

LEADERSHIP IN A RAPIDLY CHANGING WORLD

How business leaders in India
are reframing success

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“Helped by its demography, India is developing rapidly. I feel that by 2050 it is likely to be the largest economy in the world. If India reforms well we may be able to do it a little earlier. It is likely to be a middle-income country by then and I think poverty might, by and large, be a thing of the past. There is tremendous opportunity.”

Adi Godrej,
Chairman Godrej Industries

EXECUTIVE SUMMARY

In India, where the challenge is to reinvigorate growth, while at the same time addressing critical issues of inclusion and poverty reduction, there is increasing need for exemplar companies, governments and inter-governmental bodies to galvanise the wider business community behind the cause of responsible, sustainable, inclusive business. While there is a long-standing tradition among enlightened Indian businesses of involvement in social welfare and development, and of innovation in sustainable development and inclusive business models, there is still a pressing need for the active engagement of a much wider group of business leaders and to mainstream sustainable and responsible business practices.

There are now growing calls from the Indian government, media and civil society, and from international partners, for business leaders to dramatically accelerate their engagement and play a greater part in tackling challenges like climate change, poverty, and social and regional disparities, many of which have been exacerbated by the rapid pace of growth. India's Planning Commission will rely on business collaboration to deliver the major infrastructure projects which underpin India's 5 year plan. An active public discourse about what contribution business could, and should, make is evident in industry associations such as FICCI and CII, in the press, and in debates about new legislative requirements and guidelines on CSR and responsible business. All this heralds a significant evolution. **A new vision is emerging of a thriving, contributing private sector that conducts business in a way that is smart, inclusive and responsible. This vision extends beyond a focus on philanthropy, important though that is, given India's huge development needs. There is an emerging consensus that businesses can operate in the space of social development in a way that it is a key part of what they do and integral to achieving strategy, not as an add-on or nice to have. And that business can make a real difference at scale by collaborating with each other, and with government and NGOs.**

As the global footprint of Indian business continues to grow, this new vision also offers it the opportunity to become investors and partners of choice in other parts of the world.

A changing landscape for corporate responsibility and sustainability in India

Both industry associations and government are playing an active role in encouraging a broad spectrum of Indian businesses, both private and public, to follow the lead of those who are already widely recognised as leaders in their industries. Debate rages between proponents of two major government initiatives, which are unique globally. The Indian Institute of Corporate Affairs, following an approach which was initially developed for Central Public Sector Enterprises, has included a provision in the new Companies Bill which makes it mandatory for companies to report on CSR spend and stipulates a target investment of 2% of average net profits over 3 years. The National Voluntary Guidelines, (NVGs), introduced by the Ministry of Corporate Affairs in July 2011 offer a comprehensive set of 9 principles, as well as a structured Business Responsibility reporting format, which has been picked up by the Securities and Exchange Board of India as a mandatory format for the top 100 listed companies.

Indian businesses which have been leading the way, have robust and comprehensive individual company activity and are producing solid sustainability and business responsibility reports with measurement and assurance, and are already contributing a part of their profits to social causes. For these business leaders the debate between NVGs and the CSR spend is somewhat academic as they are already reporting on a broad range of initiatives covered by the National Voluntary Guidelines and in many cases are already spending the equivalent of 2%, even if they do not always quantify it like that. The broader question is whether the narrowness and focus of the 2% rule will be successful in stimulating laggard companies and how this potential increased investment can be channelled to create platforms where businesses can combine their efforts with government programmes and NGOs to have an impact at scale.

Clearly the current context in which Indian business leaders are operating is a complex one, and attempting to lead on the sustainable development and responsible business agenda requires a vision of the role business leadership can play, as well as extraordinary commitment. There is a strong point of view amongst Indian business leaders who have a long history of investment in social development that this commitment cannot be mandated. These individuals are clear that their own inward commitment has been shaped by their personal and career experiences and by influential individuals who acted as mentors and role models. They are also clear that organisational growth and the new perspectives and talents of younger workers create great energy to be harnessed behind an ambitious vision and strategy.

The business contribution to nation building in India

The interviews for this report focussed specifically on individuals operating at the highest levels and their leadership journeys, and particularly on their reflections on how they align their personal values and purpose with their role in leading a major business enterprise. Many Indian businesses leaders have aspirations to contribute to national development and it is clear that this extends beyond the idea of philanthropy or charity, where business generates value and then spends it on worthy social causes. Rather, many business leaders argue that they can make the biggest contribution to nation building by adopting a larger and more positive role for business in the overall social, economic and environmental protection spheres.

Many factors have converged to drive this shift over the past 10 years or so, including the recognition that in many areas business cannot rely on government alone to address all the issues that stand in the way of business's ability to thrive, grow sustainably and live in harmony with surrounding communities. This is a global

pattern, but one which is particularly stark in India. In many cases businesses are genuinely encountering limits to growth, for example due to diminishing natural resources or a shortage of skills and talent. As a result business leaders have become more willing to fund initiatives within their own companies, and to engage with each other through industry associations and with government to try and find solutions. At the same time, as Indian business continues its global expansion and as the local market continues to open up to foreign multi-nationals, there is significant knowledge transfer and cross-pollination of ideas. Indian businesses face new listing requirements from international stock exchanges, and at the same time often recognise that many of the social development policies and practices, or inclusive business models developed in India, provide competitive advantage in other markets.

The report identifies three spheres of influence where leading Indian businesses are contributing to nation building, which clearly indicates that many have moved beyond viewing CSR as an activity on the side separate from their commercial activities. A number of illustrative examples and innovations are outlined in the report.

1. Social Investments and Philanthropic Contributions:

In India the models of corporate philanthropy and of community development are well-understood. The distinctiveness of Indian approaches lies in their rootedness in the relationship with local communities and in particular the focus on sustainable livelihoods. The Tata Group companies are world leaders in community development and have successfully begun to translate these approaches and philosophies into their global operations. As individuals, having grown up in India during a period of enormous transition, where poverty was always very visible, the interviewees were all sensitised to the social development needs of the communities around them.

2. Core Business Operations and Value Chains:

Exemplar companies in India are actively making a contribution to development through their core business operations by creating jobs, investing in training and skills development, developing products and services that meet essential needs such as nutrition, health, energy, water, education, and finance, fostering entrepreneurship, spreading best practices to SMEs through their supplier and distribution networks, spreading responsible business standards and practices and supporting green technology development and transfer. They are working with all these strands in an integrated way where a good strategy is the right strategy and the whole thing comes together in an integrated fashion. This reflects global 'best practise'.

3. Public Policy Engagement:

Over the past 10 years increasing numbers of business leaders and companies, often through business associations, have been actively engaging in advocacy and public policy dialogue to try and address governance gaps and improve the enabling environment. They are also actively involved in delivery of services alongside government. The engagement of business in public policy, when it is aimed at shaping the enabling environment for the greater good, as opposed to lobbying to promote one sector or companies self-interest, is essential to achieve progress in development through private sector engagement. There is still a shortage of multi-company and cross-sector opportunities for business to engage with.

Nation builders to responsible multi-national business leaders

At the same time as the corporate responsibility and sustainability landscape is evolving rapidly within India, a growing number of businesses that originated in India are expanding internationally. When thinking about the business role and responsibilities, there is a strong focus on Indians solving Indian issues first, before concerning themselves with development issues in their overseas markets, or with global issues. While successful Indian companies are engaging with NGOs and government in India, there are limited examples of them taking on such a proactive role in other markets.

However, in cases where Indian companies have established real expertise at home, particularly in community development, and a reputation for ethical, honest behaviour, experience shows that this holds them in good stead in their global expansion. It builds the licence to operate and grow, attracts investment and builds the brand of Indian business as a whole. There is clear recognition of this, as well as the possibilities for learning from operating in other markets which are more advanced in other areas such as corporate governance. There is also evidence of reverse innovation with examples of Indian models being played into both developing and developed markets.

Yet, overall the realisation that a deep competence in responsible business practice and sustainable development can create a competitive advantage abroad is yet to be recognised in the majority of Indian board rooms.

Leading the change

Drawing on best practices from leading companies in India and globally, the report elaborates on the steps for business leaders in order to accelerate the positive evolution:

- Step 1. Aligning personal and professional values**
- Step 2. Leading change across the business**
- Step 3. Leading change beyond business boundaries**

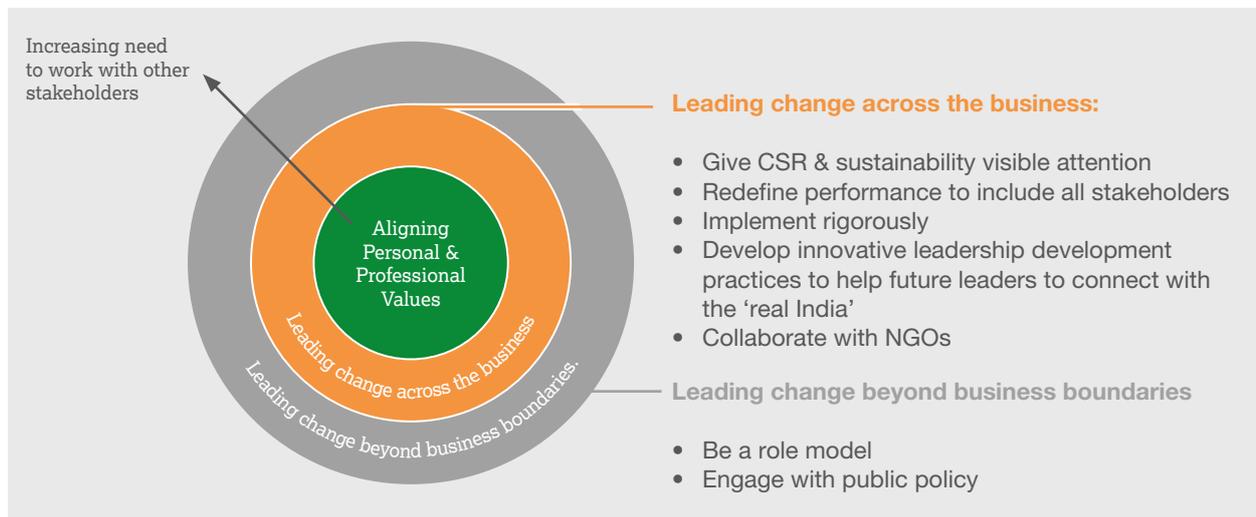
Many of the individuals and businesses included in this report are already at Step 3, and are taking a leadership position outside their business boundaries. Others may need to start by clarifying their own philosophical positions and personal commitment and get their own companies in order first before trying to influence others.

Accelerating the trend

It is clear that in India a number of factors are converging at the same time. Industry associations and government are taking up the challenge of how to escalate progress by both engaging business leaders who are lagging behind and also by harnessing the natural energies of the many leaders and corporations who have a level of maturity and readiness to work together.

Practical recommendations to accelerate the transition:

1. Develop practical implementation vehicles for the 2% CSR spend
2. Broaden the debate
3. Demonstrate what is possible
4. Strengthen cross-sector collaboration
5. Give business lead innovation in social development
6. Translate national progress into competitive advantage globally sustainable business



“The commitment of senior leaders plays a vital role in the ability of organizations to bring about social change. At the same time, the difference that one company can make will depend largely on how much time and effort it can afford to contribute to the cause. Infosys has been contributing a part of its profits every year for social causes much before it became a mandate by company law. However, the scale of the problem is too large for one company or stakeholder to work in isolation and hope to move the needle. For instance, there are 16 million children out of school in India and it’s very ambitious to expect one company to close the gap. Organisations can lead by example and establish successful models for others to emulate. To complement these efforts, the policy framework must also change to enable social transformation.”

S.D. Shibulal, CEO & MD Infosys

The CSR provision in the new Companies Bill is unparalleled in the world and has ambitions to raise a significant amount of investment for social development. If these investments are to be realised and put to good use it is time to move beyond debate and agree practical implementation vehicles.

The areas of philanthropy and social responsibility through community investment are quite well understood. The challenge now is to scale up those models and best practices and at the same time to develop new business models, or reengineer existing ones, that bring social development into business processes and outcomes and also to make business goals inclusive of social development at the bottom of the pyramid. Leading businesses in India are paying considerable attention to integration throughout the business of values, structures, systems and processes in ways that illustrate that businesses can operate in the space of social development in a way that it is a key part of what they do and integral to achieving strategy. The debate around CSR should be broadened to recognise this.

There is consensus that role modelling by leading companies, knowledge sharing, demonstration of effective models and innovation of new models is the way to make rapid progress across a number of fronts. There are a number of examples of these kinds of initiatives including centres run by CII and TERI to demonstrate green innovation and the UN Development Programme’s Business Call to Action programme which shares learning about inclusive business models.

Cross sector collaboration between business, government and civil society offers a huge opportunity for a more rapid escalation of effort from all sectors but this is still very challenging in all markets, including in India. There are global models of effective multi-stakeholder initiatives and there is huge scope to develop similar models in India. With exactly this in mind, India’s Planning Commission is implementing a new India Backbone Implementation Network , with

support from IBLF’s Partnering Initiative, to strengthen the framework of multi-stakeholder dialogue and sector-focussed action.

This report also includes a number of interesting and innovative illustrative examples of business converging with social development from Natchiket Mor’s SughaVazhvu to L&T’s Micro-Finance initiative. India is already seen as one of the key places where these new micro-models will be developed and they offer enormous potential for enabling sustainable livelihoods at a local community level. All sectors should ramp up their support for developing and scaling these ideas.

Indian business are already finding that approaches, policies and practices developed in India are creating opportunities to increase their footprint in countries that have similar challenges, increase their competitive advantage and add business value. If companies are actively engaged in these issues in India and develop rigorous, thoughtful policies and approaches to address them, this will give them competitive advantage in their emerging market investments and put them in a position to become global leaders in sustainable and responsible business. That is the level of ambition and aspiration that is needed.

INTRODUCTION

This report comes at a point in time when enormous shifts are taking place in India. The current generation of senior business leaders, and the next generation that is coming through, have experienced a time of unbelievable economic growth and change with a near double-digit pace of growth between 2004-08. But the story is not completely rosy and there is still much work to be done if India is to develop in a way that is inclusive and sustainable. Recent growth rates have almost halved and in 2012 India's ranking on the Human Development Index (HDI), measuring three basic dimensions of human development: health, education and income, was 136 out of 187 countries, placing it below the South East Asian regional average.

The potential role of the private sector as a positive driver of economic and social progress is increasingly recognised. Business leaders globally are faced with the challenge of delivering and sustaining growth in ever more complex and competitive environments, while at the same time delivering demonstrable value to all stakeholders, including the communities and societies of which they are a part.

This is no different in India where there is now agreement that **harnessing business resource and energy, and aligning it with the efforts of other sectors will be crucial to achieving inclusive and sustainable growth**. The agenda of exemplar Indian businesses has become steadily more ambitious in this regard, as they innovate around ways to play their part in tackling challenges like climate change, poverty, and social and regional disparities, many of which have been exacerbated by the rapid pace of growth. For them, this is not just a matter of corporate responsibility, nor just of reducing costs and risks, but also a huge opportunity for innovation, value creation and enhanced competitiveness. Much more could be achieved with vision and leadership from the entire business community.

Government playing an active role

A survey of corporate responsibility reporting practice by KPMG¹, noted that in India, 'the limited number of companies that report on CR take it rather seriously and take a rigorous approach to governance, control and assurance'. While those companies that report are at the cutting edge of international best practice, the report also points out that in 2011 only 16 of India's top 100 companies by revenue had a corporate responsibility strategy in place, only a third were reporting on corporate responsibility and only 25 had systems for measuring and managing social issues.

The government of India has been actively working to promote greater uptake and reporting of CSR and sustainability practices and reporting amongst India's companies. Two initiatives, each coming from different philosophical starting points have been running in parallel. In July 2011, the Ministry of Corporate Affairs introduced a set of nine comprehensive principles to be adopted by companies as part of their business practices and a structured business responsibility reporting format requiring certain specified disclosures, demonstrating the steps taken by companies to implement the principles (see Box 1). This initiative was picked up by the Securities and Exchange Board of India which has mandated that from March 31 2012, the top 100 listed companies include Business Responsibility Reports in their annual reports, using the same reporting format.

At the same time the Department of Public Enterprises launched CSR & Sustainable Development Guidelines for Central Public Sector Enterprises (CPSE's) in April 2010. The Department made use of the MOU which every controlling department signs with the public-sector enterprise to redefine performance criteria for PSEs to include ratings for CSR, Sustainable Development and R&D. They then began to ask how they could translate that effort from the public sector to

¹ Source: KPMG International Survey of Corporate Responsibility Reporting, 2011

all listed companies above a certain size in the private sector. As a result, when in 2012 the new Companies Bill was presented to the Houses of Parliament, it included a clause on CSR spend, becoming the first legislation of its kind in the world to legislate for expenditure on CSR projects, although in its final form it is the reporting of the investment rather than the investment itself which is mandatory (see Box 3).

While the National Voluntary Guidelines are broad in scope, the Companies Bill promotes a much more restrictive approach. Reactions to the Companies Bill are mixed and debate rages about the narrow definition and rules it imposes and whether it is the right approach to stimulate real incremental action and investment.

Box 1: The 9 Principles of the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business

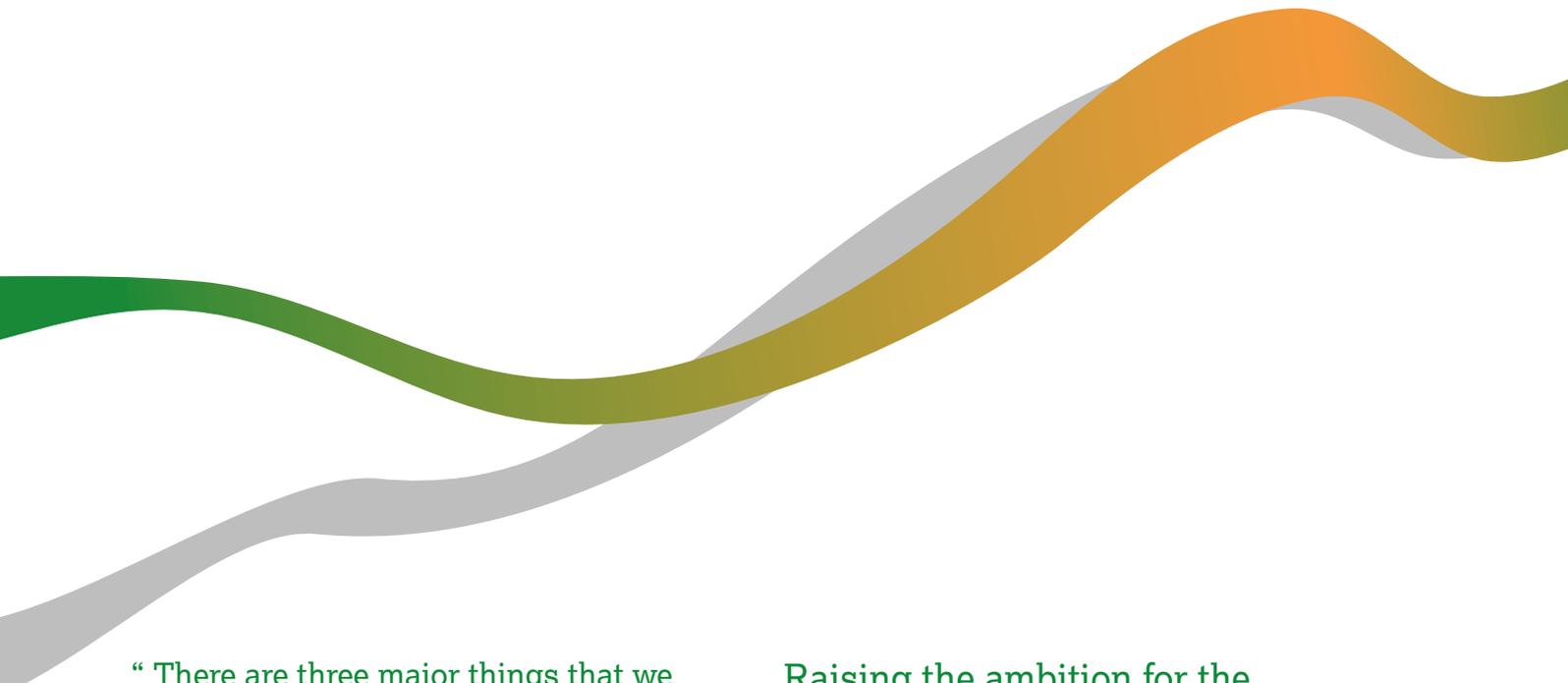
1. Ethics, Transparency and Accountability
2. Providing goods and services that are safe and contribute to sustainability throughout their life cycle
3. Promoting the wellbeing of all employees
4. Respecting the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised
5. Respecting and promoting human rights
8. Respecting, protecting, and making efforts to restore the environment
9. Engaging in influencing public and regulatory policy, in a responsible manner
10. Supporting inclusive growth and equitable development
11. Engaging with and providing value to customers and consumers in a responsible manner

Box 2: New Securities & Exchange Board of India Rules

In line with the National Voluntary Guidelines and considering the larger interest of public disclosure regarding steps taken by listed entities from a Environmental, Social and Governance (“ESG”) perspective, it has been decided to mandate inclusion of Business Responsibility Reports as part of the Annual Reports for the top 100 listed entities based on market capitalisation at BSE and NSE as on March 31, 2012. Other listed entities may voluntarily disclose BR Reports as part of their Annual Reports.

Box 3: New Companies Bill

As part of the new Companies Bill, India will become the first country to mandate corporate social responsibility (CSR) expenditure through a statutory provision. One of the major proposals is that companies have to mandatorily report on whether they spend 2 per cent of their average net profit over 3 years for CSR activities. A CSR Committee comprising 3 Board Directors, including at least 1 independent, must formulate a policy, recommend a budget and monitor it.



“ There are three major things that we hope will happen. One is that the IICA will act as a platform to help partnerships between corporates so that if we have a project which requires the cooperation of more than one corporation we’ll be able to seek the help of corporations to come together and implement the project. The second is trying to break the trust barrier between corporates and NGOs. We don’t expect corporates to have large CSR departments and large armies of CSR staff. They should work with NGOs with a good track record who will implement the programmes at ground level. The corporates will monitor it. And finally, the dovetailing with government schemes already running. So business can supplement, or complement, government schemes. We are hoping this entire triangle of corporates, governments and NGOs, will all come together. Who will be the beneficiary? That part of India which needs help.”

Dr Bhaskar Chatterjee,
Director General and CEO,
Indian Institute of Corporate Affairs
on accelerating change through the new Companies Bill

Raising the ambition for the business contribution to sustainable development

The business leaders interviewed for this report are by no means representative of Indian business as a whole. Most of their companies already have robust and innovative CSR and sustainability programmes which are reasonably substantive and many of these individuals make substantial personal contributions, both time-wise and financially, outside of their core business roles. Many of the people interviewed hold, or have held, leadership positions in business associations such as CII, FICCI and Assocham, are actively involved in foundations or have set up their own initiatives such as Harsh Mariwalla’s ASCENT project for entrepreneurs. The wider picture is much more mixed.

Engagement of the wider business community is likely to grow, particularly amongst the top 100 companies which are subject to the new SEBI reporting requirements which effectively mandate the National Voluntary Guidelines, and as Indian businesses continue to see the benefits that planning and reporting brings in terms of learning, innovation and performance improvement. The Companies Bill requirements will also raise awareness and promote debate, potentially increase the amount of revenue spent on social development, and contribute to positive development outcomes if it is spent in a thoughtful and strategic manner.

Nevertheless, as is clear from the individuals and companies who have already demonstrated leadership without government stimulus, that mandatory approaches will not have the desired impact without corresponding consciousness raising and commitment building. Companies which are already spending 2% or more of net profits on the CSR budget are generally spending in a targeted way to maximise impact on the communities they are connected to. There is always the danger that other companies will choose to tick the boxes or find ways to avoid their obligations.

“Leadership is very important. People say, what can one person do?
He can do a lot.”

Ravi Kant,
Vice-Chairman, Tata Motors

Real progress in galvanising a wider group of businesses requires more than soulless compliance with guidelines and legislation – it requires leadership, passion and conviction at the highest levels of the business and a compelling vision of a thriving, private sector contributing to social development.

This report makes a contribution to the current debate about how best to harness business resource and energy, and align it with the efforts of other sectors towards the cause of sustainable development, at home and abroad. It does this by:

- Drawing on the views of a selection of business leaders, and illustrative examples of best practice and innovation from leading Indian companies, to illustrate the different ways in which Indian business leaders think about the contribution business can make to social development and sustainability.
- Showcasing a business leadership model for implementing these approaches.
- Recommending how the positive transition that is already underway can be accelerated.

The report builds on a previous report for the UNGC PRME based on interviews with leaders drawn mainly from multinationals in Europe and North America². This follow-on report is based on a collection of 20 hour-long face-to-face interviews with Indian business leaders, who are Chairs, CEOs or senior executives (see Appendix 1 for a list of interviewees), who shared their views and reflections on their own leadership journeys.

By ‘Indian business leaders’ we mean those who have spent the majority of their career running businesses in India, mainly Indian-based listed or family companies which began in India and which operate in India and in some cases also on the global stage. These are individuals whose tenure has coincided with a remarkable period of change in India and in the expectations of business leaders, and who have, either in a personal capacity or through the companies they work for, been active or engaged in issues of sustainability, social development or responsible business. The list is not exhaustive by any means and it is important to stress that they are not presented as infallible icons of an ideal leadership. We have chosen to focus on individuals in the most senior executive positions because of their important strategic and symbolic roles. However, it is important also to recognise the critical importance of leadership demonstrated by individuals at many levels inside and outside organisations.

Making a personal contribution through philanthropy was the original relationship between business and society in India, where an industrial family or an individual acts as a philanthropist drawing on personal funds. Although this is one very visible and important way of business leaders contributing and a number of interviewees saw this as an important source of future investment, the focus of these interviews was not on ‘personal social responsibility’, but rather one how business leaders align their personal values and desire to contribute, with their commercial business roles and organisational responsibilities.

² Leadership in a Rapidly Changing World: How Business Leaders are Reframing Success. International Business Leaders Forum and Ashridge Business School. 2012. <http://www.ashridge.org.uk/leadershipcapability>

INDIAN BUSINESS LEADERSHIP AND DEVELOPMENT

The different ways in which Indian business leaders think about the contribution business can make to development needs to be seen in the context of the changing relationship between business, civil society and government in India. Thinking and writing on organisational leadership over the past century shows that ideas about effective business leadership have evolved over the course of the 20th and early 21st centuries to reflect political events, economic policies, cultural and social life and changing business strategies. It is clear the demands of business leadership shift over time and with this comes new expectations and new approaches. In India this is no different. There have been clear transition points such as independence, and liberalisation in the 1990's, where business leaders have had to adapt to a new context.

Many of the 'old guard', India's well known business houses, have their roots in the **pre-liberalisation era** and the **'family-firm led model'**. Responsibility for social development was often linked to philanthropic spending as a condition for guaranteed licences and backward area concessions. Companies such as Tata, Godrej and Eicher led the way and served as exemplars. Their ambitions came from founders and family owners who had a high level of social consciousness. At this time business was eclipsed by the civil service and the army as an aspirational profession for the well-educated elite.

In the 1990s, the era of **'business leaders as wealth creators'**, a new Indian economic policy unleashed a reform process of liberalisation and restructuring of the economy. This era was marked by a dramatic shift from a planned to a market economy. Whereas before 1990 the government issued licences to manufacturers to produce a specified amount that could not be exceeded, after liberalisation this ended.

The result was that many Indian family businesses struggled to cope in the new economy. A period of considerable pain and adjustment to become more efficient was followed by a period of accelerated economic growth and a huge transfer of wealth to the private sector with the creation of a business-class.

Salaries in the private sector including those for senior executives which had hitherto lagged well behind the civil service and army, increased exponentially, almost overnight. The business sector expanded to include entrepreneurial businesses in new sectors, multinational corporations and small and medium sized enterprises.

At the same time as some traditional family firms started to decline and many plants and business operations became unviable, many were unable to continue to fund philanthropy at a meaningful level and existing social investments became unaffordable. Since liberalisation there have been notable examples of business people who have accumulated wealth during India's period as a high growth emerging economy and have made significant personal and financial contributions, one notable example being the Azim Premji Foundation.

R Mukundan, MD Tata Chemicals – on the mind shift for business leaders from a planned to market economy

“The importance of sustainability was highlighted often by leaders in the Tata Group, I remember in one of the sessions to young leaders, Dr Jamshed Irani, the former Managing Director of Tata Steel, said, the Government no longer gives us a licence to manufacture with the dismantling of “licence raj” and we don't have to go to Delhi for permissions, but going forward, we need to get licence from communities around us. They will give us the licence to operate. If we aren't sensitive to them, it's going to be far tougher to get a licence to operate from the community. That's the mind shift we have to make.”

“More often than not, the topic of integrating all its stakeholders with business is shoed off as being impractical and not making ‘business sense’. But this is not true – any business that does not account for all its stakeholders runs the risk of unsustainable growth”.

Harsh Mariwalla,
Chairman Marico Industries

21st Century era of Indian business leader as ‘nation builder’

While there has been a long history of philanthropic expectation from business, in the last five to ten years a clearer expectation has begun to be articulated that business will play a part in meeting India’s developmental goals, both through strategic community development as well as through its core business operations. The emphasis on CSR and philanthropy will continue to be important, given the nature of the problems and the scale of inequality, but there is now increasing emphasis on environmental efficiency, business standards and inclusive business models, alongside traditional social development. The more advanced business leaders have begun to widen their definition of performance to include performance for all stakeholders and to use the language of ‘nation building’.

Y.M. Deosthalee, Chairman and MD L&T Finance – on the business contribution to nation building

“My belief is that nation-building need not necessarily be equal to charity. Nation-building is actually wellbeing, and wellbeing means that people need to be self-sufficient, you need to raise their standard of living, you need to educate them well. In my opinion that is an excellent way of nation-building. And this can be done through business as well, so long as it is done in a fair and transparent manner. When organizations build their business in this way they’re actually doing CSR, because they’re creating a long-term sustainable organization and they’re lifting the standard of people at the same time. I’m not saying everything should be commercial. We have not reached a level in India where charity is no longer required. Philanthropy is very, very important. But corporates can make it more effective by integrating CSR within business.”

Leadership Eras – shifting expectations about business leadership in India³

The pre-liberalisation era of the family-firm led model of business leadership: Planned economy with philanthropic spending as a condition of guaranteed licences and backward area concessions. Leaders from private sector less respected than civil service or army. Business leaders operating in a controlled environment with less discretion, where government policy dictated business action.

The 1990s era of ‘business leaders as wealth creators’: The period of liberalisation. Restructuring of economy. Shift of wealth to commercial sector. Traditional family firms started to decline or fragment and did not have the wherewithal to fund philanthropy in a meaningful manner. High growth rates but also growing inequality and environmental degradation. Change of status for business leaders, reflected in vastly increased salary levels and business as a more attractive career choice for new graduates.

The 21st Century era of business leaders as ‘nation builders’: Growth of private sector and wealth creation leading to growing expectation of obligations towards society. Business leaders’ responsibilities extend beyond social upliftment to include environment, energy efficiency, responsible business behaviour and inclusive business. Companies begin to have the resources, capability and scale to execute these initiatives. Business leaders take a different approach to government with awareness of policy, but also more proactive in influencing and shaping government policy. Both the expectations of stakeholders around what they expect from business and businessmen themselves starting to recognise that they can play a bigger role in nation building, that government cannot solve all development problems alone.

³ Adapted from : Leadership in a Rapidly Changing World: How Business Leaders are Reframing Success. International Business Leaders Forum and Ashridge Business School. 2012. <http://www.ashridge.org.uk/leadershipcapability>

WHAT IS DRIVING THIS SHIFT?

There are a number of drivers of this shift:

- The **major infrastructure programmes** which **underpin India's five-year plan require collaboration** between business, government and civil society.
- The need for a **licence to operate** from communities is still very visible.
- A recognition that in many areas **business has to play a role in resolving issues which impact on their ability to function and grow**. This is a global pattern but one which is particularly stark in India.
- Business leaders have also become **more ready to challenge, or to try and influence, government policy**.
- Businesses are genuinely **encountering limits to growth** because of non-availability or limits of availability of natural resources such as water. This is acting as an impetus for them to innovate or invest in new technologies, or to find ways to continue to grow without increasing resource consumption.
- **Government action on emissions** which effectively puts a requirement on companies to use their energy more efficiently e.g. 600 energy-intensive companies have been advised to adhere to certain benchmarks in energy efficiency and those that are not able to meet those benchmarks can trade their emissions
- The **need for Indian business to attract talented, high-potential employees** and a respected brand and reputation for high business standards helps to do this.
- A **shortage of skilled workers** including machinists, drivers or tradespeople such as plumbers and electricians means that businesses see the benefits in contributing to training and skill development.
- **Media consciousness is high, and civil society is becoming more reactionary** in response to issues such as corruption and women's safety. It is highly likely that attention to responsible business and sustainability issues will continue to increase.
- The entry of multi-nationals into India and the rise of Indian MNCs, is creating the potential for significant **knowledge transfer and cross-pollination of ideas**.
- **Board discussions on long range plans for businesses, now include climate change, environmental laws, as well as social and development indications**
- There is **increasing market pressure** with the recent ESG Index. However, consensus from the interviews is that there is still little sense that the market is driving changes through consumer choices. An increasing awareness of this potential is growing in the background.
- Learning from past mistakes, and **realising the need to invest ahead of the curve** before trying to exploit a region for resources. This is particularly relevant to the mining and manufacturing sectors in India.
- The **opportunity to reduce costs and risks, and build a respected brand**, by operating in a clean and transparent manner. It is clear that companies that have responsible business practices embedded in their core from the start experience far fewer difficulties because in the words of one interviewee, 'no one ever expects me to pay a bribe because they know that we don't do that'.

As a result, a new shift has begun to occur in how business leaders think about the role they can play, and what government and society expects of them – with implications for what they do in practice. This is the 21st Century era of business leader as 'nation builder'.

The business contribution to nation building in India

How have these leaders been connecting this consciousness to the way they think about their own role as business leaders, and the way they lead their businesses? The interviewees discussed a range of areas where they see a role for business leadership to contribute to nation building and sustainable development in India including: social investments and philanthropic contributions, core business operations and value chains, and engagement in public policy.

The policy environment in India is a particularly challenging one with commonly cited problems including lack of investment and technology transfer, poor implementation of laws, delays in obtaining permits for infrastructure investments, corruption and political paralysis. Nevertheless, leading businesses are engaged in efforts to work with government departments and through trade associations to engage with and influence public policy.

Three spheres of influence through which businesses are having a positive impact on nation building in India⁴

1. Social Investments and Philanthropic Contributions

- Providing employee volunteers and expertise
- Supporting education, training, environmental, health, and nutrition projects
- Building capacity of community leaders and social entrepreneurs
- Training local technical specialists in areas such as health and the environment
- Establishing and supporting micro-credit programmes and small business support

2. Core Business Operations and Value Chains

- **Producing safe and affordable products and services** – especially improving access to meet essential needs such as nutrition, health, energy, water, education, finance, housing, and information
- **Creating jobs** – recruiting locally, both within the company and along the supply chain
- **Developing local human resources** – investing in training, skills development, health and safety in the workplace and along the supply chain
- **Fostering entrepreneurship and building local businesses and business linkages** – through supplier and distribution networks, especially with medium, small and micro-enterprises
- **Spreading responsible business standards and practices** – in areas such as environment, employee health and safety, ethics and anti-corruption, product safety and quality and biodiversity
- **Supporting technology development and transfer** – investing in local research & development and spreading modern technologies from information technology to green technologies
- **Establishing physical and institutional infrastructure** – investing in plant and machinery, telecommunications and transport systems, and legal and financial frameworks and institutions.

3. Engagement in Public Policy

- Individual companies or business associations engaging in advocacy and public policy dialogue
- Efforts to build or strengthen public institutions and administrative capacity in order to bridge governance gaps and improve the enabling environment
- Delivery of services alongside government
- Supporting more systemic change at either the local, national or global level.

⁴ Adapted from Business and the Millennium Development Goals: A Framework for Action', by IBLF and UNDP 2nd Ed 2008

Illustrative examples of contributions to nation building

Ravi Kant – on working with communities surrounding the Tata Motors' factories

“The social angle’s very strong in the Tata system and at Tata Motors wherever we have factories the entire surrounding area is included for social activities, even before construction of the factory is started. And the three areas we concentrate on are education, health and employability. And we do it in many ways. For example, we consult communities surrounding the place of work, factories, and then we say how can we make the villages self-sustainable? This includes looking at things like drinking water and toilets.”

S. Sandilya – on Eicher Schools

“Eicher as a company through a foundation runs three schools all of which are under CBSE affiliation. These are not something which we are doing because we are compelled to. We started them long ago because we went to open a plant in Rajasthan and there were no schools available. Our own children did not make up even 2% or 5%. Many of the children came from the local area. Today it’s one of the best schools in Rajasthan. And we’re running our schools on not for profit basis, because they help society.”

Mehr Pudumjee – on energy conservation and environment strategy at Thermax

“Thermax started as a boiler company. My father and grandfather strongly believed in conserving energy and preserving the environment. This gave us the opportunity to start the air pollution control division, to clean up the particulate pollution created by boilers. Thermax has always had a frugal culture and has been concerned about conserving resources. Today we call it “sustainability” - at the time, it was concern for the environment and an opportunity for growth. The Cooling Division started when we asked ourselves about applications for waste heat. This niche technology called Absorption Cooling uses either waste heat or oil / gas for process or comfort cooling and a very small amount of electricity as compared to conventional chillers. Thermax has defined energy and environment as the umbrella under which we are constantly innovating and investing.”

Rajeev Bakshi, Metro Cash & Carry – on developing capacity of suppliers and local kiranas

“My suppliers are one of my key stakeholders. Developing infrastructure with suppliers in my mind so they are able to get extra income is CSR in my opinion. Going directly to them, funding them, creating infrastructure for them, facilitating them, training them is CSR. So is spreading good labour practices. India doesn’t for example have good trained resources for modern retailing. The second strand is the local kiranas who are vulnerable, so how do you actually help them with the transition? Either you support them or you provide let’s say reasonable employment for them. So if you’re causing disruption to society, there is a clear need to retool the society, retrain the society. This thinking is integral to my business model.”

Harsh Pati Singhania – on reducing water consumption at JK Paper

“One of our businesses is in the pulp and paper industry. At one particular location – two decades ago we realised that growth of this particular unit was constrained by water availability. From that time we have more than doubled capacity despite the same water resource being available. In fact that resource is also depleting. And today, as we speak, we are in the midst of another expansion which will double our capacity yet again. And we are still using the same water resource. It tells you that technology & scale are critical in achieving more with less natural resources. And eventually for a more sustainable world”.

Y.M. Deosthalee – on L&T Finance micro-finance initiative

“L&T Finance is committed to ‘Developing India – from the Grass roots’ and to bringing about financial inclusion of the under-served. Micro Finance funding made a small beginning in L&T Finance in July 2008 extending loans to a group of 15 people in a small village in Sangareddy in Andhra Pradesh. Since then it has grown to approx. 397,000 live borrowers and a book size of over Rs 239crores. L&T Finance also plans to offer other products and services aimed towards inclusive growth of the under-served. We have also built a strong relationship in our area of operation by creating employment opportunities for the rural unemployed and by taking up specific theme oriented community development programs.”

Adi Godrej – on the CII-Sohrabji Godrej Green Business Centre

“We have set up a business centre in Hyderabad with CII, the CII-Sohrabji Godrej Green Business Centre, which is one of about 10 Centres of Excellences of the Confederation of Indian Industry (CII). The purpose is to demonstrate to Indian business how green business can be good business and profitably done and value added, and a lot of good work is getting done there. It offers advisory services to the industry in the areas of green buildings, energy efficiency, environmental management, renewable energy, green business incubation and climate change activities. The Centre is housed in a Green Building which received the prestigious LEED (Leadership in Energy and Environmental Design) Platinum Rating in 2003. This was the first Platinum rated Green Building outside of U.S.A and the third in the world.”

“I think we are very clear about what has worked for us in India, and we are very clear it will also work for us elsewhere. Anywhere in the world, in fact. It’s the same view of the importance of corporate governance, of ethical standards within your company, of giving back to society, which then feeds into the way in which you might want to present the brand. And it is pretty much a mandate with every one of our CEOs and businesses outside the country that there has to be a significant focus on community service and giving back to society”.

Mukund Rajan,
Head of Brand, Tata

From nation builder to responsible multi-national business leader

How have business leaders in India been connecting their approaches to nation building in India, when they source or expand abroad, and how well do the approaches and philosophies developed in India translate to other countries?

On the whole most Indian businesses are preoccupied with the social development needs of India, not surprisingly given the scale of the development gaps, and this will be reinforced by the fact that the new Companies Bill does not take into account corporate social responsibility activities and expenditure abroad.

The way that companies deal with sustainable sourcing outside of India, usually depends on the company’s sustainability strategy and therefore replicates the same practices and standards used in India. Two examples where companies are actively focusing on sustainable sourcing of raw materials are the case studies of Hindustan Unilever’s sustainable palm oil sourcing and Dabur’s medicinal plants project in Nepal.

Nitin Paranjpe – on building sustainable farming capacity through Hindustan Unilever’s sourcing strategy

“We have a goal that by 2020 we will source 100% of our agricultural raw materials sustainably. For the last three years we have paid between \$10 to \$3 premium on every ton of palm oil which we have bought. Why? To create sustainable farming capacity which was not there. So we were willing to pay a premium. And if that is not a cost towards social development then I don’t know what is.”

Anand Burman – on the biodiversity and ingredients strategy of Dabur

“We use about 1500 different types of plant material in our medicinal products. We make sure that none of these are endangered or may be at risk of being endangered and will have a sustainable future. We have two greenhouses, one in India and one in Nepal. Dabur Nepal initiated the Medicinal Plants Project in the mountain regions of Nepal. We provide modern scientific support for the cultivation and processing of these plants by local farmers. We propagate these herbs using contract farmers and they are provided saplings through local community development agencies and the harvested plants are bought by Dabur Nepal at market prices. In Nepal we are working with about a dozen NGOs on this project. We provide modern scientific support for the cultivation and processing of these plants. So this helps people specifically up in the hilly areas of the nation where they don’t have very much agriculture to fall back on.

Our supply chain extends around the world and we source a lot of things from Indonesia, Sri Lanka and from parts of Africa. We have not yet extended this approach of working with contract farmers to other parts of the world. We source on a commodity basis.”

From the interviews there was a belief that community and sustainable development approaches developed in India are proving valuable and relevant when expanding abroad. When an Indian company is working outside of India it retains its “*philosophy*” or “*values*” with respect to social and environmental development. This is an extension of being a competent business at home with a set of business standards that naturally and automatically translate to the way they do business abroad, particularly when they grow organically. When operating abroad, the drivers for sustainability are the same as when operating in India, namely doing good business, ensuring a licence to operate and grow, and creating shared value. Wipro, for example which earns 50% of its revenues from the US, recently introduced the Wipro Science Education Fellowship in the US and are working with universities which work with deprived inner-city school districts in order to promote the development of IT skills.

The link between business values and the way that Indian business is presenting itself abroad, in terms of confidence in Indian foreign direct investment, is interesting. For example, Tata Motors’ successful acquisition of Jaguar Land Rover boosted the brand of Indian business as a whole. There is also evidence of reverse innovation with examples of Indian models being played into both developing and developed markets. For example, Unilever has drawn on its bottom of the pyramid sales models in India to transfer to other markets. At Tata Chemicals, Indian business experiences of dealing with issues of climate change at the ‘coal face’ have enabled them to spread these ideas through their developed market acquisitions.

Best practices flow in both directions and as more Indian MNC’s look to list on international stock exchanges and are subject to investor expectations and requirements, this market pressure also raises standards at home. As global revenues continue to grow as a percentage of the business this trend is likely to continue.

R Mukundan – on Tata Chemicals international acquisitions

“So we found for example when we acquired entities around the world, not everyone was at the same level of maturity in terms of the issues relating to the community. For example in our African operation, we are much more in tune with the community issues and there is a deep understanding that communities are very critical. And I think maybe in Africa we do some things even better than elsewhere. The whole issue of becoming carbon-neutral, initially the view was that it was critical in Europe. But after our leadership attended the Cambridge programme for Sustainability Leadership and customer programmes of companies like Unilever & Procter and Gamble and they listened to leaders like Paul Polman speak, our teams are now convinced, and we now have an internal buy-in across the entire enterprise around the globe.”

Business leaders as global citizens?

As Indian MNCs become increasingly prevalent and Indian businesses continue to search for opportunities to expand globally, Indian business leaders of large, global, multi-brand businesses are increasingly playing a visible role on international platforms such as the World Economic Forum at Davos and the UN Global Compact Summit.

As highlighted in our earlier report⁵, these platforms have become fora where business leaders of some of

5 Leadership in a Rapidly Changing World: How Business Leaders are Reframing Success. International Business Leaders Forum and Ashridge Business School. 2012. <http://www.ashridge.org.uk/leadershipcapability>

the world's biggest companies can play a central role in shaping influential global policy decisions. For example, as part of the recent consultations for Ban Ki Moon's high level panel Paul Polman, CEO of Unilever, and one of only two private sector representatives appointed to the panel, asked business leaders like Nestlé's Peter Brabeck, PepsiCo's Indra Nooyi, DSM's Feika Sijbesma and GSK's Andrew Witty for detailed perspectives on what they thought the panel's report should say on water, energy, health, food security and nutrition. At the same time the High Level Panel convened roundtables in Davos and numerous other countries around the world, where CEOs from some of the world's most influential companies engaged in in-depth conversations about what the Post 2015 development goals should be, and how the architecture to achieve them could support and encourage contribution from the private sector. The final report of the High Level Panel shows how influential this input has been with a strong focus on jobs and enterprise, as well as inclusive growth⁶.

The global development agenda was however not the key focus for the Indian business leaders interviewed. The emphasis was rather on solving problems in India, and on investing in tangible community programmes versus big global development themes. Few Indian CEO's or Chairs have engaged directly on the Millennium Development Goals (MDGs) or use them as a guiding framework and there is little evidence that companies use the MDGs as a reference point when selecting goals and measures to report on. This is a common issue, not one which is unique to India. Where they are making a contribution to achievement of the current MDGS the link is not explicit. On the other hand, education, health and sanitation, livelihoods and employability, all specific action areas in the UN MDGs find mention in almost every interview. Indian business leaders seem to be aware of the issues, and engaged in

implementation of relevant initiatives, without looking for specificity in reporting to global frameworks or looking to solve these issues in other markets, except at a local community level connected to their business operations.

As Indian MNCs continue to grow and expand, it is likely that Indian business leaders will become increasingly influential in the global policy arena and we can speculate that we will begin to see leaders of large Indian MNCs actively participating as 'global citizens'.

Critical questions?

What capabilities and mindsets will future Indian business leaders need in order that Indian business can play a significant role in nation building in India and evolve into a global leader in responsible business?

What kind of values, processes and practices should Indian business leaders institutionalise in their organisations?

How can they collectively and individually work with civil society and governments to find the most optimal path to profit? And what kind of platforms can be created to encourage this kind of collaboration?

How can they showcase these practices so that funders, investors and markets promote and reward these investments?

⁶ A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development: The Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda, http://www.un.org/sg/management/pdf/HLP_P2015_Report.pdf

“I would say it is both ideological, philosophical, but it is also self-interest of the industry to insure inclusiveness which as you go forward becomes a belief. You start living it.”

Subodh Bhargava
Chairman, Tata Communications

LEADING THE CHANGE

Evidence from the interviews shows that business leaders who are committed to playing a significant role in nation building in India pay attention to three things: **1. Aligning personal and professional values**, **2. Leading change across the business**, and **3. Leading change beyond business boundaries**. Many of the individuals and businesses included in this report are already at Step 3, and are taking a leadership position outside their business boundaries. Others may need to start by first clarifying their own philosophical positions and personal and corporate commitment and then getting their own companies in order before seeking to influence the wider environment.

Anurag Behar – on the sustainability leadership journey at Wipro

“The thing which I will emphasize again and again, is the importance of understanding and clarifying your own philosophical anchors – individually and for the company or the organisation. To my mind, that is the heart of the issue and that is where most organisations just don’t do it. Philosophical clarity doesn’t develop over a retreat or a few meetings. We went through a process of about 1.5 to 2 years of formal discussion and debate. The conviction comes in over a period of time.”

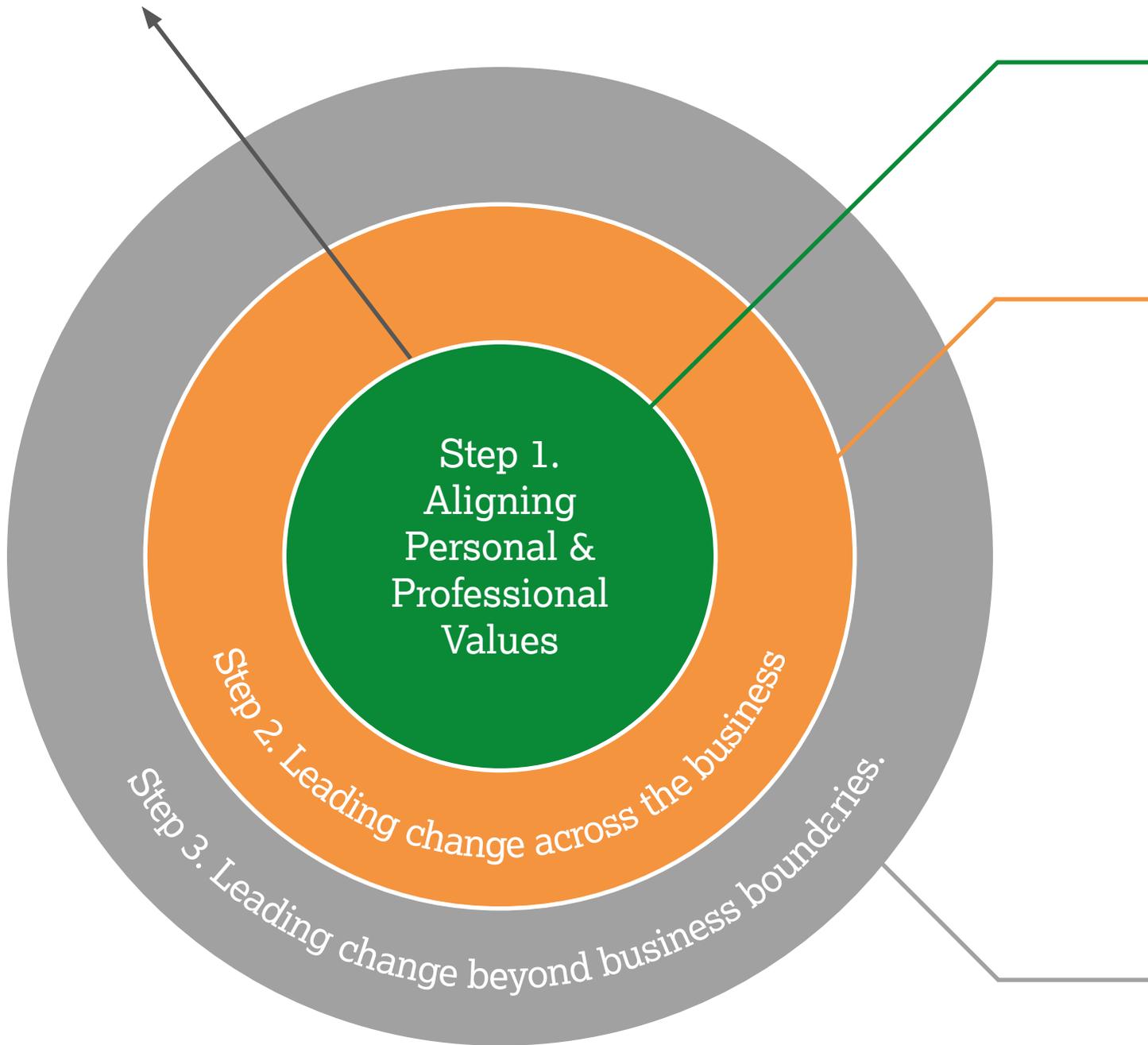
Nitin Paranjpe, MD & CEO Hindustan Unilever - on helping future managers connect with the ‘real’ India

“I came into Hindustan Unilever after doing an engineering degree and an MBA and as part of the management trainee programme I was supposed to be sent to live in a village. All new recruits would be sent to live in villages so that they could see, observe and learn how 70% of India is living. As things worked out I didn’t go into this village in the first year of my training programme – and a stage came when there was a need for a sales manager. But the system also realised that I had to go and meet the Chairman for my confirmation, and if I hadn’t done my time in a village, the head of management development would be in trouble. So I was sent out quickly for a period of four weeks to a village. Normally it was an eight-week stint. And when the chairman found out that I was sent for four weeks only, he wasn’t happy and a lot of people had a lot of explanation to do. It just reflected the importance which we gave to this grounding in values. In hindsight my rural stint was one of the best experiences that I have had.”

S. Sandilya – on a stakeholder view

“Business leaders have got to look at it from all stakeholders’ points of view and not just the shareholders’ point of view, which is the kind of philosophy that people like Eicher followed from the beginning, that we have to be fair to every stakeholder. Whether employees, dealers, vendors, customers, the community or shareholders. It is that overall community. With that kind of a consciousness then we are better off than mandating.”

Increasing need to work with other stakeholders



“Ultimately how much time you spend and what kind of passion you demonstrate to this is what counts. If you say, ‘I’m deeply connected with sustainability’, but you don’t spend enough time and you don’t give time to your people to understand some of these aspects, what message are you sending? It can’t be lip service.”

Y.M. Deosthalee,
Chairman and MD, L&T Finance

Step 1. Aligning Personal & Professional Values

Previously, the dominant philanthropic model allowed individuals to make a contribution in a way that did not impinge on their commercial activities. Personal or corporate giving does not involve any changes to the model of doing business. When the aim shifts to

making a contribution from 100% of the business, ‘creating shared value’, individual business leaders find themselves on a journey to find alignment between personal and professional values and a new clarity of purpose.

Step 2. Leading Change across the Business

Ensuring that CSR, responsible business practices and sustainability are embedded in the values, policies and practices and brand of the business.

2.1 Give CSR & sustainability visible attention:

The importance of the leader giving visible time and attention to the issues, as well as allocating sufficient resources is crucial. The only way in which the CSR, responsible business and sustainability agenda can be executed, is if, in discussions with the management team, the Board and amongst the senior community, this topic is a regular part of the agenda. Internally the most powerful way of raising awareness and developing commitment is to connect the management team with people outside the organisation who are doing excellent work.

2.2 Redefine performance to include all stakeholders:

Business leaders need a relentless focus on performance, but performance defined differently to include all stakeholders – this is the only way a business will get lasting respect.

2.3 Implement rigorously:

Maximising the contribution of core business to social development involves extensive debate

and formulating the right approach based on a thoughtful set of initiatives. These need to reflect the same level of rigor & strategic thinking as any other business initiatives and to follow best practise in monitoring and reporting..

2.4 Develop innovative leadership development practices to help future leaders to connect with the ‘real India’:

Business leaders need to ensure that their organisations develop the skill set and awareness needed to work with communities and confront local challenges. A number of organisations including Hindustan Unilever, Tata and L&T Finance give particular weight to the importance of on-the-ground experiences for leadership development.

2.5 Collaborate with NGOs:

Business leaders who want to contribute to social development instill a partnership culture to ensure that the company has the right skills and experience to contribute to social development.

Step 3. Leading Change beyond Business Boundaries

An individual company can increase its impact and play a leadership role through role modeling, collaboration with other companies and proactive policy engagement.

3.1 Be a role model:

Companies can contribute to consciousness raising and knowledge sharing by acting as role models and sharing best practices.

3.2 Engage with Public Policy:

Work with government departments and through trade associations to engage with and influence public policy to support the private sector’s contribution to social and sustainable development.

HOW CAN THIS TREND BE ACCELERATED?

Clearly a positive transition is underway and there is an opportunity to accelerate progress by challenging and engaging a much wider group of business leaders and mainstreaming responsible business practices. However, it is not possible to rely on compliance with legislation alone. The transition will need broader leadership from the business sector which means more individuals putting their time and energy behind this agenda and a vision of a thriving, private sector contributing to social development. Five key recommendations to achieve this are:

1. Develop practical implementation vehicles for the 2% CSR spend

Current disputes over the application of the 2% rule need to be transferred into tangible and pragmatic vehicles for action. The Companies Bill may be a catalyst for further expenditure, but there is still a big question about how companies can pool their efforts and resources and work with government, as well as NGOs, to ensure that this investment delivers the expected outcomes. There is a significant opportunity through this initiative for well conceived, planned and monitored initiatives to contribute to development goals, including the Millennium Development Goals. For SMEs which do not have the capacity to meet these requirements, the creation of shared industry funds through industry associations could be one way to coordinate efforts and channel investments in a more scaled up way.

2. Broaden the debate

Overall, if the debate in India around the potential for business to contribute to social development, is limited to the idea that business's key role is to provide funds for NGOs and government programmes, then a significant opportunity to leverage all the resources and energy of business will be wasted.

There is a real danger that without a strategic view, companies will react by spending money on the side to offset negative business impacts. It then is seen as

a very separate thing which is probably in the end not going to have great impact, as opposed to compelling people to see that more of their core business needs to be done in a sustainable fashion and therefore that 2% of profits in the end is actually a very low number for the amount of energy that is going in that direction in most companies.

As shown by leading companies in this report, it is possible to use these investments strategically so that all of a business's supply chain activities, many raw material sourcing activities, employment activities and skills-building activities could be counted in the definition of CSR. In this way CSR activities can create 'shared value' by having a much greater impact on social and environmental outcomes and at the same time directly enhancing business outcomes.

3. Demonstrate what is possible

There was a strong consensus that a lot more effort needs to be put into demonstration, pilot projects, and tangible examples which businesses can then try and emulate, rather than more discussion fora as these tend to attract the individuals and companies who are already committed and active. Leadership by example, knowledge sharing and publicising what is possible were highlighted as important areas for raising awareness and engaging the wider business community. Important examples of where this is happening already include FICCI, the TERI Centres and the CII Centres of Excellence.

Large companies can play an important role in leading by example. For example, in the area of community development Indian business still looks to the large business houses such as Tata and Eicher for best practice. Others such as Godrej are helping to spread best practices through the CII-Sohrabji Godrej Green Business Centre. There are many such examples and much more leadership in this space is needed, particularly through cross-company or cross-sector collaborations, which can avoid any self-promotion which may be seen as at odds with the Indian tradition of dana.

“I would urge business leaders to be far more ambitious. Rather than divide the world between social sector and business sector, impact and no impact, I would say to you: ‘whatever you’re doing, try to change the world in that very field’. I feel we need more leaders of that nature who think beyond the narrow confines of today. Businesses have resources. They can be ambitious. There’s no shortage of talent in the country. I feel what is missing is ambition.”

Nachiket Mor,
Co-Director Sugha Vazhvu

Dr Pachauri on TERI Centres

“Unless you get your hands dirty, and do the kinds of things that you’re trying to preach to everybody else, I don’t think you would really carry credibility with whatever you want done in society. So that’s why we have this vertical connect between something which is purely policy, not just at the national level, at the global level; if you look at climate change, it’s a global issue. But also activities that in a sense symbolize what we are talking about at the basic grass-roots level, whether that’s with villages, where we are doing a lot of work all over the country and in other countries, in Africa as well; working with industry, carrying out activities such as the use of Oilzapper a bio agent for cleaning up oil spills.”

4. Strengthen cross-company and cross-sector collaboration

In India there is still a big trust barrier between corporates and NGOs and most collaboration between the two happens at a very local level. Again the big business houses have demonstrated the importance of investing ahead of the curve when establishing new plants and factories. They have also demonstrated the importance of developing new skills and capabilities to partner with NGOs and government in community work, and have developed innovative approaches to leadership development which ensure that the next generation understands the business and community interface. There is an urgent need to scale up the capacity of all sectors to collaborate with each other for the greater good.

There was general consensus from the interviews that multi-stakeholder platforms are very weak in India and that there is still a lot of difficulty in bringing together different groups of stakeholders to collaborate effectively. Given the difficulties of collaboration it is likely that a lot of business leaders will chose to focus on their own initiatives, perhaps working with a few NGOs, rather than engage in complex, multi-company and multi-sectoral initiatives. This would be unfortunate because effective policy influence has to happen via collective action or runs the risk of being self-interested. There are examples from outside India where this has been effective, for example the Extractive Industry Transparency Initiative, Better Cotton Initiatives and the Voluntary Principles on Security and Human Rights.

More Indian leaders need to have the courage to stand up and work on key development issues and actively demonstrate role model behaviour by working with NGOs and others to create cross –sector and cross organisation efforts. There are some emerging examples of companies pooling their efforts through trade associations, for example in the auto industry where companies have agreed to collaborate to build training schools and adopt certain ITIs, (Industrial Training Institutes), amongst themselves. In addition, an emerging platform, India Backbone Implementation Network , is being conceived and put in place by India’s Planning Commission, with mentoring from IBLF’s Partnering Initiative, to strengthen the framework of multi-stakeholder dialogue and sector-focused action.

5. Have business lead innovation in social development

The world is beginning to look to India for examples and models of organisations expanding their business footprint into the bottom of pyramid and focusing on social development agenda as part of their business goals. One of these examples is SughaVazhvu, a rural healthcare project that is an experiment in managed care. With a few trained health practitioners, the project aims to closely track and meet the healthcare needs of about 50,000 families, using medical records, diagnostic technology and strict protocols to address rural India's shortage of trained healthcare practitioners. Another is L&T's commitment to the micro-finance business. There are many more new models and examples from this micro industry being developed and piloted in India, and they offer significant potential to support sustainable livelihoods at a community and city level. This is an area where IBLF is working with the UNDP's Business Call to Action programme and the Business Innovation Facility to support the development and scaling up new ideas and models that support development goals. This is an area where the business community, including the finance industry, could play a much more active role.

6. Translate national progress into competitive advantage globally

If Indian businesses can get these models working at home and become national leaders in responsible and sustainable business, this offers a huge competitive advantage for them in other markets. At the same time they will be contributing to the 'brand' of Indian business more widely. Government and business leaders could give a lot more attention to the opportunity that capability and reputation for responsible business and sustainability offers for Indian business to become partners and investors of choice, rather than of necessity, in both developing and developed markets.

“ At the moment companies in India are going out to various other countries. They have a tremendous amount of responsibility. Because what the brand of India will be, what the brand of India business will be, will depend upon how they behave and how they act in these countries.”

Ravi Kant
Vice-Chairman, Tata Motors



About IBLF

Over the past 23 years, IBLF has worked with leaders from business, government and civil society to address sensitive and groundbreaking issues such as corruption, environment, health and human rights through cross-sector partnership and promotion of inclusive and responsible business. We have collaborated with decision-makers from all sectors through roundtables, working groups, and forums, as well as practical, results-driven programmes. Supported by a network of over 85 multinational companies from Europe, America, Asia and the Middle East we have inspired business leaders to find solutions to some of the world's most intractable social, environmental and economic challenges.

The establishment of local operations in Moscow, Beijing and Mumbai enabled us to work with business leaders in these high growth markets on the social, economic and developmental challenges, working with them to find practical domestic, as well as global, solutions to these problems.

India has been central to the development of IBLF's knowledge of how business contributes to society, and the location of many of its programmes. Indian business leaders were active members of IBLF's governance from the time of its 1992 launch in Jamshedpur. Six Indian business leaders have been members of IBLF's Leaders Council, a global group of senior figures. In 1997 IBLF established an affiliate organisation in India, the Business and Community Foundation.

The Partnering Initiative (TPI) brings together two decades of experience in over 25 countries to provide strategic advice and support to leading international companies, development agencies, governments, and civil society organisations, helping them harness the power of cross-sector partnership for development. TPI operates a central hub based in the UK and delivers services and projects through a global network of highly experienced Associates.

To find out more about IBLF go to www.iblf.org or www.thepartneringinitiative.org