

# Driving Corporations through SEE (Social, Ethical & Environmental) Factors

In February 1967, India was due to hold a general election. Days before the country went to the polls, The Times a UK newspaper ran a series of articles under the title "India's Disintegrating Democracy". Indians, wrote the newspaper's New Delhi correspondent, would soon vote in "the fourth – and surely last – general election", for "famine is threatening, the administration is strained and universally corrupt, the government and the governing party have lost public confidence and belief in themselves as well." The reporter could discern the "already fraying fabric of the nation itself, the states were "already beginning to act like sub-nations". Rule by men in uniform beckoned – in any case, "the great experiment of developing India within a democratic framework has failed."

That 40 years later the Indian democracy has not only survived but is held as a world model speaks volumes for both our electorate and the government – Something that India Inc has to be grateful for.

In 2005, Thomas Friedman, author of "The World is Flat", said "country of snake charmers, poor people, and Mother Teresa" had been "recalibrated" – it was now also "a country of brainy people and computer wizards". Jeffrey Sachs, in "The End of Poverty", spoke of how "the return of China and India to global economic prominence" would "reshape global politics and society" in the 21<sup>st</sup> century.

The riches that our corporates boast and which enables them to give lavish salaries stem from the political stability and entrepreneurial freedom that the nation has provided them. India's strength essentially stems from 3ds – the democratic dividend, digital dividend and demographical dividend. Our digital dividend is due largely to the power of English language. It is anybody's guess where India's software industry would have been, had China been equally proficient in English.

India's ascent to greatness is a cause for joy but not enough to lunge for the bubbly. Year 2006 has been a tragic year for Bharat. The country reported the highest number of suicides by Indian farmers who so far have been the back bone of India's prosperity. 1500 farmers committed suicide in Maharashtra, one of India's most prosperous states. This does not count the suicides triggered by the Singur controversy and the protestors killed by police firing earlier in Orissa for claiming compensation.

Worst, of course, are the figures of national health & family survey relating to 2005- 06. According to this survey 74% of our children below the age of 3 are anaemic and 33% have stunted growth. 66% of our children are undernourished and go to bed hungry. Even African children fare better than India's, admits the Ministry of Women and Child Development. Indian children are worse than the United Nation's Sub-Saharan poster boy with rickety arms, swollen belly and protruding eyes. In an internal document, the government has admitted that despite a high growth rate of 8% every year malnutrition in the age group of 0-6 years has declined only by 1% over the last 8 years.

No wonder that despite our stupendous achievements during 2006 our head hangs in shame. Our businesses cannot ignore the fact that despite monumental individual successes, we continue to remain a nation with the largest number of hungry and malnourished people in the world. As per the latest National Sample Survey 27.8% of India i.e over 28 crores are still below the poverty line. One can therefore, understand why the announcements by companies of disproportionate and gigantic increases in salaries, remunerations and bonuses, are greeted with contempt and disdain.

No one wants the business to be charitable. Today CSR is not about giving back to society but a business goal because it will help companies generate sustainable profit & growth. It has now been proved that social, environmental & ethical factors play a far greater role in asset valuation than the profit & loss account. Even in the profit matrix the recent results of Marks & Spencer, the UK retailer have shown how greening of the company and its commitment to fair trade, organic food, carbon neutrality, zero waste as epitomized in the slogan "As our sandwiches disappear, so does the packaging" have resulted in its turnaround.

The issue is not so much the size of the increase but the differential it creates the demoralization it causes because of lack of adequate measures for performance evaluation. Some companies grudge even small increases to their general work force. Studies worldwide have shown that money has little correlation with performance. No mercenary force has ever won a battle. Ostentatious managers rarely inspire, they only breed envy and feed greed. People in the company often feel cheated. In today's day and age people can stand poverty but not injustice.

It is important to instill a sense of realism in our economic performance too. Despite India being the second largest country in the world, our contribution to global trade is minuscule. In regard to GDP growth even African economies are achieving 7% per annum. Our asset valuation judged by the sensex during the past 5 months is 33<sup>rd</sup> in global league. Stock markets of 32 countries have performed better than us. For instance while the growth of our own stock market since 29 Dec 2006 is 13.1%, China 56%, Israel is 41%, Brazil 38.8%, Poland 37.7%, Malaysia 37.7% and Czech Republic is 35.7%. Thailand, Chile, Turkey, Mexico & Indonesia are all ahead of us in stock market growth.

It was only just and fair for the Prime Minister to pick up this theme in his address to CII. What is wrong in the Prime Minister telling India Inc to break cartels and abstain from ostentatious consumption and greed in their quest for profit and warned business that growing income inequalities could lead to social unrest if not addressed by the wealthy.

He said "The operation of cartels by groups of companies to keep prices high must end. Cartels are a crime and go against the grain of an open economy". Even profit maximisation should be within the bounds of decency and greed.

The advice was part of a 10-point social charter the Prime Minister presented to India Inc in a speech full of repeated references to the responsibility of private enterprises for ensuring equitable growth. Who can argue with PM that lavish weddings were a clear example of wasteful spending. "Such vulgarity insults the poverty of the less privileged," he noted. "We cannot afford the wasteful lifestyles of the western world. Conspicuous consumption must be reduced," he said. He proposed that companies should resist excessive remuneration to promoters and senior executives.

He also asked Indian industry to fight corruption. "Corruption need not be the grease that oils the wheels of progress," he said. "There are many successful companies today that have refused to yield to this temptation. Others must follow."

"Businessmen who enter politics should erect a Chinese wall between their political activities and their businesses," Singh said.

He asked companies to take up corporate social responsibility (CSR) initiatives, not with the objective of reaping tax benefits or because it has become a western management practice, but with the approach that the wealthy have an obligation to society and nature. Singh appeared unhappy about the skill-development initiatives of industry. He asked Indian industry to pay more attention to environment-friendly technologies, promote enterprise and innovation, invest in the welfare of employees and undertake affirmative action initiatives by offering equal job opportunities to people from the backward classes.

It was during the heyday of dot.com boom in the year 2000 that one day the world woke up to face the fact that Azim Premji was the world's second richest man. Once the eyes of the world turned on our subcontinent it could not miss the demographic advantage India held in terms of its market potential.

54% of our population is under 25, 35% is under 15. To the savvy market analysts this meant that India not only had the world's biggest middle class it had the untapped market of 800 million poor as well. More importantly because of the demographics this market was set for an exponential growth. Foreign Investors soon recognised that despite our bureaucracy & love of paper chase we have one of the world's most vibrant democracies protected by a robust constitution that guarantees rule of the law and fair play. The fact that more people understand English in India than even in the whole of the UK caused goose bumps to these analysts. Shortly thereafter a whole lot of MNCs, the FIIs and other private equity funds made a beeline to India.

It would, therefore, be unwise for businesses to ignore the very youth and children who triggered the transformation that has brought the world knocking at India's doors. Our heroes are the mothers who gave birth to these 1100 million people- The end game here is the numbers, stupid. Our population is our most strategic advantage. We cannot kill the very goose that lays the golden eggs.

We must not forget that the most formidable change in 2006 has been the increasing recognition of the power of the individual against the state and against the corporation. The strobe-like glare of the 21<sup>st</sup> century and the power of the blogger will simply not allow the business to focus on profits at the cost of society and environment. There is a clear message to the corporations – Beware of the blogger. He/she can turn a hero into a zero overnight. So business will be well advised to take CSR seriously and not let it become simply an extension of their PR department. Not because we want business to become philanthropic but because there is money to be made by this paradigm shift. The alternative is public opprobrium.

The world has great expectations from India. Indian corporates have done a great job so far. The Prime Minister has only offered course correction in India Inc's journey to the top of world league. India's USP is not ostentatiousness but simple living & high thinking. It is because of these that India's carbon emissions are only 21 tonnes per person per year against 792 tonnes per person in US. Similarly our usage of natural resources is only 6 tonnes per person compared to 78 tonnes per person in USA. Following the path of such minimalism is not only India's armour to protect itself from the catastrophic effect of climate change but something that it could export to the rest to the world.

India Inc must move away from the wasteful consumerist, obsessive, invidious acquisitional model of growth that increases nation's vulnerability and leads to social and emotional disorders, to an experiential model that blends with human psyche, encourages cooperative effort, provides emotional fulfillment and creates lasting happiness.

In her engaging book "Planet India", Mira Kamdar says "the world has to cheer India. For if India fails, there is a real risk that our world will become hostage to political chaos, war over depleting resources, a poisoned environment and galloping diseases.

But if India succeeds, it will demonstrate that it is possible to lift hundreds of millions of people out of poverty." This is a task that neither the government nor the corporates can do alone. This requires synergy between the two. That is possible only if India Inc drive their corporations by leveraging social, ethical and environmental factors.

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