

Building Businesses That Last Enhance Your Brand through CSR

During the year 2006 India has been hyped so much that it seems trite to say that Indian economy is on the roll. Our GDP growth last quarter rose to 9.2%. Our stock market has reached dizzying heights. Both FDI & FII have taken quantum leaps. More importantly our managerial ability and business prowess has been recognised worldwide. Laxmi Mittal has been accepted as the CEO of Arcelor Mittal, by far the world's largest steel company, despite the bitter criticism by Arcelor management of his corporate governance until the beginning of this year. Indian companies have started buying major chunks of west's treasures. Corus, the target of Tata buyout, is essentially British Steel that used to be a jewel in the British crown.

The cofounder of Skype Morten Lund recently said. "It's a no brainer. Indian companies will be buying US, UK and German companies. We have to just go with them."

The credit rating of our companies has gone up so much that company managements are claiming, a la Anil Ambani, that they have more money in hand than they actually need.

All this certainly calls for a celebration and would have made us lunge for the bubbly were it not for the fact that the 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 latest 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.

It is, therefore, time we questioned our achievements more closely. Admittedly, the Bombay Sensex has moved up from around 9000 in the beginning of the year to around 14000 at the close of the year. But this Sensex measures the movement of only top 30 companies. The number of Indian investors with equity exposure is extremely low, lower even than in the emerging markets. In the US, a third of the population owns stock. Market participation of Indian is barely 2%. 980 million Indian are untouched by the exuberance of stock market. Even the recorded growth of 49% of the Bombay Sensex fades away when compared to the returns achieved in some other emerging markets. The return in Caracas Stock Exchange of Venezuela last year was 150%. Return given by stock exchanges of other emerging markets is 140.2% in General Lima Stock Exchange of Peru, 123% of Cyprus, 107.6% in China, 65.9% in Morocco, 64.3% in Hong Kong, 63.5% in Croatia & 58.7% in Russia. Ten exchanges have outperformed India.

We must not forget that the average GDP growth for all emerging economies is 7% - even Africa has averaged a GDP growth rate of 5.3% in the past 4 years.

The World Bank's Doing Business Report ranks India 116th out of 154 countries with China rated as 91 and Pakistan at 50. Same report says that enforcing contracts in India takes 1420 days; importing goods takes 41 days and starting a business takes 35 days. Tax payment have to be made 59 times a year and the entire process takes 254 hours. We are 43rd in the World Competitiveness, 83rd in Corruption Perception Index, 128th in Human Development and world's number one in bribe giving.

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. It is obvious why the announcement by companies of disproportionate and gigantic increases in salaries, remunerations and bonuses, seem indecent and vulgar in a country which cannot afford even two square meals for the majority of its citizens.

On the threshold of New Year, while we celebrate the achievements of our business leaders, we must not forget that these achievements cannot have a lasting effect unless these are inclusive. It would seem indecent of Bharat Mata to have multiple orgasms, when it's children sleep hungry & underfed. Which we appreciate the colossal confidence of our business leaders and increased rush of adrenalin in their veins, we cannot celebrate the mind boggling bids at auctions and rush for Louis Vouttons, Lamborghinis & Maybaches by a miniscule brand of HNIs (High Net Individuals) nor we think that glorification of such greed that some media has opted for gives the right message to our youth. Such extolling of consumerism is downright coarse in a country which is proud of Gandhi whose thoughts are appended below this piece.

Even Adam Smith had a problem with such greed. He complained, "How many people ruin themselves by laying out money on trinkets of frivolous utility?". It is hard to claim that pyramid-shaped tea-bags (developed at great expense over four years) have added much to the sum of human happiness. Having been a witness to the entries of Golden Peacock Award for CSR prepared by India's leading corporations one fact is obvious: the companies are making huge efforts in building local communities and bridging the divide. The question is why these efforts are not resulting in improved outcomes?

The irony is that never before in human history the business has had the power and technology to make a difference to the lives of people. What we need is change of mindset. Instead of focusing simply on boosting profits we need to focus on the difference our business can make to the local communities; how many villages we can adopt; how many villages have we transformed; how many children have been educated? What has our business done to improve healthcare? How many roads have been built? What vocational training has been made available to the local youth? My business friends would tell me what I was told by the MBA students of Indian Business School at Hyderabad recently. They were horrified by my suggestion and retorted: This is not the business of businesses. This is the role of government.

Admittedly this is the role of the government and I am not proposing an altruistic suggestion. The reason that business should do all this is because this is the only way the companies are going to make sustainable profits in 21 century. It is now common knowledge that the market valuation of business is determined not so much by quarterly profit but by public perception of the good that it does to the community where it operates. The contribution in valuation made by the intangibles is infinitely greater than the tangibles. The most important of all intangibles the brand. CSR gives companies the opportunity to create and enhance that brand. In the current self-congratulatory mood of our nation we must not forget that among the many reasons that transformed the world's psyche about India is our first mover advantage in digital technology and our proficiency in English. Think where we would have been if instead of us it were the Chinese who had such proficiency in English. 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. They soon recognised that despite our bureaucracy & 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 of MNCs, the FIIs and other private equity funds made a beeline to India.

There is no doubt that the Indian entrepreneurs are far more energetic, innovative and business savvy than their western counterparts. That is what had led to Sunil Bharti Mittal becoming one of the most successful businessmen who could negotiate successfully with the best in the world whether it is Rothschilds, BT, IBM, Vodafone, Walmart or AXA. But such individual feats of brilliance have been there in the past as well. The story of Air India's global success under JRD Tata and Bose sound systems are just two examples.

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. Most of all the teeming billions. 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. Business must question why majority of our population is being denied the fruits of globalisation. Why globalisation is only working for the service & manufacturing sectors and not for agriculture? Why should the options of our farmers be limited to either starve or sell their land? Why the debt & equity markets which are transforming the businesses cannot be accessed by our farmers for mechanisation of their farms? Why globalisation which has made Indian business Ruia, Tatas and Ambanis access the world capital beyond their needs cannot be tapped for essentials of bijli, panhi & sadak for our farmers?.

Why does the rural population has to become the suckers of globalisation and pay more money for the goods than their urban neighbours? While we may rejoice that spending on food as a percentage of income has come down for urbanites, for every 43 paisa that the urban dweller spends on food his rural counterparts spend 55 paisa.

While the retailing push will delight the urban consumers by reducing their spend, it would only add to the misery of the poor by exposing them to environmental hazards. Pollution has stifled growth in India's rice harvest, cheating the staple crop of the rain the cool night time temperature needed to flourish, say US researchers from the University of California. Since the mid-1980s, the stubborn brown cloud of pollution that shrouds much of India, coupled with increased extent of rice farms in the nine Indian states that account for most of the country's wet-season harvest. Had both forms of pollution been cut, India's rice harvest across those states would have increased more than 14% between 1985 and 1998, report the researchers.

We must set our priorities right. Should we celebrate the financial success of 7,11,000 Indians whose liquid assets exceed \$100,000 and who are growing at the rate of 12.8% as per American Express and ignore 200 million for whom keeping the wolf at the bay is a huge problem?. 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 & against the corporation. The strobe-like glare of the 21st 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 them to become philanthropic but because there is money to be made by this paradigm shift. The alternative is facing public opprobrium.

For many a righteous Bengali, Ratan Tata now seems to be the counterpart of the pot bellied lands-shark played by Boman Irani in Khosla ka Ghosla despite Tatas' revolutionary effort to bring a one lac car to the people of Bengal. Similarly boasts of Lakshmi Mittal about his £53 million mansion in London or 1500 guests for his daughter's wedding at the Palace of Versailles are not going to go well with the blogger. They will be better off boasting the number of villages adopted the roads build and chairs created in the Universities and other measurable outcomes of their efforts to bridge the social divide. We would call this SAI (Social Accountability Index) of the corporation. It is worthwhile on this new year day to bring into focus some Gandhian thoughts on running lasting businesses. It is time our corporations thought of making the farmer a stakeholder in the businesses run on their land purchase from farmer and thus solve the huge controversy that SEZs have created in India. Gandhi said: "Whenever you are in doubt, or when the self becomes too much with you, apply the following test. Recall the face of the poorest and weakest man who you may have seen, and ask yourself, if the step you contemplate is going to be of any use to him."

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