

Case Study-CSR as a Tool for Re-Branding

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“Concern for man and his fate must always form the chief interest of all technical endeavors ...

Never forget this in the midst of your diagrams and equations.”

- Albert Einstein

Abstract

CSR is no longer philanthropic or a publicity campaign, rather it is a business tool. Companies have been taking up social welfare activities from time to time. Recently the business priorities have emerged into Public Private People Partnership (PPPP) for social causes. Short term charity based welfare programs and interventions are now are not sustainable but CSR brings about sustainability. Business houses have begun to realize that they can flourish only on successful societies.

While CSR is relevant for the industry point of view, it is particularly significant for Industries in developing countries like India, where it can contribute towards increasing the limited resources for meeting the ever growing aspirations and diversity of a pluralistic society. CSR intervention is not based on personal agendas but should have leadership commitments, innovative approaches and partnerships towards improving the social conditions of the community. Further, the synergy of corporate action with the government and the civil society make CSR interventions more effective. The studied case of Tata Refractory has been credited for aggressively pursuing several corporate social responsibility (CSR) initiatives in India. The case describes the vision and mission of Tata Refractory which places importance on CSR. It then examines how the group's vision is translated into action through the various community development initiatives.

Driven by outside pressure, a set of ethical principles were declared but they received little attention since their press release was poorly timed; the press release coincided with close down of unit at Belpahar, Orissa due to unethical business conduct concerning to environmental issue . These cases discusses, how the Tata Refractory had gone about integrating various CSR initiatives , the measures it is adopting for institutionalizing the concept and the various benchmarks adopted. Finally, the case examines how Tata Refractory is integrating CSR with its business processes in the organization's journey towards Brand excellence not only in Domestically but also Globally. Branding represents a cornerstone in the corporate marketing umbrella. It is a simplifying symbol that helps stakeholders distinguishes between sales offers. Credence values such as social responsibility and ethical business conduct are intangible; the brand thus becomes a guarantee for the communicated social values.

Keywords: Corporate Social Responsibility, Tata Business Excellence Model, Tata Group, Environmental Standards

Introduction

”Business is not divorced from the rest of society. How companies behave affects many people, not just shareholders. A company should be a responsible member of the society in which it operates” (Internet, World Business Council for Sustainable Development, 1, 2006).

Businesses and their role in society are subject to more intense scrutiny than ever. What is the main purpose of a company’s existence? Is it simply to maximize profits in order to satisfy the owners’ requests and demands, or is it possible to see the company in a larger perspective in society? Should this perspective go beyond pure financial aspects of the activities? The quotation above refers to the ongoing debate about corporate responsibility. Besides being a profitable business, the responsibility of a company can, for example, be connected to programs for fair treatment of employees, using sustainable environmental friendly methods and participating actively in discussions about ethical social dilemmas (Löhman & Steinholz, 2003; Philipson, 2004). It is a discussion about how companies choose to do business, solely with financial objectives or in a responsible way that might affect the financial return, supporting other values.

The ongoing debate concerning the role of the businesses in the community is an expression of expanded corporate responsibilities referred to as CSR, corporate social responsibility, or CR, Corporate Responsibility (Löhman & Steinholz, 2003). There is no one universally accepted definition (Whitehouse, 2006), but a number of organizations and companies have their own interpretation of CSR. The European Union states the following about the definition of CSR:

“CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Internet, EU 1, 2006).

CSR is regarded as a part of the “triple bottom line”, a concept that was coined by Elkinton (1998) in which sustainability is built on financial, environmental and social grounds. Working actively with an increased awareness and focus of the responsibilities of a corporation gives the business communities the opportunity to be important and powerful actors in society (Nilsson, 2005; Ruggie, 2002). Companies are encouraged to actively work with CSR. But it is not only an opportunity given to the companies; it is also in many cases expectation by customers, employees, society and other stakeholders.

This project is based on a case study of one of the largest Refractory companies in India(Gochhait,S 2009). The objective of the case study is to provide an empirical picture of how a large corporation handles communication of CSR issues.

World Business Council for Sustainable Development, (WBCSD), <http://www.wbcd.ch>

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36.

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CSR & Corporate brands

Brands today are one of the key focal points of corporate success. Companies try to establish popular brands in consumer minds because it increases leverage, which is directly reflected in sales and revenue. All aspects of a company's operations today feed into helping build the corporate brand. Crucial is how a brand is perceived by all stakeholders and customers.



Sources: http://www.policyinnovations.org/ideas/commentary/data/csr_brand_impact

The Tata Refractories Ltd. (TRL) case

Tata Refractories Ltd. (TRL) is India's biggest refractories producer. The vision of TRL is to be a "Global Refractories Company" and the mission is "Tata Refractories shall be a high performance and technology driven organization committed to create value for all its stakeholders". It is one of the few Indian companies in this industry to have implemented ISO 9001:2000 in 1994 and 1995 and Integrated Management Systems in 2006. It has also earned many national and international awards for the quality of its products and consistent performance. With Tata's name, which is known for its business values and ethics, it has one of the best equipped R&D facilities, a strong ERP coverage, and a production capacity of 175000 tons per annum.

During the year, the Company has taken a number of initiatives and successfully implemented the same through involvement of community and employee volunteers. Some of the major initiatives taken are as follows: (www.tataref.com)

- **Community health and hygiene:**

- 337 cases of family planning operations were carried out in association with government agencies.
- Around 2750 children were covered under immunization programme with the help of the government machinery.
- Around 1500 patients have availed the benefits of three health camp organized by the company at different places.

- As part of our drive to ensure every house should have a toilet, 221 toilets were provided in different villages during the year.
- Eleven Tube Wells and 3 Deep borewells were installed in remote villages to provide clean drinking water.

- **Operation Khushi:**

The Company took the initiative of correcting cleft lip and cleft palate cases and has completed around 400 surgeries free of cost to the beneficiaries. It is a matter of pride that the “smile train”, a reputed NGO from the USA has accredited our JG hospital at Belpahar as an approved center for carrying out cleft lip and cleft palate surgeries. From the date of accreditation (October 2009), 68 cases have been successfully operated free of cost so far.

- **Education:**

During the year, facilities such as 252 pairs of Bench and table, 3 sets of science lab, apparatus and 1 modern library were provided to different schools in the nearby villages to help them to improve the standard of education.

- **Self employment programme:**

12 nos. of unemployed rural youths were identified and imparted self development programme with the help of an NGO in the field of masonry and carpentry. These trained youths are already engaged in gainful employment.

In 2007, when Dr. Hrushikesh Panda was at the helm of Forest & **Environment** Department, **Tata Refractories Limited (TRL)** at Belpahar, was accused of pollution. Orissa Pollution Control Board (OPCB) issued closure notice and the Chief Minister announced the closure of TRL in the floor of the House.(www.orissalinks.com,2007)

Since 2007, Tata Refractories working hard on the sustainability issues instead of CSR and include the social, environmental and financial values in their definition of sustainability. This makes CSR and sustainability synonymous according to the definition of CSR used in this study (the European Union’s definition of CSR).

www.orissalinks.com,2007, available on <http://www.orissalinks.com/orissagrowth/topics/environment/closure-notice-once-issued/tata-refractories-ltd>.

Recognition:

TATA Refractories has been conferred the prestigious TERI Corporate Social Responsibility Award 2009 by the President of India on June 5, 2009 at an event organized by The Energy & Resources Institute held at Vigyan Bhavan in New Delhi.

Mr AK Chattopadhyay MD of TRL received the award from Mrs. Pratibha Patil, President of India, in the presence of Mr. R.K Pachauri director of TERI and Mr. Jairam Ramesh minister of state, forest and environment, government of India.

TATA Refractories has been selected for the award for its outstanding contribution for combating congenital deformities like cleft lip and cleft palate under their Operation Khushi programme, a major corporate sustainability initiative of the company. (www.tataref.com)

Partners

In October 2008, the company's JG Hospital at Belpahar got accredited by 'the Smile Train' of USA, an international NGO working for the cause of correction of cleft lip and cleft palate worldwide.

So far more than 400 cases have been operated free of charge under this program, thereby bringing a 'smile' to many faces from a child of one year to a grown up adult of 40 years. Some of the female beneficiaries, after the surgery, could get married and are leading happy conjugal life. The company has now extended this facility to all, including people residing outside Orissa. (www.tataref.com)

An empirical Study- Approach

In recent years refractory industries in India are fighting a reputation of doubtful business ethics. Recent history and reputation leaves the sector no other choice but working with and communicating a serious approach towards CSR issues. Despite the fact that Tata Refractory has worldwide operations like China and Singapore. (www.tataref.com), this study has been limited to the activities in the recent years on the Indian market in order to give CSR issues one cultural settings.

The data collected from articles in the newspapers are published in the year of 2007 to 2008 since the chosen research area is of increasing novelty and current interest.

In constructing a case, interviews and articles about CSR have been the primary empirical sources. In this process, qualitative rigor has been achieved through numerous confirming interviews with relevant stakeholders and customers and careful documentation that provides grounds for a rich and detailed empirical picture.

Case study questions:

- (1) How far this **CSR** concept is taken seriously by Tata Refractories?
- (2) Do Tata Refractories use this **CSR** as their **Brand** building exercise? If so is it acceptable or not?
- (3) How Tata Refractories can implement **CSR** effectively?

Findings:

In this chapter we will present the results of the case studies considering the empirical data collected based on the above three parameters:

- (1) How far this **CSR** concept is taken seriously by Tata Refractories?

“In the flat world, with lengthy global supply chains, the balance of power between global companies and the individual communities in which they operate is tilting more and more in favor of the companies....

As such these companies are going to command more power, not only to create value but also to transmit values, than any other institution on the planet.”*

Thomas L. Friedman, *The World is Flat*, 2005.

*This conclusion appears to be supported by public opinion. The 2007 Edelman “*Trust Barometer*” found that a majority of respondents in North America (71 per cent) and Asia (72 per cent) thought that global business plays a role that no other institution can in addressing major social and environmental challenges. Fifty-seven per cent in the European Union and 63 per cent in Latin America also believe this to be true.

Many factors and influences have led to increasing attention being devoted to the role of companies and CSR. These include:

- **Sustainable development:** United Nations’ (UN) studies and many others have underlined the fact that humankind is using natural resources at a faster rate than they are being replaced. If this continues, future generations will not have the resources they need for their development. In this sense, much of current development is unsustainable—it can’t be continued for both practical and moral reasons. Related issues include the need for greater attention to poverty alleviation and respect for human rights. *CSR is an entry point for understanding sustainable development issues and responding to them in a firm’s business strategy.*

- **Globalization:** With its attendant focus on cross-border trade, multinational enterprises and global supply chains—economic globalization is increasingly raising CSR concerns related to human resource management practices, environmental protection, and health and safety, among other things.

CSR can play a vital role in detecting how business impacts labour conditions, local communities and economies, and what steps can be taken to ensure business helps to maintain and build the public good. This can be especially important for export-oriented firms in emerging economies.

- **Governance:** Governments and intergovernmental bodies, such as the UN, the Organisation for Economic Co-operation and Development (OECD) and the International Labour Organization (ILO) have developed various compacts, declarations, guidelines, principles and other instruments that outline norms for what they consider to be acceptable business conduct. *CSR instruments often reflect internationally-agreed goals and laws regarding human rights, the environment and anti-corruption.*

- **Corporate sector impact:** The sheer size and number of corporations, and their potential to impact political, social and environmental systems relative to governments and civil society, raise questions about influence and accountability. Even small and medium size enterprises (SMEs), which collectively represent the largest single employer, have a significant impact.

Companies are global ambassadors of change and values. How they behave is becoming a matter of increasing interest and importance (see box below).

- **Communications:** Advances in communications technology, such as the Internet and mobile phones, are making it easier to track and discuss corporate activities. Internally, this can facilitate management, reporting and change. Externally, NGOs, the media and others can quickly assess

and profile business practices they view as either problematic or exemplary. *In the CSR context, modern communications technology offers opportunities to improve dialogue and partnerships.*

- **Finance:** Consumers and investors are showing increasing interest in supporting responsible business practices and are demanding more information on how companies are addressing risks and opportunities related to social and environmental issues. *A sound CSR approach can help build share value, lower the cost of capital, and ensure better responsiveness to markets.*

- **Ethics:** A number of serious and high-profile breaches of corporate ethics resulting in damage to employees, shareholders, communities or the environment—as well as share price—have contributed to elevated public mistrust of corporations. *A CSR approach can help improve corporate governance, transparency, accountability and ethical standards (see matrix below).*

- **Consistency and Community:** Citizens in many countries are making it clear that corporations should meet the same high standards of social and environmental care, no matter where they operate. *In the CSR context, firms can help build a sense of community and shared approach to common problems.*

- **Leadership:** At the same time, there is increasing awareness of the limits of government legislative and regulatory initiatives to effectively capture all the issues that CSR address. *CSR can offer the flexibility and incentive for firms to act in advance of regulations, or in areas where regulations seem unlikely.*

- **Business Tool:** Businesses are recognizing that adopting an effective approach to CSR can reduce the risk of business disruptions, open up new opportunities, drive innovation, enhance brand and company reputation and even improve efficiency.

Do Tata Refractories use this **CSR** as their **Brand** building exercise? If so is it acceptable or not?

Tata Refractories key potential benefits for implementing CSR includes :

- **Better anticipation and management of an ever-expanding spectrum of risk.** Effectively managing governance, legal, social, environmental, economic and other risks in an increasingly complex market environment, with greater oversight and stakeholder scrutiny of corporate activities, can improve the security of supply and overall market stability. Considering the interests of parties concerned about a firm's impact is one way of better anticipating and managing risk.

Improved reputation management. Organizations that perform well with regard to CSR can build their reputation, while those that perform poorly can damage brand and company value when exposed. Reputation, or brand equity, is founded on values such as trust, credibility, reliability, quality and consistency. Even for firms that do not have direct retail exposure through

brands, their reputation for addressing CSR issues as a supply chain partner— both good and bad—can be crucial commercially.

- **Enhanced ability to recruit, develop and retain staff.** This can be the direct result of pride in the company's products and practices, or of introducing improved human resources practices, such as "family-friendly" policies. It can also be the indirect result of programs and activities that improve employee morale and loyalty. Employees are not only front-line sources of ideas for improved performance, but are champions of a company for which they are proud to work.

- **Improved innovation, competitiveness and market positioning.** CSR is as much about seizing opportunity as avoiding risk. Drawing feedback from diverse stakeholders can be a rich source of ideas for new products, processes and markets, resulting in

competitive advantages. For example, a firm may become certified to environmental and social standards so it can

become a supplier to particular retailers. The history of good business has always been one of being alert to trends, innovation, and responding to markets. Increasingly, mainstream advertising features the environmental or social benefits of products (e.g., hybrid cars, unleaded petrol,¹⁴ ethically produced coffee, wind turbines, etc.).

- **Enhanced operational efficiencies and cost savings.** These flow in particular from improved efficiencies identified through a systematic approach to management that includes continuous improvement. For example, assessing the environmental and energy aspects of an operation can reveal opportunities for turning waste streams into revenue streams (wood chips into particle board, for example) and for system-wide reductions in energy use, and costs.

- **Improved ability to attract and build effective and efficient supply chain relationships.** A firm is vulnerable to the weakest link in its supply chain. Like-minded companies can form profitable long-term business relationships by improving standards, and thereby reducing risks. Larger firms can stimulate smaller firms with whom they do business to implement a CSR approach.

For example, some large apparel retailers require their suppliers to comply with worker codes and standards.

- **Enhanced ability to address change.** A company with its “ear to the ground” through regular stakeholder dialogue is in a better position to anticipate and respond to regulatory, economic, social and environmental changes that may occur. Increasingly, firms use CSR as a “radar” to detect evolving trends in the market.

- **More robust “social license” to operate in the community.** Improved citizen and stakeholder understanding of the firm and its objectives and activities translates into improved stakeholder relations. This, in turn, may evolve into more robust and enduring public, private and civil society alliances (all of which relate closely to CSR reputation, discussed above). CSR can help build “social capital.”

¹⁴ See, for example, “*What Assures Consumers*,” Accountability and National Council, 2006.

Access to capital. Financial institutions are increasingly incorporating social and environmental criteria into their assessment of projects. When making decisions about where to place their money, investors are looking for indicators of effective CSR management. A business plan incorporating a good CSR approach is often seen as a proxy for good management.

- **Improved relations with regulators.** In a number of jurisdictions, governments have expedited approval processes for firms that have undertaken social and environmental activities beyond those required by regulation. In some countries, governments use (or are considering using) CSR indicators in deciding on procurement or export assistance contracts. This is being done because governments recognize that without an increase in business sector engagement, government sustainability goals cannot be reached (see box below).

- **A catalyst for responsible consumption.** Changing unsustainable patterns of consumption is widely seen as an important driver to achieving sustainable development.

Companies have a key role to play in facilitating sustainable consumption patterns and lifestyles through the goods and services they provide and the way they provide them. “Responsible consumerism” is not exclusively about changing consumer preferences. It is also about what goods are supplied in the marketplace, their relationship to consumer rights and sustainability issues, and how regulatory authorities mediate the relationship between producers and consumers.

How Tata Refractories can implement **CSR** effectively?

A well-designed CSR implementation framework integrates economic, social and environmental decision making throughout a firm—from the board of directors to front-line officials and supply-chain partners—and is therefore intimately connected with effective corporate governance. A properly governed firm can reap optimal benefits for itself and its shareholders, and in turn for those who are affected by the firm’s activities. At all levels of a firm, inadequate direction and control of its activities and assets can jeopardize its very ability to operate.

Implementation framework

When? (Conceptual phase)	What? (Task delineation)	How? (Checkpoints on the journey)
Plan 	1. Conduct a CSR assessment	<ul style="list-style-type: none"> • Assemble a CSR leadership team; • Develop a working definition of CSR; • Identify legal requirements; • Review corporate documents, processes and activities, and internal capacity; and • Identify and engage key stakeholders.
	2. Develop a CSR strategy	<ul style="list-style-type: none"> • Build support with CEO, senior management and employees; • Research what others are doing, and assess the value of recognised CSR instruments; • Prepare a matrix of proposed CSR actions; • Develop ideas for proceeding and the business case for them; and • Decide on direction, approach, boundaries and focus areas.
Do 	3. Develop CSR commitments	<ul style="list-style-type: none"> • Do a scan of CSR commitments; • Hold discussions with major stakeholders; • Create a working group to develop the commitments; • Prepare a preliminary draft; and • Consult with affected stakeholders.
	4. Implement CSR commitments	<ul style="list-style-type: none"> • Develop an integrated CSR decision-making structure; • Prepare and implement a CSR business plan; • Set measurable targets and identify performance measures; • Engage employees and others to whom CSR commitments apply; • Design and conduct CSR training; • Establish mechanisms for addressing problematic behaviour; • Create internal and external communications plans; and • Make commitments public.
Check 	5. Assure and report on progress	<ul style="list-style-type: none"> • Measure and assure performance; • Engage stakeholders; and • Report on performance, internally and externally.

The framework is intended to help boards of directors, CEOs, managers, employees and others assess a firm's effects on society and the challenges and opportunities associated with taking these impacts into account in decision making and business activities. As understood here, a firm's CSR approach should be an integral part of its core business objectives and strategy. Just as importantly, it is also part of a wider trend towards exploring ways to ensure that the individual and collective activities of the business sector advance progress towards internationally-agreed challenges, and create an environment where business is itself sustainable.

Conclusions

The results lead us to think that marketing and management of the brand image are important mediating factors in the relationship between corporate social responsible behavior and corporate social responsibility rankings. In short, *it is not enough to do good, it is necessary to show it.*

The findings have a number of implications. First, for investors, customers and other stakeholders, it highlights to more carefully examine the CSR ratings commonly published in the media, particularly the methodology and criteria used for assessment.

The findings also suggest several implications for companies. First, it suggests a key role of marketing and PR in shaping perceptions of CSR and is consistent with arguments of other researchers who have argued that corporate communications is an important strategic tool in creating competitive advantage (e.g. Balmer and Gray, 2000; van Riel, 1995). Second, it suggests also a key role for corporate ethics officers in not just ensuring compliance with guidelines for ethical behavior but also promoting ethical initiatives within the company and externally.

Obviously our study has a number of limitations and further research is required to establish the nature and strength of the relationships we have suggested between CSR and brand value. Further research, for example, could examine how consumers and other stakeholder groups include companies in their consideration set when they assess corporate social responsibility of firms. This is an area that has so far not been explored to any great extent by marketing researchers. Other research could examine how CSR interacts with other aspects of corporate reputation in brand valuation by investors or how marketing and PR can influence perceptions of corporate social responsibility by consumers, investors and other stakeholders.

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