

ETHICS,
BUSINESS
AND SOCIETY
Managing
Responsibly

Edited by
Ananda Das Gupta

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CSR for Promoting Stakeholder Engagement

Usha Jumani

Introduction

This chapter makes the argument that the concept of Corporate Social Responsibility (CSR) is applicable to all corporate entities and not to business entities alone. It then builds the case for promoting stakeholder engagement by the three institutional anchors of society—business, government and civil society—to facilitate the emergence of people's organizations for all sections of the population and strengthen them. The chapter is primarily focussed on the Indian socio-economic-political context and draws upon several key concepts developed by the author in earlier works.

Historical perspective

Eight separate strands of historical process analysis are presented first, which are then tied up to Corporate Social Responsibility and stakeholder engagement as understood at present.

STRAND 1

Corporate is the opposite of individual. The term 'corporate' refers to that which is incorporated or a body incorporate. The literal meaning

of the term is that which is combined as a whole or collective and relates to a corporation. The term 'corporation' in turn is defined as a body of persons recognized by law as an individual person or an entity having its own name and identity, and with rights, privileges and liabilities distinct from those of its members and refers to any group of persons acting as one body.

Today, the world of large companies engaged in business is commonly referred to as the corporate sector. The fact is that companies constitute only the corporate world of business. There are bodies incorporated under legislations other than the Companies Act, in various fields such as health, education, entertainment, childcare, civic amenities and utilities, social work. All the registered bodies under various legislations are also part of the corporate world and constitute the corporate world of healthcare, education, entertainment, childcare, social work, and so on. Viewed in this way, the corporate sector is very diverse and complex.

Business is not the only form of corporate entity, and consequently the CSR has to be understood in terms of social responsibility of all types of corporate entities.

STRAND 2

Historically, in India, representative organizations of all occupations and activities have been established in the form of trade and artisan guilds to enable people to protect their work and social interests, to deal with conflicting situations, to set norms and standards of work, to ensure quality standards, to negotiate and bargain with other guilds and with the state and finally to participate in policy formulation. The social stratification of caste and tribe has been integrated with the occupations of different groups of people. The guilds, thus, integrated the social and economic interests of people in the same forum. Religious bodies and cultural forums have included various occupational and caste groups (Jumani, 1992, 2006).

As Rajni Kothari says, there has never been a centralized government in India until modern times:

Indian society for centuries survived the vicissitude of history without a centralised political system. Except for short periods, it lacked a clear centre. Even those short periods had a rather limited reach and proved to be transitions in

the long march of Indian civilization. The core of the civilisation was cultural rather than political. Its 'State' was intermittent, scattered and multipolar, an arena of conflicting claims of a large number of clans and regimes. The real action was by voluntary entities representing trade and commerce and the 'mahajans' governing them, and cultural, religious and caste and caste-like organisations. (Kothari, 1998)

This form of organizing people leads to the emergence of two main institutional anchors of society—the state and the business. The functions of civil society, as we understand it in modern times, have traditionally been performed by business organizations which are overlapping with social organizations—the guilds, the *mahajans*, the *sanghs*, the *samajs*, the *mandals*, and so on. These representative forums of people had economic roles, social integration roles, socialization roles, policy formulation roles, tax farming roles and judicial roles. The stakeholders in business and in the community were the members of the respective guilds who were socially and economically integrated with each other and with their guild in well-knit ways. Ensuring compliance and conformity with agreed upon norms of social and business conduct were the responsibility of the guilds (Chenna Reddy, 1991; Jumani, 2006; Mitra, 2007).

This form of representation, however, underwent a transformation in India, in the wake of industrialization. The groups of workers with an established employer-employee relationship became more and more organized along the lines of trade unions developed in the industrialized countries. They have been able to bargain and negotiate for more and more economic strength for their members, even though they constitute a minority of the workforce. The majority of the workforce, which is self-employed, has remained outside the fold of the representative forums called trade unions. Today, there are very few representative forums of self-employed workers because they have not been organized as workers in the modern sense. The traditional representativeness of the poor self-employed, in the form of trade and artisan guilds, has been destroyed and has not been replaced by other forums. The rich self-employed have been able to metamorphose the guild form of representative forums into the present day version of trade and industry associations, chambers of commerce, professional councils, societies, and so on. They are able to protect their interests through these forums; they also exert various kinds of influence on

policy formulation to suit their needs. But the rich and well-to-do constitute only a minority in terms of the total number of self-employed people. The vast majority of self-employed workers have yet to establish their representative forums to truly protect their interests. The cultural, social, religious organizations in India, however, continue to be very active and wide-spread (Jumani, 1992, 2006).

STRAND 3

The interplay between the real and the virtual to understand the basis of material wealth in business. When individuals engage in business individually and/or jointly but with their own funds, they bear the full liability for losses and benefits from the full assets of profits as real material wealth. In such situations, risk in business is contained by the fear of full liability of losses. Borrowed funds are looked down upon, and individuals doing business on the strength of their own funds are rated much higher on the yardstick of respectability in business.

The situation observed at present in the form of the limited liability joint stock company model—where a company exists as a legal person distinct from the individual promoters, owners, investors, for business—allows full benefit of profits to the promoters and owners, but reduces the fear of full liability of losses by transferring the risk to a large number of investors. Hence, risk-taking behaviour increases manifold and working with borrowed funds is seen as a symbol of strength. Size and scale of operations are encouraged to grow manifold. Market forces and the stock exchange determine the value of the business, thereby separating the real from the virtual as two separate basis of estimating material wealth. Market capitalization, for instance, is a virtual estimate of the wealth of a business, whereas its net worth is a real basis. Such virtual measures and estimates are continuously monitored and tracked to provide investors with information about the strength and quality of a company's functioning. Thus, pressures for economic growth up to infinity become imperative to continuously maintain the high valuation of the business by the stock exchanges.

STRAND 4

The limited liability company form of business has evolved side by side with the ushering in of the industrial revolution, followed by

the post-industrial revolution. Together, they have unleashed forces for exploiting natural resources of the earth for creating more and more material wealth. This is pursued in the name of 'unlocking value' as the wealth of a country/society/company is primarily measured in economic terms. Over the last two to three hundred years, immense material wealth has been created by business at the cost of many other types of wealth. In the process it has created wide disparities between the rich and poor of the world—in terms of rich and poor people, rich and poor communities, rich and poor organizations, rich and poor countries. Obscene wealth has come to coexist with obscene inequalities which can unleash forces of revolt from society and undermine the very foundations of the business itself. Hence, it has become a strategic need to do something for addressing the negative social fallouts of doing business.

STRAND 5

Economic growth and material wealth creation is being pursued by exploiting the natural resources of the earth infinitely and indefinitely. Unlocking value of natural resources is seen as inevitable for economic growth which, over time, has led to global warming through unrestrained carbon emissions by industries and use of products manufactured by them; pollution of air, water and land resources; destruction of the ecological balance of the planet earth; hardship and disease for the inhabitants of the earth; and so on, which threaten the very survival of life on earth and consequently the survival of the business organizations themselves.

STRAND 6

Modern economic development theories visualize a linear progression from prehistoric to agricultural to industrial to post-industrial society as the path to be followed by all countries of the world. The progress made on this path has become the basis for categorizing countries of the world as 'developed' and 'developing', depending on their per capita national income. This criterion has emerged as a very critical one in defining the terms of exchange between the two sets of countries. The ways of functioning of the 'developed' countries have been made the norm: the institutional architecture, the

legal frameworks, the market economy and the forms of governance prevailing in these countries are the models to be adopted by the 'developing' countries.

Market economy, increasing commercialization of various transactions between people, industrial production of goods and services have led to viewing the population of a country as consumers and producers of goods and services. Every individual is a consumer or potential consumer, and the thrust of producers is to increase the levels of consumption by consumers so that business volumes increase continuously. Increasing levels of commercialization have led to more and more aspects of an individual's life being viewed in terms of producer-consumer interaction.

STRAND 7

The countries of the world are also ranked on the Human Development Index (HDI) in terms of the services provided by governments to their citizens. These services are viewed as entitlements of citizens. The HDI measures achievements on income, health and education by various countries according to a specific formula, with different weights given to these three components. Here too, the levels of adult literacy, gross enrolment rate of children in schools, years of schooling, life expectancy at birth, infant mortality rates, maternal mortality rates, per capita income levels of the 'developed' countries provide the yardstick to categorize countries as ranking 'high', 'medium' and 'low' on the HDI.

STRAND 8

The meaning of development as industrialization and moving towards the market economy and the HDI standards of the industrialized countries are converging today to unleash strong forces of uniformity in the countries of the world. These forces of uniformity are primarily focussed on the structuring of the economy in terms of organizing production, trade, services, markets, institutions, legal frameworks, modes of governance, measuring labour force participation, availability of infrastructure, such as roads, electricity, piped water supply, schools, hospitals, telecommunications, and so on along the lines of the

'developed' countries of the world. Basically, these economic and development indicators are measuring the material wealth of different countries with the focus on people as consumers and citizens. The present theoretical frameworks for comparing countries on material wealth capture these differences in considerable detail but they also imply an ordering which places absolutist superiority to material wealth creation and consumption. The terminology of 'developed' and 'developing' is based on the criterion of material wealth and implies that those who have more material wealth are better than those who have less. This terminology also implies that the 'developing' countries have to follow the same path as the 'developed' ones, if they want to be called as 'developed' countries.

These eight strands together have considerable bearing on the present understanding of the stakeholders of business.

Emergence of stakeholder focus of business

The *raison d'être* of business is its economic contract with society—to create wealth through the production of goods and services which are consumed by the people. Conventionally, the success of business has been viewed in terms of profits it generates, that is a purely financial, single bottomline measure.

When business shifts from individuals to legal entities and when economic growth of the business is the only yardstick to measure its progress over time, then ways and means have to be developed to make economic growth possible indefinitely. The emergence of the joint stock company with limited liability for the promoters of the business is one such innovation which has become the vehicle for the growth of business leading to large-sized business entities with large number of employees and large number of shareholders who invest in the company. Such types of legal entities have been the focus of study because they have a large impact on their society. Not surprisingly, the stakeholders of a business are referred to mainly in the context of such business entities. Anyone who can affect or is affected by the decisions of the business is called its stakeholder.

The various stakeholders that a business is held accountable to include owners, investors, employees, suppliers, customers, government and regulatory authorities, the community, the environment and society

at large. It is easy to see that this set of stakeholders emerges from the historical evolution of the eight strands described earlier and their coming together at this point of time in history. The need for incorporating the concerns of all the stakeholders of business becomes inevitable when all these eight strands are intertwined together. This strategic need of business organizations has paved the way for the shift from viewing business as shareholder focused organizations to stakeholder focussed organizations.

Peter Pruzan succinctly identifies the distinctive features of these two views of organization which he calls 'shareholder-value perspective' and 'stakeholder-value perspective':

From a shareholder-value perspective, the goal is to maximise shareholder value, primarily via a maximisation of profits. To achieve this end, the most efficient use must be made of the 'instruments' available. These include not just technology and capital resources, but also employees, customers, suppliers, the media, the community, the physical environment, etc. From a stakeholder-value perspective this relationship between ends and means can be said to be shifted 180 degrees. The goals of the company will often include having satisfied employees who take pride in the organisation; customers who feel confident that they get their money's worth; products which not only are safe to use, functional, and of good quality, but are also produced in a manner which recognises human rights and does not unduly harm the environment; suppliers, and local communities that experience positive symbiotic relationships with the company; shareholders who receive a satisfactory return on their investments and are proud to own a share of the company; and so on. In order to contribute to the achievement of these goals, a high level of profits is required. Here the roles have been reversed. Income is no longer the primary *goal*, but a vital *means*. (Pruzan, 2001)

Over the years, the stakeholder-value perspective has led to viewing the success of business from several other measures besides profit.

Profits are necessary and inevitable to the success of business but the way the profits are generated is equally important. The social, environmental, ethical, informational means and methods employed to generate profits have a bearing on the responsible and accountable behaviour of business. Thus, a concept of multiple bottomlines has evolved from these concerns to measure the success of business as multi-purpose organizations set to achieve multiple objectives.

The triple bottomline approach (economic, social and environmental value added or destroyed) and the 3P approach (profits, people,

planet) to assess the performance of business have been developed to contain the excesses of business and help it to move to a more sustainable path of functioning. The people and the environment increasingly become important stakeholders of business in the process.

The CSR has emerged as a special function in business organizations in the course of making the shift from a shareholder-value perspective to a stakeholder-value perspective. Business has to maintain a careful balance between the demands and pressures of these various stakeholders, which can also be conflicting in nature.

Three institutional anchors of society

The state, business (private sector) and civil society are posited as the three institutional anchors of modern societies. The corporate world (as elaborated in Strand 1 earlier in this chapter) is spread across all three institutional anchors of society which have a complementary role to play to make the lives of the people better.

When government shifts from monarchy or dictatorship to democracy, then elected representatives and citizens become stakeholders of government. Some citizens, in the form of business entities, do become more important than other citizens for the government. Government and business become mutual beneficiaries of each other's actions, thus leading to government becoming an important stakeholder of business and vice versa. Civil society emerges as a separate anchor to balance the collective negative impact of the state and business in modern society when these two anchors together become the dominant forces on the lives of people.

From the stakeholder-value perspective, the three anchors of society—state, business and civil society—are essentially also stakeholders for each other. Additional stakeholders are there for each anchor. For business, investors, suppliers and consumers are additional stakeholders. In a democratic government, citizens and elected representatives are stakeholders besides business. In civil society, communities of people, donors and experts are stakeholders along with government and business. Each institutional anchor has employees to run these organizations. The common resource for the survival of all three is the earth—environment—which is a superordinate stakeholder, and all function in the context of society, which is the other superordinate stakeholder.

Essentially, the same stakeholders are juxtaposed differently when each of these three institutional anchors is the central organizational focus. All these stakeholders have their own interests to pursue, protect and promote which may converge or conflict with the interests of some other stakeholders—CSR tries to balance the interests of various stakeholders to maximize societal value for all.

Thus, government, business and civil society are active in trying to improve the situation of the people (citizens) through a variety of interventions. The gross inequalities between individuals, between organizations and between countries witnessed in present times are being addressed in the context of immense material wealth and immense material poverty which is directly related to the activities of one institutional anchor—business organizations. Civil society becomes an important institutional anchor of society in this juxtaposition to try and contain the excesses of state and business which can happen when limited liability business entities with state regulation become the mainstay of economic activity. Individually owned private business as proprietorships and partnerships can also contribute to economic excesses when the guild organization structure breaks down or is available only to some sections of the society.

When the concept of CSR is applicable to all corporate entities and not to business entities alone, the three institutional anchors of society are charged with the function of CSR as all of them enjoy corporate power. Bruce Lloyd sees the exercise of corporate power as a critical element in the long-term competitive advantage of successful organizations. According to him, when responsibility is internalized in the exercise of power its focus shifts from 'What is really important?' to 'What should be really important?' leading to responsible corporate citizenship. Decision-making in the organization is thus motivated by the positive influence of an underlying sense of values or ethics and moves away from the legalistic approach to compliance. To quote him:

In the responsibility-driven approach there is a genuine concern with reconciling the interests of all the stakeholders within the decision making process. Recent research has confirmed that organisations that are able to undertake this reconciliation effectively are those that produce the best long-term benefits for any stakeholder group, including the shareholders. (Lloyd, 2001)

Stakeholder engagement

The process of stakeholder engagement, therefore, becomes a natural and logical basis for operationalizing CSR. The funds for development of the people (citizens, community) ultimately come from business—either directly or indirectly. Some funds come from private philanthropy and some come from the community itself, but these also ultimately come from business. Business pays taxes to the government from its profits. Individuals also pay taxes to government from their incomes and profits. Taxes provide the funds to government to provide public goods and services to its citizens. The governments of rich countries provide development aid to poor countries by setting up special vehicles in the form of governmental aid agencies which are financed through the taxes they (the rich countries) collect from their businesses and citizens. Businesses and individuals set up philanthropic organizations from their own funds and assets. Businesses spend directly from their surpluses on interventions to help the community. Individuals contribute directly from their own incomes and assets to support interventions which may improve their own and/or other people's lives. Thus, the sources of funds for public goods and services are the commercial transactions engaged in by business—both by natural persons and legal persons—which constitutes the economic contract of business with society. Government constitutes the political contract with society, and civil society is trying to develop a social contract with society.

The CSR initiatives try to establish the metrics for the terms of exchange with the various stakeholders of each of the three institutional anchors of society. The terms of exchange with some stakeholders have become standardized and well established, whereas the terms of exchange with other stakeholders are evolving and are being better understood through active engagement. These are described in the following paragraphs.

Employees' interests have to be protected—they form trade unions and employee associations to negotiate with the employers and become a distinct stakeholder of the business/government/civil society entity. There is a need to retain employees to run the business and various types of incentives are provided towards this end. The organizational model of limited liability joint stock company in its

engagement with employees has borrowed the concept of partnership/ownership from full liability business by making employees part owners of the business through Employee Stock Options and payment of percentage of profits as remuneration. This combination of terms of two forms of business has led to extremely high risk-taking behaviour by employees, especially in the financial sector, to achieve economic growth up to infinity for their companies. The employees themselves stand to gain a lot in the short-term through these risk-taking behaviours but the long-term sustainability of the business is compromised. The current economic meltdown facing the world is partly rooted in this faulty design of modern business organizations and their terms of engagement with one stakeholder—the employees—to make their businesses attractive to another stakeholder—the investors. Instead of an employer—employee relationship, if the business engages with them in a buyer-seller relationship or as partners in full liability organizational form, then the nature of risk-taking behaviour of business would be different. Similarly, government has to strive very hard to get high performance from its employees and has to continuously provide them monetary and other incentives which ultimately consume a large share of public funds. Holding government office and exercise of power is another major incentive for government employees. Civil society organizations try to function on volunteer inputs, low remuneration, poor benefits and social security, and so on for their employees and have to find innovative ways to get high performance from them. Making a difference to the lives of people and playing a role in shaping official policies and in the functioning of societal institutions is a major incentive for those working in civil society organizations.

Investors are the major beneficiaries of joint stock companies when their businesses do well. Increasingly, modern economic theories persuade governments to transform the institutional architecture of the economy to persuade all savers to become investors in business by providing various fiscal benefits to investors. As long as the going is good, these measures work positively for the markets, government and investors. But when the economic bubble bursts, as in the case of the current financial meltdown that the global economy is experiencing, there is tremendous erosion of investor wealth. 'Socially Responsible Investing' is emerging to guide investors, but it is doubtful that they

can prevent the bursting of economic bubbles unless the structure of business and government regulation changes. ISO 26000 is being developed as an international social responsibility standard for all types of organizations.

Suppliers and customers become stakeholders by virtue of their buyer-seller relationship with the business entity which makes the whole transaction of running the business commercially viable. Suppliers themselves are also in business and they sell goods and services to companies as business organizations. The small suppliers have to protect their interests against large businesses, but when large business organizations are suppliers to other large businesses they do negotiate equitable terms for themselves. Consumers buy goods and services from companies. Consumer activism has emerged as a form of civil society action to protect the interests of consumers from the malintentions of business and lead to consumer protection laws being legislated and implemented effectively. Government is also a large buyer and seller of goods and services from the marketplace, thus government organizations also become suppliers and customers for other businesses. Initiatives of business to organize people in the community for economic activities lead to making the members of the community either suppliers, or consumers, or employees of business. Civil society interventions around livelihoods for the people also help to link them directly with the economy as producers, suppliers, consumers, employees, investors, and so on.

Government as the regulatory authority and policy-making forum constitutes a special stakeholder for business. It engages in policy advocacy with the government and tries to minimize the regulatory controls on itself, minimize tax payments and increases its profits. Civil society organizations also engage in policy advocacy with government to introduce policies which favour the people and to contain the excesses of business. Civil society engages in policy dialogue with business to correct the negative impact of their activities on the people, to stop them from entering certain areas and sectors, to make them adhere to standards and ensure compliance with the law.

There are positive and negative consequences for the community as a stakeholder of business. The commercialization and exploitation of natural resources to create material wealth for business has contributed to some of the problems and negative consequences faced by

the community as a stakeholder. These call for better response from business. The biggest sufferer is the community—large sections of the population do not get their full entitlements from government, their land and natural resources get taken up by business and development projects, they do not get adequate compensation, they do not get suitably rehabilitated after being displaced, they do not get absorbed in the new opportunities for work and employment and livelihood which get generated. This leads to protest and conflict with business. Besides, business has to build positive linkages with the neighbourhood where it is located, to sustain its activities at minimal cost. Hence, investment in the well-being of the community is in the long-term interest of the business.

All the stakeholders of the three institutional anchors are ultimately dependent on the natural environment for their survival. Business tends to exploit natural resources for material gain, and government is charged with the responsibility of ensuring that safe and sustained natural resources of air, water and land are available to its citizens. Civil society takes up the cause of protecting the environment and engages with government and business for this purpose.

Can the CSR reconcile the inherently contradictory objectives of greed versus need, of consumerism versus sustainable consumption, of economic growth up to infinity versus sustainable growth, of economic growth versus environmental sustainability, of throwaway lifestyles versus repair-reuse-recycle lifestyles which are being debated today in the interests of the two superordinate stakeholders—the environment and society? These are basically win-lose type of options which are being sought to be resolved as win-win options for all the stakeholders. They call for serious introspection on the directions of growth which have been pursued so far as well as of the structure and functioning of the three institutional anchors of society. The community as a stakeholder holds an important key to reconciling these contradictory options.

Community as a stakeholder

The metrics for the terms of exchange with the community as a stakeholder have to be understood in greater detail as this provides some direction for the future of society. The remaining sections of this chapter attempt to do so.

The work of Jumani (2006) and others highlight that the interventions of business, government and civil society to improve the lives of people are more effective when they are able to organize people around livelihood issues to increase their incomes, for example, through programme interventions such as watershed development, micro-credit, integrated agriculture development, afforestation, handicrafts production, and so on which lead to the formation of self-help institutions at the village level in the rural areas and the ward level in the urban areas. The infrastructure facilities and resources necessary for improving incomes have to be created and be placed in people's hands. The people get organized around the tasks of management of the infrastructure facilities and the resources. People grow as they gain experience and realize their own potential. The principle is to develop a stake for people in the infrastructure and resources being created, and economic growth will be taken care of by people themselves. They will, thus, also be better integrated in the economic mainstream. Federating these initially small-scale interventions into larger forums happens in varying degrees and leads to the development of viable businesses which are owned and managed by the members themselves, thus improving their effectiveness. The members are able to access various services like health, education, water and sanitation, childcare, housing, credit, roads, electricity, insurance, and so on as the strength of their own organizations increases. They are able to demand and get accountability from the government vis-a-vis their entitlements as citizens, and they are also able to pursue, protect and promote their interests on various facets of life. Their economic strength enhances their political and social strength positively. Interventions where only the social and political strength of people are increased without a self-sustaining economic basis tend to falter over time.

The scale of operations that such interventions are able/encouraged to achieve becomes the basis for their place in the mainstream of the economy and society. The examples of the Gujarat Cooperative Milk Marketing Federation (GCMMF) and the Indian Farmers Fertiliser Cooperative Ltd (IFFCO) are a case in point for highlighting this process of going to scale (Jumani, 2006). The challenges to be faced in developing people's capacities to represent themselves in institutions of ever increasing economic size and scale are clearly highlighted in the history of the GCMMF. In the case of IFFCO, the challenges of

working with the government as a shareholder are highlighted. If the efforts made by various stakeholders to facilitate people's own institutions are successful and develop in size and scale in the same way as in the case of GCMMF and IFFCO, then they will also face similar challenges in bringing people's self-help initiatives into the mainstream of the economy and society to become strong and self-reliant business and social organizations.

The initiative of the Magarpatta Township Development and Construction Company Ltd is often cited as an example of how farmers can collectively develop their own agricultural land for urban requirements instead of selling it individually to real estate developers (Dalal and Basu, 2007). Magarpatta is a planned city on 400 acres of land on the outskirts of Pune city which has been developed by a farmer's co-operative of some 120 families consisting of 800 individuals. The total sale value of its township properties is Rs 4,000 crore. The farmers own the company, manage it, sell services to it and draw comfortable sustenance from the returns it generates.

Displacement of people from their land has become a serious bone of contention between business and the community. Solutions where the land is leased out to business by the community instead of being sold outright show how involvement of the community as a stakeholder in the business prospects of the land and other natural resources they own can lead to a more harmonious and equitable resolution of this complicated issue.

Similarly, when the community becomes a consumer or supplier or both of business, then their stakes in the business increase as is the case with Gujarat Ambuja Cements Ltd, Excel, Tata Chemicals Ltd (Jumani, 2006).

The Government of Nagaland has taken up a unique reform initiative called 'Communitization' which is a partnership between government and community involving transfer of ownership of public resources and assets, control over service delivery, empowerment, decentralization, delegation and building capacity. It is based on the triple 'T' approach which says Trust the user community; Train them to discharge their newfound responsibilities; and Transfer government powers and resources in respect of management. A legal basis was provided to this by enacting the Nagaland Communitization of Public Institutions and Services Act 2002, under which administrative and

financial powers of government have been progressively transferred to the community. The experience of communitization of elementary education, primary healthcare, power distribution, tourism has been very positive and future plans include covering all the villages in the state under this initiative. Village water supply, village approach roads and urban amenities and services will also be included in future.

Micro-credit, micro-enterprise, micro-insurance interventions by business, government and civil society for the community (among several other interventions) have the potential to develop into strong self-help institutions which can be genuinely member owned and managed, if they are designed and implemented accordingly.

When a set of people form their own organization to pursue, protect and promote their interests in any sphere of life; manage their organization themselves and take responsibility for it; then a people's organization comes into existence. There are traditional and modern people's organizations; there are spontaneous and induced people's organizations and there are voluntary and mandated people's organizations. The state, business and civil society all have examples of people's organizations. They may emerge from people's own initiative, from state sponsored programmes, from donor funded development interventions and from business funded development action, to mention only a few ways of their coming into being. The centrality of people's organizations is not yet fully acknowledged by any of the key players in the development process.

If the efforts of government, business and civil society to strengthen the community (people, citizens) really do bear results, then the community will become stronger in terms of having their own funds and being able to manage their own resources and organizations. This will lead to development of member owned and managed people's organizations as representative organizations which are commercially and socially relevant. They will help business, government and civil society organizations to realize their desire to be commercially and socially relevant.

Business organizations are expected to be socially responsible and a social audit is considered necessary for a business to establish its social responsibility. The reverse can be made to apply to social organizations (civil society). They also need to stand on their own feet and establish a direct link with the economy for long-term sustenance. Thus, they

have to be commercially responsible. A business audit can be applied to social organizations for them to establish their commercial responsibility. Over a period of time, such a measure of performance will create a critical mass of organizations which are effective on the business front and on the social front—each such entity being commercially and socially relevant. The concepts of topline meaning revenue flows, middleline meaning expenditures and bottomline meaning profits/surplus as a net of revenues and expenditures can apply to all such entities which are successful in organizing people, work and ideas in a direct interface with the economy and with society.

So, all the three institutional anchors of society can grow into socially and commercially relevant organizations, with each of them having a direct interface with the economy and being self-reliant. Each of them can then be called a business organization and a social organization. The distinction between business and civil society will become increasingly blurred in the process with a great deal of overlap between their societal spaces, leading to the re-emergence of the two major anchors of society as was the situation in ancient and medieval times—government and business in the form of member owned and managed people's organizations—but on renewed terms of engagement appropriate to modern realities. Enlightened self-interest of both these anchors will work to positively align the individual interest of the members with the collective interest of their organizations.

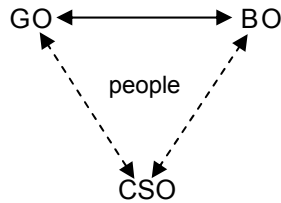
When all the stakeholders have their own representative organizations in the form of member owned and managed people's organizations, then the probabilities of negotiated settlements to balance the conflicting interests of various stakeholders can increase. Consequently, the scope for more equitable distribution of wealth generated from business can also be greatly enhanced. People's organizations which are commercially and socially relevant for their members develop when people learn to work together effectively which in turn necessitates having trust in each other. Thus, development of people's organizations can play a critical role in building high-trust relationships between individuals and various stakeholders leading to the evolution of a high-trust society. Successful people's organizations, however, are vulnerable to being captured as vote banks by political interests in society and the members have to be constantly on the alert to pre-empt such moves.

Partnerships between stakeholders

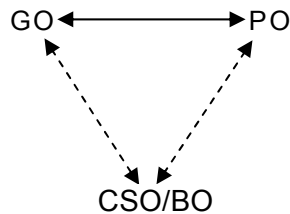
Partnerships between stakeholders are emerging and are being encouraged to improve the social, economic and political fabric of society, particularly for the poor and deprived sections of the population. The terms of engagement between stakeholders in these partnerships span the whole spectrum from confrontation and struggle to collaborations and alliances, from conflicting to complementary roles, from competition to cooperation depending on the larger goals of the stakeholders being grounded in a rights-based approach or a service delivery approach to development, and depending on their pursuit of public goods and services or private goods and services. The terms of engagement also lead to partnerships at grassroots, national and international levels in the globalized world of today. The positive impact of these partnerships on society as a whole largely depends on which stakeholder's interest is being maximized—business or government or civil society or the community? Inclusive business approaches try to reach out to the large numbers of people who are not yet in the ambit of the market economy—they want to do well by doing good, that is, business with a social and human face. These also are initiated by all the three institutional anchors of society in some form of partnership.

What these partnerships and alliances are really addressing is the consequence of state failure and market failure on large sections of the population and trying to turn it around into state success and market success. The extent to which they can turn it around into success is the impact of their CSR achievements. For how many people, for how long, and for incremental or dramatic improvements at what cost-benefit terms is the substance of sustainable change in the lives of people. The extent to which people themselves are in charge of these interventions and the degree of self-help that is built into the intervention design paves the way for a more egalitarian society and reconstructs the foundations of society on two institutional anchors—the state and business. The greater the centrality of the community in these partnerships, the greater is the likelihood of a strong and self-reliant member owned and managed people's organization to develop and flourish through self-help. Self-help is the most effective way for people to pursue, protect and promote their interests.

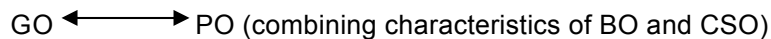
If we refer to governmental organizations as GOs, people's organizations as POs, business organizations as BOs, and civil society organizations as CSOs, then the following graphic depicts them as working in partnership for the benefit of people on for-profit or not-for-profit terms. They are the accepted partners in a public-private partnership.



When this partnership shifts to government and people engaging directly with each other for improving the life of people with some help from business organizations and/or civil society organizations, it becomes a public-private-people partnership, or as is sometimes called the public-private-community partnership, as depicted in the following graphic:



When these initiatives facilitate the emergence of strong and self-reliant people's organizations, then the partnership shifts to one between government and people in guild type of representative organizations which has business and social interests of people (its members) combined in the same forum. This relationship is depicted in the graphic below:



At present, government deals with the people's organizations of the rich and well-to-do directly in the GO-PO interface without feeling the need for any intermediary. For example, when government deals

with industry bodies like the Confederation of Indian Industry or the Federation of Indian Chambers of Commerce and Industry or other such forums, it does not feel the need for any intermediary civil society organization to facilitate interaction with them. But when it deals with the poor and underprivileged sections of the population, it encourages intermediaries in the form of civil society organizations through which it interacts with the concerned people. Similarly, when it deals with people's organizations of the underprivileged and disadvantaged, which come into existence through development interventions, the GO-CSO relationship mediates. In this situation, the people's organizations, more often than not, become extensions of the CSO. Such people's organizations of the underprivileged and disadvantaged are very fragile and vulnerable and need to be strengthened the most as representative organizations. The underprivileged and disadvantaged have yet to stake their claim for representativeness through their own organizations. They have to empower themselves to become the rightful partners of government in development interventions in the same way as that of people's organizations of the rich and well-to-do.

The Indian population is highly organized on social and religious lines in the form of caste/tribe associations, occupational guilds (often overlapping with caste/tribe), religious bodies, linguistic groups, and so on. However, a large proportion of the population in India (the poor, the under privileged, the disadvantaged, the marginalized) is excluded from the organizational framework that characterizes the modern world of work, finance, trade, communication, governance, education, health, insurance, and so on. This world is typified by large-sized, formal organizations that function within a written, legal, regulatory framework and are held accountable to designated authorities of the state. The modern world is conspicuous by its organizational forums and the predominance of individual-to-organization as well as organization-to-organization transactions on practically all facets of life. These types of transactions vis-a-vis the modern world are thus a reality for a very small section of the population in India. It is the modern world which is defining the mainstream of progress and development globally and nationally. Individually and on their own, a large majority of the people in India are not able to be integrated in the larger development processes of the modern world unfolding around them. Their ability to improve their situation in life, consequently, is handicapped considerably (Jumani, 2006).

Political parties in India are one modern organizational entity which effectively utilize the social and religious affiliations of the people on a large scale for political mobilization and vote bank calculations. Hence, there is a much skewed scenario where the population is affiliated to political organizations of the modern world but is not yet able to deal with the handicaps arising from being underprivileged, disadvantaged and marginalized because of lack of organizational affiliations with other modern organizational forums.

What it means then is that all people and groups of the population need an organizational umbrella in the modern world to be able to interact as equals with other people in the world around them and to pursue, protect and promote their interests. To create such an umbrella is a major societal need in India and also the major development challenge.

Conclusion

In the Indian context, institutions and organizations of people which are rooted in our cultural context have to be integrated into the business-society contract as a GO-PO relationship described in this chapter. People's organizations are self-organizing, self-governing, self-managing, self-regulating, self-controlled and self-led. When they become self-reliant in material terms also then their strength increases immensely. When people's organizations become a sustainable business activity, they can create more equity, more involvement and more responsible behaviour by various stakeholders which can lead to more accountability and transparency in society. Self-regulation works when everyone is part of a representative organization which is a genuine people's organization because going back on self-regulatory behaviour brings a backlash from other actors. When only some people are part of such representative organizations, self-regulation can become selectively beneficial to suit the convenience of some at the cost of many. Community-based organizations, youth clubs, cooperatives, self-help groups, professional associations, trade guilds, user groups, residents welfare associations, panchayats, caste associations, chambers of commerce, industry associations are all examples of people's organizations. Sustained empowerment of people is linked to the strength of the people's organizations which develop. The following equation highlights

the various strengths which people's organizations have to develop if they are to lead to sustained empowerment of their members:

Sustained Empowerment = Numerical Strength + Financial Strength + Organizational Strength

The CSR interventions can play a very useful role in bringing about societal change of this magnitude. As the material condition of the deprived changes, ideally it should affect the status quo between the rich and the poor as also between the elite and the common person. The extent to which this actually happens can provide an indicator to assess the impact of various development initiatives. The change in the hierarchical nature of our society and increase in the horizontal linkages between various groups and segments of the population is yet another measure of sustained impact. Stakeholder engagement through the CSR initiatives has to be assessed through such yardsticks.

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