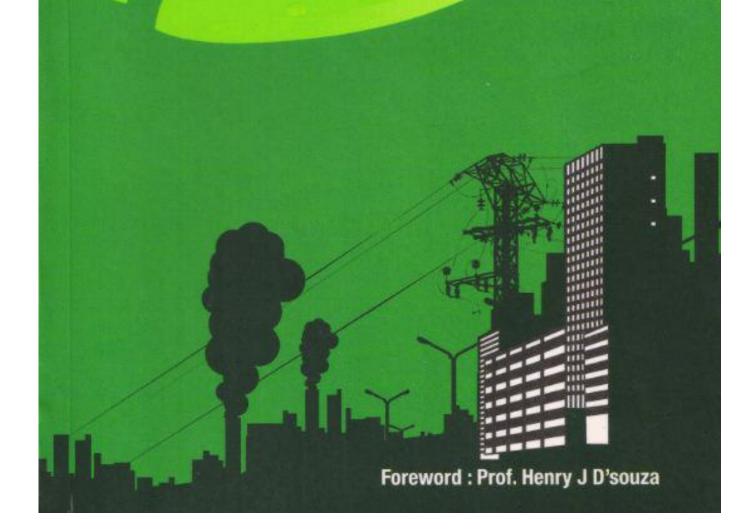
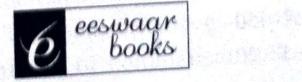
CORPORATES & SOCIAL RESPONSIBILITY

K.N.Ajith



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FOREWORD

Corporate dominance of global trade is neither new nor recent. Students of India's history know that the East India Company was indeed a global trading corporation, chartered in December 1600 by Queen Elizabeth I to expand colonial markets. The Company quickly established military and administrative control over territories in India to dominate trade, especially in opium, tea, cotton, silk, and spices. In fact, English imperialism in India began as a form of corporate colonialism that lasted for 100 years following the East India Company's victory in the Battle of Plassey in 1757. The Government of India Act of 1858 established the British Raj as the English monarchy's surrogate to control colonial trade across the Indian subcontinent.

The Dutch East India Company was another megacorporation that traded in spices with Asia and colonized Indonesia and parts of Africa. In fact, it established the Cape Colony in South Africa as early as 1652. To be sure, these mega-corporations were the architects of colonialism and all the suffering that accompanied it in occupied countries. Parallels exist with US corporations in Central America in the 19th century, in examples such as the United Fruit Company in Guatemala, where repressive military dictatorships emerged and partnered with the US military to serve corporate interests. The South Manchurian Railway Company did the same for Japanese imperialism in China. As the great Chilean Poet Pablo Neruda wrote:

United Fruit Co.

When the trumpet sounded everything was prepared on earth, and Jehovah gave the world to Coca-Cola Inc., Anaconda, Ford Motors, and other corporations. The United Fruit Company reserved for itself the most juicy piece, the central coast of my world, the delicate waist of America.

It rebaptized these countries Banana Republics ...

General Smedley Butler (1881-1940) of the US Marines, a two-time winner of the Congressional Medal of Honor, and author of the famous book

War is Racket (1935), in a speech in 1933, described himself as a...

high-class muscle man for big business, for Wall Street and the bankers. ... I helped make Mexico safe for American oil interests in 1914 and Haiti and Cuba decent places for the National City Bank boys. I helped purify Nicaragua for the International banking house of Brown Brothers in 1909-1012. In China I helped Standard Oil operate unmolested.

Sadly, very little has changed to this day. In recent years John Perkins, a global corporate insider and an economist by training, wrote two confessional autobiographies to assuage his guilt. In *The Confessions of an Economic Hit Man* (2005) and *The Secret History of the American Empire: The Truth about Economic Hit Men, Jackals, and How to Change the World* (2008) Perkins shows how billions of dollars of wealth is transferred from poor countries using deceptive tools of economic forecasting, predatory lending and unending debt obligations, bloated corporate contracts, bribery, pimping, assassinations, and when those fail, even military interventions.

Corporations were also charted by states, for a limited time to serve the common good for a specific purpose, such as building a rail road or a bridge, and once this was done, those corporations were dissolved. In the US the Santa Clara County v. Southern Pacific Railroad decision bestowed on corporations rights of persons (life, liberty, property, and speedy trial by jury, among others) and freedoms (speech, press, assembly, religion and others) guaranteed in the first ten amendments (known as the Bill of Rights) to the US Constitution. permitted corporations to enjoy all the rights of persons without either the responsibilities or the consequences expected of actual persons. When you apply standards of human behavior to corporations, as the award-winning documentary, The Corporation, does through case analysis of criminally pathological corporate behavior and applying the criteria, as psychologists and psychiatrists do, from Diagnostic and Statistical Manual of Mental Disorders (DSM), would be conclude that corporations unquestionably diagnosed as psychopaths, if they were persons.

Corporations are amoral legal entities. Their primary function is not to produce goods or services for consumers. Most importantly, they are legally obligated to maximize returns for their shareholders. In fact, the notion of social responsibility is not a part of the DNA of corporate structures. Occasionally, programs of social responsibility are put forth as a public relation ploy to deal with growing public resentment. time to time, people had to intervene to rein in the corporations in from their exploitative practices through legislation to control their powers, such as the break-up of Standard Oil following passage of the Sherman Anti-trust Act in the US. There is a movement to abolish corporate personhood and return to a time when they were mere legal instruments to serve the public good. Yet, if we look back at history, the notion of corporate social responsibility appears to be an oxymoron.

In this book, Ajith, after conducting a survey of corporate executives in Chennai, gives a glimpse into how these functionaries view CSR. His findings make clear that there is very little understanding of CSR and imply that CSR is still

viewed in traditional terms of providing education and health care. While those services may earn the goodwill of people in their communities, they are also largely self-serving. Although such CSR programs may provide companies with a healthy and educated workforce, they also serve as a public relations strategy to bolster the companies' image.

Capitalists like Warren Buffett realize the imminent political, economic, and ecological dangers of accumulating unlimited wealth in few hands. They have much to lose when there is an apocalyptic collapse. The recent global economic meltdown, barely rescued by the U.S. tax-payer bailout of giant corporations like AIG, Solomon Brothers, Citibank, Bank of America and huge mortgage companies like Freddie Mac and Fannie Mae, was a clear indication of the extent of economic risk. Capitalism is unsustainable economically if it impoverishes the working class that forms the bulk of its consumers. When it impoverishes large sections of the population, as Ajith observes about India, capitalism inevitably leads to political turmoil.

The rise of politically destabilizing Naxals in rural areas of 22 states in India, and the recent electoral victory of the Maoists in the adjoining country of Nepal after a protracted armed struggle, have not escaped the attention of some shrewd capitalists and perceptive politicians. The question is whether 0.2 to 2 per cent of money that is recommended by Karmayog for CSR is adequate. I am afraid that the answer is definitely no. Nation states do redistribute wealth, often to those who control it. In India, corruption has been a longlasting practice of controlling the nation state. Obviously, the poor who form the majority do not have the means either to control the nation state or to use it as a means of redistributing wealth in its favor.

Finally, can mother Earth—Bhoodevi Laxmi—bear an unrelenting assault on her capacity for capitalist accumulation that knows no limits? The severe sickness and fever—global warming, that the Earth Goddess is suffering is alarming, and she begs us to heal it. The CSR initiative in India is certainly a response that parallels Kyoto and other feeble protocols by the nations of the world. We, indeed,

are consuming ourselves out of existence, a paradox that calls to mind a Zen Buddhist meditation imagery of a snake coiled in a circle beginning to eat its tail in four quadrants of a window; in the second, it had eaten a fourth of its length, in the third, three fourths, and the last quadrant, was blank—there was no snake. That picture did not make any sense to me until I read about how we are destroying the planet in pursuit of insatiable profits and consumption. Certainly, there is much wisdom in the nursery story I remember about the greedy farmer who killed the goose that laid golden eggs.

Given the environmental degradation and enormous poverty that still victimizes the majority of the population in India, as author Ajith urges, CSR has to emerge beyond its current charitable framework and look toward how corporations can change their structure to reduce environmental degradation, growing inequalities, poverty, and hunger. Paradoxical as this task is given the logic of capitalist accumulation, there is no escaping it. We will need to set up corporations that are legally bound to improve the quality of air, water, food,

shelter and quality of life for all or else we will be speeding toward an apocalyptic doom—a shamefully short evolutionary life for a species that makes scriptural claims to be the crown of creation or— as in the ancient Hindu Advaita tradition— Aham Brahmasmi.

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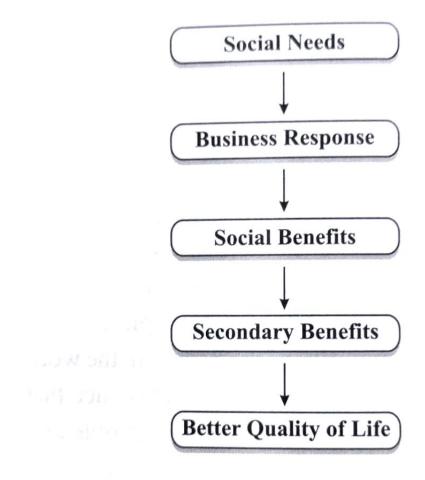
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1

CORPORATE SOCIAL RESPONSIBILITY

SOCIETY AND BUSINESS

A growing global population needs to be fed, clothed, housed, educated, protected against diseases and otherwise supported. It is difficult for the affluent to imagine the widespread poverty and squalor found in numerous countries. Life span is short, diseases rampant and malnutrition a constant threat for millions of people in many countries. The majority of the people in the world live much closer to the margin of existence than those in the advanced nations. These people look to business for help in boosting their living standards. Involvement by business would help solve difficult social problems, thus creating a better quality of life. Business provides equal opportunity through jobs and as a result a multiplier effect may occur to improve other areas of life also. Business also benefits from a better social environment. The firm that is most responsive to improvement of a community's quality of life will as a result have a better community in which to conduct its business. This multiplier effect is illustrated below (Davis and Frederick, 1984).



Business and society, taken together, consist of an interactive system. Each needs the other. Each can influence the other. They are intertwined so completely that an action taken by one will inevitably affect the other. The boundary line between the two is blurred and indistinct. Business is part of society, and society penetrates far and

often into business. Business is involved with society in two basic ways. Its primary relationship is economic and arises out of producing goods and services. A secondary relationship with society occurs when these economic activities create social impacts such as pollution or industrial accidents. These primary and secondary relationships make up an interactive model of business and society (Davis and Frederick, 1984).

ORIGIN OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

Charity has been an integral part of the Indian social tradition motivated by both religious and altruistic considerations. Hindus worship Goddess Lakshmi, the Goddess of Fortune, who is also believed to be the Mother of the Universe. The wealthy, who are blessed with wealth by the Goddess Lakshmi, are expected to share their wealth with the needy. This is the path of dharma. The trading communities in India have been traditionally charitably disposed. Rich business families built temples, dharmasalas with food and shelter for pilgrims in many religious sites, and

2

THE SETTING AND THE METHODOLOGY

CHENNAL AND CSR INITIATIVES

Chennai, the first city of South India and capital of the state of Tamilnadu, owes its genesis to Andrew Cogan and Francis Day of John Company or the East India Company. They received a grant of 3 square miles of land, about 2 miles north of Santhome, from Venkatadri Nayak in August 1639 and established on it a "factory", which was a trading post that grew into the seat of British power on the Coromandel Coast. The settlement founded over three and a half centuries ago was known by different names. In 1653, the settlement was named Madras, which was renamed Chennai in 1996. According to the 2001 census, the population of Chennai was 4.34 million and the area was 174 square kilometres. In December 2009, the government of Tamilnadu extended the boundaries of the city by annexing 42 local bodies (9 municipalities, 8 town panchayats and 25 village panchayats) with an estimated area of 430 square kilometres.

Chennai, the fourth largest city in India, has been growing as one of the most important industrial centres. It is called the Indian Detroit. Chennai is emerging as Asia's automobile capital as it is the home for seven automajors out of the top twenty global automobile manufacturers. It also aims at becoming a global health hub.

Chettiars and Brahmins are two communities that have contributed significantly for the economic development of Tamilnadu. Chettiar is a title, commonly used by people of south Indian origin. The linguistic origin of the word is derived from Dravidian usage. One theory is that the root word is etti that means "look up, jump up, or forward jerk and around simultaneously calling out to sell". Chettiars are known for business acumen and benevolence to people in need. The community is also known cuisine. Many castes of different ethnic origins use the title chettiar today. The foremost in Tamilnadu are the Nattukottai chettiars or Nagarathars, who are ethnically Tamil and originated from the Nattukottai region. The Nagarathar community has nine clan temples. The Nagarathars first settled around the Ilayathankudi

clan temple after migrating from Cholanadu to Pandyanadu in the thirteenth century. AMM Murugappa Chettiar, the eldest son of Diwan Bahadur AM Murugappa Chettiar, is considered to be a leader among the industrialists who enabled the industrial advancement in South India after Independence.

Prominent among the business groups in Tamilnadu are the Murugappa group and the TVS group. The Murugappa group has its origin in 1900, when Dewan Bahadur AM Murugappa Chettiar established a money-lending and banking business in Burma (now Myanmar) which then spread to Malaysia, Sri Lanka, Indonesia and Vietnam. In these 100-plus years, it has withstood enormous vicissitudes, including strategically moving its assets back to India and restarting from the scratch in the 1930s, before the Japanese invasion of Burma in World War II. The Murugappa group, headquartered in Chennai, is a major business conglomerate with interests in engineering, abrasives, sanitary ware, fertilizers, finance, insurance, cycles, sugar, farm inputs, plantations, bio-products, and nutraceuticals. It has

manufacturing units spread across many states in India. Started more than one hundred years ago as a small family-run business in indigenous financing, the Murugappa group is the first business group in Asia to have been awarded the "IMD Distinguished Family Business Award" by the Management Development Institute (IMD), Switzerland.

East India Distilleries Parry (India) Limited, known as Parry's, is the oldest British mercantile name surviving in Chennai and the second oldest in India. EID Parry traces its history to Thomas Parry, who established it in 1788. The junction where the business is located came to be known as Parry's Corner, an important landmark of the geography of Chennai for more than three centuries. Dare House, the headquarters of the company at Parry's Corner, was built in the late 1930s and named after a dynamic partner J.W. Dare. The company has survived many challenges and it has written a glorious chapter in Indian commercial history. In 1981, the Murugappa group acquired EID Parry. But the company retains its separate identity.

3

CORPORATE EXECUTIVES AND THEIR PERCEPTIONS

The profile of the corporate executives selected for the study, and their perceptions of corporate social responsibility and related aspects are presented in detail in this chapter.

PROFILE OF THE EXECUTIVES

Recruitment and other human resource management practices in industrial and business establishments have been undergoing drastic changes and improvisations. In a highly competitive market economy, shortage of competent personnel and increasing attrition of human resources make it imperative for business organizations to recruit young graduates with attractive salary and perquisites, preferably through campus recruitment. Well-planned training programmes and challenging career growth opportunities are offered to the young entrants. Attracting talented young persons, identifying leadership potentials and developing future corporate leaders are visible in many companies.

Even family business houses have been becoming increasingly professionalized in their management styles. Therefore, the demographic profile of the executives in the corporate organizations is undergoing transition. In the sample selected for the study, slightly more than 50 per cent are below 35. Nearly one – third of the executives are in the age group 35-39, while less than one – fifth of the executives are in the older age group of 40 and above. As young executives are in a larger proportion in the companies than those in the higher age groups, the analysis of data has been attempted by dividing the executives into two

Table 2

Executives by Age and Designation

Age group (Years)	Designation				
	AM	М	SM/DGM	GM/VP	
Below 35	42 (95.5%)	5 (17.2%)	3 (15.0%)	1 (12.5%)	
35-39	2 (4.5%)	21 (72.4%)	8 (40.0%)	2 (25.0%)	
40 and above	-	3 (10.3%)	9 (45.0%)	5 (62.5%)	
N	44 (100%)	29 (100%)	20 (100%)	8 (100%)	

strata: below 35, and 35 and above. In the analysis of data, executives in the 35 and above age group

are referred to as older instead of the term senior.

The sociological definition of organization as group effort is most suited for a company. This group effort has been undergoing significant changes in structure and functions. The career growth opportunities in companies have been on the increase. The relationship patterns have been changing from "boss- subordinate" to a warm lateral relationship, often addressing each other by first name. The decision making process is being facilitated by shared inputs instead of mere vertical commands from top to bottom. Senior mangers today are mentors of younger executives. Some companies have introduced reverse mentoring programmes whereby younger employees teach older employees.

Normally young recruits join as management trainees before being inducted as officers and then promoted as assistant managers. Assistant manager is the first level on the management ladder. Assistant managers and managers form the middle management, senior managers and deputy general managers are categorized as higher level management, and general managers and vice-

presidents are among the top management. In the earlier period, becoming a general manager was possible only after many years of service and most likely when the person is around fifty. But now, becoming a general manager is common in the thirties. The decision making process today, therefore, is influenced by younger management personnel.

Almost all the assistant managers are below 35, while nine out of ten managers are below 40. Among the senior managers and deputy general managers, more than a half are less than 40. The top management categories of general managers and vice-presidents have nearly 40 per cent in the younger age cohort.

OPINION ON FOCUS AREAS

The major focus areas of the four companies are presented below:

Focus Area	Company			
	I	11	111	IV
Education/Vocational training	~	~	~	~
Health	_	~	-	
Environment	-	~	-	
Rural development				

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4

CSR FOR A JUST SOCIAL ORDER

Wealth creation is the primary responsibility of business organizations, and it is their responsibility to create wealth through ethical means. Corporate social responsibility is an inalienable part of the process of creation of wealth. CSR is closely linked to sensitive development issues such as displacement of people, rehabilitation of the displaced, protection of environment and reduction of inequality in society.

CSR AND DISPLACEMENT

A daunting task facing the corporate groups and the government is the conflict between developmental priorities, and deprivation of people's land and livelihood because of land acquisition. Mass protests and violent demonstrations have forced even the best face of corporate India to retreat from a nationally prestigious project despite strong state support. Estimates of people displaced by development

projects since Independence using the "doctrine of pre-eminence" for public interest especially for power, mining, heavy industry and irrigation projects are staggering. More than 50 million persons have been displaced and only abut a quarter of them are "resettled" in some way or the other. But the real magnitude of displacement and the actual position of resettlement could be very grim. India's rehabilitation and resettlement (R and R) record is poor, if not horrific. The Rehabilitation and Resettlement Bill, 2007 is yet to become a law.

The Supreme Court, expressing concern over the plight of farmers and others whose vital rights are affected when their land is acquired for development, suggested in May 2010 that the more than a century old, Land Acquisition Act, 1894 should be revisited by the Parliament. The Supreme Court pointed out the serious flaws in the acquisition of land such as absence of proper survey and planning before acquisition, indiscrimate use of emergency provisions, notification of areas far larger than what is actually required for acquisition, and then making arbitrary

deletions from the acquisition, offer of a very low amount as compensation and delay in payment necessitating litigation in almost all cases, and the absence of rehabilitation. In another case, the Supreme Court observed in July 2010 that "to millions of Indians, development is a dreadful and hateful word that is aimed at denying them even the source of their sustenance". Some enlightened companies in the public and private sectors have executed fair R and R programmes. The irresponsible behaviour of business organizations has created scepticism among the people and there is a need to address this issue while setting up large projects, according to N.M.Nerurker of Tata Steel (**The Hindu**, May 23, 2010).

Tata Steel's "Parivar" project for those displaced by its development initiatives merits attention. The displaced families are given identity cards. Promises to each beneficiary are documented and monitored. One member of every displaced extended family is given employment or one-time assistance in lieu of employment. The company offers a tenth of an acre of homestead land to each family in its resettlement colonies; and the

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Business organisations and their CSR activities have recently come under intense scrutiny by the state and the civil society. K.N.Ajith, in his book, advocates for corporate sustainable social responsibility (CSSR) encompassing many vital development issues.

-Prof.Dr.K.V.Ramana, formerly Vice-Chancellor, Andhra University

K.N.Ajith had his professional education in human resource management, besides holding a master of philosophy degree in sociology.

He has held different HR responsibilities in leadership positions in manufacturing and IT / ITES sectors for two decades. He has been actively associated with significant social development projects in Chennai.



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