Corporate Social Responsibility: A Case Study of Multinational Corporations Investing in India

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EXECUTIVE SUMMARY

Future business leaders must understand how companies can use Corporate Social Responsibility (CSR) initiatives to project an image of integrity, inspire and engage employees, provide sustainable relief for the less fortunate, and in some cases improve profitability. Effective CSR initiatives can create brand equity and build a caring and responsible corporate culture. Such a culture will not only help companies attract the best employees, but also give employees a greater sense of pride in the company. While the CSR programs may not always improve the bottom line, multinationals entering emerging markets realize they must have an effective CSR program to protect their brand equity, successfully navigate the non-market environment, and benefit the societies whose land and people they employ.

This paper creates a roadmap for business leaders to establish organizationally and socially effective CSR initiatives in emerging markets. To develop this template, research was conducted on the CSR programs of two large multinational corporations (GE and Ford) in India. This paper will illustrate and analyze the philosophy, organization, and implementation of CSR projects at both Ford and GE. From the findings, a template will be presented for creating social programs for similar companies looking to expand globally.
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INTRODUCTION

Why Invest in India?

Over the last decade, India has seen tremendous economic growth. In 1991, the government of India began a series of economic reforms that includes privatizing state companies. The opening up of the Indian economy has lead to growth in sectors such as services and manufacturing. The GDP is expected to expand by close to 6% in 2003 - 2004, and by 6.6% in 2005 (Economic Intelligence Unit 2003). Companies have found that investment in India is a profitable undertaking. First, India’s large population results in cheap labor and lower manufacturing costs than most countries in the West. Second, a very strong education system for the middle and upper classes focused on engineering and the sciences has created an educated and intelligent workforce. Indian graduates, in general, are analytical and hard working. Third, English is widely spoken in India. This makes it easier for American companies to transfer their services to India due to reduced communication barriers as compared to other low cost labor pools. Finally, India is an attractive location for investment due to the stability of its government.

The services sector is one example of an area that has seen tremendous growth over the past few years. Lower salaries, an educated English speaking workforce and a large market potential all have helped to make India an attractive location for companies to move their back end services. The services sector now accounts for over 50% (Economic Intelligence Unit 2003) of the Indian economy and is still growing. Another area of growth is manufacturing. As sectors are gradually opened, product quality and productivity will increase in this area. Combining the high level of knowledge with cheap labor will make India an attractive destination for manufacturing. A third area of growth in India is the construction industry. As the country
increases its population and industrial base there will be a need for new buildings, factories, and roads thus increasing demand for raw materials such as steel.

**India’s Challenges**

India is a large and diverse country. Physically, India is a little over 3 million square kilometers with over one billion people making it the second most populous nation. It is also the world’s largest democracy. Each area within India has its own dialect, customs and rituals adding to the diversity of the country. The large Indian population is an asset as it results in cheap labor and has helped attract foreign investment. Unfortunately, a large population has also led to widespread poverty.

Poverty tends to be concentrated in the lower castes and tribes. In an attempt to provide equal access to jobs and education to all members of Indian society, the government has instituted an affirmative action system which guarantees specific groups seats at universities and a percentage of government jobs. Even with special considerations given to these groups, a gap still exists between the upper and lower castes. It is difficult, and sometimes impossible, for many families to send their children to primary school if that child is essential as an income source. Unfortunately, many Indian children need to work to help the family survive, making it impossible for them to attend school. This contributes to the cycle of poverty. In addition, India does not have a government welfare system that can provide support for citizens living below the poverty line.
Another issue in India with substantial visibility, particularly in the West, is women's rights. The women’s rights movement is a relatively recent phenomenon in India and is growing. In rural areas, female infanticide and early abortion of female fetuses are still issues (Young 1995), but efforts are being made to educate the local population. Women’s education has improved substantially in the period between 1960 and 1991 with enrollment of girls in primary education increasing from 40 to 83% (Economic Intelligence Unit 2003).

Urban growth is a mounting issue in India. Most Indian cities do not have the infrastructure to handle large increases in population. As more people migrate to cities from rural areas, they stress an already overloaded system, resulting in large shanty towns, families living on the streets, increased pollution, and congestion. As migration increases to urban centers such as Mumbai and Calcutta, the need for water, housing, better roads, transportation, and electricity throughout the cities will intensify. In addition, infrastructure improvement is essential for India to continue to grow and attract foreign currency. Without improvements to roads, water and sanitation systems, and regular power, growth will be limited. One barrier to foreign investment is the corruption level in India. India was ranked as the 69th most corrupt country in the world in 2000 (Vittal 2001). Going forward, India will have to learn how to reduce the level of corruption in the government to continue to attract foreign investors.

Foreign investment is seen as a means for India to reduce its poverty levels. By creating new jobs and expanding the middle class, it is thought that the standard of living will gradually improve for the average Indian citizen. It is also essential for companies investing in India to understand the wide range of social issues that impact Indian society. Reducing poverty and
developing infrastructure will not only help build an Indian middle class of consumers but will also create a more attractive working environment for foreign companies. Continued foreign investment and employment opportunities will help India alleviate poverty, and meet its goal of becoming the next China.

**Guiding Paper Themes**

This paper describes the entry of Ford and GE into India, how they planned and implemented CSR programs, and general conclusions about CSR in India that may be drawn from their experiences. This may help multinationals already in or considering entry into India think about CSR in a structured manner. Specifically, the paper addresses the following:

1. *How does a company’s overall market launch strategy in entering India impact how CSR is planned and implemented?*

   For example, if a company sets up outsourcing operations in India, should their CSR strategy differ from a company who is planning on entering the Indian market? Does the length of time they intend to stay in India impact their CSR strategy? A related question is: if multinationals plan to maintain their business standards upon entering India, is it feasible for them to achieve a low-cost position within the Indian market?

2. *What role do the government and NGOs (non-governmental organizations) play in CSR in India?*

   This question relates to both a company’s motivation for doing CSR and the mechanism for achieving successful programs. In particular, does the Indian government have CSR
requirements for multinationals entering India? Also, how do multinationals partner with NGOs or other external organizations to implement CSR? GE’s and Ford’s experience identify conclusions on best practices in partnering with NGO’s and the most effective way to create a partnership.

3. How do companies make decisions about which societal issues they will address with their CSR programs?

Some interesting questions to consider are: Does the company tie its areas of impact to what the company does globally? Do companies focus on issues they believe to be of the most societal importance, issues which will have the strongest PR effect, or issues which support their business model? For example, one possible issue for Ford to work on is the quality of the road system in India, which would stimulate demand for cars helping Ford’s overall business.

4. Does CSR take shape in a companies’ day-to-day business or in extending beyond their core activities?

Every day, companies make choices. What environmental and safety standards will they set for their plant? What do they expect of their suppliers and downstream channel partners? Is bribery, even unofficially, a normal part of doing business? These types of issues also impact Indian society and can be considered part of the CSR umbrella. Also included under this umbrella are the more top-of-mind CSR issues such as donations to charity, contributions to societal infrastructure, and environmental programs that are not aligned with a company’s daily activities. This paper will explore how GE and Ford deal with CSR in these two domains.
5. *What structure do companies use to drive their CSR programs?*

Do companies use more of a donation-based or volunteer-based model? To what extent is the program formalized versus driven by individual employees? Does the responsibility for CSR programs fall directly under one person (for example, a VP of External Relations) or is it a governing board comprised of a coalition of different representatives within the firm? How do companies encourage involvement in programs and evaluate the effectiveness and impact of these programs?

6. *What general conclusions can be drawn about characteristics of successful multinational CSR programs in India?*

This is the main thrust of the paper and will be a synthesis and result of the other guiding questions. By examining Ford’s and GE’s different models, we will be able to summarize what works well and could be improved in each setting in order to draw more general conclusions for other multinationals.

**Corporate Social Responsibility Theory**

The concept of CSR has evolved and matured over time. Milton Friedman (1970) argued that corporate responsibility is “to conduct the business in accordance with [owners’] desires, which generally will be to make as much money as possible…” He further argues that corporate executives who serve some social purpose are acting as civil servants by imposing taxes on shareholders and making expenditures that shareholders would not approve. Firms operating under this perspective may directly benefit others if doing so increases market value (Baron 2003, p. 649).
The social responsibility perspective of business focuses on roles other than efficiency and profit maximization, taking the point of view that some societal aims may be achieved through corporate action. In 1972 a group of CEOs of major corporations formed The Business Roundtable to “develop positions which reflect sound economic and social principles” (Baron 2003, p. 650). In 1981 the Roundtable issued the “Statement on Corporate Social Responsibility” which dictated that business was to serve “public interest as well as private profit”. This statement further laid out seven key groups of stakeholders in business whose interests must be served: customers, employers, financiers, suppliers, communities, society at large, and shareholders. The Roundtable argued that a corporation is an entity whose existence depends on social support. In exchange for certain privileges (limited liability, special tax treatment, etc.) the corporation has a responsibility to the community (Baron 2003, p. 650).

Recent trends in CSR have seen a focus more on “doing well by doing good” (Diermeier 2004), or corporations using CSR to maximize profits while simultaneously benefiting society. Some firms take a defensive perspective to reduce the likelihood that stakeholders will damage the firm in the market or non-market environment. Others take a more offensive stance, creating socially responsible brands demanded by consumers (e.g., Body Shop) or generating industry-wide image campaigns (e.g., tobacco or biotech industries) (Diermeier 2004). Engaging in CSR can generate good will among government institutions and media, which may be helpful when the firm has to deal with future issues. CSR activities can also have a beneficial impact on a company’s relationship with its employees. Allowing employees to volunteer in community organizations on company time can improve employee morale and may result in higher productivity, lower
turnover, stronger firm culture, lower wage rates, and the attraction of better employees.

Company policies that embrace principles of responsibility based on moral standards can reduce the likelihood that an employee will violate a law or a widely shared ethics principle which may damage the firm.

Companies may also engage in CSR activities that help stimulate demand for the overall industry and also benefit the company itself. In 2003 Wells Fargo launched *Hands on Banking* and its Spanish-language counterpart, *El futuro en tus manos*, exciting new educational programs intended to increase financial literacy (Wells Fargo Foundation 2003). Not only will these programs stimulate demand for the banking industry, but they will also create a set of new consumers comfortable with the Wells Fargo brand. Technology companies take products that could be sold in the marketplace and donate them to schools. Pharmaceutical companies invest in health care infrastructure by supporting nursing schools. 3M invests 5% of its pre-tax profits to developing the Minneapolis St. Paul community, leading to more satisfied workers and increasing the likelihood of drawing top talent to the area (Messick 2004). These examples show the creativity and innovation companies are applying to leverage their key strengths to benefit their surrounding communities in ways that will indirectly benefit the company and its industry.

Corporate Social Responsibility is not, however, an entirely rosy or simple picture – CSR decisions and issues can be quite complex. According to Professor Daniel Diermeier (2004), the new perspective of *managing in a global environment with competing values* addresses flaws in CSR frameworks to date. Managers must realize that market and non-market actors base their actions on criteria other than shareholder value, but these criteria differ based on the actor in
question. Some may view fairness based on need while others view it based on effort.

Furthermore, in today’s global society, companies are operating in countries with different value and legal systems. This often leads to an exportation of U.S. values and forces companies to make difficult decisions on how they will approach business and CSR when considering operating in other nations. One risk for multinationals with a good reputation for commitment to society when entering developing nations is that they often must meet higher expectations placed on them and may be placed under greater scrutiny, limiting long term decision-making flexibility.

The CSR activities discussed in this paper will be those that go above and beyond normal business practice. For example, attention to consumer demand or fostering a culture of mutual commitment between a firm and its employees alone do not constitute CSR. Moreover, actions that are forced on a firm by its environment should not be considered within the umbrella of CSR (Baron 2003, p. 643). This paper will specifically address CSR actions that are not motivated by short term profit maximization and have long term benefits to society. These initiatives have the most impact on the local communities and provide insight into the core of a firm’s dedication to CSR.
FORD IN INDIA

Overview

The Asia-Pacific region is expected to account for more than 60% of the growth in the global auto industry (Ford India Ltd. 2002) by 2011. Recognizing the tremendous opportunities in both the local market and the potential for export of vehicles and components, Ford Motor Company entered India in 1995 and has subsequently launched several car models into the Indian market.

Business Overview

The reforms of 1991 that launched the liberalization of the Indian economy made India a potentially lucrative investment opportunity for the international private sector. Foreign investment into the country surged – from $150 million in 1991 to over $5 billion in 1996 (Siddhartha 1998). One of the changes included joint venture agreements, where foreign companies were allowed majority stakes in investments. This shift occurred in stages, and in 1993, the Indian automotive industry was impacted.

The potential of the region was enormous. With a population of over a billion citizens, the internal market had tremendous possibilities. Additionally, India offered a highly skilled yet relatively low-cost workforce creating potential for the manufacturing and export of both vehicles and components (UK Trade & Investment 2003). Ford Motor Company, the world’s second largest automotive maker, recognized the opportunity and entered the market in 1995. Ford established a joint venture
company with Mahindra & Mahindra with an initial investment of $260M (Graham 2004). Initially, the relationship was for the assembly and distribution of the European-model Ford Escort. Ford shifted the relationship in 1999 through a change in the equity structure, gaining a majority stake and making it a part of Ford Asia Pacific.

Ford’s success in the market was initially disappointing – a result primarily of the distribution of vehicles that were not specifically designed for a nation with unique needs. India’s infrastructure was in various states of repair, with inconsistent fuel quality and enormous variations in road surfaces. Additionally, customer needs required carrying capacity that the Escort could not satisfy. Ford India’s next release, the Ikon, was the first automobile launched by a multinational car manufacturer to be specifically designed for India’s needs. The Ikon was a uniquely styled car with enormous ground clearance and a huge trunk. The Ikon met the needs of the burgeoning “affordable luxury” segment, a segment accounting for about 10% of the Indian auto market. The Ikon captured almost 25% of this segment (Ford Motor Company 2002).

Ford India has continued to grow its business, launching new vehicles either specific to India, or modifying global platforms to fit the customer needs of this rapidly growing nation. Ford India is on its way to achieving its fiscal goals: becoming profitable from an accounting standpoint by the end of 2004 and profitable on a cumulative basis by 2008. Not all has been smooth sailing, however, with challenges surrounding raw material price increases due to the tremendous
demands of the Chinese economy, as well as the strengthening of the Euro, impacting the price of European-sourced parts. Additionally, though there is no doubt to the potential size of the market, the rate of growth has not yet met the optimistic expectations made in the 1990’s.

As of 2003, Ford India employed almost 1,150 people, primarily in their Chennai production facilities. The Maraimalai Nagar location (outside of Chennai) was initially chosen based upon local government incentives and higher education levels south India.

**Philosophy on CSR**

Ford has had a long history of being a socially responsible company that gives back to the community. Continuous investment in low emission vehicles, recycling programs, environmentally friendly plants, and hybrid engine technology shows Ford’s strive to act socially responsible in an industry that high standards adds cost. Not only has Ford integrated responsibility into its core business practice, but it also goes above and beyond through its contributions to health care in the Henry Ford Health Systems and its active employee donation program with the United Way. Ford’s CSR philosophy was started by the company’s founder Henry Ford who believed:

> “Business must be run at a profit, else it will die. But when anyone attempts to run a business solely for profit and thinks not at all of the service to the community, then also the business must die, for it no longer has a reason for existence.” - HENRY FORD, 1926

A culture of CSR has been passed down through generations of the Ford family and is exemplified by the current CEO and Chairman of the Board Bill Ford Jr. who states:

> “We are committed to building great cars and trucks, and passing along a stronger business and a better world to future generations.” - BILL FORD, 2003
In conducting business in India, Ford has also made Corporate Social Responsibility a high priority by investing in the local infrastructure, supporting employee volunteer programs, and setting high standards for employee safety and supplier behavior. In 2000, Ford, as a multinational corporation, formalized their approach and began publishing an annual “Corporate Citizen Report”. In 2002, Ford India Limited took on a proactive role and published its first self-assessment on their performance as a socially responsible organization, documenting their strengths, weaknesses and emerging issues. Monitoring and continually improving CSR activities is an important part of the Ford philosophy on maintaining ethical standards globally.

**Monitoring and Evaluating CSR**

In March 2002 Ford India Ltd. published “A Review of Ford’s Economic, Social, and Environmental Performance in India”, which includes Ford India’s self-assessment of itself as a corporate citizen. In doing so, Ford served as an excellent model by attempting to measure the results of its socially responsible business practices and community investment.

Worldwide, Ford currently prepares a report on its global citizenship in accordance with the guidelines of the Global Reporting Initiative. The Global Reporting Initiative (GRI) is a “multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines.” Ford’s endorsement of GRI principles allows it to formalize its metrics and increase the efficacy of its findings. While the 2002 report doesn’t have the depth of detail required by the GRI, the report incorporated many of its guidelines.
In creating the report, Ford identified and collected data from what it saw as its key stakeholders:

- Shareholders
- Employees
- Consumers
- Suppliers
- Dealers
- The environment
- Government, local communities, and wider society

In all cases Ford documented ways in which they were serving these stakeholders as well as ways in which these stakeholders saw room for improvement. As noted above, CSR activities can be divided along the dimension of whether they occur in a company’s day-to-day activities or whether they involve volunteer activities or investments apart from the core business. The table below depicts our interpretation of Ford’s CSR activities along this scale. This paper will only focus on Ford’s CSR activities above and beyond sound business practice.

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Sound Business Practice</th>
<th>CSR as Part of Day-to-Day Operations</th>
<th>CSR External to Day-to-Day Operations</th>
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<tbody>
<tr>
<td>Shareholders</td>
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<tr>
<td>Employees</td>
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<td>Customers</td>
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<td>Suppliers</td>
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<td>Dealers</td>
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<td>Environment</td>
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<td>Government, Community, and Society at Large</td>
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</tbody>
</table>
CSR in Daily Business

Beyond profit maximization, Ford serves its shareholders through a commitment to ethical management. Ford’s ethical management principles include policies on: honesty and integrity, harassment, open communication, smoking/alcohol/drugs, and empowerment. In addition, Ford India complies with Ford Motor Company’s global ethical standards. In India, where corruption is still prevalent and bribery often determines contracts, Ford India has had no instances of bribery or accounting fraud (Ford India Ltd. 2002).

Ford maintains the same health and safety standards for its Indian employees as for all of its employees worldwide, and Ford India’s currently has the safest plant with the lowest accident rate in the Ford network (Graham 2004). Ford India average annual wages for technicians and staff are higher than comparable companies (Ford India Ltd. 2002) and Ford provides health benefits to employees and dependents. Ford is a progressive employer, with active recruiting and employment of women, who make up 20% of the Ford workforce, compared to an industry average of 5% (Ford India Ltd. 2002). Ford provides subsidized meals and transport, although this is consistent with local practice. The report indicates that employees were least satisfied with their workload and stress levels as well as the training and development offered.

Ford sets tough standards for its suppliers. This position, while potentially hurting Ford’s ability to deal with the lowest-cost providers in the short run, will improve business practices in India in the long term. Established monitoring systems are followed to ensure that suppliers adhere to high standards in terms of quality, social responsibility, and in their treatment of the environment. Ford made it a requirement that all primary suppliers achieve ISO 14001.
certification, which helps manufacturers understand and manage the environmental aspects of a facility, by 2003 (Ford Motor Company 2002).

An independent survey in October 2001 by the Centre for Science and Environment ranked Ford India 8th of 27 Indian auto manufacturers on the scale of environmental management. Ford has, in response, initiated a plan to improve emission and fuel efficiency performance (Ford India Ltd. 2002). Ford has also introduced several initiatives to eliminate, re-cycle, or treat waste products. They have a wastewater treatment facility that treats and re-uses all water discharged both from their own plant as well as the surrounding supplier park (Ford India Ltd. 2002). Ford India has set up a Pollution Control Board, which is an authorized recycler to buy and recycle waste solvent that could previously only be stored at the plant. Ford requires that all suppliers within a 100km radius pack goods in re-usable plastic containers, which are returned to the suppliers by Ford after use. This reduction has saved an equivalent of 62 mature trees and plans are in place to extend this scheme to a supplier radius of 300km. Ford has also applied innovation in product development to help the environment. The Ikon uses rare earth catalysts, reducing precious metal usage. Ford has already developed a Liquified Petroleum Gas fuelled Ikon that will be ready for production once the filling station infrastructure is in place.

Community Investment

Ford has invested heavily in the region, mirroring the types of activities that Ford follows in the rest of the world. In 2000-2001 Ford contributed approximately $1MM towards community development projects, approximately 75% going to health related projects (Ford India Ltd. 2002). Ford constructed the Sanjeevi Health Centre in 1999, which provides free care for
residents, as well as constructing a state-of-the-art wastewater treatment plant. Ford has also donated ambulances for the Trauma Care Consortium in Chennai. Ford has supported education by creating scholarships and donating books and schoolbags to two schools in the Maraimalai Negar area. Ford provided disaster relief to earthquake victims in Gujarat and flood victims in Orissa and Tamil Nedu. To support the environment, Ford has initiated the Conservation & Environment Grant Programme and donated emission-testing equipment to the Automotive Research Association of India at Pune. Ford has also contributed to the education infrastructure with the following two investments:

- The Henry Ford Research Chair, established at IIT Madras and IIT Delhi, supports research in vehicle emissions, biomechanics, and transportation safety.
- The Ford Academy of Manufacturing Sciences was started to strengthen the education in the local community to prepare students for potential Ford employment in the future (Ford Motor Company 2002).

Beyond supporting the local community with tax dollars and employment, Ford has, as noted above, made several investments in health care, education, and the environment with a primary focus on health care. Stakeholders in the local communities have noted the reduction in accidents and better treatment of casualties, thanks to the 2 ambulances donated. Obviously, stakeholders have also noted the improvement in health care and education facilities. Some in the local community, however, offered feedback that Ford India could be involved in more communities to support the community. These include improving environmental standards in the industry in terms of cleaner fuel and customer awareness, as well as contributing more to the
local community in terms of employee involvement and more direct engagement (Ford India Ltd. 2002).

Ford is still relatively new to India and is in the process of improving both its profitability within the Indian market and social impact within the Indian community. It has made its biggest impact within the health sector, which is aligned with its worldwide community investment in hospitals and more recently, of HIV/AIDS programs in South Africa (Ford Motor Company 2004), where Ford worked extensively with the local government on education programs. Ford plans to initiate a similar HIV/AIDS program in India (Graham 2004), which will be increasingly important for India as the epidemic grows – currently India ranks second only to South Africa in terms of infections (The Economist 2004). Like every company, Ford could improve its social responsibility, but by measuring itself on its ability to serve its complex web of stakeholders, Ford is off to a good start.
GENERAL ELECTRIC IN INDIA

Overview
General Electric (GE) also recognized opportunities in the Indian market. GE has valued India as a talent pool and as a cost cutting site as much as a potential market. GE has pioneered corporate investment in India, starting with Raman Roy’s efforts to set up data entry facilities in Delhi and his later work to create overseas call centers. GE moved beyond simple cost cutting and demonstrated its focus on tapping the talent base in India by creating the John F. Welch Technology Center in Bangalore. This Research and Development facility is the culmination of a decade of investment in India and signals that GE will maintain and build upon its activities in the country.

Business Overview
In 1991 GE Plastics was the first division to develop operations in India and established GE Plastics India Limited (GEPL).
The following year GE Lighting established manufacturing and marketing operations in India to position it in the growing Indian market. Determining that there was a need and opportunity for GE’s financial services in India, GE Capital started operations in 1993, focused primarily on [Diagram of GE's business overview]
commercial and consumer finance services. GE Capital’s reputation and success led to further expansion through a joint venture with the State Bank of India in 1998 in the credit card market (Verma 2002). It was also in 1998 when GE started moving some of its back-office operations to India. With its focus on outsourcing IT services to India, GE helped spark the business process outsourcing (BPO) revolution in India. GE’s BPO has grown from 600 employees in 1998 to upwards of 12,000 in 2002 (Verma 2002), and GE has established strategic alliances with such Indian firms as Birlasoft, Mascot Systems, Satayam Computer Services, and Tata Consulting Services. In 1999 GE established its media presence by striking a deal to broadcast CNBC in India in conjunction with TV18. The year 2000 represented a tremendous mark in GE’s history and future in India. Inaugurated on September 17, 2000, the John F. Welch Technology Center (JFWTC) in Bangalore consecrated GE’s belief that India was going to become a global leader in high tech services and innovation.

“The JFWTC is home to state-of-the-art labs working on research and development in the areas of mechanical engineering, electronic and electrical system technology, ceramics and metallurgy, catalysis and advanced chemistry, chemical engineering and process, polymer science and new synthetic materials, process modeling and simulation, information technology, e-Business, power electronics and analysis technologies. In addition to the GE Global Research activities, the JFWTC is also home to other GE technology organizations including GE Plastics, GE Medical Systems, GE Transportation Systems, GE Power Systems and the Engineering Analysis Center of Excellence (EACoE).” - GENERAL ELECTRIC 2001

Today, GE continues to have a strong presence in India by creating products and services to support the Indian economy as well as the world.

Despite the promise of a 200 million person middle class, GE did not achieve the sales figures it expected in India. However, after some slow years, GE once again views the country as a growth market. All thirteen operating divisions have a presence in India, though the businesses
are relatively small by GE standards – GE Plastics, for example, only has $50 million in revenue. GE Plastics employs 130 people, 60 in manufacturing and operations, and 70 in sales and marketing. Some operating divisions produce for the domestic market, while others export goods to the US or China. GE Motors sends 80% of its products to the United States, while 100% of GE Plastics output is sold in India. Many of these companies are strategic bets, planning to grow with the growth of Indian industry, including automotive manufacturing. Overall, GE has revenues of over $1 billion in India and employs over 17,000 employees. As Scott R. Bayman, President and CEO of GE India says, “We [GE] will invest for the local market as opportunities present themselves. Re-creating GE in India continues as our vision.” To recreate GE in India, the company invests about $400 million annually in the country.

**Philosophy on CSR**

GE takes a very structured approach to CSR activities both in their business processes and philanthropic programs. GE summarizes its beliefs in CSR through a pyramid of corporate citizenship. GE believes the foundation of corporate citizenship lies in the values of the firm. The pyramid progresses from inward-facing values to outward-facing engagements with suppliers, NGOs, and the
public. GE believes that its core tenets like constant evaluation, six sigma, and stringent personnel review form the foundation for the peak of volunteerism and philanthropy.

While most CSR activities associated with the pyramid of corporate citizenship are accomplished through day-to-day work, the pinnacle of volunteerism and philanthropy is managed through a GE program called Elfun. Elfun (short for “Electrical Funds”) is an international volunteer arm of GE that was started in 1928. It originated as an association of key General Electric leaders, but in the 1980s its mission was expanded to include all GE employees’ volunteerism. Today, Elfun has over 52,000 members in 44 countries. Its mission is to:

- Further the interests of GE and its affiliates
- Serve the communities in which Elfun members work and live
- Promote the welfare of Elfun members
- Encourage cooperation, commonality, and friendship

Elfun receives financial and in-kind (use of employee time, office space, etc) support from GE. In addition, the GE Fund, GE’s philanthropic arm, partners with Elfun to target organizations. Elfun is the heart of GE’s philanthropic initiatives, while strict and disciplined business practices are keys to acting as a good corporate citizen.

**CSR in Daily Business**

While Elfun may be the most visible part of GE’s community outreach, those service hours are only the most public of many GE corporate citizenship initiatives in the country. GE’s corporate values form the foundation of their business and may have a greater impact on the country than all of the Elfun volunteer hours. GE attempts to operate independent of its location. It applies
many of the same environmental, personnel, and partnership regulations to all of its locations. The following paragraphs demonstrate how GE operates differently than Indian companies and how GE’s approach is having a positive impact on Indian society. Its environmental policies, its stand against the corrupt business practices that are standard in India, and its stringent policies against child labor (policies that extend all the way down to GE suppliers) all put it at a cost disadvantage compared to its Indian competitors.

As Venu Venugopal, CEO of GE Plastics, stated, GE is “not interested in getting business by any means.” That can be a significant stand in a country that still faces significant corruption. In response, GE has made it a company policy not to engage in bribery or any corrupt activities. For example, the company has developed strict guidelines to outline what sorts of meetings are appropriate with government officials. The company also ensures that it and its suppliers abide by all applicable laws – GE monitors its suppliers to be sure that they are not evading tax laws.

GE not only monitors tax code compliance of its suppliers, but it also performs a significant amount of oversight to ensure it is working with quality companies in the country as part of its supply chain practices. GE’s supplier pre-qualification program certifies that the vendor pays overtime, enforces hygiene and workplace safety programs, and does not engage in child labor. These efforts multiply the impact of GE’s corporate values across hundreds of GE suppliers in the country. Many of the pre-qualified suppliers use the GE stamp of approval as a reference, showing the rigor of the program. However, there are real costs to ensuring this kind of quality. Working with higher quality suppliers translates into higher operating costs for GE. In addition, GE incurs administrative costs in tracking and performing due diligence on the suppliers.
Lower on the citizenship pyramid is GE’s commitment to sound environmental practices. Despite lax environmental regulation in India, GE has held itself to its own, higher standard. In the lighting industry, many fixtures have historically used mercury in the filaments. Mercury is toxic, especially to children. Unlike most lighting manufacturers in India, GE prohibits the use of mercury in its bulbs. The company has been forced to find less harmful, but more expensive, alternatives. Other hazardous materials used in industrial processes have been stored or properly disposed of by GE at a high cost. If GE did not follow global environmental policies, it probably would have engaged in the same dumping and environmental degradation that is common among many Indian companies.

When GE talks of engaging/energizing associates, it refers to its goal of creating a productive, satisfying place to work. It incorporates some of the aspects of other layers of the pyramid, including social/public policy and volunteerism/philanthropy. For example, GE has a large percentage of female employees, relatively rare in the traditional country. GE’s famous review policy includes a citizenship component, which incorporates the degree of participation in team building and Elfun events.

Organizing CSR at GE

Elfun has been a successful initiative in India in part because it has strong senior management backing. In India, GE Corporate Citizenship Council is made up of the most senior managers of each of the company’s Indian businesses. The Council includes Scott Bayman, President and CEO of GE India, Guillermo Wille, managing director of the JF Welch Technology Center, and
“Venu” Venugopal, CEO of GE Plastics. Also on the board is the HR Director for GE India. With this degree of executive support, GE India clearly signals to its employees the importance it places on social responsibility. Since each employee is evaluated on his or her citizenship, which could include a discussion the individual’s participation in Elfun activities, GE employees are given an incentive to participate in the community.

The Corporate Citizenship Council determines the direction of the Elfun program, and approves all partner organizations. The Council defined Elfun’s three concentrations as education, community involvement, and the development of underprivileged children. Given GE’s desire to harness the intellectual talent of the country, this focus on educational development contributes to the overall business objectives of the company, one of Elfun’s key tenets. The themes of supporting education, tightening communities, and getting involved with underprivileged youth can be seen in the diverse projects Elfun has undertaken in India. The focus of GE’s programs also aligns with its global focus and corporate objectives.

**Community Investment**

Last year GE spent $1 million on GE Elfun and community investment projects in India. For example, the GE Fund gave $19,000 in 2003 and $38,000 in 2004 to the India-based Vidya Integrated Development for Youth and Adults. The remainder of the $1 million in contributions to India funded other education projects: $400,000 was given to fund 72 scholarships, and over $100,000 went to the Healthy Futures program.
While GE makes sizeable gifts to programs in India, the company does not believe that monetary investments on their own can truly impact a developing country like India. As “Venu” Venugopal, CEO of GE Plastics, said, “With all of the NGOs in India, funding is no longer a big issue. We encourage hours, not money” to implement an NGO’s programs in the community. Following this vision, 1,600 GE employee Elfun participants staff projects for 34 different NGO partners, and last year, they logged 30,000 volunteer hours in the community. Elfun’s chapters in Bangalore, Chennai, Delhi, Hyderabad, Jaipur, and Mumbai coordinate projects and volunteers across the country. Its 3,086 Elfun volunteers give GE India the second largest Elfun organization behind the US. With a goal to double its membership in the upcoming years, Elfun demonstrates GE India employees’ desire to get involved in the community. The following paragraphs detail many of the programs and initiatives Elfun is supporting to have an impact in India.

Vidya Integrated Development for Youth and Adults runs many different educational programs across India, but the most novel is the Vidya Comfort School in Gurgaon, outside of Delhi. This program selects children from nearby slum areas and puts them in an intensive educational program. The program started with a single group of kids of kindergarten age and has been adding another class each year. The school ensures that students learn English and hygiene skills to provide a foundation for future coursework. The program has set a goal of sending one student...
to an IIT university, a very high goal considering that none of the students’ parents graduated from high school and that much of the early learning focuses on personal hygiene – soap is a new concept for many of the students. This program devotes significantly more resources to each student than a standard Indian school – currently there are 75 children in the school and 5 dedicated teachers, plus a principal. Typical public schools have 50 to as many as 75 students per teacher.

On top of the GE Fund donation, Elfun contributes to Vidya by mentoring children over the summer break and by providing vocational training to older students in some of Vidya’s other educational programs. Elfun staff has also put together events like a sports day at the Comfort School, a parent-teacher fair, and a theater show on Elfun’s 75th anniversary. During a visit to the Comfort School, the Elfun volunteers’ high level of involvement was clear. All of the Vidya staff knew the volunteers by name and asked about upcoming birthdays. These relationships show a degree of support and dedication that is crucial to making corporate-NGO initiatives successful.

Elfun has been working on a number of other educational initiatives. Elfun-Delhi also assists another organization that focuses on children from slums, Balsudha. In Bangalore, the employees of the JF Welch Technology Center, who make up the majority of the Elfun chapter there, have developed a relationship with the Nallurahalli Literacy Initiative (NALI). The chapter identified the school’s key problems – covering the cost of books and uniforms, limited infrastructure, and lack of role models. To combat these issues, the chapter raised funds from individuals, set up special learning days, like the global visitors day, and developed a weekly
mentoring session where 15 Efluns spend each Wednesday at the school. Even the Elfuns beamed when they talked about Prema, a low income student and Elfun mentee who was ranked 15th in the All India Science Talent examination.

Other recent community involvement projects include spending over 1,100 hours to provide dentistry training, Braille books, and painting workshops for visually challenged students at the National Association for the Blind. Elfun has also provided basic computer instruction, women’s cancer treatment, and blood drives to support local hospitals.

Elfun satisfies the third goal of the program, working with underprivileged children, not only through education but also through giving kids experiences they could not have had without Elfun’s involvement. For example, on India’s Independence Day, the Mumbai chapter organized a swimming pool outing, giving the children treats and paying for the admission for 140 local kids to swim all day. The Mumbai chapter also took 50 orphans on a plane ride, giving the kids a once in a lifetime opportunity to fly.
ANALYSIS

An analysis of General Electric and Ford’s corporate citizenship initiatives in India have uncovered key factors that predict the degree of impact of a Corporate Social Responsibility program in India. The sections below help define the structure of a successful CSR program in India.

Aligning CSR with Corporate Strategy

Multinationals must incorporate a CSR plan in their go-to-market plan for India. The type of CSR depends on many criteria – whether the company sells products to other businesses or to consumers, whether the company views India as a market for its goods and services or as a location to cut costs, and the global brand strength of the company.

Businesses that sell to consumers can use CSR programs as an outreach of their marketing efforts. If structured properly, these initiatives can enhance a multinational’s image in the community and help brand it as a local company. Coke, upon its entrance into India, initiated programs to combat polio and put cancer patients to work with such goals in mind (see Appendix A). Ford’s CSR programs help distinguish it from Mahindra & Mahindra and allow it to emphasize its commitment to the country. Given that 94% of consumers will purchase a product from a company associated with a charitable cause over one that does not have that association (Gifford 2004), a CSR program can be a valuable part of a cohesive marketing plan. A company that hopes to penetrate a consumer space in India against established local competitors seems to fit best with an active and well-publicized CSR program. Working closely with the NGOs can
help a company select projects that provide the right message and meet publicity requirements while still assisting the community.

Business to business companies also benefit from CSR, but the program should be structured differently to align with the business’ goals. Their programs should focus less on building a market or building the brand because, as an executive from Boeing said, no one says “thank goodness Boeing made a gift to [an NGO], let’s buy a jumbo” (Newcome 2004). Instead, the specific goals of the program should be pre-specified and designed accordingly. For example, if the company hopes to create a culture of trust and teamwork, a volunteer network could be the centerpiece of the CSR activity. A program for a b2b firm would not focus on the sales and marketing, or outward-facing, benefits, but instead center on the firm’s employees and their needs to help the community and to work together.

Businesses that offshore back-end processes to India could treat their operations in country as a b2b firm and follow the recommendations above. Specific goals of the program would be to build team unity, to connect ex-patriots and local employees with the community, and to create a culture that attracts talent.

Whatever the structure or scope of the CSR program, a large multinational must realize that it will be judged more strictly than Indian firms. While its global brand can be a source of competitive strength in the marketplace, that brand also forces the company to maintain its image in the country. Hence, Coke cannot pump wells dry (see Appendix A), Ford cannot sell cars without airbags, and GE cannot dump mercury. In a highly connected world, the stakes are high
– a PR disaster around the globe can quickly spread, as it did when Coke was boycotted in Britain for a mistake in India or when Nike suppliers were caught using child labor in Asia. Global companies are held to the higher standard set by international business and political communities and for themselves through internal value statements. These standards make it basically impossible for a US or European based company to function as the low-cost provider in a developing country, an example of how the non-market environment can shape a company’s market strategy. Companies must understand this point and operate in the middle and upper ends of the market. Luckily, through effective CSR, they can help build these markets and drive demand for their higher value, more expensive products.

**Focusing CSR Activities**

Effective CSR programs involve a blend of global initiatives and on the ground pragmatism. Most companies have global initiatives -- for example, Ford focuses on health care, while GE contributes to education. Each country, however, has specific needs and, at the local level, these initiatives take many different forms, as evidenced in the range of initiatives undertaken in India by the two firms. These initiatives are determined by committees chartered with this task within the nations they operate, such as GE’s Corporate Citizenship Council who sets the priorities for Elfun.

These initiatives often do not directly contribute to the bottom line of the firm. It was thought that a key determinant when evaluating a prospective CSR activity would be its ability to develop future consumers. Ford, for instance, might invest in improving roads and building highways to help develop the car and truck market in India. However, that hypothesis was
incorrect. Instead, firms with successful CSR programs rate projects based on a number of criteria. Ford leverages its involvement with the Global Reporting to measure the benefits of their CSR efforts in the community. This initiative helps Ford understand the impact of its efforts and pick those proposals which generate the greatest return to society. Using these metrics, Ford could evaluate the merits of building new roads, installing traffic lights, and creating traffic safety programs against the construction of a health care center. Given GRI criteria, the health care center had more impact on the community. Ford and GE, however, should follow the creative and innovative example of Wells Fargo’s financial literacy program in California and look for ways to improve society while at the same time building demand for their industries.

While a CSR program need not directly feed the core business, it must fit well within the overall strategy. The goal of the CSR activities, be it employee morale or positive publicity, must be taken into account when selecting a project. NGOs and volunteer programs should be chosen to allow for quick wins and tangible results. Face to face interaction with the needy, be they poor children, mentally or sensory challenged, or destitute builds satisfying relationships between employees and the community and encourages sustainable programs. Programs that deal with controversial issues, including sexual education or women’s rights (in some parts of the world) need to be carefully considered and sometimes avoided due to publicity issues.

**Structuring CSR Governance & Programming**

Companies have a choice between funding others to carry out CSR activities in a country or using in-house manpower. From the experience of these two firms, it appears that a combination
of the two is most successful. Mike Reisinger, a retired Ford employee with extensive
experience in emerging markets stated, “Anyone can write checks, but the important thing is
getting people involved. CSR needs to be a part of your core business responsibility, because
you are going into a nation to leverage their labor and resources.” Investment is required to fund
NGOs that can most effectively identify needy groups or areas, and volunteers deepen the
relationship between multinational and NGO and build the personal bonds that are necessary to
make an impact in the community.

For many multinationals, investment and volunteer decisions are made at very different levels of
the organization. Large corporations typically have charitable foundations that drive the giving
of the parent organization. For example, the GE Fund and Henry J. Ford Foundation are
benefactors of organizations the world over. On the other hand, volunteer initiatives are often
made at a much lower level, such as the individual office or region. These volunteer initiatives
often involve fundraising of their own, though at a much smaller scale. Coordinating activities at
too small of a level, such as a local branch, may rely too much on the motivation and skill of a
volunteer coordinator to be sustainable. In addition, this structure may prevent mobilizing the
numbers required to impact the community and be opportunistic rather than fitting within a
unified strategy.

A successful program involves coordination between the foundations and local initiatives, such
as GE’s support of Vidya through both grants and volunteer hours. This multi-tiered approach
 Gives the company the ability to follow a cohesive global strategy while still responding to the
unique needs of a local community, or to mobilize quickly to respond to urgent needs. One
potential downside of this structure, however, is that due diligence and coordination work may be repeated at multiple levels of the organization, though this was not discovered in practice.

This multi-tiered structure is most effective when publicly supported by senior management and reinforced by the company culture. Senior executives should set the overall strategy for the CSR program. The programs they choose should fit with the global goals of the parent company while allowing for unique local needs. Executive involvement makes it clear that the programs are truly important and provides the side benefit of exposing many levels of the firm to the leadership team. Staffing GE’s Corporate Citizenship Council with the CEOs of business units makes it clear that CSR is accepted at the highest reaches of the company. However, it is also important to have representation of those from lower ranks to ensure that projects selected can be implemented. Reinforcing volunteerism and corporate citizenship through culture involves establishing, monitoring, and enforcing ethical business practices and creating feedback loops that reward involvement such as personnel evaluations and public rewards. Even something as simple as recognizing the most active volunteers on a bulletin board in the lunchroom emphasizes that socially active employees are highly regarded.

Finally, the links between the company and community groups must be strong. If the company chooses to partner with an NGO, clear expectations must be set and commitments followed through. Just as companies justify and track the relative worth of financial investments, the results of partnerships with NGOs should be tracked. These metrics need not be a ROI type calculation, like a Social Impact Assessment, but objectives should be developed and measured against those goals understood. Scorecards of both the project and the NGO should be
developed. Along with constant monitoring and improvement of individual programs, the company’s overall CSR strategy should be evaluated against the corporate goals of publicity, team building, or employee retention. CSR should be treated as a critical facet of a company’s activities in the country, and complement the overall strategy.

**Impacting Business Standards**

As important as the CSR program can be, imbuing strong values of corporate citizenship in the day to day operations of a business may have more of an impact on a country than do volunteer and community outreach efforts. The sheer volume of dollars that flow through multinationals and their vast web of suppliers and partners mean that the impact of corporate values is multiplied across a significant portion of the country. By certifying suppliers for being child labor free, for disposing of hazardous materials properly, and for paying overtime, a multinational corporation dramatically improves the working condition for thousands, if not hundreds of thousands, of Indian employees across the country. GE and Ford have strong programs in place to certify their suppliers. One area the two firms are currently exploring is how to help these suppliers effectively use this certification to help improve the partners’ competitive advantage. These firms have changed their business practices to align with the requirements of the multinational, raising their cost of doing business. In the future, perhaps multinationals can develop and share a list of pre-qualified suppliers to encourage firms to comply.
Interacting with the Social Sector

The Indian government has focused on attracting multinationals to the country and has not yet dictated requirements for corporate citizenship. It appears the governments of developing nations assume multinationals’ actions and CSR programs will be in line with their global reputation (Reisinger 2004). For example, the government of Tamil Nadu, the state in which Ford built its plant in India, provided tax incentives to site operations near Chennai. The local government did not require any CSR programs in return. However, given Ford’s strong global brand reputation, the state correctly assumed Ford would be a good corporate citizen.

The importance of interacting with the government should not, however, be discounted. When beginning operations in other developing countries, the respective governments have asked Ford about their plans to contribute to society as part of their market entry. This further confirms the need to have a CSR strategy in place when considering entry into emerging markets. Ford has also worked with local governments to improve the effectiveness of their programs. For example, in Malaysia, Ford sought cultural approval from the Malaysian government for a video on women’s issues before Ford released the video to the public (Reisinger 2004).

NGOs generally play a more direct and vital role than the government in the definition and long-term success of CSR programs. Both GE and Ford have focused their CSR efforts on partnerships with NGOs. Through volunteer hours and donations, the two firms have worked with over 40 NGOs in India. This strategy has been incredibly successful, as the firms can focus on their core business while allowing the NGOs to target groups for assistance within the community. As Donna Larkin of America’s Second Harvest professes, “non-profits have a deep
connection to people.” Multinationals cannot develop such deep bonds, and rely on the NGOs to provide guidance for their philanthropic efforts. It is important for companies to find NGO’s that fit their CSR beliefs and strategies. GE’s Corporate Citizenship Council is an effective mechanism for ensuring that NGO partnerships fit the corporate CSR strategy.
SUMMARY

Overall, the effectiveness of a CSR program cannot be easily measured. It truly is a reflection of the overall health of the company. A great CSR program reinforces a company’s strong culture, positive brand perception, and market leadership. CSR in a developing country is just one part of a many pronged strategy to be a global citizen that provides quality products to reinforce the global brand.

The importance of CSR cannot be diminished. As these companies have built and been at the forefront of their industries, they also have defined what it takes to be a global company. Thus, even local firms, like India’s Infosys, follow the example of well-established global players like Ford and GE. Infosys’s decision to donate 1% of its post tax revenue to charitable causes is a clear sign that companies realize that to be a global player, they must be willing to contribute to the communities that make them strong.

With this in mind it is important that CSR activities are consistent, supported, and effective. Based on the research in this paper it is important to think about these things during the planning and implementation of CSR activities in a developing economy.

- Develop an overall CSR strategy that combines core business practices with philanthropic initiatives and embodies the corporate culture.

- Elect a local executive council to support, tailor, and operationalize CSR activities.

- Ensure that moral and ethical standards practiced in a developing country are consistent with corporate values.

- Implement a two tiered approach to philanthropic CSR efforts by supporting with both financial and volunteer programs.
• Leverage NGO’s whose goals are aligned with the CSR initiatives developed by the executive council.

• Create a system for evaluating CSR programs to ensure the most effective programs are supported.

With these precepts in mind, multinationals can build effective CSR programs that are the cornerstone for defining their image, reputation, and corporate culture in a developing country.
APPENDIX A: COCA COLA AND CORPORATE SOCIAL RESPONSIBILITY

“At the heart of our business is the trust consumers place in us. They rightly expect that we are managing our business according to sound ethical principles, that we are enhancing the health of our communities, and that we are using natural resources responsibly.” - Douglas N Daft, Coca-Cola chairman and chief executive

Many companies incorporate the principles of Corporate Social Responsibility into the values of their company. However, the application of these principles is uneven, even among well-respected companies. In some cases, companies have failed to implement CSR successfully despite their best intentions, while in other cases companies have ignored the health and welfare of the local community. Companies that make a significant long term investment in a country are more apt to be sensitive to the needs of their customers and employees. In contrast, those that view a country as a source of low wage labor or as a ‘hot market’ are less likely to make the appropriate social investment and this will negatively impact the profitability of the company within the country. The case of Coca Cola in India is an example of the benefits of CSR and how its abuse can result in negative publicity and declining sales.

Coca Cola has had a troubled history in India. It left India in 1977 after the Indian government required it be listed on the Indian stock exchange to continue its Indian business. In 1993 it returned promising to divest itself of 49% of its equity to local investors. It has since tried to avoid that divestment supposedly fearing public review of its finances and operations. Coke is the largest manufacturing of carbonated soft drinks in India with 60.5% of this market (Basu 2002). Following the corporate guideline quoted above, its return to India was accompanied by promises of significant investment and outreach in the country. “The reason” says its spokesperson “is that we are going to buy the land in these [bottling plant] sites at competitive...
prices, and can thus say that we’re increasing the wealth of that locality. We will also be hiring local people. But this is not enough, we need to be good corporate citizens as well because we’re going to be around for many years in that site, which is why we will implement some projects’’ (Srivastav 1998). Coke has invested $1 billion in India since 1993, including building four bottling plants.

Coke’s efforts to aid the community by investing in polio prevention and hiring cancer patients to sell its products has been dwarfed by controversies caused by its bottling plants. Coca Cola’s plant in Plachimada has been accused of significantly degrading the amount and quality of drinking water in local wells for the villagers in this town. Drawing substantial amounts of water in drought years from the water table has caused the local well to go dry. While it is difficult to place definitive blame on Coke, the high presence of salt in the water and in the well has caused many hydrologists to point the finger at the company. Through local protests against the plant international attention has been brought to the story resulting in attempts at an international boycott of the brand. Coke’s attempts to truck in water to the village have prompted calls of unfairness as certain villagers received more than others. In addition, Coke in India has been shown to have 30 times the legal amount of pesticides as is allowed in the European Union (Brown 2003). While the government has vouched for the safety of Coke through testing and press releases, this has brought negative publicity on the brand both in India and globally. Adding to concern over Coke in India is the fact that waste products the plant hoped to sell to local farmers as fertilizer was found to be toxic (Christian Aid 2001).
This case demonstrates the importance of social responsibility. As the world is increasingly connected, decisions made across the world have a major impact on the bottom line not only in those locales, but around the world. Coke’s business practices were advertised not only in India but also in Britain among labor unions. Coming at the same time as the US’s invasion of Iraq, the allegations of poor citizenship led to a strong anti-Coke reaction in India and the rest of the world. Coke’s poor reputation in India was not helped by the fact that it left India in 1977.

This case illustrates the point that social activism and involvement are most influential and lasting when it is done by a company that makes a long term commitment to a country. The behavior of a company impacts its image both in the country and around the world. Not only does CSR help the local community, it also makes business sense. Companies benefit financially from the good image developed from helping the local community.
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