
**CALL FOR A CHANGE IN CSR POLICY OF INDIAN COMPANIES
(PROMOTE EMPLOYEE VOLUNTEERING)**

ADITYA AGRAWAL
2ND YEAR PGPM STUDENT
INDIAN INSTITUTE OF MANAGEMENT, TIRUCHIRAPPALLI
TAMIL NADU INDIA
aditya.p14001@iimtrichy.ac.in
adityaagrawal403@gmail.com

ABSTRACT

Employee volunteering should be an integral part of corporate social responsibility policy of Indian companies. Corporate Social Responsibility provision, under section 135 of the Companies Act 2013 [INDIA], can be argued as it is similar to privatizing taxation. The provision does not ensure that the goals of government mandated CSR activities are aligned with the long term goals of corporates as the very nature of CSR is that it is enforceable and not voluntary. Therefore, companies should promote employee'svolunteeringtowards the social initiatives and thereby, focus not only on profits but on the society as well.

Keywords

Awareness, corporate social responsibility,Development, Employee volunteering, stakeholder theory.

Government of India recently came up with a new provision, Corporate Social Responsibility, under section 135 of the Companies Act 2013(MCA, 2013). As per the rules, which came into effect on April 1, 2014, companies meeting certain threshold are mandated to pay at least 2% of its average *net profit* for its preceding three financial years for CSR activities (Mansukhlal Hiralal & Company,2015).

As explained and mentioned in Ministry of Corporate affairs portal: *“Every company having net worth of rupees five hundred crore or more, orturnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director”* (MCA, 2013).

In the CSR provision, the government has set guidelines related to implementation of the policy. CSR committee, which comprises independent directors, needs to be formed which is required to prepare a roadmap and detailed plan for execution of activities. The government also suggested some CSR activities such as environmental sustainability, contribution to prime minister relief fund and eradicate hunger. The company is given an option of implementing the activities through its non-profit foundation or through independently registered non for profit organizations that have minimum record of 3 years in similar activities. Even after having proper implementation guidelines and various suggested activities, the point to consider is how to ensure that the goals of government mandated CSR activities are aligned with the long term goals of corporates as the very nature of CSR is that it is enforceable and not voluntary.

India is the only country in the world to mandate such a provision in corporate social responsibility realm (Ashok, 2014).Montek Singh Ahluwalia once commented *“Mandatory CSR is Like “Privatizing Taxation”*(Social Issues India, 2013). He said that this enforcement of provision is equivalent to raising corporate taxes from 30% to 32% as it is ultimately a kind of tax which is imposed on the companies without taking their consent.

And majority of the corporates hold similar views. Corporate India sees it as *“unnecessary, unfair and impractical”* and have raised many critical questions.

Ratan Tata has said: *“ We have a phenomenon which is meant to be good but is going to be somewhat chaotic ... we don't as yet know what kind of monitoring there'll be in terms of how well this money is used ”.*(Ashok, 2014)

On similar lines, are the words of Mr. Azim Premzi : *“ My worry is the stipulation should not become a tax at a later stage ... Spending 2% on CSR is a lot, especially for companies that are trying to scale up in these difficult times. It must not be imposed. ”*(Ashok, 2014)

The list is not just limited to Mr. Tata and Mr. Premzi. It continues and raises a series of counter views.

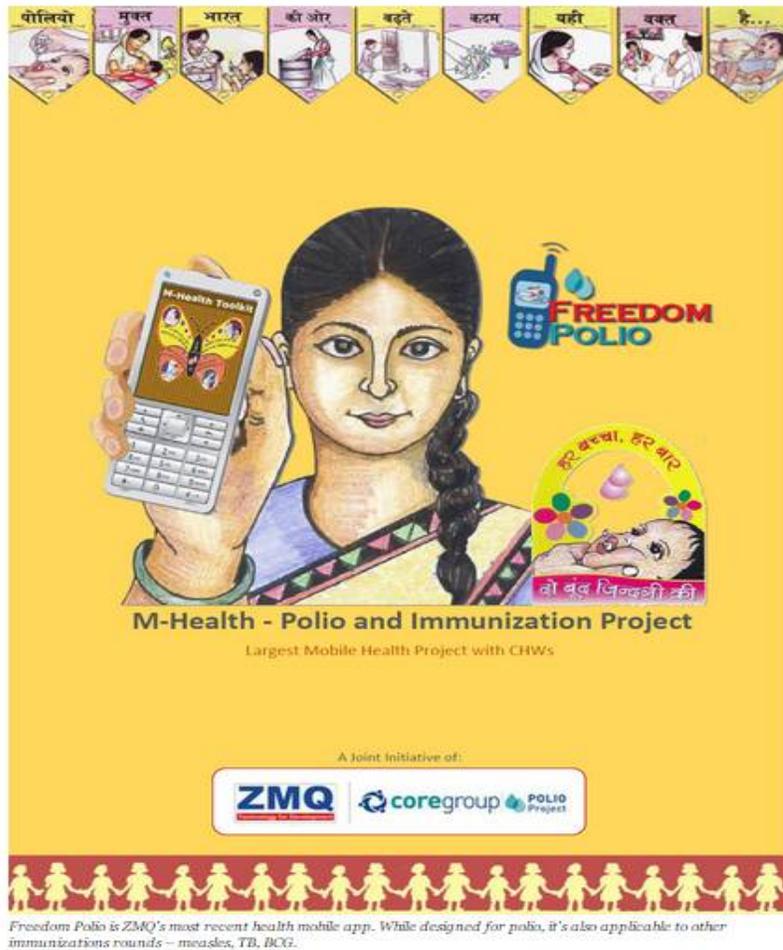
One of the great philanthropists, Mr. Bill Gates shared his views at the World Economic Forum about *“Creative Capitalism”* in 2008 (Esha,2014).He expressed his stance on *“doing good”* and motivated companies strengthen their expertise in their respective domain and develop products which are beneficial for overall development. He

highlighted employee's contribution, and explicitly mentioned and insisted that merely donating money for charity won't help.

For an instance, ZMQ Technologies, a medium sized company based out in Gurgaon, developed four mobile games on HIV/AIDS for the purpose of spreading awareness for World AIDS day 2005 (Esha, 2014). It was one of the most widely reached "tech for good" products which got access to 29 million subscribers that year, in partnership with telecom operator Reliance. Similar approach was used with the India's most popular game, Cricket, with the help of which, information regarding AIDS protection was conveyed in the form of cricketing tasks. With the increase in popularity and successful outcomes, this was not just limited within the country boundaries and started spreading across East Africa. ZMQ employees and management chose the unconventional route, and displayed a classic example of "edutainment" and presented the world its own form of CSR initiative. Mobile Kit "Mira" and health mobile app "Freedom Polio" are among a few initiatives that the company has taken. Below are few snapshots.



Hibni Quraishi demonstrates MIRA, a recent addition to their mobile toolkit. MIRA is a women's lifeline app, educating women on maternal health issues.



Some other examples of corporate social responsibility, which have been appreciated and implemented well, are: Molson Coors & responsible drinking, Tyson Foods & hunger relief, Haagen-Dazs & honeybee preservation and Greenopolis & recycling.(JD, 2010)

Now, let's take an example of Indian corporate giant ITC. ITC has achieved the unique global distinction of being carbon positive for nine successive years, water positive for 12 consecutive years and solid waste recycling positive for the last seven years (Writankar, 2014). Through its CSR initiatives, the company has been successful in bringing sustainable livelihood opportunities for close to 6 million people. The company's efforts have been phenomenal and worth mentioning for taking initiatives such as e- Choupal, animal husbandry, and developing renewal energy infrastructure. As per the ITC Sustainability Report 2014, the company spent Rs. 107 crore in year 2014 which is 1.2% of the average net profit earned in year 2013-2014. Now, the important point to note is whether ITC would be able to continue investing this amount on current activities after the applicability of CSR provision. There is a high possibility that the company might have to deviate from its current CSR strategy and start allocating resources in order to meet new requirements. This could misalign the company's long term goal with the goal of the government.

Not all companies take initiative the right way. Some companies do it just because others are doing, some use CSR as a tool for corporate branding, some treat CSR as an

obligation and some consider it as just another annual target without caring about the usefulness and effectiveness of the steps undertaken.

So it becomes evident that enforcement of CSR is an absurd idea and would not solve the problem in long run. Therefore, what is it required that could make a difference in the society in the long run?

The point that gets highlighted is – it's time for a review in CSR policies. So, here comes one of key considerations in companies CSR initiatives- Promoting employee volunteering. As per Indian Labour Journal Jan 2014, 34.74 million persons are employed in formal sector or organized sector (Indian Labour Journal, 2014). The sector includes government as well private companies. Employees are one of the major stakeholders of any company and thereby hold the responsibility to ensure that the commitments which the company want to have as a part of CSR are justified and executed in a best possible way. It also becomes imperative that companies sensitize, support and encourage employees to engage in socially relevant causes.

ETHICAL FRAMEWORKS AND CONCEPTS

VIRTUE ETHICS

"Identified as the one that emphasizes the virtues, or moral character, in contrast to the approach which emphasizes duties or rules (deontology) or that which emphasizes the consequences of actions (consequentialism)." (Rosalind, 2012)

Let's take an example of ZMQ technologies mentioned earlier. Subhi and Hilmi Quraishi, Founders of ZMQ, produced tech tools for development rather than donating it directly to development organizations. They displayed their moral character and did not take into consideration the consequences or the duties they ought to follow. Technology Industry is one of the fastest growing and competitive in nature. Coming up with products with the objective of influencing society could have turned out to be a risky initiative. Being a medium sized company, it could have been easily taken over by the competitors. But the company emphasizes its virtues and continues to act as an agent for transformation. The most recent project of ZMQ, Freedom Polio, is a one of the largest mHealth programs designed for rural health workers to track immunizations in the field. These initiatives are unique in its own way and they motivate others to go beyond the consequences and rules, and showcase innate character.

STAKEHOLDER THEORY

Ed Freeman on Stakeholder Management

"Every business creates, and sometimes destroys, value for customers, suppliers, employees, communities and financiers. The idea that business is about maximizing profits for shareholders is outdated and doesn't work very well, as the recent global financial crisis has taught us. The 21st Century is one of "Managing for Stakeholders." The task of executives is to create as much value as possible for stakeholders without resorting to trade-offs. Great companies endure because they manage to get stakeholder interests aligned in the same direction." (Ed, 2013)

As mentioned in the beginning, one of the important stakeholders of any business/company is community. And as the theory says, one cannot neglect

community in order to have just focus on maximizing profits. In the world of fierce competition, a company cannot afford to disregard the importance of community and should consider it as essential. Companies such as Dell and Cisco have been the ideal instances of treating community as its own and putting its best efforts so as to ensure the overall development.

Let's now bring in a different perspective, shareholder's primacy theory, by Inkpen and Sundaram.

Their basic argument is that *"Business is about maximizing profits for shareholders and the objective of shareholder value maximization matters because it is the only objective that leads to decisions that enhance outcomes for all stakeholders [Shareholder Primacy]."*(Inkpen, Sunadaram, 2004)

The arguments says that having a specific objective function for the corporation is must. Without the clarity and precision of profit maximization, managers are lost. Moreover, Profits/Financials are important for any company as it is widely considered as fundamental benchmark or assessment vis-à-vis peers. If a company does not focus on generating profits then it might suffer in long run and the valuation of the company may fall because of decrease in share price. In addition, the company would not be able to generate further capital in future. The argument is valid but it fails to emphasize that companies can maintain clarity and precision of profit maximization along with keeping in consideration other stakeholders.

Focussing only on the objective of maximizing profits for shareholders can be argued. Customers, suppliers, employees, communities and financiers are other important stakeholders. If company focusses only on shareholders then it might meet its goal of maximizing the value for them, but that might be with trade-off for other stakeholder. The company needs to manage all the stakeholders together and create as much value as possible for stakeholders without resorting to trade-offs. Employees and managers play an important role to ensure that other stakeholders are not at disadvantage and the management decisions should consider all the stakeholders interests. In order to facilitate this, employees should be sensitized towards taking into consideration the importance and contribution of all stakeholders and thereby, make decisions.

CONCLUSION

Management issues, lack of support by managers, corporate culture, and profit motive are some of the concerned issues that the companies face while implementing CSR policies. Therefore, in order to ensure the overall development, it is important that employee volunteering should be made as an integral part of CSR policy of a company.

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