India Studies in Business and Economics

Shashank Shah
V.E. Ramamoorthy

Soulful Corporations

A Values-Based Perspective on Corporate Social Responsibility

Springer

Soulful Corporations

India Studies in Business and Economics

For further volumes:
http://www.springer.com/series/11234

Shashank Shah • V.E. Ramamoorthy

Soulful Corporations

A Values-Based Perspective on Corporate Social Responsibility

Springer

Shashank Shah
Post-Doctoral Fellow
Department of Management Studies
Sri Sathya Sai Institute of Higher Learning
Prasanthi Nilayam, Anantapur District
Andhra Pradesh, India

V.E. Ramamoorthy
Former Hon. Professor
Faculty of Management and Commerce
Sri Sathya Sai Institute of Higher Learning
Prasanthi Nilayam, Anantapur District
Andhra Pradesh, India

ISBN 978-81-322-1274-4 ISBN 978-81-322-1275-1 (eBook)
DOI 10.1007/978-81-322-1275-1
Springer New Delhi Heidelberg New York Dordrecht London

Library of Congress Control Number: 2013942480

© Springer India 2014
This work is subject to copyright. All rights are reserved by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed. Exempted from this legal reservation are brief excerpts in connection with reviews or scholarly analysis or material supplied specifically for the purpose of being entered and executed on a computer system, for exclusive use by the purchaser of the work. Duplication of this publication or parts thereof is permitted only under the provisions of the Copyright Law of the Publisher's location, in its current version, and permission for use must always be obtained from Springer. Permissions for use may be obtained through RightsLink at the Copyright Clearance Center. Violations are liable to prosecution under the respective Copyright Law.
The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.
While the advice and information in this book are believed to be true and accurate at the date of publication, neither the authors nor the editors nor the publisher can accept any legal responsibility for any errors or omissions that may be made. The publisher makes no warranty, express or implied, with respect to the material contained herein.

Printed on acid-free paper

Springer is part of Springer Science+Business Media (www.springer.com)

This book is dedicated to
SRI SATHYA SAI BABA
Revered Founder Chancellor
Sri Sathya Sai Institute of Higher Learning
Prasanthi Nilayam.
His life, message and mission inspired
this endeavour.

***Sri Sathya Sai Baba* releases the first version of the book *Soulful Corporations* on June 4, 2009**

From left to right: Prof. Vishwanath Pandit, Prof. V.E. Ramamoorthy and Dr. Shashank Shah

Where there is righteousness in the heart,
There will be beauty in the character.

Where there is beauty in the character,
There will be harmony in the home.

When there is harmony in the home,
There will be order in the nation.

When there is order in the nation,
There will be peace in the world.

—Sri Sathya Sai

Foreword

In my opinion, the basic purpose of business is to create wealth, but wealth for all the stakeholders. It is now well understood in Europe and particularly more so in developing countries that social responsibility is a significant part of corporate goals and wealth creation. Wealth creation is not only for a company's shareholders, employees and suppliers but also for the society in which it is working. J. R. D. Tata, Former Chairman of the Tata Group of Companies, once put the concept of Corporate Social Responsibility (CSR) so well and in context. He said, '*Industry exists because society exists*'. In my personal experience, I believe that industrial growth is faster only when the community is educated, healthy and prosperous.

In the last decade, India's economic growth has been remarkable. Yet, a large percentage of the rural population is not benefited by this growth. If we want to sustain this growth, then approximately 50 % of the population should also participate in the effort. In this context, CSR is not an option, but a necessity. It is a proof of commitment of being a corporate citizen. While profit is not inconsistent with societal needs, investment in CSR should get incorporated in the cost of operations. This is the perspective that needs to be adopted by companies today.

What is CSR? It is certainly not philanthropy. CSR should be participative. To achieve this end, involvement of the beneficiaries is extremely essential. It should also result in sustainable development. A century ago, Mahatma Gandhi said, '*Be the change that you want to see in the world*'. He introduced the concept of CSR by urging privileged sections of society to work as trustees for the welfare of the poor. Gandhi's model of sustainable development for India was based on the creation of self-reliant villages where economic development went hand-in-hand with environmental conservation. Through their exemplary practices, certain organisations have established themselves as role models in this regard. In the Indian context, companies such as the Tatas and TVS have been known for their CSR activities. Such best practices are emulated by society and eventually get converted into regulations so that others may follow them. While the government has a large number of welfare schemes for people, experience shows that in most cases the benefits do not reach the most deserving. With their experience in management, corporates can provide the missing ingredients of leadership in social development.

In enlightened self-interest, corporates need to ring fence their operations by allying with the society and local community around their plants or operations. This is needed for sustainable and harmonious operation of the company. This is a tangible and immediate benefit from CSR. Other benefits include brand value in society, and becoming a preferred employer for people in the area. Also, the goodwill of the local government agencies generated through the CSR activities makes the smooth functioning of the company possible. While these benefits are more intangible, they do have a significant impact on the functioning of the company.

Soulful Corporations: *A Values-Based Perspective to Corporate Social Responsibility* is a 'book with a difference'. There have been books on CSR which have highlighted the need for pursuing it as enlightened self-interest, and others that have highlighted how CSR can be a means to competitive advantage. This volume provides the entire journey of CSR from ancient India, and contextualizes it in the current era of globalisation. Further, it leads to a more comprehensive and holistic approach to CSR. The *SAI Way* of CSR focusing on Spiritual, Associational and Individual aspects of an organisation as proposed in this book links Corporate Social Responsibility with Individual Social Responsibility. In this context, the authors highlight the role of the organisational leader. I firmly believe that CSR is a function of the CEO as propounded by the authors. The old Indian adage goes: '*Yatha Raja, Tatha Praja*' (As is the leader, so are the subjects). People take cues from what the leader does. Since the CSR benefits to a company are derived over the long-term, it's really the CEO who can understand its tangible and intangible benefits. Based on this understanding, he has to make the necessary investment of time and resources to achieve the company's CSR goals.

Using CSR as a means, the authors have explained how corporates can transcend wealth creation in a narrow context of the shareholders, to a much more universal concept of contributing to global prosperity, and ultimately leading to the Indian ideal of *Vasudhaiva Kutumbakam* (the whole world is one family). Through this approach, the book has started a new movement of studying CSR not only from the economic and social perspectives but also from the spiritual viewpoint. This approach is steeped in human values propounded by spiritual masters, men and women of eminence from different regions and religions, across time and ages.

The book is very timely as many corporates are looking for a road map for CSR, in the light of regulatory compulsions on CSR spending. For this purpose, the book includes over a dozen case studies of well-known Indian organisations that have led the way by being responsible corporate citizens. The policies and practices followed by these corporates have been elaborately described by the authors. This will enable the readers to understand better their CSR practices.

I compliment Dr. Shashank Shah and Prof. V.E. Ramamoorthy for undertaking this journey into the world of CSR and providing valuable lessons not only for business and management professionals but also for the academia. I am sure they would find this book immensely useful and applicable to their professional life and conduct. The book takes the reader from the mundane level of CSR to the higher ideal of a '*soulful corporation*'.

—Venu Srinivasan
Chairman and Managing Director
TVS Motor Company Ltd. and Sundaram Clayton Ltd.
President, Confederation of Indian Industry (2009–2010)
Member, Prime Minister's Council on Trade & Industry
Chennai

Preface

With the Government of India making Corporate Social Responsibility (CSR) spending mandatory for corporate organisations through its latest legislation, the field of CSR has become the talk of the town in corporate circles. In this context, discussions on the 'why', 'what', 'when', 'where' and 'how' of CSR have become topical. A need has arisen to ask fundamental questions about the role of business in society and the relationship between a company and its community. Do business and society need each other? Does business have a role in society? Are social and economic goals compatible? Is there a need for an ad-hoc and compliance-based approach to CSR or a purpose-oriented approach to it? This book attempts to answer some of these questions from diverse perspectives.

For centuries, traditional merchant communities in India have been known for their philanthropic initiatives in education, health and other fields. Even today there are religious and noncorporate bodies engaged in informal philanthropic activities for social development. But, judging by the magnitude of the social problems daunting India and even the world at large, especially the poor and marginalised, which constitute a large majority of the population in India and many underdeveloped and emerging economies, contemporary corporate organisations need to participate in a big way.

While volumes have already been written on this subject with varied interpretations of scholars from across creeds and climes, this book has made a distinct contribution. It has primarily looked at the field of CSR from a values-based perspective wherein the fundamental values of human life provide the much desired balance between corporate success and social well-being.

In this volume, an attempt has been made to capture the entire gamut of issues relating to CSR that have been seen and experienced by individuals and institutions across the globe for many millennia. The transition from the ancient Indian concept of *Daanam* (charity) to the approach of philanthropy by medieval merchants, traders and industrialists, from the establishment of institutions of excellence through personal funds contributed by industrialists to social welfare projects cocreated by contemporary corporations in collaboration with multiple organisational stakeholders, and the journey from 'Corporate Social Responsibility' to 'Corporate Sustainability and Responsibility' have been traversed in this book.

Inspired by the Vedic dictum, *Aano Bhadra Krtavo Yantu Vishwatah* (Let noble thoughts come to us from all directions), scriptural insights gained from ancient texts of world religions to the words of great world masters and leaders of contemporary times have been included in this volume. A cross-subject view of CSR from philanthropy to trusteeship, from strategy and competitive differentiation to product innovation and social inclusion through the use of management frameworks and models proposed by leading thinkers and researchers in this field, and culminating in using CSR as a means for selfless service and spiritual progress, the book covers a wide gamut of issues relating to the subject in all its hues and colours.

The imperative of ethical and sustainable business practices is subsumed in the discourse of the necessity of corporations to focus on their social responsibility. CSR is not what some consider it to be, 'Make money at any cost and then spend a part of the ill-earned wealth for societal benefits'. Gone are the days when CSR was considered as an independent stand-alone activity and could be equated with charity alone. CSR is neither what many have argued it to be (a reputation-based corporate communication activity) nor is it as many large companies have attempted to do (put in place an ethics policy and publish glossy sustainability reports). In contemporary times, the lines between Corporate Social Responsibility, Corporate Citizenship and Corporate Stakeholders Management are blurring. In the old view, it was felt that what is good for business is axiomatically good for the society. Today, business organisations need to move beyond the old view and redefine themselves and their purposes so as to be socially inclusive and environmentally sensitive through product innovation and service delivery, while cocreating long-term, sustainable and win–win situations for multiple stakeholders through mutually fulfilling and value-adding collaborative efforts. The lead for this has to be taken at the highest levels of the corporation, and not at a functional or corporate communications level. The organisation philosophy and the consequent strategy need to revolve around this approach. CEOs and other members of the top management need to define and then articulate this approach of business with their wider group of stakeholders on various occasions and then live up to it in their actions and organisational activities. That would create a greater bond of trust between the company and its stakeholders.

Today, the issue is no longer of shareholders versus stakeholders but of shareholders with stakeholders and needs to move towards shareholders for stakeholders. We believe that the journey of countries and corporations needs to transition from wealth to welfare and from welfare to wisdom. This is the 'knowledge economy' that countries need to work towards 'holistic knowledge' beneficial for all.

Many would dispute this approach as utopian and idealistic. However, an illustration very close to our daily life can clarify many doubts that are commonly raised in this context. Let us take the example of the human body with its multiple limbs and organs. It is well known that the perfect cooperation and coordination of all the limbs and organs aids in accomplishing the tasks of day-to-day human life. But how does this happen? Let us take the instance of a tree that bears a large number of fruits. An individual sees these fruits, the eye notices them and immediately the mind desires to have them. However, by mere desire, one does not get the fruits. The legs have to take the individual nearer to the tree. It is not enough if the distance is covered with one's legs. One has to bend down, pick up a stone and hurl the stone aiming at the fruit on the tree. When the fruit falls, the fingers collect the fruit and pass it on to the mouth. Then, the mouth has to chew and swallow the fruit. It is only then that the pulp of the fruit reaches the stomach which produces enzymes to digest it. On digestion, the form of the fruit undergoes change. It becomes juice. In this whole process of the fruit on the tree to the stomach, which one limb or organ was responsible? All organs and limbs played a role. As all the limbs and organs helped in carrying the juice of the fruit to the stomach, the stomach in turn digests the food and distributes the energy to all organs through the blood. To ensure that the individual has the necessary energy and strength, all organs have to discharge their respective duties, as the body is a combination of multiple limbs and organs. This is the case during a healthy scenario. Now, let us take another example when an individual gets fever. To cure this, the doctor gives a bitter medicine. But, does the tongue spit it out? Bitter or not, it swallows the pill so that the body may get better. When the doctor wants to give an injection, does the arm retaliate saying, *Why should I suffer the prick for the sake of the body?* The brain does not look down upon the kidney for doing low-class work. All the limbs and organs of the human body perform their function effectively so that optimal health of the body is maintained. High or low, visible or invisible, work has to progress on a cooperative basis by each limb and organ to ensure a healthy life for every living being. The principles which apply to the micro-systems of a human body can also apply to the macro-systems of the global body. While there is a difference between the two, one of willing cooperation (by different constituents of a global body) vis-a-vis that of evolutionary development (of individual limbs and organs in a human body), we believe that there are several lessons that we can learn and implement from this analogy.

The world today is undergoing serious problems—environmental, social, financial and emotional. Since the causes for these are manmade, the solutions also lie within the human society. Corporations, which have been one of the most potent forms of collective effort towards the achievement of focused objectives, can play a very important role in this endeavour. Even with a strategic perspective, CSR can become a source of tremendous social progress, as the business applies its considerable resources, expertise and insights to activities that benefit society. This book highlights the role that corporate organisations can play to provide solutions to societal issues and problems through the use of unique capabilities that they have developed and provides a road map on this journey by sharing the examples of corporate citizens who have led the way.

While the book has attempted to cater to the needs of the international readership, it is rooted in the Indian experience and experiments spanning many millennia of wisdom and scholarship, practice and preaching, processes and procedures worthy of emulation by business executives across the globe who would want to use CSR as a powerful approach for organisational-transformation contributing to social transformation.

The book presents the findings of a multiyear research project in the form of a reference book for academics, researchers, policymakers, business leaders and CSR practitioners. While raising and discussing a number of issues on this topic, I have also proposed a research-based framework and model for suggestive implementation. For this purpose, the mixed-method study approach has been adopted. The study has used primary quantitative data gathered through survey responses, secondary published data available in the public domain and qualitative insights gained through personal interviews and interactions with over 100 industry experts and business executives on matters forming the core of CSR. The book presents the noteworthy practices of many leading corporate organisations across industry categories primarily in India and their unique contributions to the environment, society and local community stakeholders. The focus, however, is on companies and their CSR approaches and practices, and not on the views of NGOs, civil society, industry bodies or activists. Along with exhaustive lists of suggestive activities, procedures and processes, we also propose a 12-point corporate agenda for affirmative action and business transformation. With over 100 tables, figures and images, the book covers a hitherto uncovered breadth of topics and issues on the subject. From Milton Friedman's call that the 'Business of Business is Business' that guided many business organisations in the West for over a quarter century to the Vedic ideal of *Vasudhaiva Kutumbakam* (the whole world is one family) that inspired noble men and women of India for centuries, the best of the oriental and occidental practices have been collated and presented in this book.

We have not attempted to present a new definition of CSR but have attempted to redefine the approach that companies can take towards CSR. This approach lays emphasis on the need to combine the qualities of the head and the heart, on greatness flowing from goodness, on material quest with a spiritual base and on work infused with values. The individual acquires skills to pursue the work-a-day life and, at the same time, is gifted with the soul, which is the seat of one's beliefs and values and defines one's relationship with all others and things. Corporations, as associations of individuals, should identify their collective soul in terms of environmentally sensitive, socially responsible and financially rewarding missions and goals. It is then that they would truly transform in becoming *Soulful Corporations*. *Soulful Corporations* is a concept we propose that companies could look forward to becoming. This volume is an attempt to show the context and continuum leading to it.

In this background, we propose that companies need to evolve over a period of time and experience from being purely economic entities to social entities; and eventually from social entities with a material basis, to social entities with a spiritual basis; where the purpose of living and the purpose of life are intertwined and not segregated; where individuals can get together not only to achieve their economic goals, but also their higher-order goals, by pursuing ennobling institutional objectives in an inspiring environment, blending the best of both the worlds. While this is a long process, a lot can be accomplished in the journey from purely economic and profits-based perspective, to a social and stakeholders-focused perspective; where profits and social progress can go hand in hand; where profits are not at the expense of the society, but profits actually benefit the society; where profits are not the end in themselves, but the means to a more noble end.

To conclude, it is my firm conviction that it is the human mind and the human being which is at the core of a corporation, and corporations are at the core of modern society's successes and failures. If individuals traverse the time-tested path of human values that has guided the destinies of world civilisations, the corporations that are run by these individuals would prove to be powerful engines contributing to social transformation. In essence, the beings within the company that attempt to do and the beings outside that attempt to receive are one and the same. Though, through diverse destinies, they have in reality a common destination.

February 15, 2013
Vasant Panchami

Shashank Shah
Prasanthi Nilayam, Anantapur,
Andhra Pradesh, India

Acknowledgements

The completion of this book has been possible because of the guidance and help extended to us by a number of individuals across domains.

First and foremost, I express my heartfelt gratitude to Sri Sathya Sai Baba, Revered Founder Chancellor, Sri Sathya Sai Institute of Higher Learning, whose love, grace and blessings have enabled me to complete this book. His exemplary life, universal message and marvellous mission have inspired this work. As we had the opportunity of receiving his benediction for the first manuscript of this book on June 4, 2009, I am convinced that the book would achieve its noble purpose.

I take this opportunity to acknowledge with thanks the valuable guidance and support received from Mr. Anil Vinayak Gokak, distinguished civil servant and Vice Chancellor (2005–2008), Sri Sathya Sai Institute of Higher Learning. It was he who encouraged us to take up this work and share with the academic world the unique insights in management based on human values and the philosophy of the Revered Founder Chancellor. He spent a lot of time going through the manuscript of the book and gave very valuable suggestions, which have been incorporated in this book. He has also written a comprehensive introduction to this book. I am indeed very grateful to him.

I am also grateful to Prof. Vishwanath Pandit, eminent economist and Vice Chancellor (2008–2010), Sri Sathya Sai Institute of Higher Learning, for his encouragement. He has penned the Prologue to this book outlining its relevance in the current world scenario.

I express our thanks to Prof. U. Srinivasa Rao, former Dean, School of Business Management, Sri Sathya Sai Institute of Higher Learning, for his persistence and enthusiasm that played a major role in this endeavour. I am thankful to my former PhD advisor, Prof. A. Sudhir Bhaskar, Dean, Faculty of Management and Commerce, for his constant help and guidance and to Prof. R. Kumar Bhaskar, Head, Department of Management Studies, for his valuable inputs. His landmark compilation *Man Management* has been greatly useful for all students of Values-Based Management.

I also acknowledge my research mentor, Prof. Peter Pruzan, Professor Emeritus, Copenhagen Business School, Denmark, and Visiting Faculty, Sri Sathya Sai Institute of Higher Learning. He has actively guided my research endeavours over the last decade. His eye for detail and academic rigour has been very inspiring. He has also contributed a thought-provoking Afterword to this book.

I gratefully acknowledge the help and cooperation of the current and former administrative authorities of the Sri Sathya Sai Institute of Higher Learning—the Vice Chancellor and the Registrar, the teaching and nonteaching staff, students and researchers of the Institute, particularly the Department of Management Studies.

I am happy to share that two eminent leaders from two renowned business houses of India, which are known for their outstanding social contributions for decades, have shared their views on the topic of this book. I am grateful to Dr. Venu Srinivasan, Chairman and Managing Director, TVS Motor Company Ltd., and former President, Confederation of Indian Industry, for writing the Foreword to this book. He has been a source of inspiration to many budding managers for his quest for excellence, inspiring leadership and above all his humility and simplicity. I thank him for sparing his valuable time and sharing his thoughts on the subject.

I am also obliged to Mr. Anant Nadkarni, Vice President, Group Corporate Sustainability, Tata Group, and Head, Tata Council for Community Initiatives, for writing the introductory remarks for the book. For over two decades, Mr. Nadkarni has made landmark contributions in the field of Corporate Social Responsibility, which he now redefines as Corporate Sustainability and Responsibility. His valuable practical experience gets reflected in the thoughts he has presented in the introductory remarks.

Prof. A. Anantharaman, Visiting Faculty at the Harvard Business School and the Lubin School of Business, USA, and Hon. Professor, Department of Management Studies, Sri Sathya Sai Institute of Higher Learning, has had a distinguished career spanning four decades and three continents. His insightful introduction to the Sri Sathya Sai Institutions, based on his quarter-century-long association with them, provides a holistic understanding of the underlying philosophy which inspires and governs each one of them.

I am thankful to Mr. G. Srinivas Srirangarajan, Controller of Examinations, Sri Sathya Sai Institute of Higher Learning; Mr. K. Sai Chittaranjan, Assistant Professor, Department of Commerce, Sri Sathya Sai Institute of Higher Learning; Mr. B. Chandrasekhar, Assistant Professor, Department of Management Studies, Sri Sathya Sai Institute of Higher Learning; and Mr. K. Mohan Ganesh, Doctoral Research Scholar, Department of Chemistry, Sri Sathya Sai Institute of Higher Learning, for their case study contributions on the Sri Sathya Sai Institutions.

I place on record my thankfulness for the valuable understanding given to me by a number of industry captains on the field of study. A special note of appreciation is due to the senior management executives of the nine companies on which case studies have been presented in this book for sparing their valuable time and giving me important insights and company literature that facilitated the compilation of the case studies. These companies include Bharat Petroleum Corporation Ltd., Dun & Bradstreet TransUnion Pvt. Ltd., HDFC Bank Ltd., Hindustan Unilever Ltd., Larsen & Toubro Ltd., Reliance Industries Ltd., TVS Motor Company Ltd., Tata Group and Wipro Ltd.

I also thank the various publishers who have given me the permission to include some of the published research papers in this book. In this regard, my special thanks to the *Journal of Human Values*, Sage Publications, and the Lee Kuan Yew School of Public Policy, Institute of Water Policy, National University of Singapore.

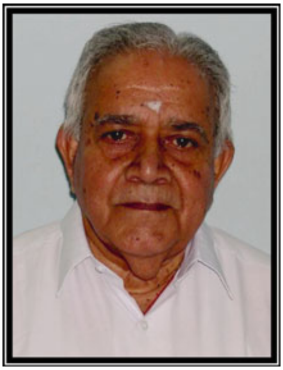
With the information explosion on the Internet, there has also been an increase in the number of websites providing authentic and referenced information about diverse topics and individuals relating to the field of study. I have had the benefit of accessing these to cross verify a lot of details relating to various fact files, individuals, institutions and events. I express my heartfelt gratitude to those who contribute to these portals and to those who meticulously collate and maintain these high-quality storehouses of genuine information, thereby providing free access to world citizens.

My sincere thanks to Ms. Sagarika Ghosh and her team at Springer Publishers for accepting this book as an inaugural volume in their special series on *India Studies on Business and Economics*. I thank them for their professional commitment to the work and the wonderful form and format in which the book has been released for the benefit of the international readers.

I express my heartfelt gratitude to my parents Shefali and Jagesh Shah for their unflinching support in my academic endeavours and to my grandparents—Prof. Chandrahas H. Shah, Charulata Shah and Jayavati Shah—for their loving care through the formative years of my life.

Above all, I would like to place on record the most valuable contribution made by Prof. V. E. Ramamoorthy in the initial draft of this book. The book benefited immensely from his four-decade-long experience in the academic and corporate spheres. His understanding of the finer values in life and their application in the corporate world has found ample reflection in this book. After his retirement, I had the onerous task of updating and completing the book. In the light of the changed world scenario, I have endeavoured to incorporate the latest advances in the field and include research-based case studies on CSR to make the work relevant to the renewed circumstances. I hope and pray that this work inspires business managers and executives, students and teachers, researchers and analysts, policy-makers and government officials alike to maintain the fine balance between business and society based on the fundamental human values and ensure meaningful lives for all mankind.

Shashank Shah



V.E. Ramamoorthy
(1930–2013)

Professor V.E. Ramamoorthy, co-author of this book, culminated his earthly sojourn on August 17, 2013, when this book was in print. His contribution to the field of Indian ethos and values *is laudable. The way he inspired his students and colleagues to tread the righteous path, exalted by the Indian culture, will always be cherished.*

Contents