GIVING THE BEST: A FORMULA TO HARNESS THE REAL POTENTIAL OF THE CORPORATE SECTOR IN SOCIAL DEVELOPMENT

This article suggests a minor amendment in the 'Companies Act 2013' so that the concept of Shared Value can be incorporated in CSR policies of Companies operating in India. This initiative, according to the author, will dispense with unnecessary complications and ambiguities that currently hamstrung the CSR activities in the country. The central idea of this write-up is premised on the facts obtained from a case study to which the author was a witness. (Details have been published in IIPA Quarterly Digest Vol. 3.3) The concept of 'Creating Shared Value', widely popular in Business literature, has also substantially contributed to the formulation of the idea.

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An inescapable priority

The business of business, today, is more than business. The contemporary world expects, rather demands, that businesspersons display considerable degree of commitment towards the society wherein they ply their respective trades and the environment whose resources they utilize. This demand, conceptualized as 'Corporate Social Responsibility' (CSR), enjoins upon business corporations to make a positive contribution to the society and the environment. Myriad watchdogs are eternally vigilant to ensure the compliance of business organizations to the standard codes of ideal social behaviour. Indeed, woe betide the company that has earned an evil name in this regard. The stigma, whether obtained by engaging underage children in dingy sweatshops or in the course of polluting a river with harmful effluents, is indeed indelible and atonement is a difficult and a complicated process. Love it or loathe it, CSR is here to stay and the onus is upon businesspersons to adjust themselves to its demands.

CSR in India

With many countries around the world contemplating legislations on CSR, India has acquired the unique distinction of becoming the first nation to pass a law in this regard. The India's Companies Act 2013, enforced 1st April 2014 onwards, makes it legally incumbent upon companies, both indigenous and foreign, to spend 2 percent of their average annual profit in terms of CSR. The rules, detailed under Section 135 of this Act, decide, on the basis of a certain amount of turnover and profit, as to which companies are to be included within the ambit of this law.

The upshot of this novel initiative has not been as spectacular as was initially expected. Eight years since this law came into force, the results are at the best mixed. While some companies have meticulously adhered to the rules of the Act and have delivered nothing less than their very best in terms of CSR, others, who constitute

the vast majority, have either not been able to spend the stipulated amount and in the worst case, have done hardly anything substantial at all. As a matter of fact, what becomes increasingly manifest from the perusal of the numerous reports and literature in this field is the fact that very few have a clear idea as to what exactly constitutes CSR and how it is to be undertaken.

Universal confusion

This confusion over CSR is not singular to India. In fact, companies all over the world are facing an identical situation. On one hand, CSR is fast becoming an indispensible factor in business. Yet, a clear cut roadmap that is unanimously accepted and endorsed by all is lacking in the market. Businesspersons owe an obligation to the society and they must pay her back. The modalities of this payback, are however, not well defined. This is the single most significant factor behind the lukewarm success of CSR in India.

This haze of ambiguity has enabled many organization to devise novel strategies to circumvent the CSR law. It has been reported from various quarters that far from anything substantial, even initiatives like arrangement of blood donation camps and sit and draw competitions for children are being showcased as CSR activities by certain companies in India. It would indeed be a dismal situation if such a spirit of subterfuge becomes contagious and the CSR duties eventually degenerate into a hide-and-seek game with the authorities.

The chimera of selfless philanthropy

"Men are moved by two levers only: Fear and Self Interest", observed Napoleon Bonaparte. The mantra holds true for business corporations as well. Unless a businessperson is able to detect a prospect of profitability in a particular venture, there is no cogent reason as to why the prospect of investing his time, energy and hard earned money into it should appeal to him or her. The strong arm of the state can no doubt extract its due, but grudging compliance seldom yields the best result. If the real potential of the corporate sector is to be harnessed in the process of social development, then it would be absolutely necessary to ensure its spontaneous participation. How then, can we make that happen?

The Shared Value Model

Of the many exegeses on CSR that dominates academic and popular discourse, one particular concept seeks to specifically address the above question. It is called "Creating Shared Value (CSV)" and was introduced in Business literature for the first time by Michael E. Porter and Mark R. Kramer in a seminal article titled, "Strategy & Society: the Link between Competitive Advantage and Corporate Social Responsibility", published in the *Harvard Business Review*. The essence of this elaborate article is that instead of spending their resources in CSR in a disorganized and haphazard manner, companies should devise a coherent strategy that is mutually beneficial to them as well to the society. Thus, the authors opined that at the core of the CSR strategy of any company should be the value which it shares with the society. In identifying a social issue that holds particular significance to the business interests of the company and by making it the focal point of the CSR activities, society and business enter into a symbiotic partnership. Once a shared value is accurately identified, CSR ceases to an act of selfless philanthropy. CSV enables channelling resources of a company in social development while effectively promoting its own business interests. It is a win-win formula for both the parties.

CSV and the legal impediment

The CSV model, ever since its inception, has been gaining popularity all over the world. In India too, the progenitors of this idea have earned an enviable number of converts. However, this model, despite its popularity, has not been endorsed by the Indian Government. The Indian Companies Act 2013 explicitly forbids the companies to engage in any kind of CSR activity that might favour their own business interests. According to Rule No. 2(e) of this Act, the definition of CSR activity excludes "activities undertaken in pursuance of normal course of business of a company", thereby unambiguously negating any scope of shared value creation in CSR activities.

A problem and a success story

Many a developmental challenges plague a developing country like India. Let us, for instance, consider the problem of hunger and malnutrition. This is one of the most serious social problems which the world, especially Low and Middle Income countries (LMICs) like India, have not been able to effectively manage till date. Hunger and malnutrition ranks second in the list of the fifteen Sustainable Developmental Goals (SDGs) drafted by the United Nations General Assembly that are set to be achieved by 2030. In terms of malnutrition, child malnutrition to be particular, India, along with other nations, has been grappling with this challenge for years. Perhaps there is a tacit recognition of the fact that it is not possible for the Government to single-handedly tackle this problem and corporate participation is indispensible in this regard. In all likelihood, it is this idea that has identified "hunger and malnutrition" as the topmost issue which calls for corporate intervention through CSR. Many Corporations are indeed rendering commendable services through CSR in India's fight against malnutrition. These services, by and large, are in the form of awareness generation, promotion of nutritional food habits, feeding the hungry and malnutrition afflicted children by volunteers, providing nutrition-kits to people, construction of nutri-gardens, etc. Despite all the good work, these initiatives are irregular, disconnected and localized in nature. Till date there is no roadmap available that offers a regular, coherent formula and has a pan-India application. In this regard, I have a small anecdote to share with the readers. The narrative is entirely premised on my personal experiences as a public official working in the field of child-malnutrition and may provide some insights to the interested reader.

The Case Study

The incident that I speak of and intend to use as the basis of the subsequent theorization was a small case study conducted in a Community Development Block (CBD) in a socio-economically underdeveloped region of the state of West Bengal. The entire case study has been previously published by IIPA in the form of an article. In a nutshell, the experiment was all about donating branded nutritional supplements to children registered as severely malnourished in a Government run ICDS (Integrated Child Development Scheme. A major flagship programmes of the Indian Government to improve the nutritional status of children in the age group 0-6 years (along with pregnant women and lactating mothers) Project. The benefactors in this case were affluent and influential members of the local community. The results were spectacular beyond measure. Over a period of five years the total number of severely malnourished children came down from 206 to mere 5. (Out of around 10,000 children registered in the project.) The total percentage of underweight children below 5 years in the CDB, thus, stood at .005% as against the national average of 35.5% in 2019-21.(As per the recent report of National Family Health Survey (NFHS) conducted by the Ministry of Health & Family Welfare.)

Eventually, the Covid-19 pandemic threw the existing order in total jeopardy and the practice came to a sudden halt. As a public official posted in the region, I bore witness to the entire operation from its inception to the abrupt termination.

This highly successful practice, unfortunately, could not be resumed once the pandemic induced hiatus came to an end. In consideration of the serious socio-economic damages inflicted by the pandemic, the programme was no more economically viable. This would not have been the scenario if somehow corporate participation could be ensured in the initiative. The programme would have been sustainable and far more successful. Sounds impractical? Allow me to explain.

A hypothesis

According to reports, India is the fastest growing health food market in the world. The country is also the largest market of various brands of Health Drinks, accounting for about 20% of the world's retail volume sales. The health beverage market in India is projected to grow by 3.84 billion USD by 2026 progressing at a CAGR of 9.89%. Big brands which dominate the health beverage market include names like Horlicks, Boost, Moltova (manufactured by GlaxoSmithKline), Bournvita (manufactured by Cadbury India), Complan (manufactured by Zydus Wellness), Pediasure (manufactured by Abbott Nutrition), Milo (manufactured by Nestle),Amul (pro) (manufactured by Gujarat Cooperative Milk Marketing Federation), Protinex (manufactured by Donone) etc. Now what do these companies do when it comes to CSR? Their annual CSR reports tells us that their CSR activities include, awareness generation and arrangement of training programmes as regards issues pertaining to health, nutrition and diseases, skill development among the members of the deprived sections of the society, development of rural infrastructure, financial support to students in the form of scholarships, environmental upgradation, etc. These are indeed commendable projects undertaken in perfect compliance with the law of the land. But to what extent these programs are able to make a significant contribution in social welfare and development is a question which, as of now, does not have an objective answer. For that matter, these services, which constitute the CSR activities of the mentioned companies, are already extensively rendered by the various institutions and functionaries of the Central and State Governments and numerous NGOs. As the narrated case study unambiguously establishes, what is needed from these companies to successfully manage the menace of child malnutrition is simply their excellent products. That is the best they can render to the society. Therefore, let us conjure of a situation where products like Complan, Horlicks or Pediasure are directly utilized in the fight against malnutrition.

Let us imagine for a brief instance that these companies are relieved from the obligation of engaging themselves in these varied activities, not one of which come within their province of expertise. Instead, they go on doing what they are best at i.e., manufacturing their products. When it comes to CSR, all that they have to do is make a donation of their products to the Government whose cost would be monetarily equivalent to the stipulated contribution they have to make as per the provisions of the Indian Companies Law. This arrangement would do away with lot of unnecessary complications and put all redundant activities to a permanent halt. The management of CSR would become absurdly simple both for the Business Corporations and the Government. This would also favour the business interests of the former in terms of advertisement of their products and market penetration. But most important of all, it will tackle the sinister social problem of child under nutrition with nothing less than surgical precision.

Giving the Best: A simple yet effective formula

Let's name this strategy, "Giving the Best". The philosophy behind this suggested model is that a business corporation can render its best to the society simply by contributing what it is best at doing. In other words, skilfully harnessed, the specialized product or service which constitutes the very identity of a company has the potential to usher in tremendous social change. I have endeavoured to establish this point by taking one particular social problem and a particular set of commercial products into consideration. Now, proceeding from the particular to the universal, it can be argued that this formula can be equally effective for other sectors of business as well. For instance, pharmaceutical companies can, via the Government, donate their medicines to the Society. Likewise, companies operating in the Agricultural sector can make their products available to the poorer section of the masses through CSR. Construction companies can, in individual or collaborative capacities, come forward to build shelters for the poor and homeless. As to the distribution of these products among the masses so that society can accrue the maximum benefit, the task can be left to the Government. The Government has the necessary infrastructure for social welfare, companies do not. The nutritional supplements that I had mentioned in the case study can be made accessible to malnourished children through ICDS Centres and Primary schools run by the Government. In the same way, the medicines made available from the pharmaceutical companies through CSR can be utilized to manage public health by means of the elaborate network of Government-run Hospitals and Health Centres. This symbiotic partnership would act in the interest of both the society and the business corporations. In view of the prospect of Business promotion and market penetration, businesspersons will have an additional motivation to offer their products and services to the society. The society in turn will derive the maximum benefit of corporate philanthropy and monitoring the CSR activities of the companies' by the Government will become a simple task.

The need of a structural readjustment

The formula that I have tried to advocate through this article will by no means be a panacea for every social problem. In fact, given the multitude, heterogeneity and complexity of the developmental challenges that a developing nation like India has to confront, one-size-fits all approach will always fall short of delivering the desired output. In order to extract the best out of the corporate sector and to harness it for the benefit of the society, it will perhaps be prudent to make room for innovative and heterogeneous ideas and grant the widest possible latitude to the stakeholders. At the same time, ancient prejudices and shibboleths too need to be reconsidered in the light of the changing times and circumstances. There is hardly any cogent argument as to why the self interest of the companies should be treated like an anathema while discharging their CSR duties. The notion that Business interests and CSR are an impossible mix is but a vestige of outdated socialistic ideas which still continues to significantly influence the Indian collective consciousness. It is this hangover which stands in the way of incorporation of CSV in the present form of Indian Companies Law. This law as such, has been amended once after its enactment. In light of the current circumstances, perhaps it is high time that the prospect of a second amendment is taken into serious consideration. ■