BEING A CORPORATE CITIZEN IN INDIA: HISTORY AND SITUATION TODAY

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Abstract

The aim of this paper is to explore the current situation of corporate citizenship in India and its evolution over time, comparing it with industrialised countries. It attempts to compare and contrast two systems of Corporate Citizenship (CC), one in the U.S. and the other in India, each in a different phase of maturity. Observing the definition of CC in its westernised context, there is a literature gap regarding the behaviour of corporates, including local and multi-national corporations. This paper highlights the fact such entities in India are actually practising CSR and not CC.

Key words: *Corporate Citizenship, Corporate Social Responsibility, Philanthropy, Emerging Markets, India*

1. INTRODUCTION

Historically, India has had a traumatic experience with western business houses and the consequence is that there is a lack of trust towards foreign entities. One hundred and fifty seven years ago, the British East India Company was transformed from a business corporation into a political entity holding sway over vast natural and labour resources (Albuquerque, 2010). More recently, in 1985, India was witness to one of the worst industrial disasters in modern history, the Bhopal disaster. A poisonous gas leak from the Union Carbide plant killed around 4,000 people immediately and several thousands more over the year (Sundar, 2013). Pushpa Sundar, seminal author on corporate responsibility in India, continues to argue that "Multi-National Corporations (MNCs) showed scant respect for the human rights of those living in a less developed country. After long years of litigation in USA and India, the kin of dead victims got a mere 1,230 USD (75,000 rupees) while the injured or disabled got only 411 USD (25,000 rupees). The main accused, Chairman Warren Anderson, denied any responsibility and did not face any judicial punishment in India. It brought into focus how MNCs discriminate between developed and developing countries (Sundar, 2013, pp. 225-226)". In contrast, Corporations operating in industrialised countries have responsibilities to engage communities in resolving the issues arising from their products e.g. tobacco, fast-food or alcohol (Shrivastava, 2008). Today's society expects more than simple philanthropy, it expects MNCs to bring positive change to society, even more so in countries where social benefits don't exist or are very poor. Trust for western MNCs operating in India is a long way away.

2. CORPORATE SOCIAL RESPONSIBILITY: CONSTRUCTION AND EVOLUTION

Sandra Waddock defines CSR as : "a company's voluntary/discretionary relationships with its societal and community stakeholders" (Waddock, 2008, p. 50) and according to William C. Frederick (2006) there had been a progression of CSR over a period of 40 years (Frederick, 2006) that can be divided into four parts. First, CSR 1 argued that companies are important actors in society that shoulder responsibilities and in counterpart have some rights. In that sense, they have the obligation to behave with the good of society in mind (Waddock, 2008). Then, the emergence of CSR2, Corporate Social responsiveness, reflected a more proactive stance on the part of companies. They tended to cope more proactively than reactively with issues raised by their activities (Preston & Post, 1975). CSR3 also called Corporate Social Rectitude reflected the dramatic growth of interest in business ethics within businesses in society through the mid- and later 1980s. As Frederick defined it, ethics involved "a pervasive sense of rightness, respect, and humanity that would put values and ethics at the centre of a company's concerns, its policies, and its major decisions" (Frederick, 1987, p. 157). The stakeholder theory or CSR 4 has evolved rapidly both in theory and in practice since Freeman's (1984) seminal book first popularised the concept (Freeman, 1984). It was defined as: "Those groups without whose support the organization would cease to exist" (Freeman, 1998, p. 88). Later, the definition took in nuances and included the following actors: company's employees, customers, suppliers, competitors, the government, and the community apart from its shareholders (Sison, 2010). Also, stakeholder theory rejects that the sole criterion in management should be its fiduciary duty towards shareholders and suggests that the stakes of all interested parties should be considered (Sison, 2010). Finally, it is essential to manage and nurture stakeholder relationship for any successful business, because they represent the very basis on which companies are founded and, thus are critical to effective strategic and organizational management (Waddock, 2008).

In an analysis of the available literature, CSR is actually defined the same way as CC, there is an inappropriate utilisation of both terms under the assumption they stand for one and the same thing. There is no attempt to define any new role for the corporation (Crane, Matten, & Moon, 2008). Archie Carroll in his paper entitled: "The Four Faces of Corporate Citizenship" (1998), defines CC exactly the same way as he initially defined CSR two decades ago (Carroll, 1998). On the same lines, Jorg Andriof and Malcom McIntosh (2001) talk of CC as corporate "societal" responsibility but use it synonymously with CSR (Andriof & McIntosh, 2001).

3. MOVING ONE STEP FURTHER: CORPORATE CITIZENSHIP

The notion of "citizenship" in the available literature has been forgotten in the analysis of CC which is most of the time portrayed as an extension of the CSR concept. Hence, it is important to understand the concept of citizenship to clearly identify what CC means. First, it is a political duty with focus on participation in fair elections that select government officials. Then, the second element focuses on a commitment to civic duty and social order. Finally, the social responsibilities of citizenship such as maintaining a clean and safe environment emerge as the third theme of duties (Coffe & Bolzendahl, 2011). Also, CC is a broader concept than CSR that traces its origin to the USA which implies that legal rights and obligation are administered to corporations (Marsden, 2000), and in some cases, they are assuming roles and responsibilities that used to be considered governmental (Matten & Crane, 2005). For instance they endorse the responsibility of protecting human rights and enforce social and environmental standards; they address social afflictions such as AIDS, malnutrition or illiteracy (Margolis & Walsh, 2003). Hence, in this analysis Dirk Matten and Andrew Crane (2005) adopt a political conceptualization of the corporate administering social, civil and political rights, when governments fail to do so (Matten & Crane, 2005). This phenomenon is especially true and necessary, in emerging countries, for the welfare of people.

Corporate citizenship (CC) also includes corporate involvement with civil society rather than merely with individual stakeholder groups (Ludescher, Williams, & Siegel, 2008). There have been a growing numbers of articles and company reports referring to CC, the prominent one being the UN Global Compact. In early literature, CC is defined as charitable donation within the local community (Matten & Crane, 2003; Scherer & Palazzo, 2008); while today, it is actually only one of the elements of CC. Also, philanthropy unrelated to the core business has limited impact; hence these efforts appear to influence the firm very little.

4. PHILANTHROPY: THE WAY OF DOING BUSINESS IN INDIA

Until recently, the majority of studies on CC are embedded in the economic and organizational contexts of Europe and the US (Raman S. , 2006), so it is important to identify the current situation in an emerging economy like India so companies can better play a role in society and better position themselves. India has a long mercantile tradition that started with the merchant community from different castes, religions and regions like the Banias, Marwaris and the Parsee[1] communities, the most

1 Parsees started arriving in the late seventh century, as soon as persecution of Zoroastrianism began in Persia (Sen, 2005, p. 17).

prominent one concentrated in Bombay[2], that produced most of the philanthropists (Sundar, 2013). Historically, the philanthropy of business people was rooted in religious belief. Business communities were differentiated from other countries as they were large family organisations who had obligations towards their caste and eventually towards society. It was through trade that the British came to India and set up the East India Company, which grew in strength and power and controlled much of India (Gollakota & Gupta, 2006). During the pre-independence phase, there was little confidence in the British Government's commitment to protecting the rights of Indians (Gollakota & Gupta, 2006). The family business structure was popular and cherished because it lowers the risk of business transactions. In addition, families and communities provided support for Indian businesses; something that was not reliably available through legal or governmental channels (Sundar, 2013). As a consequence, the primary reason why business communities adopted philanthropy is that they needed to be on the right side of the ruling elite because profit and the safety of their assets depended on a stable political system and good relations with the rulers (Sundar, 2013; Windsor, 2001; Wood & Logsdon, 2001). With the industrialization[3] of India, differentiation between the merchants and industrialists began - in the middle of the nineteenth century (Gadgil, 1959). The Bombay industrialists entered the field of modern philanthropy (Mehta, 1991) and among them, the great Father of modern Indian philanthropy, Jamsetji Nusservanji Tata (1839-1904), for his understanding of the rights of workers at a time when they were being exploited even in the West, his insistence on absolute standards of integrity; his sense of trusteeship and his realization that to survive and prosper, free enterprise must serve the needs of society (Harris, 1958).

After Independence, the idea that companies can contribute to public welfare beyond the scope of their normal activities was raised and developed by the Tatas (Gautam & Singh, 2010). It has been advised that apart from donating funds to good causes (which has been their normal practices for years), they could have used their own financial, managerial and human resources to provide task forces for undertaking direct relief and reconstruction measures. Slowly, it began to be accepted that business had to share a part of the social overhead cost (Gautam & Singh, 2010). There is a growing realization that business cannot succeed in a society which fails. An ideal CC has both ethical and philosophical dimensions, particularly in India where a wide gap exists between sections of society in terms of income and socio-economic status (Bajpai, 2013).

There is one concept attributed to India and more specifically to Gandhi's leadership and freedom struggle in the early 20th century: it is trusteeship. It influenced many of the businessmen to give to public causes. However, trusteeship was not the same as paternalism or philanthropy (Sundar, 2013a). Gandhi wanted trusteeship to be an attitude of mind and a way of life which limited wants and needs. A trustee of wealth, according to him, should work hard according to his entire skill and capacity, increase the earning and value of the "trust" property as much as he can, and charge only that much from the trust property as it is absolutely essential for his subsistence and honourable living (Sundar, 2013, p. 132). During the 1950s and 1960s, many businessmen, influenced by the Gandhian philosophy of 'trusteeship' , transformed their business empire into 'trusts' held in the interest of the community at large, making significant contributions to support schools, colleges and hospitals, and the emphasis later shifting to supporting technical training, public health and rural development (Mohan, 2001). According to Anupama Mohan (2001), the last decade of the twentieth century witnessed a transformation in CC from charity to traditional philanthropy towards a more direct engagement of businesses in mainstream development and concern for disadvantaged groups in society. Indeed, philanthropy is not anymore sufficient and society and government are expecting more than simple giving which is seen as a subset of business responsibility (Mohan, 2001). Other important dimensions of business are ethical business practices, concern for the physical environment and consumer education (Mohan, 2001).

2 Bombay is Mumbai today. Specifically in that case it would be anachronistic to use the modern name.
3 Industrialization (1880s-1950s): Indigenous large-scale wealth appeared in India after 1850 through the emergence of indigenous industry. The first industrial families, many of which remain prominent today, started out as traders or financiers before becoming cotton and jute-mill owners and eventually diversifying into heavy industry. In Mumbai, the Parsees community emerged as primary drivers and beneficiaries of this process (Sundar, 2013a, p. 11).

5. CSR IS THE MODEL OF TODAY IN INDIA; TOWARDS A CC CONCEPT IN THE FUTURE

Institutions, standards, and appeal systems are still weak in developing countries of Asia (Chapple & Moon, 2005) and hence, Corporate Social Responsibility (CSR), portrayed as a western concept, is facing challenges settling into the mind-set of companies (Aravelo & Aravind, 2011). The most significant obstacles are those related to lack of resources, followed by those related to the difficulty of implementing CSR, and lack of management support at both top and middle levels (Aravelo & Aravind, 2011). The academic literature continues to focus on assessing the state of CSR in India and it is only over the past ten years that the literature has developed but the gap still exists. Current research on CSR in India is limited to nature and characteristics of CSR (Arora & Puranik, 2004; Sood & Arora, 2006), perceptions of the Indian society of CSR (Narwal & Sharma, 2008) , CSR perceptions in India by businesses (Balasubramanian, Kimber, & Siemensma, 2005), corporate social reporting (Raman S. , 2006), and policies and practices of multinationals (MNCs) towards CSR in India (CREM, 2004).

Companies originating from emerging markets and operating in these locales display a keen sensitivity to their social obligations (Luken & Stares, 2005; Visser, 2008). The most recent survey conducted by Partners in Change (2004) from a sample of 536 companies across India reveals that philanthropy is the most significant driver (64 percent) of CSR, followed by image building (42 percent), employer moral (30 percent) and ethics (30 percent). The survey findings present a marked increase in the number of companies developing and adopting CSR policy (Partners in Change, 2004). While the Indian companies are adopting CSR in their practices, there is a huge literature gap regarding the behaviour of multinationals operating in emerging markets that see these countries as purely places of lucrative business opportunities. It is obvious that India is still in the phase of CSR. The table hereunder provides an overview of the situation; four models are represented: Ethical, Statist, Liberal and Stakeholders.

Table 2.3.4 The Four Model of CSR in India

Model	Focus	Champions
Ethical	Voluntary commitment by companies to public welfare	M.K. Gandhi
Statist	State ownership and legal requirements determine corporate responsibility	Jawaharlal Nehru
Liberal	Corporate responsibilities limited to private owners (shareholders)	Milton Friedman
Stakeholders	Companies respond to the needs of stakeholders, customers, employees, communities	R.Edwards Freeman

Source: Adapted from (Kumar, Murphy, & Balsari, 2001, p. 2)

Researchers have found that there is a definite trend in India towards looking at CSR in a positive manner (Narwal & Sharma, 2008). Previously, there was a perception that firms' CSR activities were not motivated by the desire for social service, but was instead motivated by the desire to avail themselves of tax exemptions and other government incentives and therefore society did not really trust businesses. The public opinion is increasingly being more positive towards business as they starts to undertake CSR activities voluntarily (Narwal & Sharma, 2008). The government, along with NGOs and the media are becoming agents of change with regard to the CSR activities of firms (Narwal & Sharma, 2008). However, CSR seems to be in a confused state in the country, there is no clear cut definition of CSR and they use the term as they want, with the end result that activities undertaken in the name of CSR are merely philanthropy or an extension of it (Arora & Puranik, 2004). Today, the major motivators for pursuing CSR in India are concern for social improvement, ethics, and values, belief in the stewardship philosophy (Gandhian model) , corporate reputation, stakeholders relation, responsiveness to local communities, legal compliance (Balasubramanian, Kimber, & Siemensma, 2005; Aravelo & Aravind, 2011).

Trust is the foundation of the corporate-community relationship. Corporates such as the Tata or Birla group companies have led the way in making CSR an intrinsic part of their business plans and have been intensely involved with social development initiatives in the communities surrounding their facilities (Sagar & Singla, 2004). In a survey in India, "respect" was found to be the main reason for the immense popularity of The Most Respected Companies. Hence, they are appreciated because they are transparent, stakeholders trust their policies, HR guidelines are fair, the companies are ethical and contribute to society (Business world, 2003). For instance, Tata Group has always been committed to the welfare of the community and in 1999, Tata Steel embarked on an AIDS awareness programme which has now become an integral part of all training programmes (Sagar & Singla, 2004). They carry out also medical and health programmes, blood donation drives, mass screening of tuberculosis patients and more. The Tata Council for Community initiatives (TCCI) has created the Tata Guidelines on Community Development, an effort of over three years from the field evolved into a framework of best practices. The Birla Group of companies are also pioneers in the field of CSR in India. As part of the Aditya Vikram Birla Group's Social reach, the Birla group runs as many as 15 hospitals in India, more than 100,000 patients have been examined under the Group's medical programme, 15,000 children along with 2,000 pregnant women have been immunised (Sagar & Singla, 2004). These companies are definitely going further than the mere CSR concept; they are corporate citizens shouldering the responsibilities of the government, at least through a westernized lens. However, some Indian CSR scholars, like Pushpa Sundar, are critical of the Western approach to CC, which they think emphasizes benefits to business, an approach done for advancing self-interest rather than a wider responsibility to society or stakeholder (Sundar, 2000). This critique is justified if CC is taken to be a global concept and the behaviour of global MNCs in emerging markets is not exemplary. Some have difficulties to apply to themselves the same rules as they will in more developed countries or in an industrialised market where regulation is strong.

6. CONCLUSIONS

India has started down the road of CSR; it is already a global market with increasingly global standards. What remains is for Indian companies and multinationals operating in India to move to the next step i.e. CC. Indeed, India cannot be viewed through a Western lens and judged 'a land of opportunities' but must be viewed as a social democracy with a huge upper and middle class that is willing to say 'no' and voice its concerns through civil society and the media. Hence, the creation of trust will be mandatory to succeed in this market.

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