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# LINKING PUBLIC SECTOR CORPORATE SOCIAL RESPONSIBILITY WITH SUSTAINABLE DEVELOPMENT: LESSONS FROM INDIA<sup>1</sup>

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## ABSTRACT

Economic think tanks predict India to be the world's largest economy by 2050. This would require India to accelerate its industrial and infrastructure development. Industrialization based economic development will have a negative impact on the environment and hence sustainable development. Such steps could affect the social and environmental bottom line of the national economy. In recent years, a number of regulatory measures have been proposed by the Indian government to ensure corporate support to the goals of sustainable and inclusive development. The objective of these regulations is to achieve triple bottom line based growth. Notable among them is the mandatory Corporate Social Responsibility (CSR) guidelines for public sector undertakings, first issued in April, 2010. I study the possibility and problems created by this effort by analyzing the policy documents and interviewing managers responsible for implementing CSR programmers in Indian public sector. Managers interviewed came from hydropower, coal, power distribution and shipping industries. Based on the study, four areas are identified that requires attention for effective linking between sustainable development and CSR; stakeholder engagement, institutional mechanisms, capacity building and knowledge management. Both government-public sector and public sector-community engagements have to be more streamlined. Institutional mechanisms have to be developed to see that CSR projects are effective and delivering. Importantly, managers at all levels need a better understanding of CSR and sustainable development. Since most projects are in rural areas, understanding of rural issues and sustainability is very important. Finally, such a large scale exercise in CSR should have a knowledge management mechanism to learn from the achievements and mistakes of the early years. I discuss the implication of the findings on India and other emerging economies many of which are struggling to balance growth and inclusive development. I conclude that the mandatory CSR guidelines for Indian public sector has the potential of achieving sustainable development only if early action is taken on the identified areas.

## KEYWORDS

India; CSR; Sustainable development; Public sector; Implementation.

## 1 INTRODUCTION

India is slated to be the world's biggest economy by 2050 (ARMSTRONG, 2012). Such growth will come from rapid industrialization. India's economic growth has not translated to inclusive development for a large part of its population. The country is currently in the process of balancing its economic ambition with development that is sustainable and inclusive. This paper explores the linkage between Corporate Social Responsibility (CSR) and sustainable development (SD) in emerging economies like India. In 2010, the Indian Government made CSR mandatory for more than 200 public sector undertakings (PSU), asking them to spend, on an average, 2% of their net profit on CSR. This guidelines, further revised in April, 2013, links CSR with SD. In August 2013, the top 1% of all listed Indian companies were mandated to spend 2% of their net profit on CSR. The objective of these new regulations is to use market economy to finance and achieve development. This paper is based on the 2010 PSU guidelines and it aims to look at the lessons learnt two years after implementation started. It explores the role of business in sustainable development, effectiveness of compulsory regulations in bringing SD and mechanisms required even if these new regulatory regime is to succeed. Thus, the objective of this paper is to: 1. explore the relation between CSR and sustainable development in India in the context of mandatory CSR guidelines applicable for public sector companies and 2. identify the key challenges in planning, implementing, monitoring and evaluating CSR projects. The paper is arranged in the following sections. The first section provides a background of the new regulations mandating CSR for Indian companies. The second section reviews the existing literature on the linkage between CSR and SD. The methodology is discussed in the third section followed by finding and analyses. The concluding sections summarize the findings, discuss their implication for all stakeholders, including other BRIC economies and identifies possible future research pathways.

## 2 BACKGROUND OF SD AND CSR IN INDIA

India's discourse on sustainable development has been marked by acute poverty as well as high inequality in distribution of goods and services. More than five decades back, the Prime Minister Indira Gandhi stressed (at the UN Conference on Human Environment, 1972) that poverty is inextricably linked to environmental issues in developing countries and one cannot be solved without solving the other. In 2013, the same concern is voiced by India's Prime Minister, Dr. Manmohan Singh as "India aims to attain growth and poverty alleviation in a sustainable manner factoring in the needs of people, especially the poor"<sup>1</sup>.

India's poor are affected by hunger, malnutrition, illiteracy and poor access to common land and water. Conventional economic development like large scale industrialization leads to loss of land as well as traditional occupation putting particular stress on women and children. For example, heavy industrial usage of water leads to ground water depletion causing scarcity of drinking water. The women, then, travel miles to get their drinking water<sup>2</sup> and they would carry their children along with them for security, help and/or company. Thus lack of sustainable water usage policy in industrial belts creates pressure among vulnerable groups like women and children who miss out on their education. Without literacy and education, the future generation is cut off from many development programmes and opportunities. It is important to understand this inter relation of these factors e.g. industry, water, education and gender to link sustainable development with CSR. Indian companies spend on education, health and infrastructure as part of their CSR even though not much evidence exists whether such interventions actually make a difference (RAY, 2012). As per recent Companies Act 2012, passed in August 2013, 8000 companies are likely to spend \$3 to \$4 billion annually on these activities as part of their CSR. This presents a huge opportunity, financial and otherwise, to link CSR to sustainable development in India.

## 3 FINANCING SUSTAINABLE DEVELOPMENT

India needs to find ways for financing development of its people in terms of poverty, education and health among others. International development assis-

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<sup>1</sup> Available at: <<http://in.finance.yahoo.com/news/economic-development-must-environmentally-sustainable-074741824.html>>. Accessed on: Sept. 23, 2013.

<sup>2</sup> Around 200 million Indians do not have access to safe drinking water.

tance has not matched the rhetoric of Rio Conference (1992) and economic uncertainty has further slowed down aid from developed countries. Clean Development Mechanism (CDM) has not lived up to its expectation as an alternative financing mechanism. Some cases show that CDM is perpetuating global warming instead of curbing it<sup>3</sup>. It is probably this dilemma of SD financing and an increasing failure of governances that has led to formulation of a host of policies related to SD, Climate Change and CSR in the last 3-4 years in India. The new CSR policies are discussed in detail in the following section. However, whether private investment in sustainable community development can match development assistance both in matter and in spirit needs to be seen. It is not only the quantum of grant that matters but also how it is spent. Development professionals with their international experience can take advantage from the learning curve and can provide more targeted and efficient interventions compared to hundreds of corporations scattered across the country and working without any co-ordinate effort. A Bill and Melinda Gates Foundation can work better at AIDS prevention than a corporate CSR programme even if they spend similar amounts and manpower. Thus compulsory CSR expenditure has its own limitations. On the other hand assistance provided by European and American foundations often come with conditions. While there is a requirement of alternative and greener power sources, effort to switch to, for example, nuclear power with foreign assistance came under heavy criticism<sup>4</sup>. It is in this context, the governments' effort to engage corporate sector needs to be seen. Financing may well hold the key the SD in India and combining and optimizing public private resources could be the way forward. Using mandatory CSR can thus be seen as an innovative way to finance development. Whether such developments could be termed or deemed as SD remains to be seen.

## 4 NEW REGULATIONS

In 2011, there were 254 central public sector undertakings (CPSE) in India. They were regulated by the Department of Public Enterprises (DPE) under the Ministry of Corporate Affairs (MCA). Government initiative to formalize CSR in Indian public sector started in 2009 with the CSR voluntary guideline published by the Ministry of Corporate Affairs.

<sup>3</sup> Available at: <[http://www.nytimes.com/2012/08/09/world/asia/incentive-to-slow-climate-change-drives-output-of-harmful-gases.html?r=1&nl=afternoonupdate&emc=aua2\\_20120808](http://www.nytimes.com/2012/08/09/world/asia/incentive-to-slow-climate-change-drives-output-of-harmful-gases.html?r=1&nl=afternoonupdate&emc=aua2_20120808)>. Accessed on: Aug. 9, 2012.

<sup>4</sup> Available at: <<http://www.indianexpress.com/comments/pm-blames-ngos-govt-probes-their-funding/916492/>>.

Next, in its circular dated 9th April, 2010, the Ministry of Heavy Industries and Public Enterprises released the ‘Guidelines on corporate social responsibility for central public sector enterprises’, seen as a continuation of its earlier CSR voluntary guideline, but making CSR expenditure mandatory. The content is divided into planning, implementation, ‘research, documentation, advocacy, promotion and development’, funding, baseline survey and monitoring. It links CSR with sustainable development and sustainable competitive advantage though the guideline does not elaborate on their meanings and possible pathways for such linkage.

The CSR guidelines considers sustainable development and triple bottom line based growth as the fundamental objective. It states that CSR would address the problems of climate change, disaster management, and environmental degradation. It encourages generation of scientific evidence to strengthen future guideline through formation of an institutional structure (CSR hub), new governance architecture, and compulsory baseline surveys, periodic reporting in standardized formats and focusing on online reporting. It also provides a long, sample list of possible activities that could be taken up by individual organizations e.g. providing water, building roads, facilitating education, promoting sports and culture among others.

The planning portion of the guidelines stresses the need for short, medium and long term CSR plan and the long term CSR plan be aligned with long term business plan. There is a focus to integrate existing project management skills inside organizations to better execute such jobs. The section on implementation stresses on project based investment, timelines, supplier involvement and relation to Global Compact, a voluntary code of conduct first initiated by the United Nations. The responsibility of restoring ecological damage lies with the company and overall activities should be aligned with government policies and priorities. Disaster management with the help of public-private partnerships is also seen as a part of CSR. CSR implementing agencies will be experts in their area (e.g. community based organizations, NGOs etc.). This part of the guideline, addresses a common concern of executives that CSR is a random destination many executives find themselves in. Environmental governance also finds a place in this CSR guideline.

The concept of a National CSR hub is mooted in the guidelines. The hub will act as a resource centre for CSR. The funding guidelines stated in the policy have long-term implications in CSR regulations:

FIGURE I

CSR

TYPE OF CPSES (BASED ON PREVIOUS YEAR'S NET PROFIT)	EXPENDITURE RANGE FOR CSR IN A FINANCIAL YEAR (% OF PROFIT)
i) less than Rs.1000 million <sup>5</sup>	3-5%
ii) 1000 million to 5000 million	2-3% (subject to minimum three crores)
iii) 5000 million and above	0.5-2%

Source: Corporate Social Responsibility Guidelines for CPSEs.

To create quantifiable benchmarks, the policy insists on baseline surveys, “meticulous documentation” and public communication as well as extensive evaluation. Overall the guideline is overarching and ambitious, trying to figure in all the paradigms influencing current debates on sustainability and corporate social responsibility.

## 5 REVIEW OF LITERATURE

Sustainable Development has been defined as meeting the needs of the present generation without sacrificing the needs of the future ones (BRUNTLAND, 1987)<sup>6</sup>. This would require using resources with care and at the same time ensuring equitable distribution of goods and services among the current generation and across generations. The Millenium Development Goals (MDG)<sup>7</sup> are seen to address SD through identification of its key challenges and a plan to overcome them: poverty, education, women empowerment, health, and environmental sustainability. Though it is doubtful whether India can reach any of these goals by the target date of 2015, their existence points to the immediate to-do list for governments, businesses and civil society members. The call for sustainable development has been reinforced and the role of the economy and ecology

<sup>5</sup> 1 \$ = Rs. 61 in August, 2013

<sup>6</sup> Our Common Future, Report of the World Commission on Environment and Development, World Commission on Environment and Development, 1987. Published as Annex to General Assembly document A/42/427, Development and International Co-operation: Environment Aug. 2, 1987. Retrieved, 9.8.2012. (<http://www.un-documents.net/wced-ocf.htm>)

<sup>7</sup> Available at: <[http://en.wikipedia.org/wiki/Millennium\\_Development\\_Goals](http://en.wikipedia.org/wiki/Millennium_Development_Goals)>. Accessed on: Aug. 9, 2012.



acknowledged with the concept of ‘green economy’<sup>8</sup>. It is in this economic context the role of businesses become central to the question of achieving SD. We could see a few broad approaches here. First, taxing businesses for their contribution to global warming e.g. the Carbon tax imposed in Australia<sup>9</sup>. Second, an incentive scheme to promote green business likes the Clean Development Mechanism. A third approach, that follows some of the European countries, can now be seen in India-companies are asked to contribute a percentage of their profits towards community development. In all the cases, businesses are asked to share their earning to promote sustainability and hence SD in the long run. The key differences between the first and third (Indian) approach is the degree of localization of the development effort as well as the issue of capacity building among corporations.

There are many definitions of CSR. For the purpose of this paper, we consider the one given by the EU, one of the pioneers of the concept: “a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders”<sup>10</sup>. Literature on CSR spans different definitional constructs, philosophy, marketing impacts, communication aspects, implementation issues, ethics, reporting, policy making as well as industry and country specific writings on these themes. Since this paper focuses on CSR policy and regulations and sustainable development, we looked at CSR policy based research done globally as well as relevant CSR research done in/on India.

Governments in developed economies (UK, EU) and those in developing (India) ones are now looking at integrating CSR in line with broader governance objectives. CSR is seen to legitimize its overall regulation process as well as public policy framework. Integrating CSR into a new public policy framework by bringing in external networks like organizations has created both flexibility and uncertainty. The uncertainty can be related to the nature of CSR, commitment of organizations and the dynamics of institutional interactions (LEPOUTRE; DENTCHEV; HEENE, 2007). In the efforts of the state to regulate CSR, Steurer (2010) sees the politicization of management, identifying five types of instruments used by government: ‘legal, economic, informational, partnering and hybrid’ leading to four main consequences: increased awareness, transparency, socially responsible investment and exemplary social leadership. This

<sup>8</sup> Available at: <[http://en.wikipedia.org/wiki/Green\\_economy](http://en.wikipedia.org/wiki/Green_economy)>. Accessed on: Aug. 9, 2012.

<sup>9</sup> Available at: <<http://www.guardian.co.uk/world/2011/nov/08/australia-senate-passes-carbon-tax>>. Accessed on: Aug. 9, 2012.

<sup>10</sup> Available at: <[http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm)>. Accessed on: Aug. 9, 2012.

in turn has influenced policy formulation in individual countries like France, raising important questions on policy alignment at the meso level (DELBARD, 2008). In the Spanish context, the tension between compulsory regulations and voluntary guidelines was high. Cuesta, Marta and Carmen (2004) argue that the approach of complete reliance on self regulation has failed in Spain. UK has been one of the pioneers in Europe, setting up a ministerial department of CSR and thus institutionalizing the process of policy and regulation development. However, Deakin and Hobbs (2007) finds “managerial resistance to the linking of CSR with internal employee relations.”

On the whole one can see that the role of government has been changing in relation to CSR. The work of Albareda et al. (2008) has mapped the different drivers and responses in this area, taking the case of Italy, Norway and the UK. They note that while governments are similar in developing statements and partnerships, they differ, based on their cultural and political compulsions.

CSR with a specific emphasis on public sector is a relatively under researched area, more so in the context of developing countries. Developing countries have a different organizational and social context, raising issues which are more fundamental in nature e.g. corruption or money laundering. Companies operating in developing countries have a different perception about the sustainability challenges compared to their counterparts in developed countries. (BERKEMEYER, 2011). Looking at Africa, Dobers and Halme (2009) conclude that issues like these first need to be brought within the ambit and purview of CSR, both in public and private sector organizations. Mària and Devuyt (2011) look at development in Congo in relation to mining. Clements and Bowrey (2010) analyze the supply chain CSR disclosures for Australian public sector, noting the lack of an integrated approach in such reportings. Kovaliov and Streimikiene (2008), studying CSR in Lithuanian public sector companies, see four roles of public sector in relation to CSR: defining standards, facilitating engagement, partnering and endorsing projects. Korner (2004) has looked at CSR policy making and governments arguing that from a governance perspective CSR policies lead to more sustainable solutions.

In India, Khan (2009) has studied the corporate social performance of Indian FMCG companies while Gugler and Shi (2009) looked at the developing economies as whole, linking CSR with global competitiveness. Ghosh and Chakraborti (2010) look at CSR as a developmental tool, citing the example of Tata Steel’s work in India. Gautam and Singh (2010) looked at top 500 Indian companies to study their CSR practices and found only 135 of them reporting their CSR and that “few companies have a structured and planned approach.” Sangle (2010) and Ray (2012) looks at the critical success factors for CSR in Indian public sector, identifying the integration of CSR with other functional strategies as a crucial one.

While SD has evolved as an integrative model of environmental, social and economic growth, CSR has evolved from a philanthropic to a more strategic and stakeholder oriented approach. While other stakeholders like government and civil society has a role to play to achieve SD, business through CSR can help the move to a more sustainable development. In a neoliberal time, one would have expected lesser state intervention, leading to more voluntary and responsible action from corporations. CSR's evolution to a more proactive role indicates this shift. Steurer et al. (2005) explores stakeholder relations management (SRM) as a neither voluntary nor mandatory way to achieve SD. Though he recognizes the interchangeability of the concepts viz. stakeholder relationship management, corporate sustainability and CSR, his approach remains a conceptual one that does not elucidate how CSR or SRM can actually be practiced. Though Carroll (1999, p. 274) agrees that CSR is well beyond shareholders perspective, there has not been any contribution on the role of mandatory CSR and SD, primarily because it has not been attempted by any other government in the world in the way it has happened in India. This paper aims to address this gap in existing knowledge in linking CSR and sustainable development. Considering the need of developing countries to balance SD and industrial growth, the paper contributes in developing understanding in this area. More particularly, there is scarce literature on whether making CSR delivery compulsory through public policy will led to better identification and delivery of developmental projects. CSR regulations are still new in the Asian perspective, and understanding their linkage in driving sustainable development could be important for policy makers and other stakeholders.

## 6 METHODOLOGY

A qualitative methodology is adopted for this exploratory study of a dynamic context. The objective of qualitative research is to understand how people in a particular context situate themselves in their day to day lives. (MILES; HUBERMAN, 1994, p. 7) To understand the linkage between CSR and SD and the nature of the discourse, I have studied the relevant policy documents that outline the mandatory CSR guidelines. Though the PSU guidelines have been revised in 2013, for our study we have considered the 2010 guidelines as we are studying the implication of such guidelines in relation to implementation. Along with the government documents we have analyzed the reported CSR activities of the PSUs studied from their respective websites.

To answer the second research question, I analyze the interview results of one of the key stakeholders: managers responsible for CSR planning, implementation,

monitoring and evaluation in public sectors. 49 managers from four PSUs were interviewed on the possible challenges in CSR implementation. Managers came from shipping, power distribution, hydroelectric power generation and mining industries. 40 of them were in the author's institute to attend CSR training programmes and the remaining nine attended a national conference on CSR. Initially questionnaire survey was attempted with 40 managers who were undergoing training, using open ended questions. It was seen that for most responding managers the concepts of CSR were not clear and hence the answers were not reliable. Since the concept of CSR among Indian managers is nebulous and the CSR guideline was first of its kind, it was decided to use semi-structured interviews. The respondents were asked about three broad areas relevant to CSR according to the 2010 guidelines: issues in planning, monitoring and evaluating CSR in their respective companies and areas. The interviews were manually recorded and coded for pattern identification. Managers did not agree to reveal their identity.

## 7 FINDINGS

Many managers felt that with recruitment stopped in Indian public sector, there is not enough manpower to carry out the CSR work. We have seen in the hydropower company, for example, that many engineers when posted in the department of social welfare (in charge of CSR) considered that as a non significant job compared to their technical training<sup>11</sup>. Others commented on the lack of credible NGOs in their region. With no guidelines<sup>12</sup> in place, managers were often forced to use the existing NGOs inspite of their dubious records. Though all companies focused on education, health and livelihood, we could not see any example of innovation in service conception and delivery that would result in sustainable change in these areas. Though it is expected that each company would draw up its own CSR plans and programmes that are more aligned to its area of operations, in reality all companies studied followed the broad guidelines issued by the government. Most managers highlighted the fact that guidelines being relatively new, it will take time to sink in and be effective. In relation to questions related to CSR planning, implementation, monitoring and evaluation, the findings are as follows.

There was little participatory planning when it came to CSR projects. Most projects were selected ad hoc and often presented by dominant members of the community. No coherent plan or strategy was seen in implementing CSR. For

<sup>11</sup> Personal interview with hydroelectric power sector employee, September 2012.

<sup>12</sup> At the time of writing this paper, some of the companies were developing their own guidelines for selecting NGOs for their CSR work.

example, a shipping company decided to work in the coastal areas of India<sup>13</sup> while a hydropower company worked mainly around its operations. When it comes to choosing the place for investment, companies work around their work sites if there is substantial disruption in the community life e.g. in mining<sup>14</sup>. Otherwise, the beneficiary communities are determined randomly. For the power distribution company, the transmission lines across the country but do not have significant footprint at one single point. Hence they have more than 100 small projects of around the country<sup>15</sup>. We could see one “unintended consequence” of the new guidelines. Because of detailed monitoring and baseline requirement given in the guidelines, many managers felt that it is easier to work on a single big project that would exhaust most of the budget. They felt this would reduce pressure from different stakeholders who now have prior knowledge of the CSR budget of companies. Two companies out of the four studied have decided to start colleges in their place of operation. All managers had a one to three year time horizon while they were planning.

The guideline mentions that CSR projects have to be monitored and monthly report of the top 5 projects sent to the CSR hub, a social science institute of repute. The “hub” was seen as a central repository that would manage the knowledge created in implementing CSR across India. It was entrusted with training, documentation and reporting to the government. In practice we found that only one of the companies was sending the monthly reports. Formal monitoring mechanisms were absent in most places. For the shipping company, the partnering NGOs were asked to send progress reports every three months and company officials visited the work sites every four months. CSR monitoring can happen when plans are made with output indicators and milestones. With non-existent planning, it was not surprising to see that monitoring was not a concern for most of the managers. Enforcing the guidelines and asking companies to send their monthly reports seem to be a possible way to raise monitoring performance. It is here the role of the “CSR hub” will be important to study.

One of the existing monitoring mechanisms inside the companies involved sending reports of the “work in progress” to the boards of the respective companies. Board meetings are held every quarter. The projects are discussed in the board meeting and comments and feedback, if any, sent back to respective departments. By the time they reached the concerned managers, the next report would start to get prepared! Unless companies could speed up the communication, monitoring would lose its value.

<sup>13</sup> Personal interview, shipping company employees, February, 2012.

<sup>14</sup> Personal interview, mining company employees, February, 2012.

<sup>15</sup> Personal Interview, power distribution company employees, January, 2012.

## 8 CSR EVALUATION

The new government guidelines require companies to get their project evaluated by independent third party agencies. This often meant local universities. Without a baseline and output or impact indicators, the evaluation reports are mostly report of a visit by an expert. One manager felt that it is early to evaluate their projects in education. The mining company, involved in supplying drinking water to drought hit villages, felt projects like this do not require any evaluation.

## 9 IMPLICATION, LIMITATION AND FUTURE RESEARCH

Together, these four companies were working at more than 120 locations<sup>16</sup> in India with communities and NGOs in various areas like health, education and livelihood. Based on the interview findings, we could identify four broad areas that require immediate attention from various stakeholders: stakeholder engagement, development of institutional mechanism, capacity building and knowledge management.

### 9.1 ENGAGEMENT

Two types of engagement are relevant for CSR practitioners and policy makers:

1. government-company: right now the guidelines define the broad outlines and the CSR hub is the co-coordinating body to oversee the activities. The public sector has an annual appraisal done by the Department of Public Enterprise. 100 points (out of total 200) are assigned for non-financial activities and 5 points are assigned for CSR. These norms are not adequate to ensure that CSR activities are aligned to SD requirements in different regions. SD had another 5 points in the appraisal system. This will require co-ordination with local bureaucracy and regional governments. The current norms are silent on these aspects. Such co-ordination will make CSR management more complex and yet, they seem inevitable.

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<sup>16</sup> Note that the numbers are high because the power distribution company has relatively larger number of projects.

2. company-community: there are no clear norms for company community engagement and how should managers go about identifying priority communities. Some of the relevant questions in this area are “How do we identify the community to help? Everybody looks up at us” (Employee, Coal Company, Personal Interview, February, 2012). As a result we are seeing wide disparity in the depth and breadth of CSR programmes. In some cases this has resulted in community company conflicts as seen in protests against the rehabilitation policy of the coal company.

## 9.2 DEVELOPMENT OF INSTITUTIONAL MECHANISM

Not enough institutional mechanisms exist for evidence sensing and governance of CSR in PSUs. Institutional mechanisms include people and processes to manage institutional activities. As mentioned by many managers during the interview, there is a lack of manpower in public sector. The new guidelines have forced these companies to assign employees from other departments (like Human Resource, legal or engineering) to their CSR department. This has led to employee resentment: “This is a work of the social department. I am an engineer” (employee, hydropower company, personal interview, December, 2011). Appointment of a “CSR hub” and sending quarterly reports to the board of directors may not be enough to strengthen the process of CSR delivery. By 2012, many PSUs (mainly the old and large ones with significant CSR budget) questioned the need for a “hub” and what value it added to the governance architecture of CSR delivery.

## 9.3 CAPACITY BUILDING

Individual capacity and motivation of CSR managers often determine their success or failure. Most managers entrusted with CSR had little idea of what it entails and learnt on the job. Many, in the hydroelectric power company, for example, considered CSR to be not reflective of their technical background. Concepts like sustainable development, climate change or renewable energy were not known to them and they did not think that these could be related to the CSR projects. The CSR managers were unaware of the nuances of community and rural development. Many were unaware of project management techniques even as all CSR programmes were executed as projects. This disconnect and lack of appreciation of the sustainability aspect could mean that CSR will fail to address the very issues that the Indian government wanted it to serve.



## 9.4 KNOWLEDGE MANAGEMENT

Large PSUs did not know what is happening in CSR inside their own organizations. There is no collation of data<sup>17</sup> in a manner that could benefit future projects. For example, while all companies carried out initiatives in health (clinics, awareness drives, support for surgery etc.) there was no single repository documenting these initiatives and distilling the learning from them. There was no single database in India, identifying the NGOs working in the country, their background and specialty. Often, companies were at a loss to identify NGOs in the communities. Unless the field experiences are documented and used for future planning, mandatory CSR expenditure will not gain from the learning curve.

Together these four themes point towards the challenges of developing an inclusive policy of CSR that could deliver sustainable development to Indian communities. While the new guidelines does manage to get companies finance their CSR, SD requires more evidence based work in India. The emerging Indian regulations are still weak on evidence generation as well as sensing mechanisms. Unless it could do so, by improving the four areas mentioned above, CSR would fail to deliver. Worse, by taking over the role of government in communities, it would create false expectations in the community and SD will have to wait for the moment.

This study has implication for India as well as other BRIC economies. Emerging economies will need to grow through industrial and infrastructure development. At the same time, they will need to ensure that economic growth lead to inclusive and sustainable development for all parts of the society. Poverty alleviation, livelihood generation and community development needs to be financed in an innovative manner to avoid social unrest. In recent past, for example, India, Brazil and South Africa have seen wide spread civil society agitation against these governments and their governance mechanisms. At the same time the international discourse on CSR may not provide an exact match to the dynamic, Asian context. Like China (WONG, 2009), Indian government has taken a proactive and positive step towards CSR. BRIC economies will need to find ways to balance growth with development. Mandatory CSR for public sector is an innovative financing mechanism for sustainable development. It not only urges performing companies to give back to the community and society but also harnesses the corporate innovation and talent pools. With respect to implementation of CSR projects, the findings of this paper extends existing works (RAMA et al., 2009; HARGRAVE; VAN DE VEN, 2006) that calls for capacity development and enabling environment for improved collective action.

<sup>17</sup> Note that the numbers are high because the power distribution company has relatively larger number of projects.



This paper limits itself primarily to the mandatory CSR guidelines issued by the Indian government for public sector companies. The issues and impact could be significantly different for the private sector as well as for small and medium enterprises (SMEs). CSR being a sensitive topic, many government employees did not agree to give a critical view of the guidelines. A large percentage of our respondents are drawn from two companies which came forward for training. Considering, training to be an indicator of top management support for CSR and sustainable development, the views in this paper reflect the views of relatively proactive Indian public sectors. In future, this work could be extended for comparative study across countries (e.g. BRICS) and sectors. The new 2013 guidelines also provide further opportunity for research on CSR in Indian public sector.

This will lead to community development in pockets of industrial clusters. Such development, after overcoming initial procedural and implementation bottlenecks can actually rejuvenate livelihoods, and create prosperity only if there is concerted effort in planning, implementation and evaluation. The new policy, though a good start, lacks evidence based, bottom up approach for the moment. It is also unclear how such developmental activities could be scaled up sustainably and made to leverage the various governmental policies in place.

## 10 CONCLUSION

SD and CSR have converged in recent years (STEURER et al., 2005). Emerging BRICS economies like India face the dual challenge of economic growth and sustainable development even as it vies for “leadership role in clarifying the concept of sustainable development” (SINGH, 2013). CSR activities include projects in education, health and infrastructure which are closely linked to sustainable community development. CSR is increasingly seen by the Indian government as a means to finance and achieve SD. One of the first steps in this direction is a 2010 guideline making CSR mandatory for profit making public sector undertakings. This is a major departure from the voluntary and strategic nature of CSR that has become predominant in the developed countries in recent years. By roping in the public sector in the governance of sustainable development the Indian government has taken an innovative step. This is a first of its public policy approach to link CSR and SD in the world which has implications for all stakeholders. Corporate financing of sustainable development through CSR can creatively engage corporate talent pool, resources and innovation. This paper explored the issues and challenges in linking CSR and SD through mandatory CSR guidelines. The policy documents were analyzed and CSR managers from

public sectors interviewed. The study identified four parameters that could help the government and the public sector to achieve sustainable development through their CSR programmes: stakeholder engagement, institutional mechanisms, capacity development and knowledge management. Engagement mechanisms among government, public sector and communities have to be identified and strengthened. Within and across public sector, investments in people and processes to manage the CSR activity can improve their effectiveness and impact. On the people front, training and capacity building is required for managers handling CSR projects. Top management of PSUs will be helped by training on the inter-linkage among environmental policies, CSR and sustainability. Lastly, the large amount of data generated by thousands of CSR projects across geographies and sectors should be managed professionally to improve their impact over time. Stakeholders need to use the database for evidence based policy making. Initiatives in these four dimensions can help India to build evidence sensing and participatory mechanisms as well as intra and extra organizational capacity building to make CSR more robust and useful in achieving its goal of sustainable development as well as be one of the largest economies in the world.

## VINCULAÇÃO DA RESPONSABILIDADE SOCIAL CORPORATIVA DO SETOR PÚBLICO COM O DESENVOLVIMENTO SUSTENTÁVEL: LIÇÕES DA ÍNDIA

### RESUMO

Fóruns *think tanks* previram a Índia como a maior economia do mundo até 2050. Isso exigiria da Índia acelerar o seu desenvolvimento industrial e aperfeiçoar sua infraestrutura. Contudo, esse desenvolvimento previsto pode impactar negativamente as bases sociais e ambientais da economia nacional. Uma série de medidas regulatórias foram propostas pelo Governo indiano para assegurar o apoio social para os objetivos de desenvolvimento sustentável e inclusivo. Entre elas estão diretrizes de Responsabilidade Social Corporativa (RSC) obrigatórias para as empresas do setor público. Este artigo investiga essa medida por meio da análise de documentos e de entrevistas com gestores responsáveis pela execução de programas de RSC no setor público indiano. Essa análise identifica quatro áreas que demandam atenção para a efetiva ligação entre o desenvolvimento sustentável e a RSC: engajamento de *stakeholders*, mecanismos institucionais, capacitação e gestão do conhecimento. Discute-se sobre as implicações dos achados

sobre a Índia e outras economias emergentes. Conclui-se que o uso de RSC para promover o desenvolvimento sustentável pode funcionar em longo prazo se os interessados vierem a colaborar nas quatro áreas de atenção identificadas.

## **PALAVRAS-CHAVE**

Índia; RSE; Desenvolvimento sustentável; Setor público; Implementação.

## **VINCULACIÓN DEL SECTOR PÚBLICO DE RESPONSABILIDAD SOCIAL CORPORATIVA CON EL DESARROLLO SOSTENIBLE: LECCIONES DE LA INDIA**

### **RESUMEN**

Los *think tanks* económicos predicen que India será la mayor economía mundial en 2050. Ello requeriría que India acelerase su desarrollo industrial y de infraestructuras. El desarrollo económico basado en la industria tendrá un impacto negativo en el medio ambiente y consecuentemente en el desarrollo sostenible. Estos pasos podrían afectar a los balances social y medioambiental de la economía nacional. En los últimos años, el gobierno indio ha propuesto un conjunto de medidas reguladoras para asegurar el apoyo a los objetivos de desarrollo sostenible y al desarrollo inclusivo. El objetivo de dicha legislación es conseguir un crecimiento basado en el triple balance (económico, social, medioambiental). Sobresalen en este conjunto regulatorio las directrices de Responsabilidad Social Corporativa (RSC) obligatoria para proyectos del sector público, aparecidas en abril de 2010. Estudiamos la posibilidad y los problemas creados por el esfuerzo señalado por medio del análisis de los documentos definidores de dichas políticas y de entrevistas a gestores responsables de la implementación de programas de RSC en el sector público indio. Los gestores entrevistados trabajan en los sectores de la hidroelectricidad, el carbón, la distribución de electricidad y el transporte marítimo. En base al estudio, se han identificado cuatro áreas que requieren atención para conectar efectivamente la RSC y el desarrollo sostenible: diálogo con los stakeholders, mecanismos institucionales, aumento de la capacidad y gestión del conocimiento. Tanto el diálogo gobierno-sector público como sector público-comunidad deben ser alineados. Hay que desarrollar mecanismos institucionales para verificar que los proyectos de RSC son efectivos. Es importante que los gestores a todos los niveles entiendan mejor la RSC y el desarrollo sostenible. Puesto que la

mayoría de proyectos están en áreas rurales, es muy importante la comprensión de los dilemas rurales y de sostenibilidad. Finalmente, un ejercicio de RSC a tan gran escala debería incorporar un mecanismo de gestión del conocimiento a fin de aprender de los éxitos y los errores de los años iniciales. Discutimos la implicación de estas conclusiones en India y en otros países emergentes, muchos de los cuales se esfuerzan por equilibrar crecimiento y desarrollo inclusivo. Concluimos que las directrices sobre RSC obligatoria para el sector público indio tienen potencial para promover el desarrollo sostenible solamente si se emprenden desde el principio acciones en las áreas identificadas.

## PALABRAS CLAVE

India; RSE; Desarrollo sostenible; Sector público; La aplicación.

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