing the situation, as well as its players and processes in a holistic manner. In order to change the situation, all the players or stakeholders have to be made accountable through relevant processes, systems and institutions.

We cannot just blame the Indian psyche for a deficit in civic sense when this is also caused by a lack of proper systems.

We cannot just blame the Indian psyche for a deficit in civic sense when this is also caused by a lack of proper systems. For example, in the absence of a sound waste management system and public dustbins, people have no option but to throw garbage in the open. Different environments may elicit different forms of behavior from the same people. They may litter or behave in an irresponsible manner in a crowded market, but follow more accepted social norms in a clean mall or restaurant. Thus, we need both better systems as well as more education to develop the individual sense of responsibility and accountability.

Can we hope for a positive shift in this direction as we move forward? Technology and social media may provide a means to this goal. It can help to create awareness on the one hand and enforce government and corporate accountability through public pressure and opinion. The process of change involves a mix of bottom up as well as top down methods. Bottom up, we build awareness and top down, we push for institutions and systems to fulfill their obligation to society.



### Sushil

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# For People, Planet & (ultimately) Profit

*How companies can look to expand their social footprint in the light of new regulation and models in this space.*

Where and how does corporate social responsibility fit in the modern business context? The answer is brilliantly captured in the title of a conference I spoke at some years ago: **The Death of CSR, The Birth of Responsible Business**. Treating CSR activities in isolation serves a limited purpose. It is time we look at the business case of CSR - of doing "good". I hope that the new legislation in this area will result in introspection that will lead us to expand the traditional definition of CSR from detached philanthropy to integrated and strategic activities.

However, it was not too long ago when businesses were more reactionary in their approach to social responsibility. Companies were often forced to develop sustainability strategies or improve their business practices as a result of changing laws or public pressure. Fortunately for us, the IT-BPM industry has been leading the way in India, proactively synergizing business and social good.

Many companies give employees opportunities to enhance their skills by providing pro bono services to social organizations, in areas such as program management, leadership, communications, and product development. Several product companies have developed applications to bridge the digital divide, to get real-time information on basic essential services, and to provide better physical access to persons with disabilities.



Employment is getting created in the most remote places because of the unique business models of the sector and technological advances.

These are just a few examples; the potential of synergy is limitless. For a business that wants to mitigate risks and stay a step ahead of both public opinion and government regulation, being proactive in this area is not just the right thing to do – it is the smart thing to do.

Although the CSR rules formulated under the Companies Act 2013 have received a fair amount of attention, this is not an area that the government has ignored in the recent past. The National Voluntary Guidelines (NVGs) laid out by the Ministry of Corporate Affairs in 2009 (and finalized in 2011 after industry consultation) describe a set of essential principles that cover the entire gamut of business activities and functions including supply chain, sustainability, employee well-being, and human rights. Most importantly, the NVGs provide a strong “business case” for following each of these principles, which includes risk mitigation, revenue growth, cost savings/productivity and branding.

With the new law, concerns have been surfacing that CSR may move from being a broader, all-encompassing initiative to a narrower one. Still, the stipulation that all companies of a certain size must contribute 2% of their net profits to social causes could direct necessary attention to inclusive growth as long as we do not lose sight of the guidelines previously spelt out and the progress we have already made on this front. We still need to think of CSR in holistic terms and as a non-negotiable aspect of doing business.

It is easy to get caught in a numbers game and talk about the size of a company’s dedicated CSR pot. However, a company’s social imprint could be more significant than the quantum of funds it brings to the table. Businesses, individually or collectively, have the ability to create catalytic change in India, at the local and national levels. Their initiatives, if targeted and well thought out, can minimize social inequity of various forms and unlock new and exciting opportunities for economically sidelined groups.

Of course, no discussion on the subject of inclusive growth would be complete without talking about social enterprises and impact investors. With a new business emerging every day, it is exciting to see these socially motivated entrepreneurs bringing more visibility and fresh perspective to seemingly intractable problems. Social enterprises provide new ways of looking at these problems and force us to rethink the conventional model of donation-based redistribution.

There is also a positive shift in the way we view those on the lower rungs of the socioeconomic ladder - as producers, employees and

consumers rather than as recipients of largesse. The jury may still be out on some of the solutions but the fact that this group is alive and thriving in India bodes well for the ecosystem as a whole.

There is good reason to be optimistic about the renewed energy and momentum in the CSR space. The recent legislation in this area is also going to put a great deal of money into play. Companies that are committed to being socially responsible have to use their money wisely – in applying their values across all aspects of the business and in aligning themselves with causes and partners in order to maximize their social impact.

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**Rita Soni**

Rita Soni is the CEO of the Nasscom Foundation.



# Doing Good and Talking About it

*Communicating their CSR motivation and goals effectively can be challenging for companies. How can companies talk about these in a way that resonates with stakeholders?*

Ever since the CSR-related provisions of the Companies Act 2013 came into effect in April this year, companies have been trying to understand what their implications are for business. In essence, the new rules require every public or private company – with a net worth of Rs 500 crores, a turnover of Rs 1,000 crores or a net profit of Rs 5 crores over the three preceding financial years – to spend at least 2% of its average net profit on corporate social responsibility. There are other stipulations that govern the types of activities that qualify as CSR under this regulation.

Even if they are modified over the next few years as many expect they will be, the rules have managed to stir up a debate on the status of CSR in the current business scenario.

Historically, corporate houses in India have equated CSR with charity, grants or donations. The hope is that this regulation will change this mindset and move companies to think of long term and scalable impact through strategies that are aligned to their business goals.

There is plenty of evidence to support the value of CSR in boosting corporate reputation.

Last year, the Reputation Institute, a private global consulting firm based in New York, conducted a study that threw important light on the main factors that influence corporate reputation. The survey probed 55,000 consumers across 15 markets to see how some of the most prominent multinational companies in the world ranked on a set of key dimensions. As might be expected, many of these dimensions – such as financial performance and product and service quality – pertained to increasing shareholder value. However, three of the seven dimensions tracked – citizenship, governance and workplace – had their roots in corporate social responsibility.

Companies that emerged at the top in the survey were those that have invested time and resources into enhancing the working environment for



Companies have to look more closely at what it means to integrate CSR values into policies, products, operations and more.

their employees and the communities they operate in. Over time, these activities have resulted in an increase in public trust, esteem and admiration. A similar pattern can be seen in a 2013 Fortune India study conducted in conjunction with consulting firm, the Hay Group. Again, the firms that made it to the top of the list were companies whose credentials in governance and social responsibility were well established.

These examples show that reputation is not something that can be built overnight. It is developed over time as a result of a sustained commitment to certain non-negotiable operating values and principles. In crafting a strategy in this area, an organization must weigh its overall social and environmental impact during the course of doing business. Such a holistic outlook is not possible when CSR is viewed as the detached domain of a single department. Companies have to look more closely at what it means to integrate CSR values into policies, products, operations and more. Only then will they be in a position to effectively communicate their positions to stakeholders.

It is this last aspect that can prove to be problematic for companies. If they talk about their CSR motivation too much or in vague, general terms, their initiatives could be termed 'greenwashing', or an attempt at boosting image by exaggerating their social contribution. On the other hand, if they fail to talk about this aspect, they may be perceived as being socially indifferent or irresponsible.

Companies are therefore trapped between a genuine commitment in this area and the challenge of communicating it to a skeptical audience. Still, as the Reputation Institute study illustrates, there are companies that handle this well and that have been able convey the goals and impact of their CSR initiatives in a way that resonates with stakeholders.

There are no better champions for an organization's CSR programs than its employees. Involving teams in CSR initiatives has other side benefits, including improved morale and retention. However, in order for the ideas to stick, they have to come from the core and be built into the DNA of the business. It requires buy-in from all quarters – and especially from top management – in order to align CSR goals with the larger mission of the organization.

Some initiatives are easier to discuss because they are closely integrated with the activities and processes of the business. For example, a real estate development company that has a green building program or a computer maker that donates refurbished computers and runs a computer literacy program for the less privileged, can more easily incorporate CSR communication into their regular talking points.

Regardless of the level of integration, there is a need for managing CSR with the same focus that is applied to core business initiatives. A client

Ultimately, openness and authenticity are key - in communicating with employees, the media, or other stakeholders.

demonstrated this recently with its clear articulation of a well-aligned CSR strategy. Its strategy hinged on utilizing its domain expertise and business success levers in order to tackle community challenges tied to energy and sustainability. It also brought in influential stakeholders – including an educational institution and a citizens' rights group – in order to better highlight these issues and build support for its initiatives.

Social entrepreneurs are worth examining in this context, given that their work is strongly rooted in community development. One such organization that is striving to enable financial inclusion has also developed accessible digital platforms for educating people in communities with low income and literacy levels. The program uses peer-to-peer communication and easily identifiable role models in order to establish an emotional connection with its target audience.

Ultimately, openness and authenticity are key – in communicating with employees, the media, or other stakeholders. It is important to be honest about what has been achieved so far and the long road still ahead.

When it comes to discussing their achievements, companies do not always make the most of their opportunities. Many bury important facts and statistics about the impact of their programs in weighty CSR reports that may not be read. Instead, companies could look for ways to publish these facts across more widespread media and platforms – through a blog, a newsletter, social media, and more.

An article in the MIT Sloan Management Review sums up one of the biggest issues in communicating about CSR: "...most stakeholders cannot directly witness a corporation's CSR policies or initiatives and to a great extent must rely on the corporation's own reporting." If such reporting is open, relevant and timely, it can help a company build a strong and unshakeable reputation in the eyes of its stakeholders.

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## Complex (and Simple) Acts of Kindness

*Altruism, it is held, is never completely unselfish. So then what really motivates us to do good? And does it really matter?*

Since studying dysfunctional behavior can be tedious beyond a certain point, psychologists have also placed altruism under their research lens. They have concluded that it is never completely selfless. There are many theories that are used to support this belief. There is the kin selection theory that holds that we are more charitable and helpful to those we are related to because this increases the chances of our genes being transmitted into the future. Another theory suggests that it is driven by neurology and the positive feelings that are harnessed by reaching out to others. The theory of reciprocal altruism goes all out in claiming that we are only altruistic when we expect a decent pay-off from these actions.

It is hard to see how gene preservation can be a very important consideration in keeping an aged relative from tumbling down the stairs. Still, the kin selection theory is not that far-fetched and we might expect to see it playing out in the animal world where behavior and its motivation are a lot less complicated.



Disney movies have been criticized for many things, including propagating gender and beauty stereotypes. But they are filled with instances of 'pros-social' behavior...

But even here, there are some surprises. Meerkats, for example, show altruistic behavior but not in the way one would expect. These animals live in a highly cooperative society where pups are often fed by adults other than their parents. This community-oriented conduct takes on more significance when you consider how hard it is for these animals to find food in the harsh habitats they live in.

Psychology aside, the fact remains that a majority of us are motivated to do good and make a difference in the world around us. If we had a gadget to rate our good deeds based on their impact and the level of personal sacrifice involved, we could run them through this altruist-o-meter to see how they measure up.

So, dropping a few coins into a panhandler's tin may register a 2 on a 1 to 10 scale, in light of the dilemma of whether or not one should encourage begging. Giving up a seat on a bus may move us further up the scale.

Volunteering may place us somewhere in between, depending on the time and effort we put in. If personal sacrifice is one of the factors used to determine this score, then a large charitable donation by a very wealthy individual may not register a very high score. But the kinds of heroic acts that one reads about in the papers where people endanger their own lives to save those of strangers may take us off the scale.

There is now a new movement in the thriving self-improvement industry that is based on performing random acts of kindness on a daily basis. There are whole lists of these available for the googling. Most of them seem easy – smiling, saying 'please' and 'thank you', holding a door open for someone. Others are more difficult – forgiving someone, listening well to others, or voluntarily choosing the middle seat on a plane.

And if all these real life examples of altruism make our heads spin, then it might be therapeutic to see how movie characters – and specifically those in animated movies – go about this.

Disney movies have been criticized for many things, including propagating gender and beauty stereotypes. But they are filled with instances of 'pros-social' behavior, or 'voluntary behavior intended to benefit another', according to a study conducted by Brigham Young University in the US state of Utah. The study also identified pure altruism as the primary driver for many of these pro-social actions.

Several heartwarming examples in these movies come to mind, including the scene from 'Finding Nemo' that is often cited as an example of how a group can converge to do the right thing. In that scene, the fish trapped in a dentist's tank agree to help Nemo escape even if it means forgoing their own freedom.

For anyone who has sat through a lump inducing scene such as this, it is apparent that all the cold and objective analysis of what motivates us to do good does not fit in this warm and fuzzy space. Perhaps we are worried about the future of our genes. Possibly we may be motivated by the emotional satisfaction it provides. Maybe we are looking for something in return. But mostly we do good because it just seems like the right thing to do.

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