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ROUND TABLE

Business and development

Ananya Mukherjee Reed [a,b,*], Darryl Reed [c,b,1]

[a] *Political Science and International Development Studies, York University, Toronto, Ontario M3J1P3, Canada*
[b] *Centre for Corporate Governance and Citizenship, IIMB, India*
[c] *Business and Society, Department of Social Science, York University, Canada*
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Abstract Businesses now contribute to development through avenues other than the generation of employment and economic growth, such as corporate social responsibility initiatives, corporate accountability movements and alternative business models, using several partnership formats to deliver. A panel with representatives from leading corporations, NGOs, and a public sector bank discussed the changing nature of corporate power, responsibility and ownership, the greater congruence between the goals of business and society, and how their organisations were responding to the changes and opportunities.

Academic perspective

With the transition over the past few decades from state-led development to market-led development models, the expectations of business contributions to development have changed significantly. While there is no clear consensus on what the development roles and responsibilities of business are (or what development entails), it is generally acknowledged that business has to play a more prominent role and make significant contributions. The purpose of this proposed round table discussion, as indicated below, is to focus on how the key points of contention in this discussion are visible at the firm level within the core business strategies of firms. Before formulating this proposition, however, it is important to lay out the historical and conceptual background to this debate.

Business and development in a globalised economy

With the acceleration of the processes of economic globalisation in the 1980s, the portrayal of the role of the state and business in development began to change significantly. Increasingly states began to be viewed as the problem rather than the solution, a perception that was given some credence by fiscal and development crises in the South. In this context business, conversely, came to be portrayed as the key component of the solution to the problems created by state failure. The primary role for business in contributing to development was understood, initially at least, as the generation of growth and employment through the pursuit of profits (with the implicit understanding of development being economic growth) (Bhagwati, 1982; Krueger, 1990).

* Corresponding author at: Political Science and International Development Studies, York University, Toronto, Ontario M3J1P3, Canada. Tel.: +1 736 2100x30095.
E-mail addresses: ananya@yorku.ca (A. Mukherjee Reed), dreed@yorku.ca (D. Reed).
[1] Tel.: +1 416 736 2100x77817.
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The processes of economic liberalisation, however, provoked strong societal reactions in nations around the globe, both in the North and in the South. While these reactions first gained international mainstream media recognition in 1999 at the 'battle in Seattle', a diverse and broad range of protest movements had been developing for a number of years. These have included local communities in the South whose livelihoods and health have been directly affected by corporate activities (e.g., in resources extraction, agriculture, aquaculture, forestry, etc.), local and international advocacy NGOs and environmental organisations, corporate watchdog groups, shareholder activist groups, etc. What Seattle signified was the growing ability of these various groups to work together not only to confront corporations, but also their potential to apply political pressure for hard international regulation of corporations (Bendell, 2004; Blowfield, 2005).

Four approaches to promoting business contributions to development

While business may promote development through its contribution to economic growth and employment generation, societal pressures have led to the promotion of a variety of other avenues in which business might contribute to development. As discussed immediately below, these include: 1) corporate social responsibility (CSR) initiatives; 2) corporate accountability movements; 3) a reorientation of public sector enterprises and their developmental roles, and; 4) alternatives to conventional business models. These responses can involve businesses alone or, as discussed further below, involvement with different partners (e.g., NGOs, community organisations, government, etc.).

Corporate social responsibility initiatives and development

In reaction to social opposition and in efforts to forestall any moves to develop binding international regulation, from the late 1980s and early 1990s corporations and industry bodies started to promote corporate social responsibility programmes more systematically. Over time these initiatives took a variety of forms (e.g., codes of conduct, best practice guidelines, community development programmes, etc.), have come to operate at a variety of different levels (e.g., the firm level, industry wide initiatives, cross-sector initiatives) and have engaged a variety of different actors (e.g., local communities, NGOs, multilateral bodies, national and international development agencies, etc.) (Mukherjee Reed and Reed, 2009; Partners in Change, 2004, 2000; Zammit, 2003).

While not all such CSR initiatives explicitly speak of the development responsibilities of firms, many increasingly do. The most visible of all such initiatives, the United Nations Global Compact (UNGC), is a case in point. When it was initially launched the UNGC did not have a strong explicit emphasis on development responsibilities. Subsequently, though, it was extended so as to link participation in the Compact to the achievement of the UN Millennium Development Goals (UNGC, 2007). Table 1 lists some of the major international CSR and corporate accountability initiatives.

Corporate accountability movements and development

CSR initiatives by corporate actors have not been benignly welcomed by all. Critics have included development NGOs, social movements, corporate watchdogs, labour organisations, academics and public policy institutes. Their complaints can be briefly summarised. First, particular CSR initiatives are not accountable to their purported beneficiaries, who typically have a minimal role in development and implementation of such programmes. Second, these initiatives often focus on non-core business activities (e.g., community development programmes). Third, even when core business activities are addressed, the initiatives typically do not have hard standards (often relying on best practices, managerial processes, etc.), tend to rely upon self-reporting and have no strong sanctions or enforcement mechanism. Third, and more condemning, is the charge by critics that CSR initiatives are not even intended to be effective. Rather, at the level of individual firms and industries they function as a mechanism for image washing and green-washing, while at the level of business as a whole they serve to legitimise a model of business self-regulation (Bendell, 2005; Korten, 2001; Soederberg, 2007; Zadek and Radovich, 2006). Under such a business self-regulatory regime, critics contend, it is inevitable that social divisions and associated adverse development effects will increase, especially among already marginalised groups. While such results are not well captured by aggregate macro-economic indicators of economic development, they are clearly visible in human development indicators (e.g., levels of income polarisation, illiteracy, infant mortality, etc.) (Mukherjee Reed, 2008; UNDP, 2003).

In response to these deficiencies, corporate accountability movements seek to impose greater social accountability over corporations. A key aspect of this strategy is that, in contrast to CSR initiatives which often focus on CSR community development programmes, corporate accountability movements focus on core business activities (especially as these relate to environmental and labour standards). In addressing core business practices, corporate accountability movements do not want to leave it to corporations to decide on appropriate social responsibility standards and whether they should act in accord with such standards. Rather, in the face of government inability or lack of motivation to set and enforce proper standards, corporate accountability movements seek to increase societal determination of what appropriate standards are and to increase the pressure on corporations to live up to such standards. As such, corporate accountability movements are primarily concerned with rule-setting and the related activities of monitoring, reporting and enforcement. In moving away from entirely voluntary measures, corporate accountability movements seek to establish a framework that ensures answerability, enforceability and universality (Haigh and Jones, 2006; Newell, 2002; Utting, 2005).

In their efforts to impose great control over corporations, corporate accountability movements may use a variety of measures, including hard law, soft law, boycotts, protests, shareholder activism, and certification programmes. Of these by far the most prominent would be certification programmes. Corporate Accountability Programmes (CAPs) have tended to focus on two primary concerns, namely labour rights and the environment. Most of the labour rights CAPs (often referred to as 'no sweat' or 'ethical trade' initiatives) have tended to be concentrated in the apparel, footwear and sporting goods sectors. For their part, the environmental initiatives have largely been concentrated in the resources sectors (e.g., Forest Stewardship Council, the Marine

Table 1 Major international CSR and corporate accountability initiatives.

Name	Initiator	Sector	Goals	Governance
Global Compact	United Nations	Multi-sectoral	Millennium Development Goals	United Nations
Global Reporting Initiative	Ceres, United Nations Environment Programme (UNEP)	Multi-sectoral	Transparency	Multi-stakeholder
GlobalGAP	EuroGAP (industry)	Multi-sectoral	Environmental sustainability	Private sector
SA 8000	Social Accountability International	Apparel, Agriculture	Labour standards	NGO
WRAP	Industry	Apparel industry	Labour standards	Industry
Fair Labour Association	Government, NGOs, Industry, Unions	Apparel	Labour standards	Multi-stakeholder
Workers Right Consortium	NGOs, Unions	Apparel	Labour standards	NGOs
Forest Stewardship Council	NGOs	Forestry	Environmental sustainability	Multi-stakeholder
Marine Stewardship Council	Industry	Fishing, Aquaculture	Environmental sustainability	Multi-stakeholder
Rainforest Alliance	NGOs	Various agricultural	Environmental sustainability	Multi-stakeholder
Fair Labelling Organisation	NGOs, Small producers	Various agricultural	Small producer support	NGOs, small producers
Utz Kapeh	Industry	Coffee, tea	Environmental sustainability	Multi-stakeholder
International Foundation for Organic Agriculture	NGOs	Various agricultural	Environmental sustainability	NGOs
Extractive Industries Transparency Initiative	Governments, NGOs, Industry	Extractive industries	Transparency, Governance	Multi-stakeholder

Stewardship Council, the Rainforest Alliance, etc.) (Bendell, 2004; Bernstein & Cashore, 2004; O'Rourke, 2006).

A second major area of corporate accountability activities—some would argue the most important—could be referred to as transparency and governance initiatives. Examples would include Transparency International and Publish What You Pay. These organisations may have a variety of different goals which can directly and/or indirectly lead to greater development impact by corporations. These goals include helping to eliminate corrupt practices by governments (e.g., eliciting bribes from corporations), increasing corporate transparency (e.g., reporting requirements), reducing undue corporate influence through lobbying, eliminating corporate tax evasion and avoidance, etc. (Bendell, 2004; Moran, 2006).

Public sector enterprises and development

In many countries such as India, state-owned enterprises play a significant role in the economy. Historically, these enterprises have not only had a direct development mandate ascribed to them by government through their core business, but also have had other requirements imposed upon them to promote development. This is particularly the case in India, where state-owned enterprises typically have specific policies and criteria laid down with respect to such issues as employment of marginalised groups, contributions to local development, etc. In addition, such state enterprises may also engage in the CSR and corporate accountability programmes that are targeted for traditional for-profit firms (e.g., ISO certification, etc.). Their substantial growth in recent years indicates the necessity to reassess their role in development (for example, five out of the seven Indian companies listed in the Fortune 500 are public sector firms).

Alternative businesses and development

In addition to traditional for-profit businesses and public sector enterprises, there is another class of business which often has the promotion of development as a core component of its mission. These alternative businesses—often referred to as social economy enterprises—are distinguished by the fact that their primary purpose is not the pursuit of profits but the achievement of some social purpose. Such social economy enterprises would include co-operatives, social entrepreneurs and social enterprises. Many such businesses have been founded with the specific purpose of promoting development (e.g., through supporting small producers and producer organisations in the South through trade links, providing finance, etc.). These are however to be distinguished from charitable organisations which also claim to have a social purpose (Mukherjee Reed and Reed, 2009).

Table 2 Forms of business partnerships for development.

Features	Partnership activities	Key sectors	Conditions for success	Benefits for business partners
Partnership type				
Conventional Business Partnerships	• Core business ○ Improving efficiency	• Infrastructure ○ Water ○ Electricity ○ Communications ○ Transportation	• Good investment climate • Full cost pricing • Effective regulation ○ Independence ○ Optimal pricing ○ Reducing corruption	• Revenue generation
Corporate Social Responsibility Partnerships	• Resource provision ○ Livelihoods ○ Social programs ○ Humanitarian assistance • Rule setting ○ Codes ○ Certification	• Apparel and sports equipment • Resource sectors • Food and agriculture • Financial services	• Win-win situations ○ Best alternative ○ Competencies ○ Power dynamics	• Public relations • Marketing opportunities • Access to strategic information
Corporate Accountability Partnerships	• Rule setting ○ Certification • Transparency ○ Reporting ○ Tax avoidance ○ Lobby activities	• Apparel and sports equipment • Resource sectors ○ Forestry ○ Marine • Food and agriculture	• Social mobilisation • Long term corporate engagement strategy • Government and public institution support	• Image make-over • Recruiting and retention • Access to ethical markets ○ Price premium
Alternative Business/Social Economy (SE) Partnerships	• Resource provision ○ Enterprise development • Rule setting ○ Certification	• Food and agriculture • Informal sectors • Infrastructure	• Support structures for SE enterprises • Developing SE networks • Strategy for corporate engagement • Contact with social movements	• Core mission • Network benefits

Business partnerships for development

While businesses may contribute to development through their own organisations, as noted above it is more typically the case that they engage with other actors in their efforts to promote development (Table 2). These actors include multilateral bodies (such as the UN, ILO, UNEP, etc.), NGOs, local communities, multi-stakeholder groups, etc. Based upon the discussion above, it is possible to distinguish several such forms of business partnerships. These different types of partnerships will have different conditions for success and provide different types of benefits for the business partners.

The purpose of the round table

This round table will provide a forum in which the practices of several businesses can be examined with respect to their impact on development. More specifically, the forum will examine whether different types of businesses (see below) are likely to understand and contribute to development in different ways, including alternatives to traditional business firms such as co-operatives and state-run enterprises. In this forum, the focus will not be primarily on the CSR practices of such firms, but rather will extend to their core business activities (including their profit and investment strategies, their human resource policies and practices and the sustainability of their production techniques) and, to a lesser extent, their governance practices.

Business and development: Discussion

Anchors
Ananya Mukherjee Reed and Darryl Reed
Panellists
Anant Nadkarni, Vice President, Group Corporate Sustainability, Tata Council for Community Initiatives. tcci@tata.com
Gijs Spoor, Founding Director, Zameen Organic. gijs@zameen.org
N Narasa Reddy, General Manager, Priority Credit Wing, Canara Bank. pcwing@canbank.co.in
Narayan P S, General Manager, Eco Eye, Wipro Technologies. narayan.pan@wipro.com
Rohini Nilekani, Chairperson, Arghyam; Co-founder, Pratham Books. rohini@arghyam.org
Faculty and doctoral students from IIMB were part of the invited audience, and participated in the discussion.

The business of business: sustainable value creation

Anant Nadkarni

Let me briefly describe the progress on the corporate sustainability front in the Tata Group. Post-independence, during the pre-reforms period, the industry talked about providing employment and other such immediate concerns. Post-reform, we had to introspect, and find out how we could change our approach in this area with the changing context. The process of introspection led us to examine some fundamentals of business to improve the balance between the 'creative' and the 'distributive' integrity of the wealth of the enterprise in a way that it reasonably contributes to the well being of everyone concerned. At Tata, there was a shift from corporate social responsibility (CSR) to 'corporate sustainability' (CS), which is really about taking responsibility, and becoming part of the development process—not in an outside-in, but an inside-out approach, with commitment becoming more important than compliance.

We had *five enablers* which triggered off fundamental changes in our business, and we clustered them under one name—corporate sustainability.

Our first enabler is related to the *ownership of the business*. There are a number of trusts which are the real owners of the Tata Group—no individual really owns the Tata Group. This model, which enables a certain detachment from the personal desire for profit, is really about creating sustainable value.

The second enabler is related to *governance*, particularly the aspect of control. There are some families in the Tata Group who have traditionally got more shares than the Tata family itself. But none of them has ever had a representative as a director on the board, or tried to control decisions. Further, no decision in the Tata Group has been taken on vote—all decisions are taken on the basis of unanimity and consensus. This kind of approach had a cascading effect in the organisation. In the past, we did not have measures for sustainability, there were no indicators, no Global Reporting Initiative (GRI), to tell us what was right; over 90% of the affirmative action was by happenstance.

Our next enablers are our *leadership* and our *business model*, which are driven by a vision of co-creation of wealth. To quote J.R.D. Tata, 'What came from the people has gone back to the people many times over.' The mission statement of the Tata Group further enunciates that 'we would like to be seen as a group that has shed its past traditions, that lives in the present moment, and is in the forefront of whatever it does'. At Tata, it has always been leadership by example, and all our goals, protocols and models are constantly being tested.

That vision of the leadership and their enunciation of the mission gave us a very powerful driver to question what we are doing, and who we really were. We started building certain perspectives, and eventually the Tata Business Excellence Model came into being. That business model defined the value systems, which in turn shape every transaction and interaction. It gave us a definite process by which to run the business.

In keeping with our model and our vision, our outreach programmes are an effort to create well tested and researched development support solutions, such as the Tata Index for Sustainable Human Development and the CS Protocol, and combine them with robust business and learning models. 'Profit' is no more a dirty word when the well being of society is central to the goals of the enterprise. Our lateral and non-financial goals show how profits can be transformed into human, social, natural and environmental forms of capital, while the R.O.I. (Risks, Opportunities and Innovations) management process addresses the important aspects of environmental and social risk elimination/mitigation, opportunities to improve the quality of life, and ways to innovate, reach out and make an impact.

Our next enabler is *volunteering* which is now a systematic process in the Tata Group, in resonance with our leadership and values. While volunteering is not optional, it is also not prescriptive; we encourage proactive behaviour among employees, create new spaces for innovation and encourage initiatives that impact the wider environment for the good. We are aware that as a multi-stakeholder partnership, our role is distinct from that of the government, or NGOs. Businesses are more comfortable in using their own core competencies to assist communities and are conscious of their immense power to transform society through skills and the application of technologies. Several Tata Group companies have utilised their competencies to make an impact through programmes such as the Adult Literacy Programme, the Artificial Limb Programme, Application of ICT, the Learning Disability Forum, and so on. Such solutions to various problems of society exhibit talents and capabilities previously unsuspected by both the stakeholder communities and ourselves.

The 'inside-out approach' to CS is more proactive and leads to investment in voluntary standards and effort. Tata is reporting on GRI, SA 8000 (a global social accountability standard for proper working conditions), is a signatory to the UN Global Compact or the ISO series of standards in addition to sector and business specific standards. Several Tata directors and officers are on the boards of these organisations to contribute the Tata perspectives.

The benefits of the Tata leadership and experience are available to government initiatives and working solutions and the Tatas were on national committees dealing with Affirmative Action, Special Economic Zones, and Reform of Company Law to name a few. The Group supported the Planning Commission in the creation of IS 16001 on social accountability at the workplace; Concrete Steps for Indian Business on CSR; Social Code for Business (UNDP) and so on.

Thus, our five enablers have helped us to achieve our vision of corporate sustainability, wherein we contribute towards society's well being.

Canara Bank and corporate social responsibility

N Narasa Reddy

Canara Bank was founded in 1906 by Ammembal Subba Rao Pai, a philanthropist and advocate, and was nationalised in 1969. Canara Bank's obligation and firm commitment to CSR initiatives are testified by the founding principles of the bank, which we follow to this day. These principles included removal of superstition and ignorance, spreading education among all, inculcating the habit of thrift and savings, transforming the financial institution into the social heart of the community, assisting the needy, working with a sense of service and dedication, developing a concern for fellow human beings, and sensitivity to the surroundings with a view to creating and removing hardships.

Canara Bank has a record of making profits year after year unfailingly since its inception. As the bank's business position on March 31, 2009 indicates, it earned a profit of Rs 2072 crore (20.72 billion), the net profit recording a growth of 32.42% year on year, making it the highest net profit earned in its history. We like to think that it is our CSR initiatives that have made the profits possible in that whatever we do for society comes back in the form of business.

Apart from pursuing various goals under priority sector activities (including agriculture), the bank has made significant contributions to the financial inclusion process. Cumulatively, 17.30 lakh (1.73 million) no-frills accounts—zero balance accounts—have been opened, and total financial inclusion has been achieved in 25 districts. The bank is now concentrating on the second phase of financial services to these people who did not have banking habits so far; the bank has earmarked about Rs 750 crores (7.5 billion) of credit for this category. The priority targets are our mandatory requirements, and these are also a part of CSR.

Table 3 summarises Canara Bank's performance in the priority sector (as of March 2009).

The empowerment of rural India is gaining momentum through Self Help Groups (SHGs). Canara Bank has facilitated the formation of about 2.75 lakh (275,000) SHGs so far; we have credit linked 2.25 lakh (225,000) SHGs of which 90% are women's groups.

What does CSR mean to Canara Bank? As a public sector bank, we are required to perform certain functions, which the government expects — that is part of our CSR. While we have successfully met a great portion of the statutory or mandatory requirements, we have undertaken several voluntary initiatives which are self-driven. CSR, for us is a concept beyond marketing/PR initiatives. It is not a goodwill exercise but an integral part of the business, integral to the service oriented banking industry. We believe that inclusive growth alone can ensure the all round development of the nation, and our CSR initiatives stem from this concept.

Earlier, our logo was, 'Serving to grow; Growing to serve'—while we grow, we help others to grow. Our current logo is 'Together we can', and that is the principle on which Canara Bank functions. We try to involve our staff in the community and CSR programmes—through contributions of money or labour—'shramdaan'; this adds value to corporate governance and enhances value for all the segments of stakeholders.

Table 3 Canara Bank's performance in the priority sector (in Rs crores).

Gross Credit	138 219
Adjusted Net Bank credit	105 952
Advances to priority sector	48 763 (46.02% of ANBC)
Total advances to agriculture	20 144 (19.01% of ANBC)
Total advances to SME	16 316
Total advances to SC/STs	2863
Total advances to weaker sections	10 809
Total advances to minority communities	5452
Total advances to women beneficiaries	12 147 (11.46% of ANBC)

ANBC: adjusted net bank credit.

Some of our domains of intervention are self employment initiatives for the benefit of unemployed youth; rural healthcare and healthcare for the elderly; drinking water; rural infrastructure; children's education; and women's welfare.

As part of the self employment initiatives for unemployed youth, the Canara Bank Centenary Rural Development Trust (CBCRD Trust) was established in 1981 and its rural development programmes include motivation, training and assistance of unemployed youth and village level workers; research and development activities in entrepreneurship and rural development, promoting credit counselling and project consultancy and setting up of focused training institutes. Seventeen such training institutes have been set up to date. These focus on different aspects such as the empowerment of women, empowerment of scheduled castes and tribes and minorities, promotion of rural industries and microfinance, training in IT to bridge the digital divide, and artisan training to rejuvenate the rich tradition of culture and art in the country. The institutes have trained more than 75 000 youth with a settlement rate of 73%. Canara Bank has established 25 training institutes across the country jointly with other organisations.

As part of our rural healthcare initiative, a rural clinic service was introduced in 1983 to provide basic health services in remote rural areas. Through this scheme, unemployed doctors are provided monetary assistance to set up clinics in identified rural areas. More than 500 clinics have been established to provide basic medical facilities to the disadvantaged sections. The bank's social action cells organise blood donation and health check up camps.

Other initiatives of the bank include the Jalayoga scheme, introduced in 1996, to provide safe drinking water to the backward communities and water starved villages of rural areas; Rural Resource Development Centres to educate people and disseminate appropriate technologies; educational initiatives such as Cangrama Shikshana Kendras to provide infrastructure facilities to rural schools, and books, uniforms etc to slum children studying in government schools; maintenance of orphanages; and Centres for Entrepreneurship Development for women (CED cells).

Canara Bank has a targeted CSR outreach and community development programme—in fact, CSR is the core concept around which the banking business has been built assiduously over a century of existence. The bank also has a well defined framework for CSR reporting and accountability. There is a constant interface with NGOs to solicit feasible ideas for inclusion in the CSR policies.

Canara Bank's efforts have been recognised through the many awards that have been bestowed on it, including the Golden Peacock CSR Award 2007 and the Best CSR practice Award 2008 constituted by BSE, Times Foundation and NASSCOM.

Perspectives on business and development

Narayan P S

Corporate organisations across the globe face many complex issues, many of which have no easy answers. In

India, groups like the Tatas have been pioneers in dealing with such issues. When you start to debate on whether and how business should engage with society, you start with laying out the spectrum of approaches. At one end of the spectrum, you have the capitalist approach, the essence of which is captured by Milton Friedman's famous statement that the business of business is business and the markets will take care of everything else; at the other end of the spectrum is the ecologist approach, which believes that the human species is just one of many and that our primary responsibility should be to the planet. And then, there is the middle path, the social contract approach, which holds that business has a social obligation which it must try to fulfil, with the caveat that economic interests come first.

The business sector's tentative answer till now has been to produce a report based on the triple bottom framework (Figure 1).

Some major questions that corporate organisations face today are:

- Is there a way of reconciling the inherent conflict between market economics on one side and ecological and social compulsions on the other?
- Shouldn't true costs (ecological and social) be incorporated into corporate accounting frameworks? Which should of course run parallel with alternate national accounting measures such as Gross National Happiness, Green GDP, etc.
- Should an organisation's ecological and social license to operate be made more explicit and transparent through mandated public disclosures such as Sustainability Reports?
- Should a company voluntarily adopt caps on salaries and fix a ratio of maximum to minimum salaries? (implied inference: ...and redistribute the extra profits to its social stakeholders?)
- What kind of products and services should a company choose to sell? Should these be based on parameters of social and ecological 'good'?
- What are the pros and cons of a social entrepreneurial approach to business, i.e. Doing Well by Doing Good?

Figure 1 Reporting on the triple bottom line. Source: Novo Nordisk A/S.

There are several non-state influences that can be brought to bear on organisations in this area. First, we can talk about the direct stakeholders of business—customers, suppliers, employees—who have increasingly begun to assess a firm's green and social credentials, this forming an indirect pressure point on organisations to change tracks. Then, there are the civic society organisations which have traditionally been in a position of confrontation with business. Fortunately, this seems to be changing in the last few years, and we are seeing more examples of partnering between watchdog bodies and other civic interest groups with the business sector. While this is a welcome change, these stakeholders must continue to keep the levels of discomfort very high for the corporate organisations. Here it is pertinent to mention that the very act of reporting on the triple bottom line by itself creates internal pressure for companies to clean up their act on a continuous basis. It may be the right next step to make such reporting mandatory. B-schools also need to remodel their fundamental approach to what is taught and how. For e.g. the free market and profit maximisation models should not be positioned as the only legitimate ways of doing business. Investors and lending institutions must start 'risk weighting' companies on environment, social and governance (ESG) parameters. Lastly, with 'greener' and 'ethical' consumers asserting themselves more and more often, changing consumer preferences are also going to prove to be a tipping point for companies to wake up and act.

There are several possibilities for government intervention. At a very fundamental level, governments can start to evolve a more holistic measure of national wealth, one that includes ecological wealth, social well being and equity. From a fiscal engineering perspective, governments can think of providing a wide array of fiscal benefits and incentives for bottom of the pyramid investments, especially those that would result in job generation, and that address core issues of hunger, clean water, sanitation etc. The government has a very important role to play in ensuring that public goods like water and forests remain so, and do not become market goods. As is beginning to happen in the US, the government could think of a possible mandate for setting a maximum ratio of 'CEO to janitor' salaries. At a more radical but much needed plane, governments can choose to disallow products and services that are harmful to society and ecology. A variant of this approach would be for the government to seek to engineer consumption patterns through fiscal disincentives so as to safeguard the environment. For instance, ownership of a second car or house bigger than a certain scale can be discouraged through stiff penalties and disincentives.

What we are talking about therefore is a fundamental paradigm shift, of which we can see the beginnings. To give three examples

i) On the environmental dimensions, most companies currently focus on internal efficiencies in energy, materials and water and in addition may engage in some community programmes. In future these must expand to the concept of trying to become a surplus organisation, which demands that they green their products and services significantly thereby helping their customers become more sustainable. Another significant step forward should be in the participation in a major way in public-private partnership (PPP) initiatives, and to focus on bio-diversity preservation.

ii) On the people front, organisations currently do several things on affirmative action, diversity, human rights, freedom of association and so on. The next logical step should be to expand the scope of applying these standards to suppliers and customers, where these standards must be applied equally stringently. It will take a progressive organisation to walk away from a customer's business just because the customer does not have great track record in child labour. One way of assessing a company's social license to operate would be to institute a formal verification of whether and to what extent the company's programmes are aligned with at least two of the eight UN millennium development goals.

iii) Today's paradigm for wealth creation involves maximising shareholder value. Such a model imposes no constraints on the kind of products you can sell. Tomorrow the concept of wealth creation must include the preservation of natural wealth; it must maximise value to all stakeholders, and sell only those products and services that are aligned to ecology and society.

The balance sheet of a company should include triple Ps, i.e. people, planet, and profit. Some examples of Triple P assets would be 'generated jobs', 'clean energy assets in operation' while examples of Triple P liabilities would include, 'tax incentives that have been fed back into society' etc (Table 4). The special economic zones (SEZ) benefit that an IT company is entitled to is a liability, because taxpayers' money has been diverted. Another example is that a price needs to be applied to the pollution that an organisation causes which is a liability. Child labour, forced labour, consumption of public infrastructure, etc. are all other examples of a company's social liabilities.

Table 4 Proposed balance sheet for organisations.

Triple-P assets	Triple-P liabilities
Jobs generated	Government subsidies and incentives, use of taxpayers' money
Clean energy assets in operation Green products and services for customers Products designed for customer health and safety	Pollution of water, air and land leading to adverse impact on the planet's survival and on community health and societal longevity
Contribution to infrastructure and services with concrete public benefit	Consumption of public infrastructure and resources e.g. roads, water, education
Diversity, inclusivity and pluralism at the workplace	Use of child labour and forced labour
Continuous employee development leading to productive and committed citizens	Discrimination in recruitment and talent development
Engaging with and contributing to communities	Impact on sensitive bio-diversity areas and consequent danger to species
Intellectual and intangible assets for the company and for society	Fraud and corruption at workplace which drain resources that could have had legitimate social uses

Wipro's view of good citizenship

At Wipro we believe that organisations are primarily socio-economic citizens, and therefore their goals and objectives have to be congruent with society's goals. Like corporations everywhere, Indian corporations have become the most powerful group in society over the last two decades and today, they wield significant capacity to influence social issues, i.e. 'power to do good'. This power to do good is a responsibility which must manifest in a thoughtful and deliberate set of initiatives, and not in cheque-book charity. Further, these initiatives must reflect the same level of rigour and strategic thinking that is found in business programmes. A decade back, when we started deliberating on these major issues, the principles of the UN Charter on Human Rights, that seeks to create an equitable, just and humane society were conceptual anchors—we decided to focus on education and the needs of proximate communities. We added ecology as a core engagement area three years back.

Figure 2 is a summary representation of our action programmes on the three dimensions of Ecology, Community and Society. Wipro Cares is an employee-volunteer driven community programme that works with local communities in identified areas like disaster rehabilitation, adult and child education in slums and construction sites, etc. Wipro Applying Thought in Schools (WATIS) works with a network of partners to bring about long-term systemic reform in our school education system. Mission10X is a programme with similar goals but focused on engineering education. The Azim Premji Foundation (APF) is the foundation which our Chairman started in his personal capacity, APF works on multiple issues and challenges in education in underprivileged and disadvantaged schools.

Wipro's 'good citizenship' initiatives are guided by Spirit of Wipro, combining business with integrity, ecological sustainability, and social and community initiatives.

Systems approach to business and development

Gijs Spoor

Zameen is a farmer owned fair-trade organic textile company, and we link producer organisations to consumer-facing brands worldwide. I am going to focus more on the concept behind what we do at Zameen. I want to explore the possibility of systems thinking and systems dynamics as a framework for bringing business and development together.

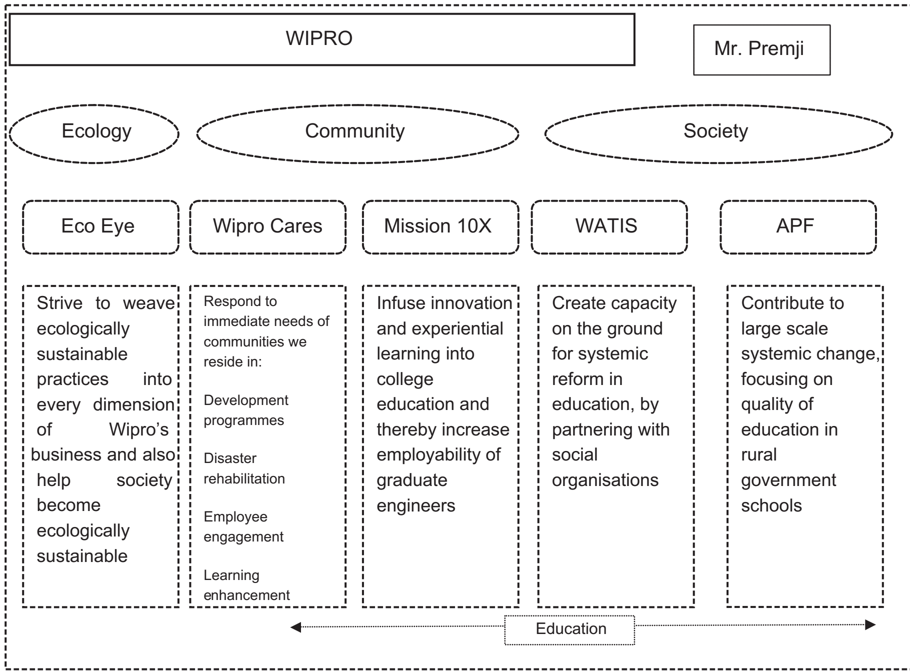


Figure 2 Wipro's good citizenship initiatives.

If one were to locate places to intervene in a system, and look at the things from an alternate systems perspective, one would see that the most common practice is often the least effective (Figure 3).[2] This framework is a very effective way of intervening in the socio-economic system. Generally when people try to effect change, they increase the size of flow, which is the least effective way of changing the system. As and when you go down the list of leverage points, you become more and more effective. You can actually change the structure, connect different elements, include new elements, you can look at negative feedback—like the minimising of risks, you can look at positive feedback, which is more effective—rewarding, celebrating good behaviour. But you can still go further and create new linkages, new information connections—even move towards different goals for the system.

I will now give you detailed examples of how we are using this practically, to develop a business model for development. But first let us look at what a system is.

The properties of a system, according to my definition, are stocks and flows, and feedback loops which could be positive or negative. Very often the working of feedback loops is untraceable—you can only see the effect they cause. Another characteristic is that the behaviour of the total system is often counterintuitive. Finally, while operating a system, you have a goal in mind, you relate it to the size of your stock, and if there is a discrepancy between the perceived state and your goal, you either increase or decrease the flow of the stock.

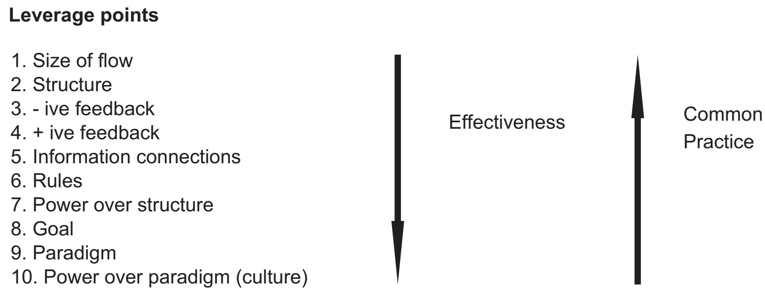
Most companies would look at wealth as the stock that we are trying to maximise; but in our company, we also look at social capital and bio-diversity as stock; all our management information systems (MIS) that we have developed from maximising the stock of money could be put to use to maximise stocks of social capital or natural capital.

As an agricultural engineer I strongly believe that the economy, however important it is, is nested within a social system, which is situated in the ecological system, and we are only one of the species occupying it. So my mind frame is entirely ecological. Farmers in India operate in a much more complex natural system than say in Europe, since they are dependent on the vagaries of the monsoon. So providing farmers' services to allow farmers to maximise and optimise their natural resources is very complicated and requires ecological thinking.

Figure 4 shows the theoretical framework of our business model, which is based on the Donella Meadows framework. It explains the different levels of leverage points and how we look for the optimal multiplier effect. Normally if you are a trading company, you buy things from one part of the chain which is directly linked to you and you sell it to the next link. In textiles, for example, there are fifteen different intermediaries who do not know each other. We thought of bringing together the beginning and the end of the chain for the first time. And that was when we first started changing the structure of the business model.

Going further down the list towards maximum effectiveness, we created information linkages. There has been a lot of reporting in the media on sustainability and consumers are asking more and more difficult questions. As we document the impact of the supply chain and report that to the consumers, we have had many consumers asking brands how they deal with other products, and so on. Thus by introducing the consumer community to some

[2] The list of leverage points was developed by the mathematician Donella Meadows. See D Meadows, Leverage Points: Places to Intervene in a System, Report from Sustainability Institute, December 1999.



Source: D Meadows, Leverage Points: Places to Intervene in a System, Report from Sustainability Institute, December 1999

Figure 3 Places to intervene in a system.

information about the producer community, you are able to effect a lot of change in a very efficient way.

Bringing the producers and consumers together also affects the rules of the game. Consumers, especially in Europe from where I come, often feel completely disempowered, like cogs in a wheel, not knowing where their products are coming from. In Europe we don't produce anything ourselves any more. While we know that our consumption pattern is bringing about a lot of detrimental changes to our planet, we also feel that we do not have the power to reverse it. Thus, in Zameen (to echo what Anant Nadkarni said), we have tried to use ownership and governance as a fundamental step in trying to change the structure of the system.

We are a farmer owned company—50% of our shares right now are blocked for small scale farmers with less than six acres. In effect, we have opened up the definition of our business model to an entirely new group of stakeholders, and so the power of deciding the structure is currently in the hands of an entirely new constituency. This also means that we are open to farmers' suggestions, for example, of replicating the cotton value chains in pulses, or other products that are a priority for them.

To explain the structure of Zameen (Figure 5): we are a private limited company and right now we are working with 5000 farmers. They are all structured in self-help group systems which are federated into clusters of 200—300 members—those are registered as societies. We work in two districts—Adilabad in AP and Amaravati in Vidarbha. The Adilabad Organic Farmers Association and the Amaravati Organic Farmers Association are service providers, involved in organisation development and technical support for the clusters. The company was initially promoted by a non-profit organisation called the Agriculture and Organic Farming Group (AOFG), but donor funding is now being replaced by funding through the market, through fair-trade premiums.

Zameen sells textiles to ethical brands, who then sell them with a earmarked premium, which is re-invested in the running of the farm organisation, as well as in a village development fund administered by these community based organisations.

We are designing a new business model which is not at the mercy of the market, but uses the market to ensure efficiency. As Herman Daley rightly said, the market is a good slave but a bad master.

At the same time we need to work with civil society organisations, and the government. We are currently working with the Planning Commission and the Agriculture Finance Corporation on creating a more enabling

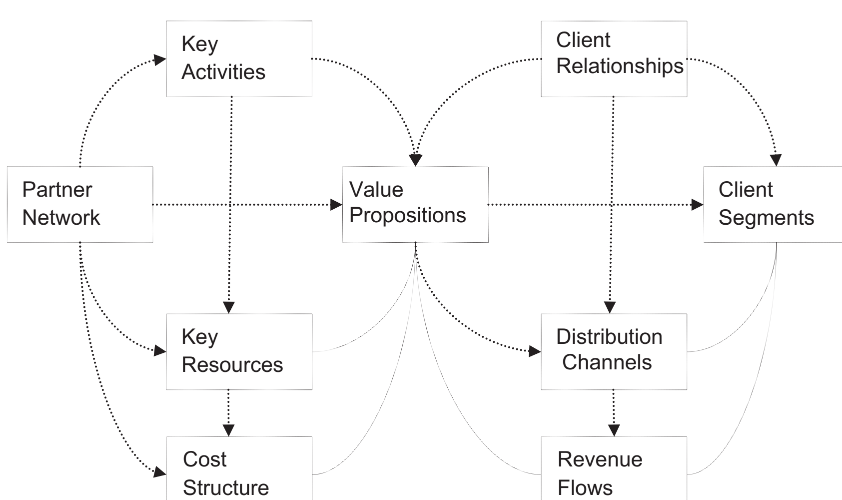


Figure 4 Zameen business model.

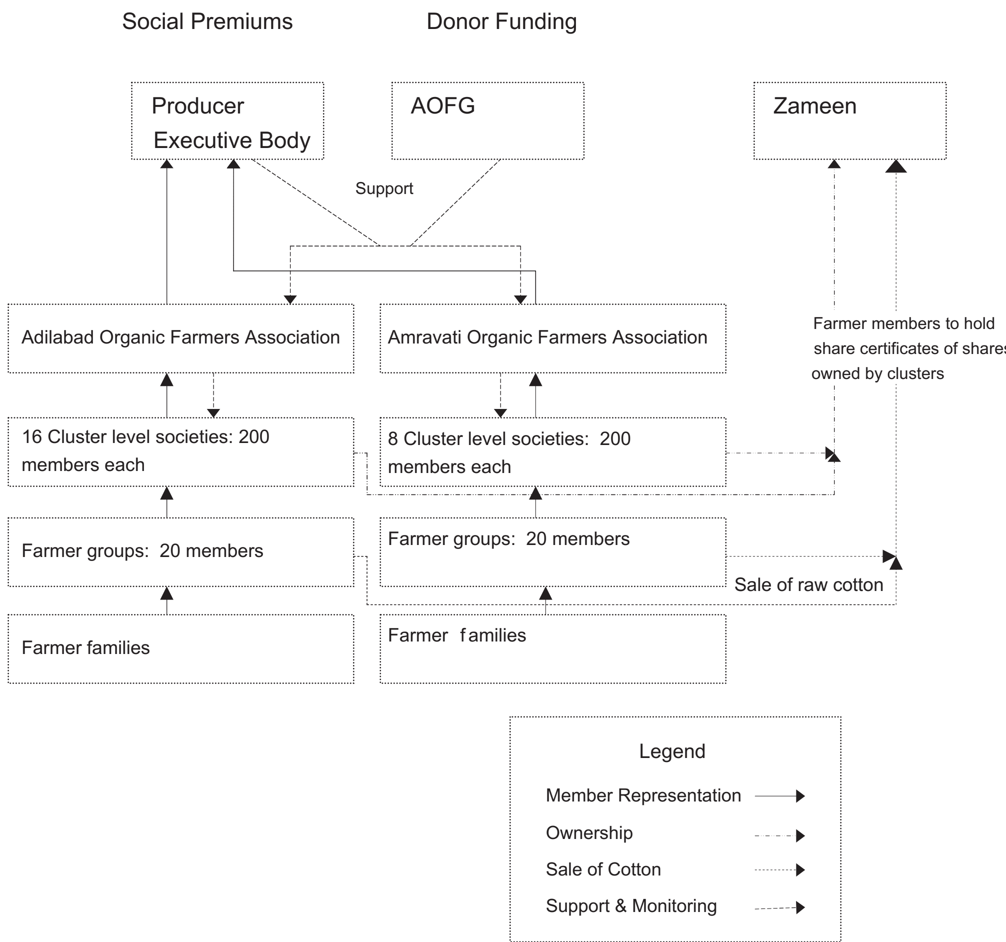


Figure 5 Structure of Zameen.

environment for similar structures to emerge. Our aim in the next two or three years is to set up or at least facilitate or promote 100 similar companies in which the primary stakeholders have a majority share in the structure of the company and are directly linked to the consumer community. This may completely change the way commodities are being brought to market and the system in which we operate.

Farmer communities will have control over development funds which they earn by trading, not through hand-outs. And they learn the language of social entrepreneurship, enabling a transformation from being victims into being proactive changemakers.

The paradox of business and development

Rohini Nilekani

The paradox of business and development is such that if you look at development from the business side, it means one thing, and if you look at business from the development side it means another thing. There is so much polarisation in India between the development sector and the business sector that a lot of my interest has been in bridging this divide. As the four previous presentations have emphasised, business is re-imagining itself. Though globalisation is much maligned by certain sectors, it has given us a sense of our common destiny, and the ecological movement has had a lot to do with this. Business can no longer say that it's only business is business, because all business people are citizens, and they wear these different caps simultaneously, nesting into one another, and they have to think with all of them. At the same time, the development sector, while providing that little thorn in the flesh of business all the time, can no longer refuse to dialogue. The social sector is now pushing for mutual understanding, and I think these are very positive signs.

The whole movement to re form—not reform, but re form—the market, is very encouraging. Multinationals are changing their ways of doing business, because there is nowhere to hide. The movement for transparency, for accountability has been relentlessly at their heels, and everywhere we see questions being raised on the future of capitalism itself. Clearly some serious change is brewing. The previous speakers mentioned some indicators—we are seeing changes in the structure of the companies and ownership; we are looking at much more shareholder activism; people are trying to bridge the gap between the producers and the consumers, making things much more local; consumers, shareholders and employees are making different choices—these are the things that are bridging the divide between business and development, and I see that as a very positive trend.

Last year, I was travelling in Gujarat and Rajasthan, where there are communities that provide models for conserving the natural resources base, on which business so much depends. These desert communities, which depend on the livestock economy, maintain a good balance between society (samaaj), jaanwar (livestock) and water (paani). Even if one of these things moves out of balance, then everybody suffers. This wisdom has supported them through the years and through many difficult seasons of drought and rain. I think that same wisdom has to dawn on the larger world of the corporate sector as well.

Though the previous speakers presented a very inspiring picture of what they do, everything is not as rosy as we would like it to be. The larger companies have many people shadowing everything that they do, but if you look at the second layer of companies, in India, at least, they are not asking the right questions. They are not articulating these concerns about ecology and people, planet and profits. All of us—the industry organisations, the business schools—have to start the dialogue at that level. I think that's where the next challenges are going to be.

Today, the shrinking natural resource base and access to that natural resource base for those who are not in industry are the points of conflict. To extend an old adage, it is no longer about teaching somebody how to fish, it is really about ensuring the rights of access to the water body where he can fish; and that's where the problems and the conflicts are. So, for example, when it comes to our extractive industries, we need to have much, much more public discussion on what kind of structures there should be. There is too much silence—silence on the exploitation of our natural resources. And we need to ask our government questions about how licenses are given, who is making the money, what should be in the commons, whether they (the extractive industry companies) should be run by the state, and yet what are the problems associated with state-owned monopolies. I believe not enough questions are being articulated in the media on these issues.

Business schools also have a lot of work to do in this whole space. It is important to train those who are going to join the business world to ask questions, to 'give voice to values'.

I see hope because we really don't have much choice. Innovation happens in times of crisis, the best in people comes out when their backs are against the wall. With a new century and a whole new perspective, and the clock running out in terms of global warming, I believe that we are going to innovate our way out of this from a position of values.

Discussion

Ananya Mukherji: The presentations in the round table discussion raised several important issues. Almost all the presentations raised the issue that at this time the 'market' and business in general is experiencing a lot of power; but it is not necessarily being the good slave that it is supposed to be. So, the biggest question is, how do we change the nature of corporate power; what kind of limits can be put on it and how can it be put to the best use?

The second issue that came up was the very fundamental question of business' relationship to society. All the three models that were referred to—the Friedman model, the social contract model and the ecological model—raise in one way or the other the key question of the social context in which business is embedded.

The third question is about the nature of ownership; and for social scientists, the question about corporations that probably engages us the most is, how are they owned, how democratic is that ownership (even within a democratic model of ownership, is it really democratic in practice), whose views does it represent, and so on. In fact, these are the same questions that we raise about our government.

The final question is about the nature of the relationship between the public and the private; in terms of basics such as water, food, education, life saving drugs etc, we went from a model which was completely state centric to one that completely debunked the state and saw the private sector as the only capable agent for delivering those services. Then, during the food crisis, we concluded that marketising of food and water may not be the best way forward from a societal perspective. Right now, it is the key need of the day to understand the role of the public and the private; how to 're form' both the public and the private and what should be their relationship to one another.

Further, how do we move these concerns forward? Rohini made a point in the end about there being a conspiracy of silence over certain issues. How is the media tackling issues like the extraction industry? Are they asking the tough questions? Even when there is not a conspiracy of silence, there is inaction—in the curriculum, in the business schools, in the whole education sector. How does one raise more systematic knowledge about these issues?

Anant Nadkarni: We have been discussing 'the business of business' and we can sum up the argument in academic terms by saying it is the creation of sustainable value. Put more simply, the business of business is to improve the quality of life; there need not be any further doubt on this issue. The important thing is to restore integrity to business. Corporations have experienced the creation of power, but the integrity of an enterprise lies in the distribution of that power. The technicalities of detail, of structure, method or model, are really operational—the important thing is the integrity of the model. Once you believe that co-creation is important, then the perspective on ownership changes—wealth does not really belong to a single set of stakeholders, but to the 'community at large'. So, that community is the purpose of the enterprise; and we need to restate the purpose of profit, the purpose of business and the purpose of engagement on those terms.

Coming to the point of the need to dialogue with stakeholders: recently, we had a full workout of two days with 50 companies; we said that most of what we do is reporting—one way reporting, and it is about information and data. Only when there is a crisis is there any dialogue or the semblance of it. We do not anticipate or build platforms for dialogue or build it as a capability, as we do for other functions like finance and HR; we don't have capabilities for dialogue. The highest form of dialogue would be engagement, because that is really equity of partnership, and in an engagement there is a lot of tacit knowledge creation, which is very close to creation of sustainable value.

Ananya Mukherjee: I have a question for Mr. Reddy. Given the norms of the priority sector on the one hand and the new norms of profitability for public sector banks on the other, do you find it difficult to balance the two? What do you do when conflicts come up between the two?

Narasa Reddy: This is a conflict that public sector banks have been facing. At the same time, if you compare the scenario today to that in the 70s or even the 80s, the strikes that were so common then have now virtually stopped. It indicates that the public sector banks have been able to meet the aspirations of the people, by and large. Of course there is much scope for improvement — even today, going by the report of the Rangarajan Financial Committee on Financial Inclusion, hardly 27% of needy families are able to access bank credit, and 22% borrow from moneylenders; 51% do not have access even to a money lender. In fact, the government wants to see whether this money lending itself can be formalised; whether lending can be done by moneylenders because banking on its own may not be able to reach everybody in the near future. Thus, the opportunity available to us, in terms of expanding our business, is immense. Further, we as bankers must perform our responsibility in reaching them — that is the biggest CSR which we are required to do.

It has an impact on our profitability in terms of transaction costs—and that is where we are looking into the use of information technology, smart cards and business correspondence so that we can reach a large number of people. We are trying to innovate through models such as branchless banking to see how our costs can be brought down so that our profits need not be touched. However, our returns are as good as the returns from any other commercial venture.

Rohini Nilekani: It would be interesting to see how you rise to the challenge of a triple bottom line, because right now we are doing a single bottom line approach.

Anant Nadkarni: This whole idea of reporting is based on the lines of financial reporting, and therefore the triple bottom line or the other five lines you add are all still bottom lines. If you are trying to create sustainable value, it should be expressed as an aspiration, that this is a company that makes more than just profit; that there is a purpose to that profit. And that can be expressed in terms of human capital.

Narasa Reddy: We opened about 18 lakh (1.8 million) 'zero balance' accounts in the last two years, where we thought there would be zero balance; today the average balance is Rs 1600 in these accounts. In an area where we did not expect business, today we are having almost Rs 450 crores (4.5 billion) of savings in these accounts.

Financial inclusion has pushed us to realise that what we have touched is only a quarter of the base that we have to serve—only 27% of the needy families have access to bank credit. Affordable interest rate is what we are working on.

I don't see any conflict between profits and the CSR initiatives of the bank. In the long run, the welfare of any institution depends on the welfare of the people. I cannot be sustainable unless my operations are sustainable. The priority sector is definitely not a losing proposition for banks today. There is 98% recovery in SHGs, and these are all small accounts. Moreover, a public sector bank can now reach large numbers, thanks to technology. Today technology has brought down transaction costs and priority sector lending reaches a large number of people.

Coming to the subject of salary caps: I would suggest caps on perks. Rohini was talking about the conspiracy of silence, but I feel that it is not only a conspiracy of silence, but also a conspiracy of license in many respects.

Anant Nadkarni: Just as we are shifting from philanthropy to development, we should shift from affluence to abundance. The power of the corporation to create wealth should not be stifled. But where does the wealth go? It is the distribution and sharing that is important. We have had enough of regulations and control raj for a long time; there will be some excesses, till such time as we mature. But I think the situation is hopeful, and we have the example of the developed countries, who have gone too far in one direction and are coming back.

Gijs Spoor: Anant Nadkarni mentioned that one of the core skills that business needs to learn is that of dialogue; I think another core skill is ecological literacy. If you have an ecological world view and you realise that you are a part of a larger whole, you will apply that cap yourself. It cannot function as well if somebody else puts in the cap, because you will only start defending your position and opposing that cap. But just like you have an aspiration or a system where you want to maximise well being, I think you should also look at an aspiration where you value or maximise sustainability; or maximise harmony between the part and the whole. People have to voluntarily say, 'I have enough'; and they will need a huge amount of education before they can take that kind of responsibility.

I want to come back to the question that Ananya raised at the beginning of the discussion about the nature of corporate power, going on to Anant's point about there being only one stakeholder and that is the community, with business being part of that community. In our case, we define the community as everybody who is associated with this value chain, and we want to use the integration of that community for a number of purposes. Firstly, for the redistribution of value: we believe that those who work hard must get the benefit. Presently, the people who sweat get only five rupees on a five hundred rupee retail product, their labour and their work are being undervalued. This ties up with Anant's point of where does the profit go?

Secondly, we want to reward people for producing public goods. One of the presentations made the point that public goods are the domain of the state. We believe that public goods can be traded and its suppliers can be rewarded through market systems. For example, farmers do not only produce raw materials, but they also produce bio-diversity, they produce clean air, soil fertility for future generations and so on, they prevent migration to the cities and clogging up of the urban systems; but they are not being suitably rewarded. Through value chain communities this can change because they can find direct buyers for those public goods.

Thirdly, there is a spiritual challenge in connecting to a larger whole. It should be possible to translate the spiritual sense of increased belonging to a spiritual bottom line, if you will. Then we have four P's: People, Planet, Profit, Purpose.

These are, as I see it, the three purposes of value chain integration.

Ananya Mukherjee: On this question of caps, my concern goes beyond that to ownership structures and whether some structures are inherently disposed towards generating huge inequalities. If this is so, it may be difficult to solve it by voluntary capping, and it becomes a matter of regulation. However, if one looks at the relationship of business to society, and how business thinks of its own role, then the issue of the ratio of salaries may be differently conceptualised. A similar thing happened in Japan in the post-war period where national development was the primary goal and an attempt was made to prevent personal wealth from getting out of hand; but it did, despite very high control.

P S Narayan: The issue of caps, whether it be on absolute salaries or by having a maximum ratio, should not be seen in isolation. The events of the last year, when the issue of caps came up in the US, are a result of the human failings of greed and myopia. Among other things, such failings are a result of the lack of ecological literacy. The arguments presented by the other speakers were that with ecological literacy, if you have the ability to connect yourself to the bigger picture and see the interconnectedness of everything, then your concept of wealth changes. You also start seeing legitimacy in doing with less rather than with more. However, from an individual, material perspective, organisations and markets will broadly continue to work on some variant of the capitalist system. But what needs to be remembered is that independent of individual positions, the Friedman perspective or the ecological perspective, over a period of time, the results of certain sets of actions are going to be detrimental to society and the ecology. Regulations and external interventions come in because supposedly self-regulating systems like markets do not achieve the promise of the maximum good for the maximum number. That is the reason why you have regulations, or the reason why even the need to talk about things like salary caps comes up.

Another point was raised on public goods. While I am not saying that the state must have a monopoly on public goods, I am not sure whether there exists a formula to determine the extent of control that the state should have. And in countries like ours where the market systems are not developed enough to act in a way that public goods remain so, we may have to depend on a certain amount of intervention from the government.

Another point that I want to make is that some of the fundamental ways in which business operates are stumbling blocks. One is the short term orientation to goals and results; if you have to make an impact on an issue as fundamental as education, the outcomes can evolve only over three to four decades. Here, you are talking about something as fundamental as shaping students into more holistic, more sensitive and more humane individuals. This can happen only over several years. Businesses, typically, do not have high tolerance of ambiguity, and they do not understand what the long term means; for them 'long term' is three years, at the most. And therefore, even though they may want to engage in certain sectors, they may, by their very genetic makeup, be disadvantaged as they do not understand the long term. Further, with its fixation on measurement—which is not a bad thing in itself—business has little patience for dealing with the non-measurability of the nuances of social outcomes.

These are some aspects that prevent business from engaging in social issues with the kind of effectiveness that they require.

Ananya Mukherjee: I have a question for Rohini, who works on water particularly. The website,'waterthe-nextoil.com', gives you all of the analysis of why water is the best place to invest in right now, not only for large corporations but also for the small investor. Is it really feasible that if more and more people start investing in water, then a market in water will evolve, which will then deliver water more efficiently to the people who have the least access to water? At the same time, there is a lot of work going on against the commodification of water, but how do we actually bring it forward in the main dialogues and discourses?

Rohini Nilekani: This is a very complex question; it goes back to public goods also, and to the role of the state in delivering equity. Water being as essential as it is, you cannot leave it to the markets because markets will not be able to reach those that are below the space of the market, and often the state also is weak exactly in that space. So it really requires a lot of civil society work in that space, where neither the state nor the market is able to deliver equity for the last citizen and to the environment, because the environment has no voice.

In this context I want to bring up three things. We were talking about caps; it is very interesting to see the development of the culture of enough. A lot more people are beginning to understand the non-separation between the individual and the whole. I want to give an example of how at the edge of conflict, it is very hard for people, especially those living in poverty. This is just one instance of many such in our country. In Bhuj I met a woman who was on the water committee or the paani samiti of the village, who was also the spokesperson of the village. She said that they were managing their water in that area very well with just 100 mm of rain—everybody had as much as they needed for their economy and their life. Recently, in their catchment, a company had been given the license to mine limestone, and that company was trying to buy up all these people's lands at sums that they could not imagine. It is very difficult to resist that kind of money. So, once greed comes in as an externality which is negative, then all the work that you have done for community building might get wiped out. Then the question of agency comes up. The worst situation is that of a an ineffective government regime where the people's representatives represent only themselves and get into cahoots with a greedy private sector, leaving the interests of the people out of the equation.

So it is a question about agency, about representation, about citizenship. It is about the kind of leadership that we elect. What is the lever that each one of us has in a democracy? All these questions are very much tied into a democratic system like ours.

Anant Nadkarni: I want to add to this point about levers. When we started introspecting on this question in the Tata Group, particularly on the problem of how firms could change labels but not the content, we realised that our bandwidth of leadership was really insufficient. Cognitive intelligence and the search for numbers do not really go hand in hand. But once the bandwidth changes, we can talk of satisfaction and meaning.

We realised that we needed people with passion, and for that we needed leadership that creates a sense of purpose, a sense of meaning. After engaging with this question, we brought out what is called the Tata CS leadership model, which integrates the business with being human, and still deals with being effective, improving shareholder value which a business has to do in a practical way.

The key is leadership which has multiple aspects—emotional, social, intuitive, creative, and spiritual. From the discussions it emerged that there are two things that people will be remembered for—one is the systemic legacy that they leave behind; the second is the leadership footprint, how you made a difference in the lives of the people immediately around you.

Gjis Spoor: To add to what Rohini said, especially the example from Bhuj, one of the issues that we are grappling with is the problem of success. We redistribute value, and we advocate that all farmers should be integrated into the value chains and get a larger part of the profits. But when a company like the Bhuj limestone company comes in and suddenly all these farmers are lakhpatis, what are they going to do with that money? The next step is to think about leadership— how can we promote a sort of wisdom in dealing with those increased assets and utilities, so that they actually contribute to meaning, and not to dysfunctional greed?

Ananya Mukherjee: What Rohini was saying points us to the question of regulation of business — a key question and challenge the world over, and a particularly tricky problem in India. The question is not only one of state regulation versus voluntary initiatives, but also about how the pressures coming from civil society get translated into state policy, how we can effectively discipline the state to regulate business in a way that is socially useful..

The other question concerns greed; not only greed in the context of CEO salaries, but also, as we were discussing right now, what happens to a very poor farmer, who suddenly is in a position to buy a car. And then there is also the supply side problem, which we see in a case like the Nano project. If you have the bottom of the pyramid approach, then the approach would be one of targeting and supplying goods to the rural class coming with purchasing power, irrespective of what that good might do in terms of the ecological framework. So, if we have this sudden rise in income and inequality on the demand side, this becomes a market opportunity on the supply side. Business has a role to play on both sides—how will it deal with this?

Anant Nadkarni: We do not really have a mandate for corporate sustainability. But we do realise that what came from commitment was far greater in value than what came from compliance. Structurally, certain things have to be done, but the mindset part of it is even more important. Volunteering and leadership is a big source of inspiration for us.

Audience: Mr. Spoor, in your presentation, I got the impression that being responsible and creating business through fair means or fair trade, as you said, could mean a premium in the market place. However, most markets do not differentiate in the mindset between 'unfair' and 'fair' trade. How will your product become sustainable if it is priced out? Is there a way of making it fair as well as least cost (reasonably priced/affordable)?

Gijs Spoor: Thanks very much for asking that question. We are talking about redistribution of value and we fundamentally disagree with the current distribution of value. We don't agree with the way markets externalise social and environmental costs and we don't believe that current commodities are priced at cost. There is no sustainable costing right now.

Unfortunately the WTO does not allow us to differentiate between two products if they look the same in the laboratory. But the consumers are way ahead of the WTO, and they are the ones who are going to pull the value chains to recognise these values.

Audience: We may talk about the triple bottom line, but why are most companies hesitant about projecting their CSR work as the company's work? Is it because the shareholders might make a noise saying that you are all playing God with our money? Or do companies not want to own up to CSR activity, even if there are separate foundations for CSR, because they are doing it for strategic reasons and there is a business case embedded in it?

Audience: One thing that comes across from the presentations of all the panellists is that there is a requirement for alternative measures of performance and not just the financial performance measures. Even microfinance institutions (MFI), contrary to their social objective, are being measured by their financial performance; in fact some MFIs which are doing a very good job in terms of reaching out to the very poor, are sometimes not getting access to commercial loans because of their not-so-good financial performance. Have big companies who are into CSR initiatives taken any measures to include alternative performance measures in the annual reports?

Rohini Nilekani: We are moving towards it, and some companies are looking at it actively. They may do something like off balance sheet reporting first; and stage by stage see how they can integrate social and environmental indicators into their primary balance sheets. It is happening in the West and may take some time to implement here.

Anant Nadkarni: The Company Law Board and the Planning Commission have set up a committee with the ICFAI to look at today's balance sheet now being reported under the triple bottom line, and show as economic capital where SHGs and microfinance institutions are working. This is already reported in some of our Tata companies.

But I would like to share an insight with you on micro financing institutions. Most companies, including Tata, depending upon the needs, are working on microfinance initiatives with agencies like Basix or Grameen Bank or ICICI. This is working very well and it should be encouraged to get the poorest of the poor to the first step of the economic ladder. However, if you don't integrate them quickly into your supply chain, the companies may become macro while the people remain in their micro syndrome. That is one of the dangers that everybody in microfinance is realising.

P S Narayan: There are about thirty companies in India doing sustainability reporting, largely in alignment with the GRI framework, which is probably step one in terms of a lot of disclosures. However, how do you really do true cost accounting for your actions — your green accounting? That is something that is not going to happen soon enough, not because of the want of good intentions, but probably because there is no formal established framework for companies to follow easily.

Rohini Nilekani: Rating agencies are beginning to develop such frameworks, so in a few years at least version one will happen, which will keep on getting refined.

Anant Nadkarni: In all our greenfield projects now, development is being considered as a cost, like materials and labour. All Tata companies have three components in their budgeting: community development and social development; environmental management; and donations for Section 80 G exemption, so that the charity component is very clear. This cleansing has been happening for the last five years to make sure that we show the sum of Rs 350 crores (Rs 3.5 billion) spent every year as directed more towards community development or greening up.

Ananya Mukherjee: We need to work on the alternative measures of performance, and the irony is that it is the development institutions that want to move into the corporate ways of measuring development projects.

I invite one round of final comments on the way forward — how do we take forward this debate on business development, which goes much beyond CSR?

Gijs Spoor: Ecological literacy would be my number one priority for all MBAs in India to be trained on—thinking like a mountain, or long term thinking. The curriculum could include case studies on social enterprise models; and we volunteer to be documented.

Reflecting on the different ways of accounting and measuring, we don't need to wait for a government to put up all kinds of regulations. We recommend communicating with consumers about issues that matter to them, and, about the different sustainability issues that we think we can generate a positive impact on, as we are doing with our value chains. We are also talking about how much internalisation you can do on social and environmental costs and just what the consumers are willing to pay, whether there is a market for sustainability, and so on.

Anant Nadkarni: I would just like to quote what Jamsetji Tata said in 1868: 'The community is not just another stakeholder in business but is in fact the very purpose of the existence of our enterprises'. I think it should be ingrained deeply and understood very well and applied.

Having said that, there is just one more thing that needs to be done is, don't over regulate, don't over manage, don't over supervise; try to lead from the front, and by motivation.

Narasa Reddy: As far as the banking side is concerned, there is a need for much greater financial literacy and credit counselling. That is a very challenging task and the issues to be tackled are quite vast, and that is one area where the business schools can help us.

Secondly, in the public sector the leadership keeps on changing, and there is a need for continuity, for sustainability of ideas rather than programmes. This has to be a very rigorous and constant exercise. A big issue that we face in microfinance institutional financing is the dependence on a single leader. And the leadership keeps changing. Moreover, these are loans without any security. So that is another area where I think something can be done in collaboration with B-schools.

P S Narayan: I echo the position on ecological literacy. In the ecological movement there are two camps — Nature First and People First. People First is community oriented and Nature First is nature oriented. If you stop at being community oriented, then we will stop short of the things that really need to be done to get us out of the problem. So that is the reason why you have to necessarily go to the extreme of ecological literacy, right from schools to B-schools to the working population.

Secondly, on the subject of the movement for transparency and accountability: while I think everyone agrees that there is a case for regulation, the important thing is to create a momentum on this fast, because we do not have the luxury of time. The majority of the companies are not concerned with these issues. So may be the solution is to create just the right amount of mandating to get everybody to disclose — that is what is really going to create that critical mass of pressure points for translating intentions to actions.

Rohini Nilekani: The crux of the matter is the relative positions of society (samaaj), the market (bazaar), and the government (sarkar). As one of my colleagues in Bihar says, it used to be samaaj on top, the sarkar in the middle and bazaar at the bottom; today it has all become topsy-turvy. We need to return that to its natural state, which includes ecological balance; and go tell the story — everyone becomes a storyteller. There are enough stories to tell about how society has achieved this balance in the past in small pockets.

Ananya Mukherjee: Thank you all for contributing to what has been a fruitful discussion.

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